Office of the Washington State Auditor
Pat McCarthy

February 20, 2018

Board of Commissioners
Washington State Grain Commission
Spokane, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Washington State Grain Commission's financial statements for the fiscal year ended June 30, 2017. The Commission contracted with the CPA firm for this audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The State Auditor's Office did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the State Auditor's Office website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Washington Grain Commission

Financial Report

June 30, 2017

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Report of Independent Auditor

Board of Commissioners
Washington 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 Grain Commission ("the Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission'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.

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 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 financial position of the governmental activities and the General Fund of the Washington Grain Commission, as of June 30, 2017, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the budgetary comparison schedule on page 33, and the schedules of employer's share of the net pension liability and employer contributions on pages 35 through 38, respectively, 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, which 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 24, 2017 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.

DeCoria, Maichel + Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

October 24, 2017

WASHINGTON GRAIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2017

The management's discussion and analysis of the financial performance of Washington Grain Commission (the Commission), a GASB Statement No. 34 requirement, provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2017 (FY 2017).

Comparative data from the previous year is available for this year, as this is the fifth year that the Commission has presented financial statements in accordance with GASB Statement No. 34. While a sound accounting system is a prerequisite to effective financial management, it is also essential that it enables the public, investors, and other interested parties to evaluate the Commission's financial position and results of operations. To this end, the following pages contain information relating to the requirements of GASB Statement No. 34.

The Washington Grain Commission Notes to the Financial Statements included in this report provide information that should be read as a preface to this management discussion and analysis.

Financial Highlights

- The revenue cutoff policy for the modified accrual method is 60 days past the fiscal year (through August). Revenues are generated primarily from assessment income levied upon small grains (wheat and barley); of which harvest typically occurs from July through September. As a state agency, no income taxes are paid on revenue received.
- Total FY 2017 revenues for the Commission are $5,478,374, which consisted of Wheat and Barley Assessments $5,432,361; Other Income $78; Interest Income $89,328; Realized Losses on Investments ($6,678); and Unrealized Losses on Investments ($36,715). The FY 2017 revenue increased $936,486 from FY 2016 due to increased acreage production even though lower prices were received per bushel. The financial operations are such that current year programs are budgeted by assessments collected during the previous year.
- As of June 30, 2017, there is a balance in Assessments Receivable of $334,857 consisting of amounts owed to the Commission for assessments due on wheat and barley sold. Approximately 98% of the Assessments Receivable is for current assessments due within 30 days of purchase by grain dealers. The outstanding receivable balance (2%) consists of dealers who submit reporting sporadically or quarterly. The average collection time on assessments remittance is 30-40 days.
- Total FY 2017 expenses for the Commission were $5,135,123 consisting of Research $1,659,290; Market Development $1,017,492; Grower Services $859,070; Education/Information $474,734; Professional Services and Support $794,011; Office Operations $189,620; Policy Development $82,746; and Depreciation Expense $58,160. The FY 2017 expenditure amount is a decrease of $547,406 from the prior year, mainly due to an overall 10% budget reduction. It should be noted that FY 2017 programs are budgeted by assessments collected during FY 2016, plus interest, and other miscellaneous income.
- Research expenditures decreased by $447,810 from the previous year, due to some projects that reached full term and were not renewed. Continuing research projects were funded at a reduction.
- Market Development expenditures decreased by $21,386 from the previous year as less travel occurred by wheat milling consultants to foreign countries. The Commission maintained funding of, and participation with, visiting trade teams; North Asia Buyers conference; procurement course; and wheat quality improvement team for WSU breeder to participate. Marketing efforts of country-specific trade servicing continued; however, no travel occurred nor work conducted by the blend/mill cereal chemist consultant. The Commission continued membership in national organizations to maintain export markets and to conduct domestic promotions.

<u>Highlights, Continued</u>

- Grower Services expenditures decreased by $204,628 due to reduction in funding to the Washington Association of Wheat Growers. A new lobbyist representing the commission was hired July 1, 2016. Funding was maintained to the national barley organizations and the Washington State Crop Improvement Association via contracts.
- Education/Information expenditures decreased by $27,517 from the previous year. Additional funding was again provided to the Home Baking Association to assist with the Washington Family and Consumer Sciences Teachers Conference, reaching 600 teachers. Classroom education was set at the same level with focus of expansion into Western Washington classrooms with programs that meet the state's criteria of sciences allowing teachers to incorporate established studies into their curriculum while enlightening students about agriculture and wheat specifically. New podcast costs were realized this year including equipment and website consultations.
- Professional Services and Support expenditures increased by $133,541 from the previous year due to July 2016 raises for all employees; the hire of one additional employee on January 9, 2017; and March raises for two employees retroactive to January 2017.
- Office Operations expenditures increased by $17,523 from the previous year as higher maintenance costs for equipment and property were paid. Staff travel remained a high priority with required participation to attend numerous state and national meetings.
- Policy Development expenditures decreased by $8,330, as fewer Commissioners traveled to attend forums, seminars and meetings.
- The Commission's net position increased by $343,251 to $14,318,658 in FY 2017 from stated net position of $13,975,407 in FY 2016.
- With the exception of compensated absences and the net pension liability, the Commission has no long-term debts and continues to operate without the need for operating debt borrowings during the current fiscal year. Assessment revenue received in the prior year is the basis used for the setting of the next year's budget.
- The overall condition of all funds and governmental activities of the Commission continues to remain strong. The goals set by the Board of Commissioners of the Washington Grain Commission in relation to the financial activities continue to be met.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's financial statement. The Commission's financial statements are comprised of two components: 1) the financial statements, and 2) notes to the financial statements.

