Washington State Auditor's Office

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Financial Statements Audit Report

Washington State Grain Commission

For the period July 1, 2014 through June 30, 2015

Published January 14, 2016

Report No. 1016043

Washington State Auditor's Office

January 16, 2016

Board of Commissioners
Washington State Grain Commission
Spokane, Washington

Report on Financial Statements

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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Washington State Grain Commission
July 1, 2014 through June 30, 2015

Board of Commissioners
Washington State Grain Commission
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Washington State Grain Commission, Spokane County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 18, 2015. As discussed in Note 5 to the financial statements, during the year ended June 30, 2015, the Commission implemented Governmental Accounting Standards Board *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

December 18, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington State Grain Commission
July 1, 2014 through June 30, 2015

Board of Commissioners
Washington State Grain Commission
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Washington State Grain Commission, Spokane County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Washington State Grain Commission, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 5 to the financial statements, in 2015, the Commission adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21, budgetary comparison information on pages 47 through 48 and pension trust fund information on pages 49 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

December 18, 2015

FINANCIAL SECTION

Washington State Grain Commission
July 1, 2014 through June 30, 2015

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WASHINGTON STATE GRAIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2015

The management's discussion and analysis of the financial performance of Washington State Grain Commission (the Commission), a GASB 34 requirement, provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2015 (FY 2015).

Comparative data from the previous year is available for this year, as this is the third 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 State 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 full accrual method is 30 days past the fiscal year (through July). 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 2015 revenues for the Commission are $5,654,409, which consisted of Wheat and Barley Assessments $5,462,026; Other Income $94,570; Interest Income $99,765; Realized Gains on Investments $8,155; and Unrealized Losses on Investments ($10,107). The FY 2015 revenue decreased $2,513,843 from FY 2014 mainly due to reduced production (weather conditions—lack of moisture) and lower prices. The financial operations are such that current year programs are budgeted by assessments collected during the previous year.
- As of June 30, 2015, there is a balance in Assessments Receivable of $144,728, 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 2015 expenses for the Commission were $11,065,020 consisting of Research $7,394,671; Market Development $1,143,284; Grower Services $1,082,170; Education/Information $496,459; Professional Services and Support $620,002; Policy Office Operations $209,792; Policy Development $71,736; and Depreciation Expense $46,906. The FY 2015 expenditure amount is an increase of $4,935,809 from the prior year, mainly due to the expenditure of funding commitment toward the Washington Grains Plant Growth Facility (WSU greenhouse) construction. It should be noted that FY 2015 programs are budgeted by assessments collected during FY 2014, plus interest, and other miscellaneous income.
- Research expenditures increased by $4,962,003 from the previous year, primarily due to meeting the funding commitment of the Washington Grains Plant Growth Facility. The

reserved fund for the greenhouse was established in 2012 with $3,000,000 and added to in subsequent years toward the goal of attaining $5,000,000 in matching funding (with United States Department of Agriculture-Agriculture Research Service and Washington State University). Additionally, two projects were moved to the Grower Services category; and outside evaluations of research projects was under-expended by $2,500.

