



KANSAS WHEAT COMMISSION

Kansas grown. Kansas good.

**Kansas Wheat Commission Annual Report**  
**Presented to House Committee on Agriculture and Natural Resources**  
**Wednesday, March 7, 2012**  
**By Rich Randall**  
**Scott City, Kansas**  
**Kansas Wheat Commission Chairman, District 2**

Chairman Powell and committee members, thank you for the opportunity to provide an annual report from the Kansas Wheat Commission. My name is Rich Randall, and I am the chairman of the Kansas Wheat Commission. I farm near Scott City.

The Kansas Wheat Commission was established by the Kansas legislature in 1957 to represent the state's wheat producers in the areas of research, domestic marketing, international marketing, education and communication. It is funded by the wheat assessment, which collects a penny-and-a-half per bushel of wheat at the first point of sale. The Kansas farmers who grow wheat are our stakeholders, and our nine-member commission represents these farmers.

In addition to copies of this testimony, we have presented you with a copy of our 2011 Annual Report, our FY 2011 audit, and copies of a new brochure the Kansas Wheat Commission created for visitors to Kansas, and for those Kansans who may not be familiar with the Kansas wheat industry. We have distributed boxes of "The Wheat State" brochure to travel centers, museums and other locations in Kansas; we even had a staff member present wheat information, souvenirs and other handouts – at the Kansas Department of Commerce's request - about wheat harvest and the wheat industry at the Travel Centers near Belle Plaine and Goodland during the 2011 wheat harvest. We are proud of the role Kansas wheat farmers play in feeding a hungry world.

and its contributions to the Kansas economy. Our hope is that this creative educational piece will be an entertaining and informative piece for folks who travel in Kansas.

In the 12 months since I visited with you last, the Kansas Wheat Commission has embarked upon a number of new initiatives. Chief among them are the ground-breaking and beginning construction of the Kansas Wheat Innovation Center, a \$10 million research, greenhouse and office complex built by wheat producers, for wheat producers. When completed later this year, the Kansas Wheat Innovation Center will begin making a tremendous positive, long-term impact on our state's wheat industry. New wheat varieties will be developed, new wheat technologies will be discovered, and new methods of plant transformation will be deployed, to boost wheat production, disease tolerance and crop quality of the Kansas wheat crop.

The Kansas Wheat Information Center encompasses 15,000 square feet of laboratory space, 10,000 square feet of greenhouse space and 10,000 square feet of office space north of Bill Snyder Family Stadium in Manhattan. The greenhouse and laboratory facilities will be state of the art, and allow for cutting-edge, multi-discipline wheat research from Heartland Plant Innovations and Kansas State University. Built by wheat farmers to ensure the long-term viability of wheat production in Kansas, this facility will be the only one of its kind in the nation.

Last year, you may recall, we talked a bit about HPI and its "Doubled Haploid" laboratory, which promises to reduce the time needed to develop new wheat varieties by about 50%. HPI is not only running at maximum capacity; it has run out of room at leased space at Kansas State University and has had to add additional space in Manhattan. That is a good problem to have.

The KWIC, which also will house the offices of the Kansas Wheat Commission and Kansas Association of Wheat Growers, will address issues that plague the industry now, such as yield improvement, drought tolerance, and more. Meanwhile, the Kansas Wheat Commission continues to invest in more than a million dollars in wheat research each year. This investment comes in the form of research projects conducted by land-grant university researchers. More than two dozen such researchers presented proposals to us last month, and

... are now studying these projects to determine which ones to invest in. We do not make these decisions lightly; we are stewards of funds provided by the wheat farmers of Kansas.

Now, let me continue with a synopsis of some of the last 12 month's achievements.

In June, the Kansas Wheat Commission hosted the second National Festival of Breads amateur bread-baking contest in Wichita. Working with nationally known sponsors King Arthur Flour, Inc. and Fleishmann's Yeast, we hosted eight amateur bakers from across the nation to visit Kansas during wheat harvest, participate in a tour of harvest fields, a grain elevator and flour mill, in an effort to develop a "farm-to-fork" experience. The competition concluded in Wichita with more than 750 folks watching the eight finalists compete for a chance to win prizes totaling \$10,000 in value. An Oregon woman, Gale Collier, won the competition with her recipe called "Quick Raisin Granola Breakfast Rolls." The goal of National Festival of Breads is two-fold: to increase consumption of wheat flour, and educate consumers about the role farmers play in providing a safe, affordable food supply. That dozens of VIPs from across the country get to enjoy the beauty of Kansas during wheat harvest is a bonus.

Not long thereafter, the winners of the "Kansas Wheat Yield Contest" were determined. This was the second annual Wheat Yield Contest, in which we reward producers in Eastern, Central and Western Kansas who produce the highest yield per acre. This year's top yield was greater than 100 bushels per acre – a true testament to what farmers can accomplish with excellent management skills and a little help from Mother Nature. More than 20 farmers entered the contest, and of those, we rewarded the producer who provided the highest quality sample of wheat, with an extra cash award. As farmers, we are often paid based on yield. But we know that Kansas farmers produce the highest quality winter wheat in the world, and we want to develop a protocol for not only producing top yields, but top quality. We presented cash awards to these contestants at the Kansas State Fair.