The <u>Statement of Net Position</u> and the <u>Statement of Activities</u> provide information on a government-wide basis. These statements present an aggregate view of the Commission's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The <u>Statement of Net Position</u> compares assets plus deferred outflows to liabilities plus deferred inflows to give an overall view of the financial health of the Commission.

The <u>Statement of Activities</u> defines the entity's expenses by function and illustrates the total expenses that are offset by corresponding revenues – charges for services and/or operating grants and contributions. General revenues and extraordinary credits, if any, are identified. The result is total net expense offset by general and miscellaneous revenue.

Overview, Continued

The remaining statements, the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance, focus on individual parts of the Commission. Fund statements generally report operations in more detail than the government-wide statements.

Notes to the Financial Statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the Commission's financial activities and position.

Required Supplementary Information further explains and supports the financial statements by including a comparison of the Commission's budget data for the year to actual results. Additionally, there are four schedules that provide further support for the employer's share of the net pension liability and other related information.

Table 1
Major Features of the Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	GOVERNMENTAL FUND STATEMENTS
SCOPE	Entire Commission (except fiduciary funds).	The activity of the Commission that is not proprietary or fiduciary funds is reported here.
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position and Statement of Activities.	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.
BASIS OF ACCOUNTING AND MEASUREMENT FOCUS	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.
TYPE OF ASSET AND LIABILITY INFORMATION	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
TYPE OF INFLOW AND OUTFLOW INFORMATION	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and related liability is due and payable.

Table 2
Condensed Statements of Net Position

	Governmental Activities	
	2017	2016
Assets and Deferred Outflows of Resources:		
Current assets	$13,522,908	$13,088,352
Capital assets, net	1,340,219	1,398,379
Total current and noncurrent assets	14,863,127	14,486,731
Deferred Outflows of Resources:		
Total deferred outflows of resources	132,891	87,379
Total assets and deferred outflows of resources	14,996,018	14,574,110
Liabilities and Deferred Inflows of Resources:		
Current liabilities	89,195	56,663
Noncurrent liabilities	579,146	479,742
Total current and noncurrent liabilities	668,341	536,405
Deferred Inflows of Resources:		
Total deferred inflows of resources	9,019	62,298
Total liabilities and deferred inflows of resources	677,360	598,703
Net Position:		
Net investment in capital assets	1,340,219	1,398,379
Unrestricted	12,978,439	12,577,028
Total net position	$14,318,658	$13,975,407

Table 2 provides the perspective of Washington Grain Commission as a whole.

In accordance with GASB Statements No. 68 and No. 71 requirements, this is the fourth year that assets are shown in deferred outflows of resources and under liabilities in noncurrent liabilities and deferred inflows of resources. As of June 30, 2017, the Commission reported total assets and deferred outflows of resources of $14,996,018 and total liabilities and deferred inflows of resources of $677,360. Net position amounted to $14,318,658.

Table 3
Statement of Activities

	2017	2016
Revenues:		
Wheat and barley assessments	$5,432,361	$4,400,061
Interest income	89,328	94,694
Realized gains (losses) on investments	(6,678)	(50,088)
Unrealized gains (losses) on investments	(36,715)	89,680
Other income	78	7,541
Total revenues	5,478,374	4,541,888
Expenditures/expenses:		
Research	1,659,290	2,107,100
Market development	1,017,492	1,038,878
Grower services	859,070	1,063,698
Education / information	474,734	502,251
Professional services and support	794,011	660,470
Office operations	189,620	172,097
Policy development	82,746	91,076
Depreciation expense	58,160	46,959
Total expenditures/expenses	5,135,123	5,682,529
Other financing sources (uses):		
Loss on disposal	--	(2,544)
Change in net position	343,251	(1,143,185)
Fund Balance/Net position:		
Beginning of year	13,975,407	15,118,592
End of year	**$14,318,658**	**$13,975,407**

Table 3 provides the statement of activities of revenue and expenditures for the Washington Grain Commission.

Revenue: The majority of the revenue supporting the Commission's governmental activities is comprised of assessments collected on small grains produced and sold in the state, based on a percentage of the net selling price. The assessment on wheat is three-fourths of 1% of the net receipts at the first point of sale. The assessment on barley is 1% of the net receipts at the first point of sale. Therefore, the Commission's income is affected by both crop production levels and by prices received. Future funding resources may be significantly affected due to weather and economic conditions. For FY 2017, Washington Grain Commission recognized $5,432,361 in wheat and barley assessment revenues.

