Office of the Washington State Auditor
Pat McCarthy

January 20, 2022

Board of Commissioners
Washington State Grain Commission
Spokane, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Washington State Grain Commission for the fiscal year ended June 30, 2021. The Commission contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

Washington Grain Commission

Financial Report

June 30, 2021

Washington Grain Commission
Table of Contents
June 30, 2021

Report of Independent Auditor

Board of Commissioners
Washington Grain Commission
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Washington Grain Commission ("the Commission"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Washington Grain Commission, as of June 30, 2021, and the respective changes in financial position thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the budgetary comparison schedule on page 36, the schedule for the other postemployment benefit plan on page 38, and the schedules for pension plans on pages 40 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 30, 2021 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

DeCoria, Blair & Teague, PS

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

November 30, 2021

WASHINGTON GRAIN COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021

The management's discussion and analysis of the financial performance of Washington Grain Commission (the Commission), a GASB Statement No. 34 requirement, provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2021 (FY 2021).

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

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

Financial Highlights

- The revenue cutoff policy for the modified accrual method is the Commission's fiscal year end. 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 2021 revenues for the Commission are $7,530,964 which consisted of Wheat and Barley Assessments $7,649,416; Rent Income $17,914; Other Income $18,605; Interest Income $203,810; Realized Gains on investments $3,280; and Unrealized Losses on Investments ($362,061). Interest income decreased ($139,722) due to lower investment rates received. The FY 2021 wheat and barley revenue increased $1,300,237 from FY 2020 due to higher prices received per bushel and increased yields. The financial operations are such that current year programs are budgeted by assessments collected during the previous year.
- As of June 30, 2021, there is a balance in Assessments Receivable of $118,639 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 2021 expenses for the Commission were $5,550,338 consisting of Research $2,241,062; Market Development $988,146; Grower Services $871,388; Education/Information $406,141; Professional Services and Support $750,706; Office Operations $190,307; Policy Development $53,182; and Depreciation Expense $49,406. The FY 2021 expenditure amount is a decrease of ($735,546) from the prior year mainly due to cancelled functions (conferences) of which the Commission typically sponsors, resulting in less travel by staff and board members to meetings, nationally and overseas. It should be noted that FY 2021 programs are budgeted by assessments collected during FY 2020, plus interest, lease and other miscellaneous income.
- Research expenditures decreased by ($12,342) from the previous year due to continuing projects proposed and accepted by the board. No new projects were funded. An additional $498,878 was provided to Washington State University for the purchase of two combines to benefit the wheat breeders and technicians conducting varietal research. One transfer of $69,800 was made to this category from Market Development at year end.
- Market Development expenditures increased by $4,612 from the previous year due to the rise of national organizations' membership costs (usually based on state production) to access export

Financial Highlights, Continued

markets and to conduct domestic promotions. Travel to foreign countries to visit with customers remains a high priority of the commission, but this year visitation was accomplished via internet conferencing services for trade teams and buyers' conferences, providing detailed crop information to interested importers. Three transfers totaling $98,300 were made from this category to Research (1) and Professional Services and Support (2).

- Grower Services expenditures decreased by ($294,268) due to cancelled grain growers' convention and unexpended wheat special projects. Additional public relations funding was provided to the Washington Association of Wheat Growers for transportation education. Funding was maintained to the national barley organizations and the Washington State Crop Improvement Association via contracts.
- Education/Information expenditures decreased by ($115,632) from the previous year due to cancellations of the Wheat Quality Workshop Port Tour, reduced educational materials needs, and public education efforts. It is worth noting that classroom education was budgeted lower and costs were scaled back due to school closures. Even though in-person contact was impacted, it is estimated that more districts and children were reached via remote learning because of the quality materials provided to elementary school teachers, which are aligned with required state Science Standards.
- Professional Services and Support expenditures decreased by ($257,410) from the previous year even though staff salaries were increased in July, and higher medical insurance and retirement premiums were paid. The primary reduction was due to one staff retiring from state service in May; and the new hiring in June to replace the vacant position (Director of Communications). Two transfers were made to this category from Market Development at year end to shore up over-expenditures due to vacation leave cash out of retiring staff member and moving costs for new hire. Added $27,500 to salaries and $1,000 to payroll taxes.
- Office Operations expenditures decreased by ($12,568) from the previous year as meeting expenses were lower, as well as staff travel to participate in state and national meetings. Also, there were no capital asset outlays for the year.
- Policy Development expenditures decreased by ($46,323) as Commissioners' travel to attend conferences, forums, seminars and meetings were reduced due to COVID-19 travel restrictions.
- The Commission's net position increased by $1,980,626 to $17,800,357 in FY 2021 from stated net position of $15,819,731 in FY 2020.
- Except for compensated absences, the net pension liability, and health care insurance purchased by retirees, the Commission has no long-term debts and continues to operate without the need for operating debt borrowings during the current fiscal year. Assessment revenue received in the prior year is the basis used for the setting of the next year's budget.
- The overall condition of all funds and governmental activities of the Commission remains strong. The goals set by the Board of Commissioners of the Washington Grain Commission in relation to the financial activities continue to be met.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The 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.