Our second-place winning exhibit in the Pride of Kansas Building delivered on its promise to resurrect the "Kansas Wheat Fountain" after a two-decade hiatus. The exhibit – which also highlighted the history of

wheat production in Kansas – was a tremendous success. Not only was the wheat fountain highlighted in videos on YouTube, it became mentioned on Twitter numerous times and was even mentioned in National Public Radio's "All Things Considered" radio program. Hundreds of people had their pictures taken with the Wheat Fountain in the background.

Meanwhile, the farmer-leaders of the Kansas Wheat Commission participated in several trade team activities, during which millers, wheat buyers and executives from key wheat buying businesses from around the world come to Kansas to learn more about the wheat crop, meet the farmers who grow that crop, and spend classroom time learning how to best use the winter wheat our farmers grow. In 2011, we hosted four such trade teams. Each year, we host a group from Nigeria, which continues to be the number one importer of Hard Red Winter wheat. In turn, we hope to leverage Kansas Department of Agriculture funding to take a group of farmers to Nigeria and meet with industry officials there. We have learned that person-to-person relationships with many of these wheat buyers – such as Nigeria – are vital in the always competitive world wheat trade. Incidentally, U.S. Wheat Associates, the wheat industry's international marketing assistance group, helps with trade team planning and market development. Producer dollars contributed to U.S. Wheat Associates are matched 3-to-1 by the USDA's Foreign Agriculture Service. The Kansas Wheat Commission also works regionally with other states in supporting the K-State Department of Grain Science International Grains Program and Plains Grains, Inc.

Those efforts paid off in September, too, when a delegation from Taiwan was on hand in this very building to sign an agreement with Kansas officials that promises Taiwan will buy 62.5 million bushels of Hard Red Winter wheat in 2012-13. Taiwan is the world's sixth biggest buyer of American agricultural products and has been a very good friend to Kansas wheat producers since 1978.

We anticipate very good prospects for the 2012 wheat crop. Last fall, farmers planted nearly 9.5 million acres of wheat, an increase of about 700,000 acres over the previous year. Kansas is known globally as the

"breadbasket to the World," which is one reason Kansas wheat farmers are investing now, to sustain a bright future for Kansas Wheat.

This concludes my report. Thank you once again for your support, this opportunity to share with you our efforts and your leadership in the future as we continue to work together. I'd be glad to answer any questions the committee may have.

**KANSAS WHEAT COMMISSION**

Manhattan, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

June 30, 2011 and 2010



November 9, 2011

To the Commissioners  
Kansas Wheat Commission  
Manhattan, Kansas

### Independent Auditors' Report

We have audited the accompanying statements of net assets and balance sheets of Kansas Wheat Commission (the Commission) as of June 30, 2011 and 2010, and the related statements of activities and statements of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2011 and 2010, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Varney & Associates*

Certified Public Accountants

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**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 For the Years Ended June 30, 2011 and 2010

**Overview**

Within this section of the Kansas Wheat Commission's (the Commission) annual financial report, the management provides narrative discussion and analysis of the financial activities of the Commission for the year ending June 30, 2011. The Commission performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

The Commission is funded by Kansas wheat producers through an assessment when grain is sold by the producer to the first purchasing agent. The Commission funds programs that enhance the competitiveness of wheat by facilitating the development and adoption of innovation for wheat producers. These programs focus on the legislative mandates of research, education and communication, and domestic and international market development.

The income received each year by the Commission is heavily correlated to the size of the Kansas Wheat crop. Each year the Commission collects approximately 93.6% of the wheat produced in the state. In 2011, Kansas produced 273 million bushels of wheat, down from the 360 million bushels produced in FY 2010.

**Fiscal Year 2011 and 2010 Financial Condition**

	<u>2011</u>	<u>2010</u>
<b>Beginning Net Assets</b>	\$ 5,019,973	\$ 3,452,553
Wheat assessment collected	5,717,350	5,360,666
Other income (sales of promotional items, operating activities, reimbursed expenses, etc.)	203,410	169,668
Interest income	87,160	86,285
<b>Total Income</b>	<u>\$ 6,007,920</u>	<u>\$ 5,616,619</u>
Refunds to producers	(358,216)	(321,784)
Expenditures	(4,124,483)	(3,727,415)
<b>Total Expenses</b>	<u>\$ (4,482,699)</u>	<u>\$ (4,049,199)</u>
<b>Change in Net Assets</b>	<u>1,525,221</u>	<u>1,567,420</u>
<b>Ending Net Assets</b>	<u>\$ 6,545,194</u>	<u>\$ 5,019,973</u>

New income consisted of \$5.72 million of wheat assessment collection, \$203,410 from promotional items, sponsorships, operating activities, reimbursed expenses, etc, and \$87,160 of interest income by investing in CD's.

In January, 2009 the assessment authority was changed for the first time in twenty-five years from 10 mills to 20 mills, or 1 penny per bushel to 2 pennies per bushel. However, the assessment was only raised from 1 cent per bushel to 1.5 cents per bushel.