Table 3, Continued

Expenses: The Commission's total expenses were $5,135,123 for FY 2017. An emphasis on research continued as a priority with 28 projects funded at Washington State University. Market Development was ranked high with funding provided for overseas projects to maintain and grow exports of Washington wheat. Funding for classroom education was held steady to continue reaching elementary students on the West side of the state. Grower Services was reduced and funding to the Washington Association of Wheat Growers was $100,000 less than the previous year. Professional Services and Support was increased in anticipation of new employee hire. Less travel expenses were incurred for commissioners in Policy Development. Increased staff travel and office and building maintenance costs were reflected in Office Operations.

Net Capital Assets

Pursuant to GASB Statement No. 34, Washington Grain Commission is required to report depreciation expense for all capital assets, including infrastructure assets.

The Commission's investment in capital assets as of June 30, 2017 totaled $1,695,328, less accumulated depreciation of $355,109, for a net balance of $1,340,219. This investment in capital assets includes land, building and improvements, furniture/accessories, office equipment, computer equipment and vehicles. Compared to FY 2016 net investment in capital assets of $1,398,379, the total decrease in the Commission's net investment in capital assets for the current fiscal year was $58,160 representing depreciation. There were no capital asset events during the current fiscal year.

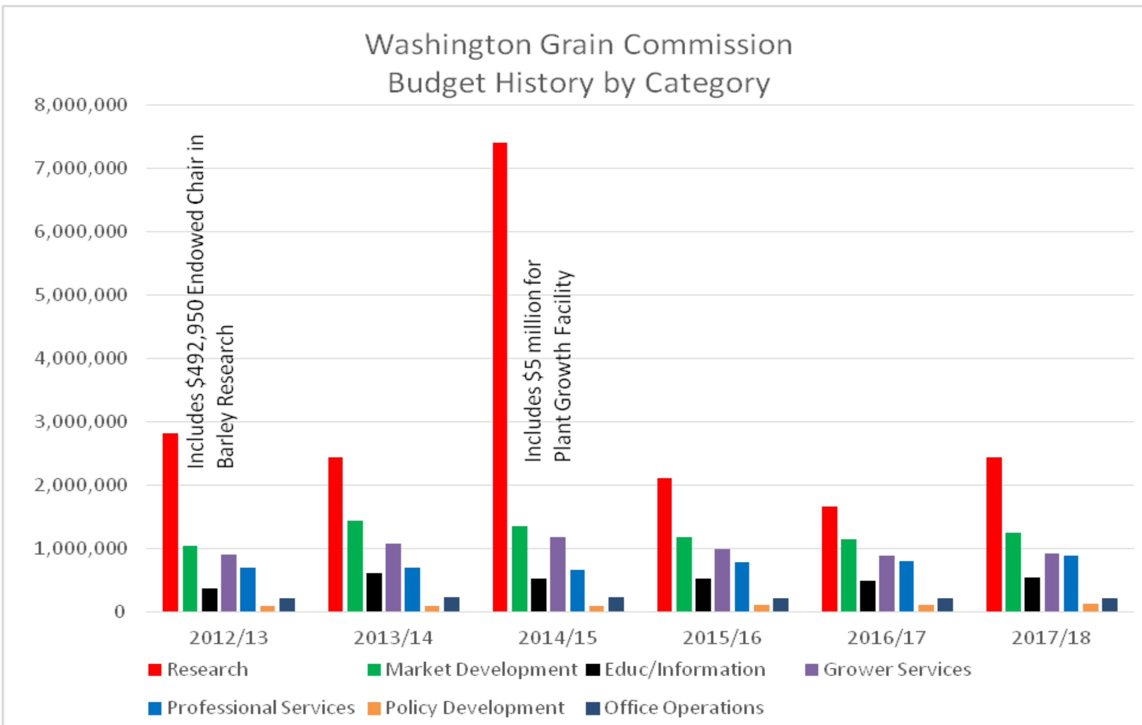
Table 4
Net Capital Assets

	Governmental Activities	
	2017	2016
Building	912,500	912,500
Buildings improvements	269,521	269,521
Furniture/accessories	64,909	64,909
Office & Computer equipment	75,163	75,163
Vehicle	35,735	35,735
	1,357,828	1,357,828
Land	337,500	337,500
	1,695,328	1,695,328
Accumulated depreciation	(355,109)	(296,949)
Net capital assets	**1,340,219**	**1,398,379**

Table 4 shows that on June 30, 2017, Washington Grain Commission had $1,340,219 invested in land, building and improvements, furniture/accessories, equipment and vehicles.

CURRENT FINANCIAL ISSUES AND CONCERNS

- Each year, the Commission submits its budget to the Washington State Department of Agriculture for approval. Approval by WSDA Director Derek Sandison for the FY 2017 budget beginning July 1, 2016 was received by the Commission on June 23, 2016.
- The FY 2017 budget was set at $5,282,905; a decrease of $596,982 from the previous year. The Research category remained as the largest funded category at $1,659,290.
- The Board felt it prudent to stay a conservative course with drafting the FY 2017 budget given lower prices and strived for an across the board 10% reduction. Better 2015 fall planting conditions set the stage for better yields at harvest in 2016. United State Department of Agriculture predicted lower prices received ($4.60 per bushel) to the farmer. Ultimately, even with low prices, higher production generated just over $1 million ($1,032,300) over the previous year.