- Market Development expenditures decreased by $53,348 from the previous year as less travel was scheduled by wheat milling consultants to foreign countries and no Washington State Trade Mission took place; as well as the completion of several projects such as the Solvent Retention Capacity testing equipment purchase for South Asia market work. The Commission maintained funding of and participation with visiting trade teams and buyer conferences (the North Asia Marketing Conference was highly successful, bringing together top buyers of Washington wheat from Japan, Korea and Taiwan.) Marketing efforts were also extended by country-specific trade servicing including the promotion of blending soft white wheat with other classes to enhance end-use products and increase sales; sponsorship of the WSU winter wheat breeder to meet with overseas customers; quality analysis work; and membership in national organizations to maintain export markets and conduct domestic promotion.
- Grower Services expenditures increased by $30,311 from the previous year due to the fulfilling of a matching commitment to the National Science Foundation for the building of an Industry/University Cooperative Research Center; a public/private collaborative research partnership that will ultimately benefit the state's small grain growers. The Commission increased funding to Washington Wheat Foundation by $250,000 to enhance the education endowment via public relations. The largest Grower Services expenditure is the contract with the Washington Association of Wheat Growers.
- Education/Information expenditures decreased by $86,202 from the previous year. No Commissioner training at the KSU-International Grains Program occurred due to scheduling conflicts. Major changes include a $124,000-increase in classroom education (expansion into Western Washington classrooms) which was more than offset by a reduction in funding to the Washington Wheat Foundation for a completed project evaluating educational needs assessment of the industry.
- Professional Services and Support expenditures increased by $34,178 from the previous year due to staff salary increases.
- Office Operations expenditures increased by $60,257 from the previous year due to higher landscaping and building maintenance costs; and expenses put to the office and building supplies line items as the costs were under $5,000—the minimum amount charged to capital asset outlays for depreciation. Capital assets of $61,964 were added for the purchase of a new automobile and video conferencing equipment. A transfer of $12,000 was made at fiscal year end from the W-Special projects line item in the Grower Services category to the Capital assets outlay line item to cover estimated over-expenditures. Once June debts were paid, the Office Operations budget category was over-expended by $32,756; however, the total budget remained under-expended by $352,561.
- Policy Development expenditures decreased by $4,427, as Commissioner travel costs to attend forums, seminars and meetings decreased.
- The Commission's net position decreased by $5,419,215 to $15,118,592 in FY 2015 from the restated net position of $20,537,807 in FY 2014.

- 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 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 State Grain Commission in relation to the financial activities continues 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 Statement of Net Position and the Statement of Activities 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 Statement of Net Position compares assets plus deferred outflows to liabilities plus deferred inflows to give an overall view of the financial health of the Commission.

The Statement of Activities 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.

The remaining statements, the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds, 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 two 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	
	2015	2014 (restated)
Assets and Deferred Outflows of Resources:		
Current assets	$ 14,223,331	$ 19,636,802
Capital assets, net	1,404,707	1,401,848
Deferred outflows of resources	54,438	39,877
Total assets and deferred outflows of resources	15,682,476	21,078,527
Liabilities and Deferred Inflows of Resources:		
Current liabilities	59,691	66,635
Noncurrent liabilities	367,221	474,085
Deferred inflows of resources	136,972	--
Total liabilities and deferred inflows of resources	563,884	540,720
Net Position:		
Net investment in capital assets	1,404,707	1,401,848
Unrestricted	13,713,885	19,135,959
Total net position	$ 15,118,592	$ 20,537,807

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

GASB 68 and 71 requirements were implemented this year which required a restatement of 2014 numbers as shown above. This change is reflected under assets in deferred outflows of resources and under liabilities in noncurrent liabilities and deferred inflows of resources. As of June 30, 2015, the Commission reported total assets and deferred outflows of resources of $15,628,476 and total liabilities and deferred inflows of resources of $563,884. Net position amounted to $15,118,592.

Table 3
Statement of Activities

		2015		2014 (restated)
Revenues:				
Wheat and barley assessments	$	5,462,026	$	7,978,997
Interest income		99,765		89,003
Realized gains (losses) on investments		8,155		(127)
Unrealized gains (losses) on investments		(10,107)		70,229
Other income		94,570		30,150
Total revenues		5,654,409		8,168,252
Expenditures/expenses:				
Research		7,394,671		2,432,668
Market development		1,143,284		1,196,632
Grower services		1,082,170		1,051,859
Education/information		496,459		582,661
Professional services and support		620,002		585,824
Office operations		209,792		149,535
Policy development		71,736		76,163
Bad debt expense		--		13,848
Depreciation expense		46,906		40,021
Total expenditures/expenses		11,065,020		6,129,211
Other financing sources:				
Loss on disposal		(8,604)		--
Change in net position		(5,419,215)		2,039,041
Net position:				
Beginning of year		20,537,807		18,878,259
Prior period adjustment		--		(379,493)
End of year	**$**	**15,118,592**	**$**	**20,537,807**

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

Table 3, Continued

Revenue: *GASB 68 and 71 requirements were implemented this year which required a restatement of 2014 numbers as shown above.* 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 (drought) and economic conditions. For FY 2015, Washington State Grain Commission recognized $5,462,026 in wheat and barley assessment revenues.