The investment by producers into the Commission is voluntary and each individual producer has the opportunity to request a refund on the investment. In FY 2011, the Commission refunded \$358,216 or 6.26% of assessment collections to producers. This refund rate increased from 6.01% in FY 2010 and 5.07% in FY 2009.

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**KANSAS WHEAT COMMISSION**  
Manhattan, Kansas  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Years Ended June 30, 2011 and 2010

**Fiscal Year 2011 and 2010 Financial Condition (Continued)**

This year's expenditure budget was \$5.23 million. This is an increase from the previous year, which was approved at \$4.13 million, with the primary increase due to budgeted design and construction expenses for the planned wheat research building. The FY 2011 budget goal was to begin preparations for construction of the Kansas Wheat Innovation Center. This decision was made based on the priorities within the Kansas Wheat marketing plan as set forth by the Board of Directors. Research and domestic and international market development programs were the core mandates that received funding in the fiscal year ended June 30, 2011.

The crop estimates were lower than the actual income received of \$5.36 million, so the Commission was able to replace \$1.1 million of the reserve fund. The asset value increased from \$5.02 million in FY 2010 to \$6.55 million in FY 2011. This year's asset portfolio consists of \$4.28 million liquid cash and \$1.85 million in certificates of deposit. There was very little change in fixed asset depreciation.

Kansas Wheat Commission has continued to explore building a Wheat Research Building that would be the new home of the Commission offices. Funds were originally committed for this purpose on March 29, 2007 by a unanimous vote of the Commission board of \$2.5 million dollars. These funds have continued to be noted in the financial statements as the designated building fund. The Commission has worked with KSU and Heartland Plant Innovations for researchers to occupy the lab space and utilize greenhouse space to advance wheat variety development for Kansas farmers. Potential ground breaking and final financing of the construction of the new facility is scheduled to begin in Fiscal Year 2012.

The Commission has entered into a construction Management contract with Coonrod and Associates, Wichita, KS, for the Kansas Wheat Innovation Center. The construction began in October of 2011 with an anticipated completion of the project November 2012. The Guaranteed Maximum Price on the project is \$8.2 million dollars. The Commission intends to spend up to \$4.0 million out of reserves cash on hand and take out a mortgage for the facility of \$3.5 million dollars from Kansas State Bank. The mortgage will be a 10 year fixed mortgage with an interest rate of 4.7%. Heartland Plant Innovations will also be contributing to the project in funding the construction of the greenhouse which will be approximately \$1.0 million dollars.

Effective July 1, 2005, Kansas Wheat Commission and the Kansas Association of Wheat Grower (the Association) entered into cooperative agreement. This agreement outlines a new structure that allows for continuation of two separate entities and two boards of directors, a joint committee system, one staff and one office. The Association contracts with the Commission for staff and office services and could affect the financial situation for the next few fiscal years. This year completed the sixth full year of this cooperative agreement.

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*Financial Statements*

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENTS OF NET ASSETS**  
 June 30, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 4,282,959	\$ 2,042,208
Certificates of deposit	1,845,743	3,012,668
Accounts receivable	7,109	-
Interest receivable	6,272	8,226
Prepaid expenses	16,200	-
Tuition reimbursement receivable	-	2,259
<b>Total Current Assets</b>	\$ 6,158,283	\$ 5,065,361
<b>Non-Current Assets</b>		
Capital assets - Net	\$ 40,909	\$ 57,762
Construction in progress	428,076	55,706
<b>Total Non-Current Assets</b>	\$ 468,985	\$ 113,468
<b>TOTAL ASSETS</b>	\$ 6,627,268	\$ 5,178,829
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 24,223	\$ 99,537
Payroll taxes payable	-	11,255
Compensated absences	57,851	48,064
<b>Total Current Liabilities</b>	\$ 82,074	\$ 158,856
<b>Net Assets</b>		
Invested in capital assets	\$ 40,909	\$ 57,762
Unrestricted	6,504,285	4,962,211
<b>Total Net Assets</b>	\$ 6,545,194	\$ 5,019,973
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 6,627,268	\$ 5,178,829

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**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2011

	<b>EXPENSES</b>	<b>PROGRAM REVENUE</b>	<b>TOTAL</b>
<b>FUNCTIONS/PROGRAMS</b>			
Research	\$ 1,167,852	\$ -	\$ 1,167,852
Domestic marketing			
Wheat producers	449,255	(24,811)	424,444
Consumers	343,973	(41,750)	302,223
First purchasers/Domestic buyers	15,865	-	15,865
Miscellaneous	15,463	-	15,463
International marketing	1,221,373	-	1,221,373
Public issues	1,727	-	1,727
Special projects	21,000	-	21,000
Administration	9,453	-	9,453
Facility support	878,522	-	878,522
<b>Total Functions/Programs</b>	<b>\$ 4,124,483</b>	<b>\$ (66,561)</b>	<b>\$ 4,057,922</b>
 <b>GENERAL REVENUES</b>			
Wheat assessment			\$ 5,717,350
Refunds			(358,216)
Returned research dollars			12,672
KAWG Cooperative agreement			70,000
HPI Management agreement			50,000
Miscellaneous income			4,177
Interest income			87,160
<b>Total General Revenues</b>			<b>\$ 5,583,143</b>
 <b>CHANGE IN NET ASSETS</b>			<b>\$ 1,525,221</b>
 <b>NET ASSETS - BEGINNING AS PREVIOUSLY STATED</b>			<b>\$ 4,964,267</b>
Prior Period Adjustment			55,706
 <b>NET ASSETS - BEGINNING AS RESTATED</b>			<b>\$ 5,019,973</b>
 <b>NET ASSETS - ENDING</b>			<b>\$ 6,545,194</b>

