



NOTICE OF TELECONFERENCE MEETING & AGENDA
March 15, 2019 * 11:00 a.m. – 12:00 p.m.
Conference Call Line: 916-407-1517, no password necessary

TELECONFERENCE LOCATIONS

709 Cedar Street, Garberville, CA 95542
1055 Monterey Street, San Luis Obispo, CA 93408
168 W. Alisal St, 1st Floor, Salinas, CA 93901
501 Low Gap Rd #1060, Ukiah, CA 95482
600 A Street, Suite B, Davis, CA 95616
168 N Edwards St., Independence, CA 93526

- I. 11:00 am Opening Remarks & Roll Call**
Supervisor Fennell, CCA President
- II. 11:05 ACTION ITEM: Accept CCA Financial Statement Audit**
Cara Martinson, Executive Director, CCA
- III. 11:15 UPDATE on Internal CCA Operations & Membership**
Cara Martinson, Executive Director, CCA
Greg Turner, CCA Counsel
- IV. 11:25 UPDATE on CCA/ CDFA MOU**
Alan Fernandes, CEO CSAC Finance Corp.
- V. 11:40 Legislative Update**
Cara Martinson, Executive Director, CCA

VI. Public Comment

The Board welcomes and encourages public participation in its meetings. The public may take appropriate opportunities to comment on any issue before the Board. If public comment is not specifically requested, members of the public should feel free to request an opportunity to comment. Each speaker is limited to two minutes. If you are addressing the Board on a non-agenda item, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report.

VII. 12:00 p.m. Closing Comments & Adjournment

Except where noticed for a time certain, all times are approximate and subject to change. The meeting may be canceled or changed without notice. For verification, please contact cmartinson@cca.ca.gov. Action may be taken on any item on the agenda. Items may be taken out of order, tabled or held over to a subsequent meeting, to accommodate speakers, or to maintain a quorum.

A person with a disability who requires a modification or accommodation in order to participate in a public meeting of the California Cannabis Authority may, five (5) days prior to the date scheduled for a regular meeting of the Board of Directors, contact the Headquarters Office at 1100 K Street, Suite 101, Sacramento, California 95814, cmartinson@cca.ca.gov to request a disability related modification or accommodation in order to attend the meeting, or to request auxiliary aids or services in order to enable such person to understand the proceedings at such meeting.

CALIFORNIA CANNABIS AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2018



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CALIFORNIA CANNABIS AUTHORITY

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June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Cannabis Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of the California Cannabis Authority (Authority), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' 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 auditors' 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 major fund of the Authority, 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.

CALIFORNIA CANNABIS AUTHORITY

Statement of Net Position
June 30, 2018

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019 on our consideration of the Authority'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
February 25, 2019

CALIFORNIA CANNABIS AUTHORITY

Statement of Net Position
June 30, 2018

ASSETS

Current assets:

Cash and investments	\$ 166,214
Prepaid expenses	<u>12,000</u>

Total Assets	<u>178,214</u>
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LIABILITIES

Noncurrent liabilities:

Loans Payable	<u>269,732</u>
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NET POSITION

Unrestricted	<u>(91,518)</u>
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Total Net Position	<u><u>\$ (91,518)</u></u>
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CALIFORNIA CANNABIS AUTHORITY

Statement of Activities
For the Year Ended June 30, 2018

EXPENSES	
Professional Services	<u>\$ 92,073</u>
GENERAL REVENUES	
Interest Income	<u>555</u>
Change in Net Position	(91,518)
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u><u>\$ (91,518)</u></u>

CALIFORNIA CANNABIS AUTHORITY

Balance Sheet
Governmental Funds
June 30, 2018

Assets	
Cash and investments	\$ 166,214
Prepaid expenses	<u>12,000</u>
Total Assets	<u><u>178,214</u></u>
Fund Balances	
Nonspendable	12,000
Unassigned	<u>166,214</u>
Total Fund Balances	<u><u>178,214</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 178,214</u></u>

CALIFORNIA CANNABIS AUTHORITY

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position – Governmental Activities
June 30, 2018

Fund Balance - governmental fund	\$ 178,214
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	<u>(269,732)</u>
Net position of governmental activities	<u>\$ (91,518)</u>

CALIFORNIA CANNABIS AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Revenues:	
Interest income	<u>\$ 555</u>
Expenditures:	
Professional Services	<u>92,073</u>
Deficiency of Revenues Under Expenditures	(91,518)
Other Financing Sources and Uses:	
Debt issued	<u>269,732</u>
Net Changes in Fund Balances	178,214
Fund Balances, Beginning of Year	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 178,214</u></u>

CALIFORNIA CANNABIS AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities – Governmental Activities
For the Year Ended June 30, 2018

Net change in fund balance	\$	178,214
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds.		
Debt issued		<u>(269,732)</u>
Change in net position of governmental activities	\$	<u>(91,518)</u>

CALIFORNIA CANNABIS AUTHORITY

Notes to Basic Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The California Cannabis Authority (Authority) was formed in 2018 in accordance with State of California Laws. The Authority was established by county governments to develop and manage a statewide data platform. The platform will help local governments that are regulating commercial cannabis activity by providing critical and actionable data to increase tax realization, enhance public safety and augment planning capabilities. The Authority is a California agency and the members include the Counties of Humboldt, Mendocino, Monterey, San Luis Obispo, Yolo, and Inyo. The Authority functions independently of its members.

The Authority is not financially accountable for any other organization and is the only entity included in these statements.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized and operated on the basis of funds, each of which is defined as a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenue, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the Authority.