- There were no budget modifications or fund balance transfers in FY 2017.
- FY 2016 production for wheat was 111,540,000 bushels; 2,280,000 planted acres with an average yield of 50.3 bushels per acre. For barley, production was 5,040,000 bushels, and 115,000 planted acres with an average yield of 48 bushels per acre. Average Portland price for soft white wheat was lower at $5.38 per bushel; down from $6.65 in 2015.
- FY 2017 production for wheat was 157,290,000 bushels, up 40% on sharply higher yields; and for barley was 7,161,000 bushels. Average Portland price for soft white wheat was even lower than 2016 at $4.79 per bushel.
- FY 2018 estimated production for wheat is expected to fall slightly from the previous year on fewer acres. Barley production is expected higher on increased acres.

Financial Issues, Continued

- Board Designated Funds: Total Commission designated funds as of June 30, 2017 amount to $5,200,000; which are reported as Committed Fund Balance.
- Committed Fund Balance – The Board has historically agreed to conservatively operate with some funds held in reserve in order to compensate for volatile variations in the market and/or a crop failure to ensure sufficient funds are available to continue important programs during times of severely reduced income. The total Commission designated funds balance of $5,000,000 is recorded as committed general reserved fund balance.
- Committed Marketing Fund Balance – The Board prepared for the probability of reduced funding received for market development by the national wheat industry organizations from the USDA through Market Access Program and Foreign Market Development funding. It was thought that this would be increased as extra funds allow. The total Commission designated funds balance of $200,000 is recorded as committed marketing reserved fund balance to address any increased marketing needs due to reduced USDA funds.
- The Commission removed $12,248 in Lease Receivable, which was previously offset by a credit in Allowance for Doubtful Accounts. This is the amount left owing from a tenant who moved from the commission building in December 2012. It has since been discovered that this past tenant declared bankruptcy of the business and no additional monies are expected forthcoming. As the Commission was not named in the bankruptcy filing, it was believed that time and money spent trying to reclaim a small portion of the debt from collectors was not worth the costly effort. The Board directed to write off this past due debt and remove it from the Commission's financials at the end of the year.
- In conclusion, the Washington Grain Commission is committed to financial accuracy and excellence and will continue to strive for sound fiscal management to efficiently address the many challenges facing Washington State farmers today and into the future.

Contacting the Commission's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of Washington Grain Commission's finances and to show the Commission's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact Glen Squires, Chief Executive Officer, at Washington Grain Commission, 2702 W. Sunset Boulevard, Spokane, WA 99224; or email gsquires@wagrains.org, or contact Sheila McCrea, Finance & Administrative Specialist, at Washington Grain Commission, same location.

Washington Grain Commission
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2017

	Governmental Fund Balance Sheet	Adjustments (Note 10)	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments (Note 6)	$ 13,186,682	$ -	$ 13,186,682
Assessments receivable	334,857	-	334,857
Other receivables	1,369	-	1,369
Total current assets	13,522,908	-	13,522,908
Noncurrent assets:			
Capital assets, net (Note 7)	-	1,340,219	1,340,219
Total noncurrent assets	-	1,340,219	1,340,219
Deferred outflows of resources:			
Deferred outflows related to the net pension liability (Note 9)	-	132,891	132,891
Total deferred outflows of resources	-	132,891	132,891
Total assets and deferred outflows of resources	$ 13,522,908	1,473,110	14,996,018
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	$ 29,195	-	29,195
Compensated absences, due within one year (Note 8)	-	60,000	60,000
Total current liabilities	29,195	60,000	89,195
Noncurrent liabilities:			
Compensated absences, due after one year (Note 8)	-	78,814	78,814
Net pension liability (Note 9)	-	500,332	500,332
Total noncurrent liabilities	-	579,146	579,146
Deferred inflows of resources:			
Deferred assessments revenue	334,857	(334,857)	-
Deferred inflows related to the net pension liability (Note 9)	-	9,019	9,019
Total deferred inflows of resources	334,857	(325,838)	9,019
Total liabilities and deferred inflows of resources	364,052	313,308	677,360
Commitments and contingencies (Note 13)			
FUND BALANCE/NET POSITION			
Fund balance (Note 12):			
Committed for:			
General reserve	5,000,000	(5,000,000)	-
Marketing reserve	200,000	(200,000)	-
Assigned for:			
Budgetary purposes	6,333,295	(6,333,295)	-
Unassigned	1,625,561	(1,625,561)	-
Total fund balance	13,158,856	(13,158,856)	-
Total liabilities, deferred inflows of resources and fund balance	$ 13,522,908		
Net position:			
Net investment in capital assets		1,340,219	1,340,219
Unrestricted		12,978,439	12,978,439
Total net position		$ 14,318,658	$ 14,318,658

The accompanying notes are an integral part of the basic financial statements.