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**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2010

	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>	<u>TOTAL</u>
<b>FUNCTIONS/PROGRAMS</b>			
Research	\$ 1,099,675	\$ -	\$ 1,099,675
Domestic marketing			
Wheat producers	388,752	(28,000)	360,752
Consumers	250,068	(4,500)	245,568
First purchasers/Domestic buyers	13,450	-	13,450
Miscellaneous	8,473	-	8,473
International marketing	1,139,316	(32,700)	1,106,616
Public issues	600	-	600
Special projects	24,728	(406)	24,322
Administration	8,228	-	8,228
Facility support	794,125	-	794,125
<b>Total Functions/Programs</b>	<b>\$ 3,727,415</b>	<b>\$ (65,606)</b>	<b>\$ 3,661,809</b>
 <b>GENERAL REVENUES</b>			
Wheat assessment			\$ 5,360,666
Refunds			(321,784)
Returned research dollars			5,002
KAWG Cooperative agreement			40,000
HPI Management agreement			50,000
Miscellaneous income			9,117
Gain (loss) on sale of assets			(57)
Interest income			86,285
<b>Total General Revenues</b>			<b>\$ 5,229,229</b>
 <b>CHANGE IN NET ASSETS</b>			 \$ 1,567,420
 <b>NET ASSETS - BEGINNING</b>			 3,452,553
 <b>NET ASSETS - ENDING</b>			 \$ 5,019,973

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 March 7, 2012  
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**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**BALANCE SHEETS**  
 June 30, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in checking	\$ 4,282,959	\$ 2,042,208
Certificates of deposit	1,845,743	3,012,668
Accounts receivable	7,109	-
Accrued interest receivable	6,272	8,226
Prepaid expenses	16,200	-
Tuition reimbursement receivable	-	2,259
	\$ 6,158,283	\$ 5,065,361
<b>TOTAL ASSETS</b>		

<b>LIABILITIES AND FUND BALANCE</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 24,223	\$ 99,537
Payroll taxes payable	-	11,255
<b>Total Liabilities</b>	\$ 24,223	\$ 110,792
<b>Fund Balance</b>		
Committed for compensated absences	\$ 57,851	\$ 48,064
Committed for building fund	1,871,924	2,282,481
Unassigned	4,204,285	2,624,024
<b>Total Fund Balance</b>	\$ 6,134,060	\$ 4,954,569
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$ 6,158,283	\$ 5,065,361

**RECONCILIATION OF FUND BALANCE TO NET ASSETS**  
 June 30, 2011 and 2010

<b>Total Fund Balance</b>	\$ 6,134,060	\$ 4,954,569
Amount reported in statement of net assets is different because:		
Capital assets used in government activities are not financial resources and therefore not reported in the fund	468,985	113,468
There were no retirements or terminations at June 30, 2011 so no payments of compensated absences are due to be paid with current funds	(57,851)	(48,064)
<b>Total Net Assets</b>	\$ 6,545,194	\$ 5,019,973

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 March 7, 2012  
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Financial Statements

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
 For the Years Ended June 30,

	2011	2010
<b>REVENUES</b>		
Wheat assessment	\$ 5,717,350	\$ 5,360,666
Refunds	(358,216)	(321,784)
Interest income	87,160	86,285
Returned research dollars	12,672	5,002
Kansas Gold Book sales	-	406
Sponsorship income	62,750	32,500
Miscellaneous income	127,988	131,816
<b>Total Revenues</b>	<b>\$ 5,649,704</b>	<b>\$ 5,294,891</b>
<b>EXPENDITURES</b>		
Special projects	\$ 10,000	\$ 7,500
Wheat Genome Project	5,000	5,000
Biotech	6,000	-
Whiteside Project	-	5,000
Unspecified	1,727	600
Public issues - Trade policy issues	1,167,852	1,099,675
Research contracts	9,453	8,228
Administrative expense		
Domestic marketing		
First purchasers/Domestic buyer		
Annual report	965	-
Grain grading schools	900	900
Sponsorships	8,000	6,550
Wheat Quality Council	6,000	6,000
Consumers		
Regional and national meetings	518	-
Urban wheat field	33,247	21,672
Anniversary tour	5,793	4,783
Sponsorships	8,075	3,500
Agriculture in the Classroom	25,000	20,000
Education and promotion	36,992	20,830
Spokesperson program	4,681	5,483
Festival of Breads	95,873	10,763
Membership contracts	133,794	163,037
Wheat producers		
Increase in wheat yields	5,621	8,147
Wheat conferences	-	8,934
Kansas Wheat Alliance	-	2,500
Sponsorships	2,230	6,831
Newsletters	37,104	25,518
Annual report	25,802	24,139
Producer promotions	5,523	34,657