Expenses: The Commission's total expenses were $11,065,020 for FY 2015. An emphasis on research was a priority with the expenditure of the matching committed funding to WSU for the building of the Washington Grains Plant Growth Facility. Market Development was also highlighted with overseas projects being funded to maintain and grow exports of Washington wheat into Pacific Rim and Latin American countries. Marketing wheat via the Lower Columbia River District port area was facilitated with funding for technical and milling classes to overseas buyers, including providing appropriate equipment for hands-on learning. Funding for classroom education was increased to reach more elementary students on the West side of the state. Additional funding was also provided for public relations activities in the Grower Services category.

Under GASB 34, Washington State 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, 2015 totaled $1,662,098, less accumulated depreciation of $257,391, for a net balance of $1,404,707. This investment in capital assets includes land, building and improvements, furniture/accessories, office equipment and vehicles. Compared to FY 2014 net investment in capital assets of $1,401,848, the net increase in the Commission's net investment in capital assets for the current fiscal year was $2,859. The major capital asset events during the current fiscal year included the sale of a 13-year old Toyota Avalon and the purchase of a 2015 Dodge Durango; the purchase of HDMI video conferencing equipment; and the disposal of a 9-year old Xerox copy machine and obsolete video conferencing equipment to State Surplus.

Table 4

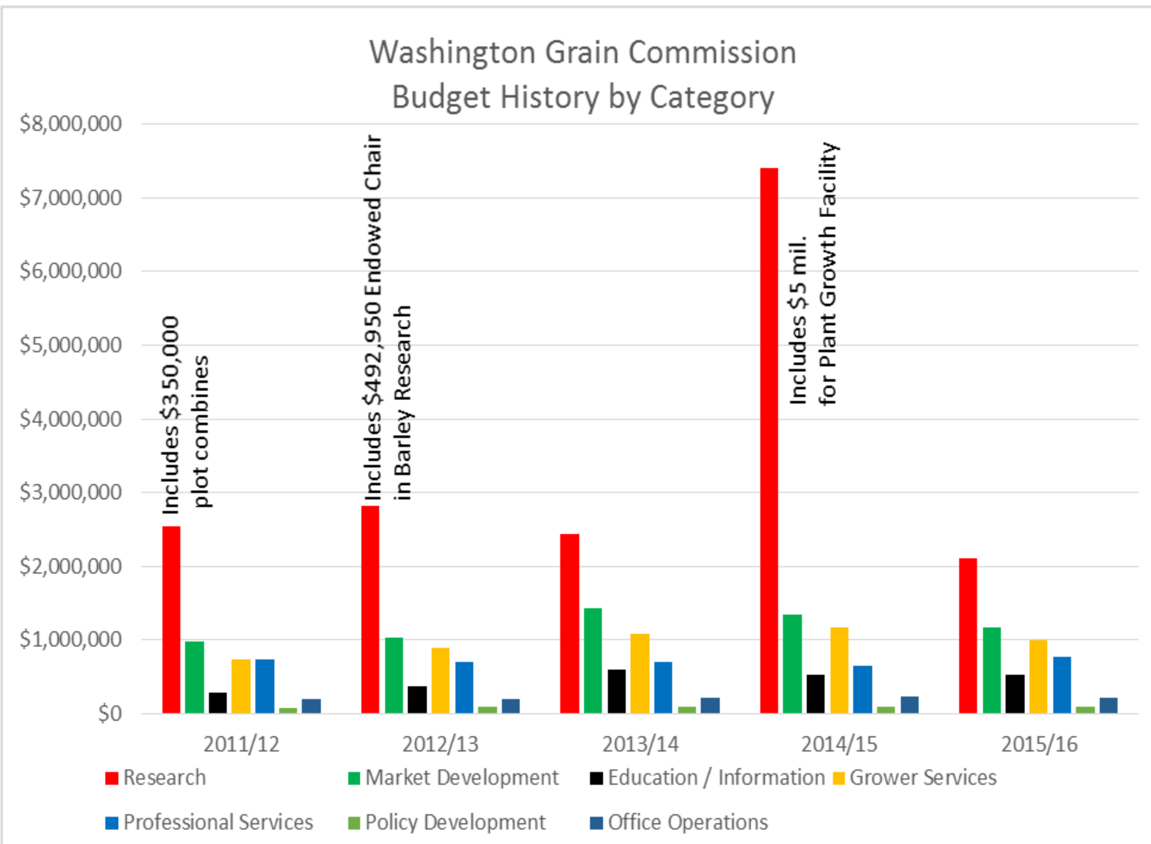
Net Capital Assets

	Governmental Activities	
	2015	2014
Building	$ 912,500	$ 912,500
Buildings improvements	269,521	269,521
Furniture/accessories	64,909	64,909
Office equipment	41,933	52,828
Vehicle	35,735	21,576
	1,324,598	1,321,334
Land	337,500	337,500
	1,662,098	1,658,834
Accumulated depreciation	(257,391)	(256,986)
Net Capital Assets	**$ 1,404,707**	**$ 1,401,848**