Washington Grain Commission
Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance/Statement of Activities
Year Ended June 30, 2017

	Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance	Adjustments (Note 11)	Statement of Activities
REVENUES			
Wheat and barley assessments	$ 5,310,620	$ 121,741	$ 5,432,361
Interest income	89,328	-	89,328
Realized losses on investments	(6,678)	-	(6,678)
Unrealized losses on investments	(36,715)	-	(36,715)
Other income	78	-	78
Total revenues	5,356,633	121,741	5,478,374
EXPENDITURES/EXPENSES			
Research	1,659,290	-	1,659,290
Market development	1,017,492	-	1,017,492
Grower services	859,070	-	859,070
Education/information	474,734	-	474,734
Professional services and support	773,398	20,613	794,011
Office operations	189,620	-	189,620
Policy development	82,746	-	82,746
Depreciation expense	-	58,160	58,160
Total expenditures/expenses	5,056,350	78,773	5,135,123
Excess (deficiency) of revenues over (under) expenditures/expenses	300,283	(300,283)	-
Change in net position	-	343,251	343,251
FUND BALANCE/NET POSITION			
Beginning of year	12,858,573	-	13,975,407
End of year	$ 13,158,856	$ -	$ 14,318,658

The accompanying notes are an integral part of the basic financial statements.

Washington Grain Commission
Notes to Financial Statements
June 30, 2017

1. Organization

The Washington Grain Commission ("the Commission") was established and authorized in 2009 by the Washington State Legislature as a result of merging the Washington Wheat Commission (originally created by the Washington Agricultural Enabling Act of 1955) and the Washington Barley Commission (originally created in 1985). The purpose of the Commission is to establish plans and conduct programs for advertising and sales promotions representing 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 (Chapter 15.115 Revised Code of Washington). An eleven member board governs the Commission, of which one seat (barley industry representative) remains vacant.

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 introduces the basic financial statements and provides 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 is 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 and other nonexchange transactions.

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 of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. Government-Wide and Fund Financial Statements, Continued

Government-Wide Financial Statements, Continued

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

The fund financial statements provide information on the Commission's General Fund. The emphasis of fund financial statements is on major governmental funds.

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, 2017, the budget was not amended to reflect revised expense estimates.

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.

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, market development, 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

Scope of Budget

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.

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 held to obtain comments on the proposed budget.
c) Prior to July 1, the budget is adopted by the Board of Commissioners and then submitted to the Washington State Department of Agriculture for approval.
d) The approved budget is then published as final. 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 with Board approval. 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 also 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 a majority approval of the Board.

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

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*.

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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. Statement No. 75 is effective for the Commission beginning in the fiscal year ending June 30, 2018. The Commission is currently evaluating the financial statement impact of adopting this statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for account and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Statement No. 84 is effective for the Commission beginning in the fiscal year ending June 30, 2020. The Commission is currently evaluating the financial statement impact of adopting this statement.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Specifically, Statement No. 85 addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and “negative” goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Statement No. 85 will be effective for the Commission beginning in the fiscal year ending June 30, 2018. The Commission is currently evaluating the financial statement impact of adopting this statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments leasing activities. Statement No. 87 is effective for the Commission beginning in the fiscal year ending June 30, 2021. 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.

Investments

The Commission invests in an account with Robert W. Baird & Company. Deposits are stated at fair market value, which approximates cost, and consist of money market accounts, certificates of deposit, and agency securities. In addition, the Commission invests in certificates of deposits with local banks, which are stated at amortized cost.

Assessments Receivable

Assessments receivable are stated at the amount management expects to collect from outstanding balances. If considered necessary, 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, 2017 assessment receivables to be collectible, and therefore no allowance for doubtful accounts has been provided as of that date. Assessments receivable shown on the Governmental Fund Balance Sheet are not recognized as revenue and have been recorded as a deferred inflow of resources 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.

5. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets are reported in the Statement of Net Position and as expenditures in the Statement of Governmental Fund Revenues, Expenditures and Change 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.

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	39
Furniture/accessories	10
Office equipment	3 to 10
Vehicles	5

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the Commission's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the Commission.

At June 30, 2017, the assets or liabilities of the Commission that were measured at fair value on a recurring basis are summarized as follows:

	Level 1	Level 2	Level 3	Total
Agency securities	$ --	$ 9,618,742	$ --	$ 9,618,742
Money market accounts and deposits	687,895	--	--	687,895

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Commission had no assets or liabilities measured at fair value on a nonrecurring basis during 2017.

5. Summary of Significant Accounting Policies, Continued

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.

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. The accrued hours during this time of delay must be used by the employee's next anniversary date of employment.

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 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Summary of Significant Accounting Policies, Continued

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 used 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 Board of Commissioners (the Commission's highest level of decision-making authority);

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 and includes all spendable amounts not included in the other classifications.

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 for governmental funds other than the General Fund, if any, are classified as unrestricted fund balance.

It is possible for governmental funds other than the General Fund to have negative unassigned fund balances when nonspendable amounts plus restricted amounts exceed the positive fund balance.

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 four 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.

5. Summary of Significant Accounting Policies, Continued

Net Position, Continued

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." Included in unrestricted net position at June 30, 2017 are $5,200,000 that have been designated by the Board of Commissioners to carry out programs and provide operating capital in case of a crop failure.

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.

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 October 24, 2017, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 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, savings accounts and certificates of deposits with local banks, and cash, money market accounts, certificates of deposit and agency securities 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 per bank. The Commission's investment account deposits with a brokerage institution are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000. The brokerage account has provided coverage for balances in excess of the SIPC protection through the purchase of an insurance account with Lloyd's of London.