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**Financial Statements**

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENTS OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (CONTINUED)**  
 For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
<b>EXPENDITURES (CONTINUED)</b>		
Domestic marketing (continued)		
Wheat producers (continued)		
Direct mailings	1,375	26,000
Website	128	5,659
Other promotions	40,112	21,925
Trade shows and booth rentals	4,860	4,160
Membership contracts	326,500	220,282
Promotional items	3,274	1,942
Other domestic travel	12,035	6,308
Hospitality	154	223
International marketing		
Flour mill purchases	-	32,032
Crop quality survey	34,358	32,607
Hospitality	1,606	912
Trade teams	7,748	11,141
Travel	14,040	9,264
Membership contracts	1,163,621	1,053,360
Facility support		
Tuition reimbursement	-	11,843
Capital outlay	3,799	29,017
Advanced plant design	7,035	7,228
Hospitality	351	132
Bank service charges	2,420	2,414
Professional fees	4,000	5,800
Building expenses	4,473	3,250
Meeting expenses	1,308	3,009
Telephone	12,564	12,044
Equipment rental	8,017	9,221
Postage and delivery	8,644	6,638
Office supplies	12,648	10,545
Advertising	-	1,398
Rent	42,000	42,350
Computer expense	10,618	7,653
Fees	8,044	5,257
Board expenses	57,708	31,075
Automobile expense	6,914	6,273
Utilities	7,443	7,672
Building insurance	1,616	2,314
Advance Plant Design	372,370	55,706
Miscellaneous	12,074	10,939

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**Financial Statements**

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENTS OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (CONTINUED)**  
 For the Years Ended June 30,

	<b>2011</b>	<b>2010</b>
<b>EXPENDITURES (CONTINUED)</b>		
Payroll expenses		
Wages	524,846	496,686
Payroll tax expense	39,279	37,564
Disability insurance	1,335	1,529
Health insurance	32,518	26,127
Retirement benefits matching	29,473	25,978
Worker's compensation insurance	1,546	1,638
Other payroll expense	11,209	5,759
<b>Total Expenditures</b>	<b>\$ 4,470,213</b>	<b>\$ 3,793,121</b>
<b>RECEIPTS IN EXCESS OF EXPENDITURES          (EXPENDITURES IN EXCESS OF RECEIPTS)</b>	<b>\$ 1,179,491</b>	<b>\$ 1,501,770</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>4,954,569</b>	<b>3,452,799</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 6,134,060</b>	<b>\$ 4,954,569</b>

*Financial Statements*

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**KANSAS WHEAT COMMISSION**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011 and 2010

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

**Organization**

The Kansas Wheat Commission (the Commission) is organized as an instrumentality of the State to conduct a campaign of wheat promotion and market development through research, education, and information. The Commission receives an assessment that is levied on wheat marketed through commercial channels in the state of Kansas. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as refund requested is \$5 or more.

**Method of Accounting**

The major source of revenue for the Commission, the assessment on wheat sold, is accounted for as a special revenue fund. The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2005.

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Commission has the option to apply FASB pronouncements issued after that date and has elected to apply those when applicable. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

The statements of net assets and statements of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statements of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function.

The balance sheets and statements of revenues, expenditures, and changes in fund balance are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available which is as soon as they are received and expenditures are generally recorded when incurred and payable from current funds.

**Income Taxes**

The Commission is a governmental entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

**Estimates**

Preparing financial statements on the modified accrual basis of accounting 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 revenues and expenditures during the reporting period. Actual results could differ from the estimates.

**KANSAS WHEAT COMMISSION**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011 and 2010

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

Cash includes all deposits in the bank and highly liquid investments with original maturities of three months or less. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. The Commission had no non-cash financing transactions nor made cash payments for income taxes or interest expense.

**Inventory and Prepaid Expenses**

The Commission has elected to account for inventories and prepaid expenses using the purchases method. Under this method, inventories and prepayments for services are reported as expenditures when purchased rather than capitalized as an asset.

**Capital Assets**

All capital assets are valued at historical cost. Depreciation is based on the estimated useful lives of the assets, using the straight-line method. Expenditures for major renewals and betterments that extend the lives of property and equipment are capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized in income of the period. The cost of maintenance and repairs is expensed as incurred.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition. The Commission has no debt outstanding at June 30, 2011 and 2010. Therefore, the net assets invested in capital assets are the historical cost of the capital assets, net of accumulated depreciation. In March 2007, the Board designated funds for the Commission share of a building to be constructed with funding in part through a grant from the Kansas Bioscience Authority.

**Reclassification**

Certain prior year balances have been reclassified to conform to current year presentation.

**Fund Balances**

Beginning with fiscal year ending June 30, 2010, the Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* - amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.

*Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

*Committed fund balance* - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority (i.e., the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint.