The Government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Authority's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority has no Business-type Activities.

Governmental Fund Financial Statements – Governmental Fund Financial Statements include a Balance Sheet, and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance as presented in these statements to the net position presented in the Government-Wide financial statements. The Authority has presented all funds as major funds.

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

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the difference created by the integrated approach.

CALIFORNIA CANNABIS AUTHORITY

Notes to Basic Financial Statements
June 30, 2018

General fund – This is the primary operating fund of the Authority. It accounts for all financial transactions of the Authority.

The Authority has no fiduciary funds.

C. Cash and Investments

The Authority pools cash resources from all funds with the County of San Luis Obispo's cash in order to facilitate management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

D. Investment Valuation

The Authority holds unrestricted cash and investments with the Treasurer of the County of San Luis Obispo in a cash and investment pool. The Authority's investment is presented at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's portion in the pool.

E. Capital Assets

Capital assets are those assets acquired for general governmental purposes and are reported in the governmental activities in the Government-wide Financial Statements. All purchased capital assets are recorded at historical or estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date received. Authority policy has set the capitalization thresholds for reporting capital assets at the following:

Capital Assets	\$2,500
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The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the estimated useful lives, which range from two to ten years.

F. Net Position and Fund Equity

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position” as defined above.

CALIFORNIA CANNABIS AUTHORITY

Notes to Basic Financial Statements
June 30, 2018

G. Use of Restricted/Unrestricted Net Position

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

H. Fund Balances – Governmental Funds

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds consist of the following categories:

Nonspendable: Amounts that cannot be spent because they are not in spendable form, such as prepaid items, or items that are legally or contractually required to be maintained intact.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances represent amounts that can only be used for specific purposes through resolutions by the Board of Directors. Commitments can only be modified or lifted through Board resolutions.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the Authority's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose.

Unassigned: This category is the residual classification that includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted fund balance resources first, followed by the unrestricted resources in the committed, assigned, and unassigned fund balances, as they are needed.

I. 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.

CALIFORNIA CANNABIS AUTHORITY

Notes to Basic Financial Statements
June 30, 2018

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

Cash in County Treasury \$166,214

The Authority maintains all of its cash and investments with the County of San Luis Obispo in an investment pool. On a quarterly basis, the Auditor-Controller-Treasurer-Tax Collector allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of San Luis Obispo's financial statements may be obtained by contacting the County of San Luis Obispo's Auditor-Controller-Treasurer-Tax Collector, Post Office Box 1149, San Luis Obispo, California 93406-1149.

GASB Statement No. 40 requires additional disclosures about a government's deposits and investment risks that include credit risk, custodial risk, concentration risk, and interest rate risk. The Authority has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the Authority's deposit and investment risks at June 30, 2018 were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	1.30 years

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

NOTE 3: LONG TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

Type of Indebtedness	Balance July 01, 2017	Additions	Retirements	Balance June 30, 2018	Amount Due Within One Year
Governmental Activities					
Loans Payable	\$ -	\$ 269,732	\$ -	\$ 269,732	\$ -

At June 30, 2018, loans payable consisted of the following:

Loans Payable	Original Issue Amount	Outstanding at June 30, 2018
CSAC Finance Corporation	\$ 269,732	\$ 269,732

Used to finance start up costs.

Per the operating agreement between CSAC Finance Corporation and the Authority, the CCA will pay 5 basis points of all incoming analyzed transactions until the debt is repaid and then 3 basis points until the operating agreement is terminated. No interest will accrue on the debt. As future revenues cannot be determined, the Authority is unable to determine the amount due in the next year or the future repayments.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA CANNABIS AUTHORITY

Required Supplementary Information
June 30, 2018

NOTE 1: BUDGETARY CONTROL AND ACCOUNTING

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

1. In March of each year, the Executive Director submits to the Board of Directors a proposed operating budget for the following two fiscal years. This budget includes proposed expenditures by fund and the revenues expected to finance them.
2. Public hearings are conducted to obtain public and ratepayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. Formal budgetary integration is employed as management control device during the year for the General Fund.
5. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. The Executive Director must approve any adjustments to the budget.
6. Appropriations lapse at the end of the fiscal year and then are re-budgeted for the subsequent fiscal year.
7. Budgeted appropriations for the various governmental funds become effective each July 1. The Board of Directors may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.
8. The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund present comparisons of the legally adopted budget with actual data on a basis consistent with accounting principles generally accepted in the United States of America.

Encumbrances

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balance since they represent commitments, which will be honored during the subsequent year. Encumbrances do not represent expenditures or liabilities.

CALIFORNIA CANNABIS AUTHORITY

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ 555	\$ 555
Total Revenues	--	--	555	555
Expenditures:				
Professional services	136,000	113,500	92,073	21,427
Total Expenditures	136,000	113,500	92,073	21,427
Deficiency of Revenues Under Expenditures	(136,000)	(113,500)	(91,518)	21,982
Other Financing Sources and Uses:				
Debt issued	161,000	125,000	269,732	144,732
Total Financing Sources and Uses	161,000	125,000	269,732	144,732
Net Change in Fund Balances	<u>\$ 25,000</u>	<u>\$ 11,500</u>	178,214	<u>\$ 166,714</u>
Fund Balances, July 1			--	
Fund Balances, June 30			<u>\$ 178,214</u>	



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
California Cannabis Authority
Sacramento, California

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 major fund of the California Cannabis Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority'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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Roseville, California
February 25, 2019