Washington State Auditor's Office

Financial Statements Audit Report

Washington State Grain Commission

Audit Period
July 1, 2012 through June 30, 2013

Report No. 1012202

Issue Date
July 14, 2014

Washington State Auditor
Troy Kelley
Independence • Respect • Integrity

Washington State Auditor
Troy Kelley

July 14, 2014

Mr. Glen Squires, Chief Executive Officer
Washington State Grain Commission
Spokane, Washington

Report on Financial Statements

Please find attached our report on the Washington State Grain Commission's financial statements.

We are issuing this report in order to provide information on the Commission's financial condition.

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

Table of Contents

State of Washington
Washington State Grain Commission
July 1, 2012 through June 30, 2013

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

State of Washington
Washington State Grain Commission
July 1, 2012 through June 30, 2013

Washington State Grain Commission
Spokane, Washington

We have audited, 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, the financial statements of the governmental activities and the general fund of the Washington State Grain Commission, Spokane County, Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated December 27, 2013. The Commission has omitted the management’s discussion and analysis information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

As discussed in Note 1 to the financial statements, the Commission elected to change its basis of accounting from a special purpose framework to generally accepted accounting principles during the year ended June 30, 2013. As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the Commission implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and its amendments and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission'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 Commission’s financial statements are free from material misstatement, we performed tests of the Commission’s 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 Commission’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 Commission’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

December 27, 2013

Independent Auditor's Report on Financial Statements

State of Washington
Washington State Grain Commission
July 1, 2012 through June 30, 2013

Mr. Glen Squires, Chief Executive Officer
Washington State Grain Commission
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the general fund of the Washington State Grain Commission, Spokane County, Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed on page 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission'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 Commission'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.

Opinion

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 general fund of the Washington State Grain Commission, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, during the year ended June 30, 2013 the Commission changed its basis of accounting from a special purpose framework to generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the Commission adopted new accounting guidance, Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and its amendments and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30 through 31 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 information that governmental 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 December 27, 2013 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

December 27, 2013

Financial Section

Washington State Grain Commission
July 1, 2012 through June 30, 2013

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Washington State Grain Commission
Governmental Fund Balance Sheet/Statement of Net Position
Year Ended June 30, 2013

	Fund Balance Sheet	Adjustments (Note 10)	Statement of Net Position
ASSETS			
Current assets:			
Cash and investments (Note 6)	$ 17,352,070	$ -	$ 17,352,070
Assessments receivable	195,062	-	195,062
Lease receivable	13,848	-	13,848
Total current assets	17,560,980	-	17,560,980
Noncurrent assets:			
Capital assets, net (Note 7)	-	1,400,314	1,400,314
Total noncurrent assets	-	1,400,314	1,400,314
Total assets	$ 17,560,980	1,400,314	18,961,294
LIABILITIES			
Current liabilities:			
Deferred revenues	$ 208,910	(208,910)	-
Compensated absences, due within one year (Note 8)	-	35,900	35,900
Total current liabilities	208,910	(173,010)	35,900
Noncurrent liabilities:			
Compensated absences, due after one year (Note 8)	-	47,135	47,135
Total noncurrent liabilities	-	47,135	47,135
Total liabilities	208,910	(125,875)	83,035
Commitments and contingencies (Notes 9 and 12)			
FUND BALANCE/NET POSITION			
Fund balance:			
Committed for Washington State University Greenhouse	2,000,000	(2,000,000)	-
Committed for Ag Education Facilities	4,000,000	(4,000,000)	-
Assigned	1,500,000	(1,500,000)	-
Unassigned	9,852,070	(9,852,070)	-
Total fund balance	17,352,070	(17,352,070)	-
Total liabilities and fund balance	$ 17,560,980		
Net position:			
Net investment in capital assets		1,400,314	1,400,314
Unrestricted		17,477,945	17,477,945
Total net position		$ 18,878,259	$ 18,878,259

Washington State Grain Commission
Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance/Statement of Activities
Year Ended June 30, 2013

	Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance	Adjustments (Note 11)	Statement of Activities
Revenues:			
Wheat and barley assessments	$ 9,289,143	$ (57,135)	$ 9,232,008
Interest income	83,373	-	83,373
Realized losses on investments	(12,229)	-	(12,229)
Unrealized losses on investments	(197,529)	-	(197,529)
Other income	37,216	13,848	51,064
Total revenues	9,199,974	(43,287)	9,156,687
Expenditures/expenses:			
Research	2,821,984	-	2,821,984
Market development	928,714	-	928,714
Education/information	312,234	-	312,234
Grower services	908,760	-	908,760
Professional services and support	538,115	24,323	562,438
Policy development	122,285	-	122,285
Office operations	167,142	-	167,142
Depreciation expense	-	39,666	39,666
Total expenditures/expenses	5,799,234	63,989	5,863,223
Net change in fund balance	3,400,740	(3,400,740)	-
Change in net position	-	3,293,464	3,293,464
Fund balance/net position:			
Beginning of year	13,951,330	-	15,584,795
End of year	$ 17,352,070	$ -	$ 18,878,259

Washington State Grain Commission
Notes to Financial Statements
June 30, 2013

1. Organization

The Washington State Grain Commission ("the Commission") was created by the Washington Agricultural Enabling Act of 1955. The purpose of the Commission is to establish plans and conduct programs for advertising and sales promotions of wheat and barley growers in the State of Washington; to carry on research studies to find more efficient methods of production, processing, handling and marketing of wheat and barley; and to provide for improving standards and grades of wheat and barley by defining, establishing and providing labeling requirements. An eleven member board governs the Commission.

The Commission's financial statements include the accounts of all of the Commission's operations and present the financial position and activities of the Commission. The Commission meets the criteria established by the Governmental Accounting Standards Board ("GASB") to be considered a primary governmental entity for financial reporting purposes. Component units are legally separate organizations that are financially accountable to the primary government. The Commission has no component units, and is not a component unit of any other governmental unit based on the criteria established by the GASB.

2. Government-Wide and Fund Financial Statements

GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (GASB No. 34) defines the financial reporting requirements and the reporting model for the annual financial reports of state and local governments. The financial information required by GASB No. 34 includes:

<u>Management's Discussion and Analysis</u>

The management's discussion and analysis is intended to introduce the basic financial statements and provide an analytical overview of the Commission's financial activities in a narrative format. An analysis of the Commission's overall financial position and results of operations should be included to assist users in assessing whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

<u>Government-Wide Financial Statements</u>

The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of the Commission. Governmental activities are generally financed through assessments, taxes, intergovernmental revenues, and other nonexchange transactions.

2. Government-Wide and Fund Financial Statements, Continued

Government-Wide Financial Statements, Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Commission's policy is to not allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Depreciation is presented in its entirety on the Statement of Activities. No depreciation has been allocated to any of the Commission's specific functions.

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, and, if applicable, proprietary funds and fiduciary funds, although the latter are excluded from the government-wide financial statements.

Budgetary Comparison Schedule

The budgetary comparison schedule is presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the Commission's legally adopted budget (see Note 4). The Commission may revise the original budget over the course of the year for various reasons. Under the reporting model prescribed by GASB No. 34, budgetary information continues to be provided, and includes comparisons of the Commission's original adopted budget to the final budget and actual results. During the fiscal year ended June 30, 2013, the budget was amended to reflect revised expense estimates. The amendment was properly approved by the Commission.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Statement of Net Position and the Statement of Activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from assessments are recognized in the year in which they are assessed. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements stipulated by the provider have been met and satisfied.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected as of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences, and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The General Fund is the sole operating fund of the Commission. The General Fund is used to account for all financial transactions of the Commission. The Commission's major revenue source is wheat and barley assessments. Expenditures include the cost of daily operations which consist of professional services and support, policy development, and office operations. Other expenditures include research and market development, and education and grower services. The General Fund is a budgeted fund, and any unassigned or unencumbered fund balances are considered as resources available for use.

4. Budgetary Information

<u>Scope of Budget</u>

The Commission adopts an annual appropriated budget for the General Fund on the modified accrual basis of accounting. All annual appropriations lapse at year-end. Appropriations for the General Fund lapse at year end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary process in the General Fund.