6. Cash and Investments, Continued

The carrying amount of cash and investments on the Commission's books at June 30, 2017 consists of and appears in the financial statements as summarized below:

Petty cash	$ 199
Checking account	11,240
Savings accounts	2,410,281
Certificates of deposits with local banks, including interest ranging from 0.40% - 0.80%, maturing through March 2018	458,325
Investments with brokerage institution	10,306,637
Total cash and investments	$ 13,186,682

The carrying amount of bank balances on the Commission's books at June 30, 2017 was $2,879,846 and the bank balances totaled $4,132,231. The differences between the carrying amount on the Commission's books and the bank balances, consisted of outstanding checks and deposits not processed by the banks as of June 30, 2017. Of the amount of bank deposits, $708,297 was covered by federal deposit insurance through the FDIC and $3,423,934 was collateralized by securities held by the pledging institution's trust department or a correspondent bank under a joint custody receipt in the name of the Commission and the financial institution.

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, 2017 the Commission had investments of $10,306,637, which were comprised of money market accounts, deposits with local banks and agency securities held with Robert W. Baird & Company. These balances were fully covered, except for fluctuations in market value, by FDIC, SIPC and an insurance policy with Lloyd's of London and are summarized below:

Money market accounts	$ 245,009
Treasury securities	442,886
Taxable bonds	9,618,742
Total investments	$ 10,306,637

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 5% of the Commission's cash and investments are invested with Robert W. Baird & Company. The fair value of the investments of $10,306,637 represents approximately 95.7% of the Commission's total investments, which includes certificates of deposit with local banks.

7. Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Transfers	Disposals	Balance June 30, 2017
Building	$ 912,500	$ --	$ --	$ --	$ 912,500
Building improvements	269,521	--	--	--	269,521
Furniture/accessories	64,909	--	--	--	64,909
Office equipment	75,163	--	--	--	75,163
Vehicles	35,735	--	--	--	35,735
	1,357,828	--	--	--	1,357,828
Land	337,500	--	--	--	337,500
	1,695,328	--	--	--	1,695,328
Accumulated depreciation	(296,949)	(58,160)	--	--	(355,109)
Net capital assets	$ 1,398,379	$ (58,160)	$ --	$ --	$ 1,340,219

Depreciation expense for governmental activities has not been allocated to any of the Commission's individual functions. Rather, the Commission has included all depreciation to governmental activities as a single line item on the Statement of Activities.

8. Long-Term Obligations

A summary of changes in the Commission's long-term obligations, excluding the net pension liability, for the year ended June 30, 2017 is as follows:

	Long-Term Obligations June 30, 2016	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2017	Due Within One Year
Governmental activities:					
Compensated absences	$ 115,724	$ 81,155	$ (58,065)	$ 138,814	$ 60,000

9. Pension Plans

All of the Commission's full-time and qualifying part-time employees participate in one of the statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. Public Employees' Retirement System (PERS) retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

9. Pension Plans, Continued

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.

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

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.

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 Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months, yet the benefit may not exceed 60% of the AFC. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% 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.

9. Pension Plans, Continued

Plan Description, Continued

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Funding Policy

The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The required contribution rates, expressed as a percentage of current-year covered payroll, through June 30, 2017, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	11.18%**	11.18%	11.18%***
Employee	6.00%****	6.12%	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 16.68% for Plan 1.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

9. Pension Plans, Continued

Funding Policy, Continued

Both the Commission and the employees made the required contributions. The Commission's actual contributions, less administrative expense fees, for the years ended June 30 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2017	$ 28,224	$ 36,863	$ --
2016	23,984	31,325	--
2015	18,858	23,610	--

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the Entry-Age Cost Method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's *Combined Healthy Table and Combined Disabled Table*, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%. To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

9. Pension Plans, Continued

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20.00%	1.70%
Tangible assets	5.00%	4.40%
Real estate	15.00%	5.80%
Global equity	37.00%	6.60%
Private equity	23.00%	9.60%
Total	100.00%	

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Commission's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Commission's proportionate share of PERS 1 net pension liability	$ 273,896	$ 227,130	$ 186,885
Commission's proportionate share of PERS 2/3 net pension liability	503,015	273,202	142,218
Total proportionate share	$ 776,911	$ 500,332	$ 329,103

9. Pension Plans, Continued

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Commission reported a total net pension liability of $500,332 for its proportionate share of the net pension liability as follows:

PERS 1	$ 227,130
PERS 2/3	273,202
Total	$ 500,332

The Commission's proportionate shares of the collective net pension liability for the measurement dates of June 30, 2015 and 2016 were as follows:

	Proportionate Share June 30, 2015	Proportionate Share June 30, 2016	Change in Proportionate Share
PERS 1	0.0041033%	0.0042292%	0.0001259%
PERS 2/3	0.0053002%	0.0054262%	0.0001260%

Employer contribution transmittals received and processed by DRS for the PERS fiscal years ended June 30, 2015 and 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations.*

The collective net pension liability was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended June 30, 2017, the Commission recognized pension expense (revenue) as follows:

PERS 1	$ 19,012
PERS 2/3	43,598
Total	$ 62,610

9. Pension Plans, Continued

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Contributions made subsequent to measurement date	$ 28,224	$ --
Net difference between projected and actual investment earnings on pension plan investments	5,719	--
PERS 2/3		
Contributions made subsequent to measurement date	36,863	--
Change in proportionate share of net pension liability	11,280	--
Differences between expected and actual experience	14,549	--
Net difference between projected and actual investment earnings on pension plan investments	33,432	9,019
Changes of assumptions	2,824	--
Total	$ 132,891	$ 9,019

The combined amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date, in the amount of $65,087, will be recognized as a reduction of the net pension liability and included in pension expense in the year ending June 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the Plans (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is zero and 4.2 years for PERS 1 and PERS 2/3, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30,	PERS 1	PERS 2/3	Total
2018	$ (1,408)	$ 5,759	$ 4,351
2019	(1,408)	4,047	2,639
2020	5,252	27,166	32,418
2021	3,283	16,094	19,377
	$ 5,719	$ 53,066	$ 58,785

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		$ 13,158,856
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	$ 1,695,328	
Accumulated depreciation is	(355,109)	
		1,340,219
Receivables will be collected, but are not available soon enough to pay liabilities of the current period, and are therefore a deferred inflow of resources in the governmental fund.		334,857
Certain accrued and long-term liabilities, including compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund:		
Compensated absences, due within one year	(60,000)	
Compensated absences, due after one year	(78,814)	
Net pension liability	(500,332)	
		(639,146)
Deferred outflows and deferred inflows of resources pertaining to the net pension liability are not financial resources and therefore are not reported in the governmental fund:		
Deferred outflows related to the net pension liability	132,891	
Deferred inflows related to the net pension liability	(9,019)	
		123,872
Total net position, Statement of Net Position		$ 14,318,658

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		$ 300,283
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 inflows of resources. They are however recorded as revenue in the Statement of Activities. The increase in assessments receivable in the governmental fund during the 2017 fiscal year is an adjustment.		121,741
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.		(23,090)
Capital outlays to purchase capital assets are reported as expenditures in the governmental fund. 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	(58,160)	
		(58,160)
In the Statement of Activities, pension expense (revenue) is actuarially determined and adjusted by amortization of deferred outflows and deferred inflows of resources. In the governmental funds, however, pension expenditures are measured by the amount of financial resources used (i.e., the amount of contributions actually paid). The difference between contributions paid and the changes in the Commission's proportionate share of the Plan's net pension liability and the related deferred outflows and deferred inflows of resources is an adjustment.		2,477
Change in net position, Statement of Activities		$ 343,251

12. Fund Equity

GASB 54 requires the fund balance amounts to be properly reported within one of five categories (see Note 5). Specific amounts reported as committed and assigned are summarized below:

Committed: The Commission's Committed Fund Balance is fund balance reporting required by the Commission's Board of Commissioners, either because of a Board policy or because of motions that passed at Board meetings. At June 30, 2017, fund balance reported as committed, as a result of Board policies or as a result of motions passed at Board meetings, consisted of a general reserve for future expenditures of $5,000,000 and a marketing reserve of $200,000.

Assigned: The Commission's Assigned Fund Balance is fund balance reporting as a result of the Board administration authority, as designated by the Commissioners, with consultation of the business office. In addition, the Commission enters into various agreements and contracts that are to be effective as of July 1 of the next fiscal year. However, the expenditures for these agreements and contracts are based on revenue earned during the current fiscal year. Since the upcoming budget is based on revenue already recognized by the Commission, the next year's budget has been reported as Assigned Fund Balance at June 30, 2017.

13. 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. Additional coverage is purchased for the excess amounts. 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, 2017. The Commission has no reserve established for the payment of uninsured claims. Expenditures are recognized when amounts are paid.

Required Supplementary Information

Washington Grain Commission
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budgeted Amounts		Actual Modified Accrual	Variances Positive/(Negative)	
	Original	Final	Basis	Original to Final	Final to Actual
REVENUES					
Wheat and barley assessments	$ 3,699,000	$ 3,699,000	$ 5,310,620	$ -	$ 1,611,620
Interest income	76,508	76,508	89,328	-	12,820
Realized losses on investments	-	-	(6,678)	-	(6,678)
Unrealized losses on investments	-	-	(36,715)	-	(36,715)
Other income	7,539	7,539	78	-	(7,461)
Total revenues	3,783,047	3,783,047	5,356,633	-	1,573,586
EXPENDITURES					
Research	1,659,290	1,659,290	1,659,290	-	-
Market development	1,142,032	1,142,032	1,017,492	-	124,540
Grower services	880,983	880,983	859,070	-	21,913
Education/information	492,600	492,600	474,734	-	17,866
Professional services and support	795,000	795,000	773,398	-	21,602
Office operations	203,000	203,000	189,620	-	13,380
Policy development	110,000	110,000	82,746	-	27,254
Total expenditures	5,282,905	5,282,905	5,056,350	-	226,555
Net change in fund balance	(1,499,858)	(1,499,858)	300,283	-	1,800,141
Total fund balance, beginning of year	12,858,573	12,858,573	12,858,573	-	-
Total fund balance, end of year	$ 11,358,715	$ 11,358,715	$ 13,158,856	$ -	$ 1,800,141

See Report of Independent Auditor and Notes to Budgetary Comparison Schedule.