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011 and 2010

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Fund Balances (Continued)**

*Assigned fund balance* - amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

*Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Commission's governmental funds have been restated to reflect the above classifications.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

**Note 2: Cash and Certificates of Deposit**

Cash and certificates of deposit are maintained at Kansas State Bank located in Manhattan, Kansas and UMB Bank located in Kansas City, Missouri. The Commission also has certificates of deposit issued through CDARS by multiple FDIC-insured institutions that are held at Kansas State Bank.

The bank balance at June 30, 2011 in checking accounts totaled \$4,449,735 and certificates of deposit totaled \$1,852,016. The bank balance at June 30, 2010 in checking accounts totaled \$2,038,522 and certificates of deposit totaled \$3,221,506. Deposit security held by the Commission in its name and FDIC coverage was adequate to secure all deposits.

For June 30, 2011, the balances were secured as follows:

	<b>Kansas</b>		
	<b>State Bank</b>	<b>UMB Bank</b>	<b>Total</b>
FDIC insurance	\$ 250,000	\$ 69,508	\$ 319,508
CDARS accounts insured through multiple institutions	866,745	-	866,745
Collateralized by Federal Home Loan Bank letter of credit	5,115,498	-	5,115,498
<b>Total</b>	<b>\$ 6,232,243</b>	<b>\$ 69,508</b>	<b>\$ 6,301,751</b>

For June 30, 2010, the balances were secured as follows:

	<b>Kansas</b>		
	<b>State Bank</b>	<b>UMB Bank</b>	<b>Total</b>
FDIC insurance	\$ 250,000	\$ 83,197	\$ 333,197
CDARS accounts insured through multiple institutions	951,830	-	951,830
Collateralized by Federal Home Loan Bank letter of credit	3,975,001	-	3,975,001
<b>Total</b>	<b>\$ 5,176,831</b>	<b>\$ 83,197</b>	<b>\$ 5,260,028</b>

Funds on deposit at UMB Bank are swept nightly when target balances are reached, invested in repurchase agreements, and swept back when required for payment of checks to transfer funds to Kansas State Bank.

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011 and 2010

**Notes to Financial Statements**

**Note 3: Pension Plan**

On January 1, 2008, the Commission established a Section 457 plan and a section 401(a) plan. The plan allows the employee to contribute an amount from their wages to the plan. The maximum amount is established by the Internal Revenue Service. The Commission contributes a matching amount for each employee participating in the plan up to 7% of the employee's gross wages.

The Commission's expense for the years ended June 30, 2011 and 2010 was \$29,473 and \$25,978, respectively.

**Note 4: Capital Assets**

The Commission maintains an account for capital assets, which consists of furniture, equipment, vehicles, and computer hardware and software. Depreciation of these assets is calculated on the straight-line basis over the estimated useful life of the assets.

Changes in capital assets for the year ended June 30, 2011 were as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2011</u>
Furniture and equipment	\$ 188,971	\$ 3,799	\$ (744)	\$ 192,026
Construction in progress	55,706	372,370	-	428,076
Accumulated depreciation	(131,209)	(20,652)	744	(151,117)
<b>Net Capital Assets</b>	<u>\$ 113,468</u>	<u>\$ 355,517</u>	<u>\$ -</u>	<u>\$ 468,985</u>

Changes in capital assets for the year ended June 30, 2010 were as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2010</u>
Furniture and equipment	\$ 193,123	\$ 29,017	\$ (33,169)	\$ 188,971
Construction in progress	-	55,706	-	55,706
Accumulated depreciation	(145,305)	(19,016)	33,112	(131,209)
<b>Net Capital Assets</b>	<u>\$ 47,818</u>	<u>\$ 65,707</u>	<u>\$ (57)</u>	<u>\$ 113,468</u>

Depreciation expense was \$20,652 and \$19,016 for the years ended June 30, 2011 and 2010, respectively, and is included in facility support expense on the statements of activities.

**Note 5: Compensated Absences**

The Commission's policy allows employees to accumulate annual and sick leave as follows:

*Annual Time:*

- 0 - 5 years of service accrue 2 weeks per year
- 6 - 15 years of service accrue 3 weeks per year
- 15 or more years of service accrue 4 weeks per year
- Employees can accumulate 60 days maximum
- Employees can only carryover 1/2 of what is accrued each year
- Maximum payout is 30 days when an employee terminates employment or at retirement

*Sick Leave:*

- Employees initially accumulate 7 days per year
- Once an employee has accumulated 12 days of sick leave or has 3 years of continuous employment, whichever comes first, the employee accrues 14 days per year
- Maximum accumulation is 180 days
- Sick leave is paid at the employee's base rate of pay
- Maximum payout is 2 weeks upon termination of employment or 4 weeks upon retirement

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011 and 2010

**Notes to Financial Statements**

**Note 5: Compensated Absences (Continued)**

Compensated absences have been accrued for the balance due upon termination, \$37,924 in vacation pay and \$19,927 in sick leave for a total of \$57,851 for the year ended June 30, 2011 and \$31,215 in vacation pay and \$16,849 in sick leave for a total of \$48,064 for the year ended June 30, 2010. This liability is recorded in the statements of net assets. On the balance sheets, they are recorded as a designation of the unreserved fund balance.