Table 4 shows that on June 30, 2015, Washington State Grain Commission had $1,404,707 invested in land, buildings 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 Don R. Hover for the FY 2015 budget beginning July 1, 2014 was received by the Commission on June 6, 2014.
- The FY 2015 budget was set at $11,413,534; an increase of $4,844,531 over the previous year. The research category remained as the largest funded category at $7,397,171; which included matching funding toward the Washington Grains Plant Growth Facility construction on the Washington State University Pullman campus. This $5,000,000 pledged amount was the culmination of assigned funds set aside in reserve in previous years and expended in this fiscal year.
- The Board felt it prudent to remain conservative with drafting the FY 2015 budget due to lower expected income and the expenditure of $5 million for the greenhouse. The USDA predicted lower prices ($6.50 per bushel) thus approximately $1 million less in assessments would be received at the conclusion of FY 2014. Fall planting conditions were a big concern due to the low soil moisture profiles.



- The budget was modified in September 2014 to direct the committed funds of $1,900,000 from the Agriculture Education Facilities Reserved Fund, and the return of the remaining business planner unspent funds, to be transferred to the Assigned Fund Balance.
- The budget was modified again in June 2015 to allow for the transfer between categories in the amount of $12,000 from Grower Services to cover over-expenditures in Office Operations, with the total budget amount of $11,413,534 remaining the same.

- FY 2013 production was 145,530,000 bushels for wheat and 2,210,000 planted acres with average yield of 66.9 bushels per acre. For barley, production during FY 2013 was 14,040,000 bushels and 205,000 planted acres with average yield of 72 bushels per acre. Average prices received by farmers for the 2013 crop year were lower than the previous year for soft white wheat, hard red winter wheat, and hard red spring wheat by 11.2%; 17.2%; and 17.7%, respectively. Average Portland price for soft white wheat was $6.87 per bushel for 2013; down from $8.08 per bushel in 2012.
- FY 2014 production for wheat was 108,460,000 bushels, down 25.5%; and for barley was 6,300,000 bushels, down 55.1%. Average Portland price for soft white wheat was lower at $6.65 per bushel.
- FY 2015 estimated production for wheat and barley is expected to remain similar to the previous year due to drought conditions resulting in significant drops in yields.
- Board Designated Funds: Total Commission designated funds (which are reported as Assigned Fund Balance) as of June 30, 2015 amount to $3,400,000.
- WSU Greenhouse Committed Fund – This fund in the amount of $4,000,000 was transferred from the balance sheet and built into the budget to expend, along with an additional $1,000,000 from savings, for a total commitment of $5,000,000 toward the building of a new plant growth facility at Washington State University, Pullman campus. This funding will be leveraged with matching funds from WSU and USDA-Agricultural Research Service to build the Washington Grains Plant Growth Facility. Groundbreaking for the new greenhouse began in the summer of 2015, with dedication of the facility scheduled for October 17, 2015.
- Agriculture Education Facilities Committed Fund – This fund was created to address the possible building of an industry-wide agriculture education facility on donated land in Eastern Washington near the I-90 corridor. The overall funding was contingent upon leveraged funding received from industry partners and other interests, and an acceptable structure for the proposed facility. After the hiring of a business planner, and matching leverage not forthcoming, it was ultimately determined that the site was not appropriate to effectively educate the general populace of Washington State. In September, the Board directed these committed funds totaling $1,900,000, and the return of the remaining business planner unspent funds, be transferred to the Assigned Fund Balance.
- Assigned 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. This fund balance of $1,500,000 was increased in September by Board action adding $1,900,000 from the Agriculture Education Facilities Committed Fund for a total of $3,400,000 for that balance.