4. Budgetary Information, Continued

Scope of Budget, Continued

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

a) The Commission publishes a proposed budget for public review.
b) Public meetings are set to obtain comments on the proposed budget.
c) Prior to July 1, the budget is adopted by resolution of the Board of Commissioners and published.
d) The final budget is then filed with the State of Washington. Expenditures may not legally exceed budgeted appropriations at the functional level. The legal level of budgetary control is the functional level at which the Commissioners must approve any over-expenditures/expenses of appropriations or transfers of appropriated amounts.

Amending the Budget

The Chief Executive Officer (CEO) is authorized to transfer budgeted amounts between accounts, however, any revisions that alter the total expenditures of an account, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Commission.

When the Commission determines that it is in the best interest of the Commission to increase or decrease the appropriation for a particular fund, it may do so by resolution approved by one vote more than the majority after holding public hearing(s).

The budgetary comparison schedule, included as required supplementary information, contains the original and final budget information. The original budget is the first completed appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable in the fiscal year.

5. Summary of Significant Accounting Policies

Change in Basis of Accounting

Effective July 1, 2012, the Commission changed the basis of accounting for financial reporting. Prior to July 1, 2012 the Commission used a pre-GASB No. 34 reporting model which presented the General Fund and the General Fixed Asset Account Group using the modified accrual basis of accounting. Starting with the financial statements for the year ended June 30, 2013, the presentation of the financial statements uses the reporting model prescribed by GASB Statement No. 34. The change in the reporting of the financial statements and the basis of accounting were made primarily to update the financial statements to the current reporting model.

5. Summary of Significant Accounting Policies, Continued

Change in Basis of Accounting, Continued

The financial statements for the year ended June 30, 2012 omitted the accrual of $228,137 of wheat and barley assessments receivable and the related deferred revenue of $228,137. In addition, the 2012 financial statements omitted an investment account in the amount of $182,916, and a related retirement payable of $182,916 to an officer of the Commission. These omitted amounts are offsetting assets and liabilities and do not affect the beginning fund balance for the fiscal year ended June 30, 2103.

Accounting Principles Generally Accepted in the United States of America

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The Commission has adopted and applied all applicable GASB pronouncements, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Recent Accounting Pronouncements

GASB Statement No. 62; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB 53*, are all effective for the Commission beginning in the fiscal year ended June 30, 2013. Implementation of these statements did not have a material impact on the Commission's financial results.

GASB Statement No. 63 amended the net position reporting requirements by incorporating deferred inflows of resources and deferred outflows of resources into the definitions of required financial statement components and renames *Net Assets* as *Net Position*. The Commission's financial statements conform to the requirements of this statement. Implementation did not have a material impact on the Commission's financial results.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows or deferred inflows of resources or as outflows or inflows of resources. This statement also limits the use of the term deferred in financial statement presentations. This statement will be effective for the Commission beginning in the fiscal year ending June 30, 2014. The Commission is currently assessing the financial statement impact of adopting this statement.

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information about pensions are also addressed. GASB Statement No. 68 will be effective for the Commission beginning in the fiscal year ending June 30, 2015. The Commission is currently evaluating the financial statement impact of adopting this statement.

Cash and Cash Equivalents

The Commission considers all short-term deposits and highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Assessments Receivable

Assessments receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the current status of individual receivables. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Management expects all June 30, 2013 receivables to be collectible, and therefore no allowance for doubtful accounts has been provided as of that date. Receivables shown on the Governmental Fund Balance Sheet are not recognized as revenue and have been recorded as deferred revenue because they are not considered available. All receivables shown on the Statement of Net Position are recognized as revenue, regardless of when they are collected.

Capital Assets

Capital assets, which include land, buildings, building improvements, furniture and accessories, office equipment, and vehicles, are reported in the Statement of Net Position and as expenditures in the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance. Capital assets are defined by the Commission as assets with an initial, individual cost of more than $5,000 and an estimated life in excess of one year. Purchased or constructed capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Donated capital assets are recorded at estimated fair market value at the date of donation, less accumulated depreciation. An inventory of all capital assets is maintained for insurance purposes.

5. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

Costs for additions or improvements to capital assets that increase the effectiveness or efficiency of the asset are capitalized. Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets are not capitalized. Normal maintenance and repairs are charged to expense as incurred. When capital assets are sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is recorded in the Statement of Activities.

Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of those assets, as follows:

	Years
Buildings and improvements	40
Vehicles, furniture/accessories and office equipment	3 to 15

Liabilities

Liabilities shown on the Governmental Fund Balance Sheet are those which have become due and payable at the end of the fiscal year, which are expected to be paid during the upcoming year. On the government-wide financial statements, liabilities that become due and payable within one year after the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

Deferred Revenues

Deferred revenues in the governmental funds represent amounts receivable, which are measurable, but not available.

Compensated Absences

The Commission reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Compensated absences consist of accumulated vacation and sick leave balances that are unpaid as of the financial statement date.

Vacation leave may be accumulated up to a maximum of 240 hours (30 days). Hours accrued in excess of this maximum may be allowed provided a “statement of necessity” is filed with the CEO and Administrative Assistant. The accrued hours during this time of delay must be used by the employee’s next anniversary date of employment.

5. Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

When employees separate from service by reason of resignation with adequate notice, layoff, dismissal, retirement or death, they are entitled to a lump sum payment of unused vacation pay. Compensation shall be computed by using the current formula published by the Office of Financial Management. The total number of days of compensation shall not exceed the maximum of 30 days.

Sick leave accumulates at the rate of eight (8) hours per month with no limit on total days accumulated. An employee is not entitled to use sick leave in advance of its accrual. Upon retirement or death, an employee or their estate shall be compensated for total unused sick leave at the current state-approved rate of 25%. Compensation shall be based upon the employee's salary at the time of separation. Employees who separate for any reason other than retirement or death shall not be paid for their accrued sick leave.

Accumulated vacation and sick leave that has become due and payable at the end of the fiscal year, which is expected to be paid during the upcoming fiscal year, is reported as an expenditure and fund liability. Accumulated vacation and sick leave that is expected to be utilized by employees during the upcoming fiscal year is reported as a current obligation in the government-wide financial statements. Accumulated vacation and sick leave that is not expected to be utilized by employees during the upcoming fiscal year is reported as a noncurrent obligation in the government-wide financial statements.

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions,* defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54 requires the fund balance amounts to be properly reported within one of the following fund balance classifications:

Nonspendable: The portion of fund balance that is not expected to be converted to cash, such as inventories and prepaid expenses, if any;

Restricted: The portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Committed: The portion of fund balance that can be used only for the specific purposes determined by a formal action of the Commission's Board of Commissioners (the Commission's highest level of decision-making authority);

5. Summary of Significant Accounting Policies, Continued

Fund Balances, Continued

Assigned: The portion of fund balance that is intended to be used by the Commission for specific purposes, but does not meet the criteria to be classified as restricted or committed; and

Unassigned: The residual portion of fund balance for the Commission's General Fund, which includes all spendable amounts not included in the other categories.

Fund Balance Spending Policy

The Commission's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts are classified as unrestricted fund balance.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components.

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position: This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position: This component of net position consists of amounts that do not meet the definition of "net investment in capital assets" or "restricted net position".

5. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

Subsequent Events

The Commission has evaluated subsequent events through December 27, 2013, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in these financial statements.

6. Cash and Investments

Cash and investments consist of cash on hand, deposits held in a checking account with a local bank, money market accounts, certificates of deposit and U.S. Treasury notes with a brokerage institution. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission's bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

The carrying amount of cash and investments on the Commission's books at June 30, 2013 consists of and appears in the financial statements at fair value as summarized below:

Petty cash	$ 193
Checking	77,326
Money market savings	6,532,751
Certificates of deposits, interest ranging from 0.10% - 0.695%, maturing through March 22, 2014	2,495,238
Investments in McAdams Wright Ragen	8,246,562
Total cash and investments	$ 17,352,070

The carrying amount of cash on the Commission's books at June 30, 2013 was $77,326 and the bank balances totaled $1,563,087. The differences between the carrying amount of cash and cash equivalents on the Commission's books and the bank balances, consisted of $1,485,761 of outstanding checks not processed by the bank as of June 30, 2013.