**Note 6: Budget**

A legally adopted budget by the Commission is required by KSA 2-3005, but this budget is not required to be published or have a public hearing. Therefore, the budget is presented in the supplemental information section, but Kansas cash basis budget laws do not apply.

**Note 7: Building Lease**

On July 1, 2006, the Commission began leasing the building at 217 Southwind Place, Manhattan, Kansas from Tillman Partners, LP. The total lease payments were \$42,000 for the years ended June 30, 2011 and 2010. The lease is for three years with two additional one year renewable options. The future minimum rental payments are as follows:

Year	Amount
June 30, 2011	\$ 42,000

**Note 8: Advertising**

Advertising expenses are expensed when incurred. Advertising expenses at June 30, 2011 and 2010 was \$40,112 and \$23,323, respectively.

**Note 9: Risk Management**

The Commission is considered an "agency, authority, institution, or other instrumentality" of the State of Kansas and Commissioners and any employees are considered employees of the Commission for the purpose of the Kansas Tort Claims Act. Generally, the Act imposes liability on a governmental entity for damages caused by the wrongful acts of its employees while acting within the scope of their employment.

**Note 10: Related Party Transactions**

Kansas Association of Wheat Growers (the Association) is a separate legal entity that has the same internal management. The Commission provides certain administration and management services for the Association under the terms of a cooperative agreement. The amounts received under this agreement in the years ended June 30, 2011 and 2010 were \$70,000 and \$40,000, respectively.

The Commission contracts with the Association for program services. The amounts paid under these contracts in the years ended June 30, 2011 and 2010 were \$301,500 and \$195,283, respectively.

Some members of the Association pay membership dues to the Commission that in actuality belong to the Association. These dues are then paid to the Association by the Commission. For the years ended June 30, 2011 and 2010, the amount paid by the Commission to the Association was \$2,430 and \$2,800, respectively.

**KANSAS WHEAT COMMISSION**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011 and 2010

**Notes to Financial Statements**

**Note 10: Related Party Transactions (Continued)**

The Kansas Wheat Commission Research Foundation (the Foundation) was established during the year ended June 30, 2011. The Foundation is legally separate from the Commission, but was organized primarily for its benefit. There were no transactions with the Foundation during the year ended June 30, 2011 and no amounts due to or from the Foundation at June 30, 2011.

**Note 11: Concentrations**

The amount received by the Commission is dependent upon the number of bushels of wheat produced in Kansas. The Commission may be adversely affected if the production of wheat drops dramatically. The Commission's management feels that the likelihood of this occurring is remote.

**Note 12: Heartland Plant Innovations**

Heartland Plant Innovations (HPI) has been incorporated as a for-profit subsidiary of the Association. Expenses were incurred for the planning and incorporation of HPI by the Commission using the proceeds of the Kansas Bioscience grant. The Commission also elected to fund the start-up expenses in excess of the proceeds of the grant. Total unreimbursed expenditures related to the planning and incorporation of HPI were \$7,227 for the year ending June 30, 2010.

The Commission has also paid certain other expenses on behalf of HPI that were scheduled to be reimbursed by HPI. These expenses resulted in an amount receivable from HPI of \$7,109 and \$0 as of June 30, 2011 and 2010, respectively.

The Commission provides certain administration and management services for HPI under the terms of a management agreement. The Commission received \$50,000 under this agreement in the years ended June 30, 2011 and 2010.

**Note 13: Net Assets Designated for Building Fund**

In March 2007, the Board designated \$2.5 million in funds to be set aside for the Commission's share of the costs of constructing the building to be used to house the operations of the Commission, the Association and HPI. Additional funding for the cost of the building was expected to come through grant funds provided to HPI from the Kansas Bioscience Authority.

In addition to the \$200,000 received from the Kansas Bioscience grant, the Commission provided \$200,000 in matching funds through direct expenses and allocation of salary expenses. These contributions toward the project were subtracted from the original designation, leaving \$2.3 million in designated funds at June 30, 2009.

During the years ended June 30, 2011 and 2010, the Commission paid \$410,557 and \$17,519, respectively, for architect design costs for the new building, which reduced the amount designated for the project at June 30, 2011 and 2010.

**KANSAS WHEAT COMMISSION**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011 and 2010

**Note 14: Construction in Process - Building and Design**

The Commission has entered into a 50 year land-lease agreement with Kansas State University for the building site and plans to break ground on construction in the fall of 2011. Design costs for the building were \$428,076 and \$55,706 through June 30, 2011 and 2010, respectively.

The statement of net assets and statement of activities for the year ended June 30, 2010 were adjusted from the previously issued financial statements to reflect the design costs previously expensed as facility expenses as construction in progress. This change increased net assets invested in capital assets and total net assets by \$55,706.

In September 2011, the Board approved the final designs and approved the construction of the building for expected construction and management costs of \$8.2 million. The costs of the building are expected to be paid from cash on hand, a construction loan, and future operating revenues. Construction began in October 2011 and is expected to be completed in November 2012.