- The Commission includes $12,548 in Lease Receivable, which is entirely 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. Continuing efforts are under way to secure the past due rent, with periodic payments received.
- In conclusion, the Washington State Grain Commission is committed to financial excellence and will continue its sound fiscal management in order 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 State Grain Commission, 2702 W. Sunset Boulevard, Spokane, WA 99224; or email gsquires@wagrains.org, or contact Sheila McCrea, Finance & Administrative Specialist, at Washington State Grain Commission, same location.

Washington State Grain Commission
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2015

	Governmental Fund Balance Sheet	Adjustments (Note 10)	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments (Note 6)	$14,078,603	$ -	$14,078,603
Assessments receivable	144,728	-	144,728
Total current assets	14,223,331	-	14,223,331
Noncurrent assets:			
Capital assets, net (Note 7)	-	1,404,707	1,404,707
Total noncurrent assets	-	1,404,707	1,404,707
Deferred outflows of resources:			
Contributions made subsequent to the measurement date	-	42,468	42,468
Change in proportionate share of the net pension liability	-	11,970	11,970
Total deferred outflows of resources	-	54,438	54,438
Total assets and deferred outflows of resources	14,223,331	1,459,145	15,682,476
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	16,629	-	16,629
Compensated absences, due within one year (Note 8)	-	43,062	43,062
Total current liabilities	16,629	43,062	59,691
Noncurrent liabilities:			
Compensated absences, due after one year (Note 8)	-	58,396	58,396
Net pension liability (Note 9)	-	308,825	308,825
Total noncurrent liabilities	-	367,221	367,221
Deferred inflows of resources:			
Unearned assessments	144,728	(144,728)	-
Net difference between projected and actual earnings on investments	-	136,972	136,972
Total deferred inflows of resources	144,728	(7,756)	136,972
Total liabilities and deferred inflows of resources	161,357	402,527	563,884
Commitments and contingencies (Note 12)			
FUND BALANCE/NET POSITION			
Fund balance:			
Assigned	3,400,000	(3,400,000)	-
Unassigned	10,661,974	(10,661,974)	-
Total fund balance	14,061,974	(14,061,974)	-
Total liabilities, deferred inflows of resources and fund balance	$14,223,331		
Net position:			
Net investment in capital assets		1,404,707	1,404,707
Unrestricted		13,713,885	13,713,885
Total net position		$15,118,592	$15,118,592

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

Washington State Grain Commission
Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance/Statement of Activities
Year Ended June 30, 2015

	Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance	Adjustments (Note 11)	Statement of Activities
Revenues:			
Wheat and barley assessments	$5,392,199	$69,827	$5,462,026
Interest income	99,765	-	99,765
Realized gains on investments	8,155	-	8,155
Unrealized losses on investments	(10,107)	-	(10,107)
Other income	94,570	-	94,570
Total revenues	5,584,582	69,827	5,654,409
Expenditures/expenses:			
Research	7,394,671	-	7,394,671
Market development	1,143,284	-	1,143,284
Grower services	1,082,170	-	1,082,170
Education/information	496,459	-	496,459
Professional services and support	600,897	19,105	620,002
Office operations	271,756	(61,964)	209,792
Policy development	71,736	-	71,736
Depreciation expense	-	46,906	46,906
Total expenditures/expenses	11,060,973	4,047	11,065,020
Excess (deficiency) of revenues over (under) expenditures/expenses	(5,476,391)	5,476,391	-
Other financing sources:			
Proceeds from sale of capital assets / Loss on disposal	3,595	(12,199)	(8,604)
Net change in fund balance	(5,472,796)	5,472,796	-
Change in net position	-	(5,419,215)	(5,419,215)
Fund balance/net position:			
Beginning of year (Note 13)	19,534,770	-	20,537,807
End of year	$14,061,974	$ -	$15,118,592

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

Washington State Grain Commission
Notes to Financial Statements
June 30, 2015

1. Organization

The Washington State 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 is intended to introduce the basic financial statements and provide an analytical overview of the Commission's financial activities in a narrative format. An analysis of the Commission's overall financial position and results of operations 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.

2. Government-Wide and Fund Financial Statements, Continued

Government-Wide Financial Statements, Continued

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

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

Fund Financial Statements

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, 2015, the budget was amended to reflect revised expense estimates. The amendment was properly approved by the Commission.