Washington Grain Commission
Notes to Budgetary Comparison Schedule
June 30, 2017

1. Basis of Presentation

The budgetary comparison schedule has been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the governmental fund financial statements.

2. Expenditures in Excess of Budgeted Amounts

As disclosed in Note 1 above, the budgetary comparison schedule has been prepared in conformance with the presentation used in the preparation of the governmental fund financial statements. This presentation differs from the account groupings required by Washington Statutes for Board of Commissioners budgetary control at the functional level. As a result, the budgetary comparison schedule for the General Fund at page 35 discloses no instances in which actual expenditures exceeded budgeted expenditures. In addition, there were no instances in which General Fund expenditures exceeded budgeted expenditures at the functional levels required by Washington Statutes.

Washington Grain Commission
Schedule of Employer's Share of the Net Pension Liability - PERS Plan 1
Last 10 Fiscal Years *

Plan Year	Employer's Portion of NPL	Employer's Proportionate Share of NPL (a)	Employer's Covered Employee Payroll (b)	Employer's NPL as a Percentage of Covered Payroll (a/b)	Plan Net Position as a Percentage of Total Pension Liability
2014	0.0040422%	$ 203,627	$ -	0.00%	61.19%
2015	0.0041033%	214,640	-	0.00%	59.10%
2016	0.0042292%	227,130	-	0.00%	57.03%

* GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

Data reported is measured as of June 30, 2016.

Washington Grain Commission
Schedule of Employer's Share of the Net Pension Liability - PERS Plan 2/3
Last 10 Fiscal Years *

Plan Year	Employer's Portion of NPL	Employer's Proportionate Share of NPL (a)	Employer's Covered Employee Payroll (b)	Employer's NPL as a Percentage of Covered Payroll (a/b)	Plan Net Position as a Percentage of Total Pension Liability
2014	0.0052043%	$ 105,198	$ 441,607	23.82%	93.29%
2015	0.0053002%	189,378	470,302	40.27%	89.20%
2016	0.0054262%	273,202	502,806	54.34%	85.82%

* GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

Data reported is measured as of June 30, 2016.

Washington Grain Commission
Schedule of Contributions - PERS Plan 1
Last 10 Fiscal Years *

Fiscal Year	Statutorily Required Contributions (a)	Actual Contributions (b)	Contributions Deficiency (Excess) (a-b)	Employer's Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
	**	***			
2014	$ 17,892	$ 17,892	$ -	$ -	0.00%
2015	18,858	18,858	-	-	0.00%
2016	23,984	23,984	-	-	0.00%
2017	28,224	28,224	-	-	0.00%

* GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

** The calculation for statutorily required contributions has been reduced by the 0.18% that applies to the employer administrative expense fee.

*** A portion of the employer contribution of PERS Plan 2/3 is allocated to PERS Plan 1 to fund the unfunded actuarially accrued liability as required by RCW 41.45.060.

Data reported is measured as of June 30, 2017.

Washington Grain Commission
Schedule of Contributions - PERS Plan 2/3
Last 10 Fiscal Years *

Fiscal Year	Statutorily Required Contributions (a) **	Actual Contributions (b) ***	Contributions Deficiency (Excess) (a-b)	Employer's Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
2014	$ 21,985	$ 21,985	-	$ 441,607	4.98%
2015	23,610	23,610	-	470,302	5.02%
2016	31,325	31,325	-	502,806	6.23%
2017	36,863	36,863	-	591,697	6.23%

* GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

** The calculation for statutorily required contributions has been reduced by the 0.18% that applies to the employer administrative expense fee.

*** A portion of the employer contribution of PERS Plan 2/3 is allocated to PERS Plan 1 to fund the unfunded actuarially accrued liability as required by RCW 41.45.060.

Data reported is measured as of June 30, 2017.

Washington Grain Commission
Notes to PERS Plan Schedules
June 30, 2017

1. Changes in Benefit Terms

There were no changes in benefit terms during the Plan year ended June 30, 2016.

2. Changes in Composition of the Population

There were no changes in the composition of the populations during the Plan year ended June 30, 2016.

3. Changes in Assumptions

There were two changes in actuarial assumptions during the Plan year ended June 30, 2016. The assumed valuation interest rate was lowered from 7.80% to 7.70% and assumed administrative factors were updated.

In addition, PERS changed how they value the basic minimum cost of living adjustment (COLA) for Plan 1. The calculation of this COLA is now included within PERS' valuation software instead of using an external model.

Compliance Report

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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*

Board of Commissioners
Washington 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 Grain Commission ("the Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 24, 2017.

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 opinion 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 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 Commission's financial statements are free of 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 sole purpose of this report is 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.

DeCoria, Maichel + Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

October 24, 2017

Washington Grain Commission
Schedule of Findings and Responses
Year Ended June 30, 2017

Section I – Summary of Auditor's Results:

Financial Statements

The report of independent auditor expressed an unmodified opinion on the Commission's basic financial statements.

The audit of the Commission's financial statements disclosed no material weaknesses in internal control over financial reporting.

The audit disclosed no compliance findings material to the Commission's financial statements.

Section II – Financial Statement Findings:

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There are no current year findings.

Washington Grain Commission
Status of Prior year Findings
Year Ended June 30, 2017

There were no findings in the prior year.