The Commission has agreed in principle to a total construction loan of \$3.5 million with Kansas State Bank. The expected terms of the loan are for 10 years with an interest rate of 4.7%

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Wheat assessment	\$ 5,717,350	\$ 4,500,000	\$ 1,217,350
Refunds	(358,216)	(315,000)	(43,216)
Interest income	87,160	60,000	27,160
Returned research dollars	12,672	-	12,672
Sponsorship income	62,750	10,000	52,750
Miscellaneous income	127,988	85,000	42,988
<b>Total Revenues</b>	<u>\$ 5,649,704</u>	<u>\$ 4,340,000</u>	<u>\$ 1,309,704</u>
<b>EXPENDITURES</b>			
Special projects			
Wheat Genome Project	\$ 10,000	\$ 10,000	\$ -
Biotech	5,000	5,000	-
Whiteside Project	6,000	6,000	-
Public issues - Trade policy issues	1,727	2,500	773
Research contracts	1,167,852	1,122,570	(45,282)
Administrative expense	9,453	10,000	547
Domestic marketing			
First purchasers/Domestic buyer			
Annual report	965	2,500	1,535
Grain grading schools	900	900	-
Sponsorships	8,000	10,775	2,775
Wheat Quality Council	6,000	6,000	-
Consumers			
Regional and national meetings	518	5,000	4,482
Urban wheat field	33,247	42,000	8,753
Anniversary tour	5,793	23,000	17,207
Sponsorships	8,075	12,000	3,925
Agriculture in the Classroom	25,000	25,000	-
Education and promotion	36,992	71,525	34,533
Spokesperson program	4,681	5,000	319
Festival of Breads	95,873	35,000	(60,873)
Membership contracts	133,794	134,758	964
Wheat producers			
Increase in wheat yields	5,621	7,000	1,379
Wheat conferences	-	15,000	15,000
Kansas Wheat Alliance	-	2,000	2,000
Sponsorships	2,230	5,000	2,770
Newsletters	37,104	40,000	2,896
Annual report	25,802	27,000	1,198
Producer Promotions	5,523	25,000	19,477

**Financial Statements**

(continued)

House Ag. & Natural Resources  
 March 7, 2012  
 Attachment 4-23



**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET (CONTINUED)**  
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (CONTINUED)</b>			
Domestic marketing (continued)			
Wheat producers (continued)			
Direct mailings	1,375	30,000	28,625
Website	128	-	(128)
Other promotions	40,112	20,000	(20,112)
Trade shows and booth rentals	4,860	5,000	140
Membership contracts	326,500	315,200	(11,300)
Promotional items	3,274	2,500	(774)
Other domestic travel	12,035	10,000	(2,035)
Hospitality	154	500	346
International marketing			
Crop quality survey	34,358	35,000	642
Hospitality	1,606	2,000	394
Trade teams	7,748	10,000	2,252
Travel	14,040	36,500	22,460
Membership contracts	1,163,621	1,249,800	86,179
Facility support			
Trademarking	-	500	500
Tuition reimbursement	-	7,500	7,500
Capital outlay	3,799	-	(3,799)
Advanced plant design	7,035	-	(7,035)
Hospitality	351	200	(151)
Bank service charges	2,420	1,800	(620)
Professional fees	4,000	7,500	3,500
Building expenses	4,473	4,500	27
Meeting expenses	1,308	500	(808)
Telephone	12,564	15,000	2,436
Equipment rental	8,017	12,000	3,983
Postage and delivery	8,644	8,000	(644)
Office supplies	12,648	10,000	(2,648)
Advertising	-	250	250
Rent	42,000	60,000	18,000
Computer expense	10,618	25,000	14,382
Fees	8,044	8,000	(44)
Board expenses	57,708	35,000	(22,708)
Automobile expense	6,914	7,500	586
Utilities	7,443	6,500	(943)
Building insurance	1,616	2,500	884
Advance Plant Design	372,370	1,000,000	627,630
Miscellaneous	12,074	2,500	(9,574)

**Financial Statements**

(continued)

House Ag. & Natural Resources  
 March 7, 2012  
 Attachment 4-24

**KANSAS WHEAT COMMISSION**  
 Manhattan, Kansas  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET (CONTINUED)**  
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (CONTINUED)</b>			
Payroll expenses			
Wages	524,846	530,000	5,154
Payroll tax expense	39,279	41,000	1,721
Disability insurance	1,335	2,500	1,165
Health insurance	32,518	35,000	2,482
Retirement benefits matching	29,473	37,000	7,527
Worker's compensation insurance	1,546	1,638	92
Other payroll expense	11,209	150	(11,059)
<b>Total Expenditures</b>	<u>\$ 4,470,213</u>	<u>\$ 5,229,066</u>	<u>\$ 758,853</u>
<b>RECEIPTS IN EXCESS OF EXPENDITURES (EXPENDITURES IN EXCESS OF RECEIPTS)</b>	<b>\$ 1,179,491</b>	<b>\$ (889,066)</b>	<b>\$ 2,068,557</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,954,569</u>	<u>4,954,569</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 6,134,060</u></u>	<u><u>\$ 4,065,503</u></u>	<u><u>\$ 2,068,557</u></u>

**Financial Statements**