6. Cash and Investments, Continued

A summary of the total insured and uninsured bank balances at June 30, 2013 is as follows:

Total bank balances	$ 1,563,087
Portion insured by FDIC	(250,000)
Uninsured balances	$ 1,313,087

The Board of Commissioners is authorized by the Revised Code of Washington (RCW), Chapter 15.115.290, *Investment of funds of the Commission*, to invest funds that are not required for immediate expenditure in savings or time deposits in banks, trust companies, and mutual savings banks that are doing business in the United States, up to the amount of insurance afforded those accounts by the FDIC.

The Commission has no policies in place related to exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate credit risk, or foreign currency credit risk other than the above-described investment policy.

At June 30, 2013 the Commission had the following investments, all of which are held with McAdams Wright Ragen:

Investment	Fair Value
Money market savings	$ 15,268
Certificates of deposits, interest ranging from 0.30% - 0.60%, maturing through December 19, 2013	2,638,207
U.S. Treasury Notes, interest ranging from 0.75 - 2.20%, maturing through February 28, 2024	5,593,087
Total investments	$ 8,246,562

Interest Rate Risk The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk The Commission places no limit on the amount the Commission may invest in any one issuer. More than five percent of the Commission's cash and investments are invested with McAdams Wright Ragen. The fair value of the investments of $8,246,562 represents 48% of the Commission's total cash and investments.

Washington State Grain Commission
Notes to Financial Statements, Continued
June 30, 2013

7. Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Transfers	Disposals	Balance June 30, 2013
Building	$ 912,500	$ --	$ --	$ --	$ 912,500
Building improvements	227,966	--	--	--	227,966
Furniture/accessories	64,909	--	--	--	64,909
Office equipment	52,828	--	--	--	52,828
Vehicle	21,576	--	--	--	21,576
	1,279,779	--	--	--	1,279,779
Land	337,500	--	--	--	337,500
	1,617,279	--	--	--	1,617,279
Accumulated depreciation	(177,299)	(39,666)	--	--	(216,965)
Net capital assets	$ 1,439,980	$ (39,666)	$ --	$ --	$ 1,400,314

8. Long-term Obligations

A summary of changes in the Commission's long-term obligations for the year ended June 30, 2013 is as follows:

	Long-Term Obligations June 30, 2012	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2013	Due Within One Year
Governmental activities:					
Accrued compensated absences	$ 58,712	$ 60,186	$ (35,863)	$ 83,035	$ 35,900

9. Pension Plan

Substantially all Commission full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27.*

9. Pension Plan, Continued

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

9. Pension Plan, Continued

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

PERS Plan 1 members are vested after the completion of five years of eligible service. PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

9. Pension Plan, Continued

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3. PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

9. Pension Plan, Continued

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC. Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

9. Pension Plan, Continued

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC. Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	82,242
Terminated Plan members entitled to, but not yet receiving benefits	30,515
Active Plan members, vested	106,317
Active Plan members, nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

9. Pension Plan, Continued

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Funding Policy, Continued

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Commission and the employees made the required contributions. The Commission's required contributions for the years ended June 30 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ --	$ 28,871	$ --
2012	--	46,057	--
2011	--	39,697	--

10. Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Adjustments to reconcile the Governmental Fund Balance Sheet to the Statement of Net Position are as follows:

Total fund balance, Governmental Fund Balance Sheet		$ 17,352,070
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund:		
The cost of capital assets is	$ 1,617,279	
Accumulated depreciation is	(216,965)	
		1,400,314
Receivables will be collected, but are not available soon enough to pay liabilities of the current period, and are therefore deferred revenues in the governmental funds.		
Assessments receivable	195,062	
Lease receivable	13,848	
		208,910
Certain accrued and long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds:		
Compensated absences, due within one year	(35,900)	
Compensated absences, due after one year	(47,135)	
		(83,035)
Total net position, Statement of Net Position		$ 18,878,259

11. Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance to the Statement of Activities

Adjustments to reconcile the Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance to the Statement of Activities are as follows:

Net change in fund balance, Governmental Fund		$ 3,400,740
Some revenues will not be collected until after the Commission's fiscal year end, and therefore are not available to pay liabilities of the current period. Accordingly, they are recorded as deferred revenues. They are however recorded as revenue in the Statement of Activities. The increase (decrease) in deferred revenue in the governmental fund during the 2013 fiscal year is an adjustment, as follows:		
Wheat and barley assessments	$ (57,135)	
Lease income	13,848	
		(43,287)
In the Statement of Activities, certain operating expenses, including compensated absences, are measured by the amount incurred during the year. In the governmental fund, expenditures for these items are measured by the amount of financial resources used (i.e., the amount actually paid). In the current year, the amount incurred exceeded the amount paid.		(24,323)
Capital outlays to purchase capital assets are reported as expenditures in governmental funds. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation. Amounts recognized for these items in the current year are as follows:		
Capital outlays	--	
Depreciation expense	(39,666)	
		(39,666)
Change in net position, Statement of Activities		$ 3,293,464

12. Contingencies

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission contracts with an insurance company for property insurance and general liability insurance. The Commission pays the State Workers' Compensation System a premium at an experience-based rate. This rate is calculated based on accident history and administrative costs.

Credit Risk

Financial instruments which potentially subject the Commission to concentration of credit risk consist principally of cash and investments. The Commission maintains its cash in bank deposit accounts at high quality financial institutions. At times, deposit account balances may exceed federally insured limits. The Commission has not experienced any losses from such accounts and management believes it is not exposed to any significant credit risk on cash and investments.

Litigation

The Commission's management is not aware of any pending litigation or claims against the Commission at June 30, 2013. The Commission has no reserve established for the payment of uninsured claims. Expenditures are recognized when amounts are paid.

Washington State Grain Commission
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Modified Accrual	Variances Positive/(Negative)	
	Original	**Final**	**Basis**	**Original to Final**	**Final to Actual**
Revenues:					
Wheat and barley assessments	$ 8,442,918	$ 8,442,918	$ 9,289,143	$ -	$ 846,225
Interest income	179,432	179,432	83,373	-	(96,059)
Realized gains (losses) on investments	90,668	90,668	(12,229)	-	(102,897)
Unrealized gains (losses) on investments	-	-	(197,529)	-	(197,529)
Other income	51,819	51,819	37,216	-	(14,603)
Total revenues	8,764,837	8,764,837	9,199,974	-	435,137
Expenditures:					
Research	2,279,034	2,821,984	2,821,984	542,950	-
Market development	1,033,822	1,033,822	928,714	-	105,108
Education/information	370,000	370,000	312,234	-	57,766
Grower services	891,500	891,500	908,760	-	(17,260)
Professional services and support	700,000	700,000	538,115	-	161,885
Policy development	93,000	93,000	122,285	-	(29,285)
Office operations	203,500	203,500	167,142	-	36,358
Total expenditures	5,570,856	6,113,806	5,799,234	542,950	314,572
Net change in fund balance	3,193,981	2,651,031	3,400,740	(542,950)	749,709
Fund balance:					
Beginning of year	13,951,330	13,951,330	13,951,330	-	-
End of year	$ 17,145,311	$ 16,602,361	$ 17,352,070	$ (542,950)	$ 749,709

Washington State Grain Commission
Note to Budgetary Comparison Schedule – General Fund
June 30, 2013

1. Basis of Presentation

The budgetary comparison schedule for the General Fund has been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the governmental funds financial statements. There were two instances in which actual expenditures exceeded budgeted expenditures at the functional levels.

About The State Auditor's Office

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor	**Troy Kelley**
Chief of Staff	**Doug Cochran**
Director of Performance and State Audit	**Chuck Pfeil, CPA**
Director of Local Audit	**Kelly Collins, CPA**
Deputy Director of State Audit	**Jan M. Jutte, CPA, CGFM**
Deputy Director of Local Audit	**Sadie Armijo**
Deputy Director of Local Audit	**Mark Rapozo, CPA**
Deputy Director of Performance Audit	**Lou Adams, CPA**
Deputy Director of Quality Assurance	**Barb Hinton**
Deputy Director of Communications	**Thomas Shapley**
Public Records Officer	**Mary Leider**
Main number	**(360) 902-0370**
Toll-free Citizen Hotline	**(866) 902-3900**

Website	**www.sao.wa.gov**
Subscription Service	**portal.sao.wa.gov/saoportal/Login.aspx**