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

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

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

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

The General Fund is the sole operating fund of the Commission. The General Fund is used to account for all financial transactions of the Commission. The Commission's major revenue source is wheat and barley assessments. Expenditures include the cost of daily operations which consist of professional services and support, policy development, and office operations. Other expenditures include research, 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.

4. Budgetary Information, Continued

<u>Scope of Budget, Continued</u>

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.

<u>Amending the Budget</u>

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

<u>Accounting Principles Generally Accepted in the United States of America</u>

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, amended the former net assets reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of required financial statement components and renamed *Net Assets* as *Net Position*. The Commission's financial statements conform to the requirements of this statement. Implementation did not have a material impact on the Commission's financial results.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 established accounting and financial reporting standards that reclassified certain items previously reported as assets and liabilities as deferred outflows or deferred inflows of resources, or as outflows or inflows of resources. This statement also limited the use of the term deferred in financial statement presentations. This statement was effective for the Commission beginning in the fiscal year ended June 30, 2014. Implementation did not have a material impact on the Commission's financial results.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of Statement No. 68 was to improve accounting and financial reporting by state and local governments for pensions. This statement established standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses. For defined benefit pension plans, this statement identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information about pensions were also addressed. Statement No. 68 is effective for the Commission beginning in the fiscal year ended June 30, 2015. Implementation required the restatement of amounts previously not reported as deferred outflows of resources and liabilities on the Commission's Statement of Net Position as of the fiscal year ended June 30, 2014 (see Note 13).

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of Statement No. 71 was to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amended paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of Statement No. 71 are required to be applied simultaneously with the provisions of Statement No. 68.

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.

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, 2015 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

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.

5. Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

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

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

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

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.

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;

5. Summary of Significant Accounting Policies, Continued

<u>Fund Balances, Continued</u>

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.

<u>Fund Balance Spending Policy</u>

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.

<u>Use of Restricted Resources</u>

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.

<u>Net Position</u>

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, 2015 are $3,400,000 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 Estimates

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

Subsequent Events

The Commission has evaluated subsequent events through December 18, 2015, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 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, money market 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, 2015 consists of and appears in the financial statements at fair value as summarized below:

Petty cash	$ 200
Checking account	93,454
Money market accounts with local banks	805,975
Certificates of deposits with local banks, including interest ranging from 0.07% - 2.20%, maturing through November 28, 2029	2,544,231
Investments held with Robert W. Baird & Company	10,634,743
Total cash and investments	$ 14,078,603

The carrying amount of bank balances on the Commission's books at June 30, 2015 was $3,443,660 and the bank balances totaled $5,060,883. 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, 2015. Of the amount of bank deposits, $2,794,231 was covered by federal deposit insurance through the FDIC and $2,266,652 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, 2015 the Commission had investments of $10,634,743, which were comprised of cash, 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:

Cash	$ 240,000
Money market accounts	86,262
Deposits with local banks	245,211
Agency securities	10,063,270
Total investments	$ 10,634,743

6. Cash and Investments, Continued

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 $10,634,743 represents approximately 80.7% of the Commission's total investments.

7. Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Transfers	Disposals	Balance June 30, 2015
Building	$ 912,500	$ --	$ --	$ --	$ 912,500
Building improvements	269,521	--	--	--	269,521
Furniture/accessories	64,909	--	--	--	64,909
Office equipment	52,828	26,229	--	(37,124)	41,933
Vehicle	21,576	35,735	--	(21,576)	35,735
	1,321,334	61,964	--	(58,700)	1,324,598
Land	337,500	--	--	--	337,500
	1,658,834	61,964	--	(58,700)	1,662,098
Accumulated depreciation	(256,986)	(46,906)	--	46,501	(257,391)
Net capital assets	$ 1,401,848	$ 15,058	$ --	$ (12,199)	$ 1,404,707

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 for the year ended June 30, 2015 is as follows:

	Long-Term Obligations June 30, 2014	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2015	Due Within One Year
Governmental activities:					
Compensated absences	$ 94,219	$ 50,301	$ (43,062)	$ 101,458	$ 43,062

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.

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.

<u>Public Employees’ Retirement System (PERS) Plans 1 and 2/3</u>

<u>Plan Description</u>

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.

