

## MILK CONTRACTORS - FINANCIAL STATEMENT INFORMATION

A licensed milk contractor is required to file an annual financial statement with the department during the license year in either of the following scenarios:

- » The milk contractor reports more than 150,000 hundredweight of milk on the milk contractor's license application
- » The milk contractor uses deferred payment. The statement must be filed prior to using deferred payment.

An audited financial statement is required, if you are a milk contractor who reported more than 2,500,000 hundredweight of milk.

The annual financial statement must be for the licensee. You may not file, in lieu of the licensee's financial statement, the financial statement of the licensee's parent organization, subsidiary, predecessor, or successor.

If you are not required to file an annual financial statement you may voluntarily file an annual financial statement. Your annual Agricultural Producer Security Fund assessment may be lower based on the current ratio and debt to equity ratio from the financial statement, than it would be without a financial statement.

The financial statement must be filed with the department by the 15th day of the 4th month following the close of your fiscal year. However, the department may extend the filing deadline for up to 30 days if you, or the independent certified public accountant reviewing or auditing the financial statement, files a written extension request at least 10 days before the filing deadline.

If a financial statement is required but not filed on or before the filing deadline, you must pay a \$100 license surcharge for each license that requires a financial statement. Also, failure to file a required financial statement may result in disqualification from the producer security fund.

**Reviewed financial statement** means a financial statement, other than an audited financial statement, if all of the following apply.

- » The financial statement is reviewed by an independent certified public accountant licensed or certified under Chapter 442 of the Wisconsin Statutes.

**Audited financial statement** means a financial statement on which an independent certified public accountant licensed or certified under Chapter 442, Wis. Stats., has done all of the following:

- » Conducted an audit according to generally accepted auditing standards.
- » Stated that the financial statement presents fairly, in all material respects, the financial position of the milk contractor as of a specific date or for a specific period, according to one of the following:
  - Generally accepted accounting principles.
  - The historical cost basis method of accounting, if the financial statement is a sole proprietor's personal financial statement and the financial statement is prepared on a historical cost basis.

The financial statement must conform to the requirements of Section 126.44 of the Wisconsin Statutes, as follows:

- An annual financial statement must consist of a balance sheet, income statement, equity

statement, statement of cash flows, notes to those statements, and any other information required by the department. [126.44(8)(a)]

- If the licensee is a sole proprietor, he or she must file his or her business and personal financial statements. [126.44(8)(a)]
- Calculations of the current ratio and the debt to equity ratio must be included in the financial statement, or in an attachment to the financial statement. [126.44(8)(c)] NOTE: Certain items are required to be excluded from the calculations under 126.44(9).

**Chapter ATCP 100 of the Wisconsin Administrative Code requires other information, as follows:**

» A detailed description of all notes, mortgages and other long-term liabilities not due or payable within one year, including the nature of the liability, the due date and payment terms. The description must be included in the notes to the financial statements or in an attachment to the financial statements. [ATCP 100.12(2)]

**Notes payable without a specific due date must be classified as a current liability. [ATCP 100.12(3)]**

» All of the following must be identified and explained in the notes to the financial statements or in an attachment; [ATCP 100.12(4)(a)] (These items are required to be excluded from the calculations under 126.44 (9).):

- Non-trade notes or accounts receivable from an officer, director, employee, partner, or stockholder, or from a member of the family of any of those individuals.
- Accounts receivable from a parent organization, a subsidiary, or an affiliate other than an employee.
- Notes and accounts that have been receivable for more than one year, unless there is an offsetting reserve for uncollectible notes and accounts receivable.
- A liability and the corresponding impact to equity resulting from the recording of a loss as a component of other comprehensive income due to the recognition of the funding status of a defined
- An asset and the corresponding liability that represent an amount that is collectible from and owed to the milk contractor itself, as proven by the milk contractor.

» The method used to account for doubtful or uncollectible receivables. If the licensee does not maintain an allowance for doubtful or uncollectible receivables, the financial statement must contain an aging summary of all notes and accounts receivable. Please age them to less than 1 month old, more than 1 month but less than 6 months old, more than 6 months but less than 1 year old, and more than 1 year old. [ATCP 100.12(4)(b)]

» Solely for the purpose of calculating a milk contractor's fund assessment under 126.46, a milk contractor may adjust their debt to equity ratio, by deducting, from liabilities reported on their financial statement, an amount borrowed from a lending institution in order to hold aged cheese in inventory for the aging period required for that cheese under 21 CFR 133. A milk contractor may not make this adjustment unless all of the following apply: [ATCP 100.12(5)(a)]

- The milk contractor holds the aged cheese in inventory on the date of the balance sheet.
- The lending institution holds a security interest in the aged cheese to secure repayment of the amount borrowed.
- The amount of the liability deduction does not exceed the amount owed to the lending institution on the date of the balance sheet, or the value of the aged cheese on the date of the balance sheet, whichever is less
- The liability deduction and offsetting cheese inventory asset are identified in the financial statement notes or as an attachment to the financial statement.

» If aged cheese inventory value as a percentage of total cheese inventory is greater on the current annual balance sheet date, the liability deduction noted above may not exceed that prior year's percentage multiplied by the total cheese inventory on the current annual balance sheet date. [ATCP 100.12(5)(b)]

An attachment to a financial statement must be prepared by, and on the letterhead of the certified public accountant that reviewed or audited the financial statement. The certified public accountant that reviewed or audited the financial statement must certify, in the attachment, whether the attachment is reviewed or audited. [ATCP 100.12(6)]