9. Pension Plans, Continued

Plan Description, Continued

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.

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 5 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.

9. Pension Plans, Continued

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, as of December 31, 2014, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 7.25% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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
2015	$ 18,858	$ 23,610	$ --
2014	17,892	21,985	--

9. Pension Plans, Continued

<u>Actuarial Assumptions</u>

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2014 with a valuation date of June 30, 2013. 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 2013 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2014. Plan liabilities were rolled forward from June 30, 2013, to June 20, 2014, 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.

<u>Discount Rate</u>

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, 2014, are summarized in the table below. The inflation component used to create the table is 2.7% 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%	0.80%
Tangible assets	5.00%	4.10%
Real estate	15.00%	5.30%
Global equity	37.00%	6.05%
Private equity	23.00%	9.05%
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 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 net pension liability	$ 689,792	$ 308,825	$ 13,357

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, 2015, the Commission reported a total net pension liability of $308,825 for its proportionate share of the net pension liability as follows:

PERS 1	$ 203,627
PERS 2/3	105,198

The Commission's proportionate shares of the collective net pension liability for the measurement dates of June 30, 2013 and 2014 were as follows:

	Proportionate Share June 30, 2013	Proportionate Share June 30, 2014	Change in Proportionate Share
PERS	0.0036370%	0.0040422%	0.0004052%
PERS 2/3	0.0048439%	0.0052043%	0.0003604%

Employer contribution transmittals received and processed by DRS for the PERS fiscal years ended June 30, 2013 and 2014 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, 2014, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2013, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended June 30, 2015, the Commission recognized pension expense (revenue) as follows:

PERS 1	$ 15,586
PERS 2/3	(3,720)
Total	$ 11,866

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, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	$ 18,858	$ --
Net difference between projected and actual investment earnings on pension plan investments	--	25,462
PERS 2/3		
Contributions made subsequent to measurement date	23,610	--
Change in proportionate share of net pension liability	11,970	--
Net difference between projected and actual investment earnings on pension plan investments	--	111,510
Total	$ 54,438	$ 136,972

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date, in the amount of $42,468, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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, 2013, the beginning of the measurement period ended June 30, 2014, is zero and 4.5 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
2016	$ (6,366)	$ (24,458)	$ (30,824)
2017	(6,366)	(24,458)	(30,824)
2018	(6,366)	(24,458)	(30,824)
2019	(6,364)	(26,166)	(32,530)
	$ (25,462)	$ (99,540)	$ (125,002)

9. Pension Plans, Continued

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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		$ 14,061,974
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	$ 1,662,098	
Accumulated depreciation is	(257,391)	
		1,404,707
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.		144,728
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	(43,062)	
Compensated absences, due after one year	(58,396)	
Net pension liability	(308,825)	
		(410,283)
Deferred outflows and deferred inflows of resources pertaining to the net pension liability are not financial resources and therefore are not reported as assets or liabilities in the governmental fund:		
Contributions made subsequent to the measurement date	42,468	
Change in proportionate share of the net pension liability	11,970	
Net difference between projected and actual earnings on investments	(136,972)	
		(82,534)
Total net position, Statement of Net Position		$ 15,118,592

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		$(5,472,796)
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 2015 fiscal year is an adjustment.		69,827
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.		(7,239)
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	61,964	
Depreciation expense	(46,906)	
		15,058
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.		(11,866)

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

In the governmental funds, proceeds from sales of capital assets are recognized as revenues. However, in the Statement of Activities, the book value of capital assets disposed of is deducted from the proceeds, if any, to determine the gain or loss on the sale of capital assets. The book value of capital assets disposed of in the current fiscal year was $12,199, resulting in a loss on the sale of capital assets of $8,604.	$ (12,199)
Change in net position, Statement of Activities	$(5,419,215)

12. Contingencies

Risk Management

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

Credit Risk

Financial instruments which potentially subject the Commission to concentration of credit risk consist principally of cash and investments. The Commission maintains its cash in bank deposit accounts at high quality financial institutions. At times, deposit account balances may exceed federally insured limits. Additional FDIC 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, 2015. The Commission has no reserve established for the payment of uninsured claims. Expenditures are recognized when amounts are paid.

13. Prior Period Adjustment

GASB Statements No. 68 and 71 became effective for the Commission during 2015 (see Note 5). Implementation of GASB Statements No. 68 and 71 impacted the Commission's deferred outflows of resources, liabilities and net position as of and for the year ended June 30, 2014. Contribution payments associated with the pension have historically been recorded as an expense in the current year. Under GASB Statement No. 68, pension expense (revenue) is actuarially determined and adjusted by amortization of deferred outflows and deferred inflows of resources. Prior to the issuance of GASB Statement No. 68, the Commission was not required to record their proportionate share of the net pension liability. Additionally, under GASB Statements No. 68 and 71, any contributions made subsequent to the net pension liability measurement date are classified as deferred outflows of resources.

The effects of the retroactive implementation of GASB Statements No. 68 and 71 require a restatement of the financial statements as of June 30, 2014, as follows:

	As Previously Reported	As Restated
Statement of Net Position		
Deferred outflows of resources:		
Contributions made subsequent to the measurement date	$ --	$ 39,877
Noncurrent liabilities:		
Net pension liability	--	419,370
Net Position	20,917,300	20,537,807

Washington State Grain Commission
Budgetary Comparison Schedule
Year Ended June 30, 2015

	Budgeted Amounts		Actual Modified Accrual	Variances Positive/(Negative)	
	Original	Final	Basis	Original to Final	Final to Actual
Revenues:					
Wheat and barley assessments	$7,652,175	$7,652,175	$5,392,199	$ -	($2,259,976)
Interest income	85,468	85,468	99,765	-	14,297
Realized gains (losses) on investments	-	-	8,155	-	8,155
Unrealized gains (losses) on investments	-	-	(10,107)	-	(10,107)
Other income	30,150	30,150	94,570	-	64,420
Total revenues	7,767,793	7,767,793	5,584,582	-	(2,183,211)
Expenditures:					
Research	7,397,171	7,397,171	7,394,671	-	2,500
Market development	1,347,563	1,347,563	1,143,284	-	204,279
Grower services	1,178,000	1,166,000	1,082,170	(12,000)	83,830
Education/information	520,300	520,300	496,459	-	23,841
Professional services and support	650,000	650,000	600,897	-	49,103
Office operations	227,000	239,000	271,756	12,000	(32,756)
Policy development	93,500	93,500	71,736	-	21,764
Total expenditures	11,413,534	11,413,534	11,060,973	-	352,561
Excess (deficiency) of revenues over (under) expenditures	(3,645,741)	(3,645,741)	(5,476,391)	-	(1,830,650)
Other financing sources:					
Proceeds from sale of capital assets	-	-	3,595	-	3,595
Net change in fund balance	(3,645,741)	(3,645,741)	(5,472,796)	-	(1,827,055)
Fund balance:					
Beginning of year	19,534,770	19,534,770	19,534,770	-	-
End of year	$15,889,029	$15,889,029	$14,061,974	$ -	($1,827,055)

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

Washington State Grain Commission
Note to Budgetary Comparison Schedule
June 30, 2015

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. There were no instances in which actual expenditures exceeded budgeted expenditures at the functional categories.

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

Fiscal 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
2015	0.0040422%	$ 203,627	$ -	0.00%	61.19%

* GASB Statement No. 68 requires ten 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, 2014.

See accompanying Report of Independent Auditor and Notes to PERS Plan Schedules.

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

Fiscal 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
2015	0.0052043%	$ 105,198	$ 470,302	22.37%	93.29%

* GASB Statement No. 68 requires ten 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, 2014.

See accompanying Report of Independent Auditor and Notes to PERS Plan Schedules.

Washington State 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%

* 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, 2015.

See accompanying Report of Independent Auditor and Notes to PERS Plan Schedules.

Washington State 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	$ 39,877	$ 21,985	$ 17,892	$ 441,607	4.98%
2015	42,468	23,610	18,858	470,302	5.02%

* 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, 2015.

See accompanying Report of Independent Auditor and Notes to PERS Plan Schedules.

Washington State Grain Commission
Notes to PERS Plan Schedules
June 30, 2015

1. Changes in Benefit Terms

There were no changes in benefit terms for the year.

2. Changes in Composition of the Population

There were no changes in the composition of the populations for the year.

3. Changes in Assumptions

There were no changes in actuarial assumptions from the prior evaluation.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

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

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