Overview, Continued

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

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

Required Supplementary Information further explains and supports the financial statements by including a comparison of the Commission's budget data for the year to actual results. Additionally, there are five 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, when applicable).	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	
	2021	2020
Assets and Deferred Outflows of Resources:		
Current assets	$17,248,686	$15,440,295
Capital assets, net	1,174,642	1,224,048
Total current and noncurrent assets	18,423,328	16,664,343
Deferred Outflows of Resources:		
Total deferred outflows of resources	134,810	134,514
Total assets and deferred outflows of resources	18,558,138	16,798,857
Liabilities and Deferred Inflows of Resources:		
Current liabilities	121,713	66,631
Noncurrent liabilities	568,095	770,836
Total current and noncurrent liabilities	689,808	837,467
Deferred Inflows of Resources:		
Total deferred inflows of resources	67,973	141,659
Total liabilities and deferred inflows of resources	757,781	979,126
Net Position:		
Net investment in capital assets	1,174,642	1,224,048
Unrestricted	16,625,715	14,595,683
Total net position	$17,800,357	$15,819,731

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

In accordance with GASB Statements No. 68 and No. 71 requirements, this is the eighth year that amounts are shown in deferred outflows of resources and under liabilities in noncurrent liabilities and deferred inflows of resources related to net pension liability. Pursuant to GASB Statements No. 45 and No. 75 requirements, this is the fourth year that long-term commitments for retiree health insurance liabilities are shown in deferred outflows of resources and under liabilities in noncurrent liabilities and deferred inflows of resources, if applicable. As of June 30, 2021, the Commission reported total assets and deferred outflows of resources of $18,558,138 and total liabilities and deferred inflows of resources of $757,781. Net position amounted to $17,800,357.

Table 3
Statement of Activities

	2021	2020
Revenues:		
Wheat and barley assessments	$7,649,416	$6,349,179
Interest income	203,810	343,532
Realized gains on investments	3,280	643
Unrealized gains (losses) on investments	(362,061)	169,094
Rent income	17,914	13,140
Other income	18,605	166
Total revenues	7,530,964	6,875,754
Expenditures/expenses:		
Research	2,241,062	2,253,404
Market development	988,146	983,534
Grower services	871,388	1,165,656
Education / information	406,141	521,773
Professional services and support	750,706	1,008,116
Office operations	190,307	202,875
Policy development	53,182	99,505
Depreciation expense	49,406	51,021
Total expenditures/expenses	5,550,338	6,285,884
Change in net position	1,980,626	589,870
Fund Balance/Net position:		
Beginning of year	15,819,731	15,229,861
End of year	**$17,800,357**	**$15,819,731**

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

Revenue: The majority of the revenue supporting the Commission's governmental activities is comprised of assessments collected on small grains produced in Eastern Washington, 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, trade uncertainty and economic conditions. For FY 2021, Washington Grain Commission recognized $7,649,416 in wheat and barley assessment revenues.

Expenses: The Commission's total expenses were $5,550,338 for FY 2021; a decrease of ($735,546) from last year. An emphasis on research continued as a priority with 24 projects and combine equipment funded at Washington State University. Market Development ranked high with funding provided for overseas projects and collaborations to maintain and grow exports of Washington wheat even in these challenging pandemic times. Grower Services was set lower as the previous year included funding for the Barley Malt

Expenses, Continued

Lab at Washington State University. Education/Information category was also lower due to pandemic effects on gathered public interactions (schools, tours, and river events). Professional Services and Support was decreased, reflecting staff changes. Decreased office and building maintenance costs were shown in Office Operations. Commissioners' expenses in Policy Development were far less than in typical years due to restricted travel and cancelled functions.

Due to the COVID-19 pandemic, travel continues to be restricted with substantial use of video conferences in conducting marketing, research and education activities in trying to maintain operations. Washington State Governor Jay Inslee declared a state of emergency on February 29, 2020 (Proclamation 20-05), but agriculture was exempted from the complete closure of the Commission office. Staff have been reduced in-office to ensure spatial distancing, with the remainder working remotely on an alternative basis. The main impact to the financials due to the pandemic is fewer function sponsorships and lower travel expenses. As such, no government funds were sought nor received for commission operations.

Net Capital Assets

Pursuant to GASB Statement No. 34, Washington Grain Commission is required to report depreciation expense for all capital assets, including infrastructure assets. The Commission's investment in capital assets as of June 30, 2021 totaled $1,758,749 less accumulated depreciation of $584,107, for a net balance of $1,174,642. This investment in capital assets includes land, building and improvements, furniture/accessories, office equipment, computer equipment and vehicle. Compared to FY 2020 net investment in capital assets of $1,224,048, the total decrease in the Commission's net investment in capital assets for the current fiscal year was ($49,406) representing depreciation. The depreciation difference is $1,615 when compared to last year's amount of ($51,021). The were no capital asset additions during the current fiscal year.

Table 4
Net Capital Assets

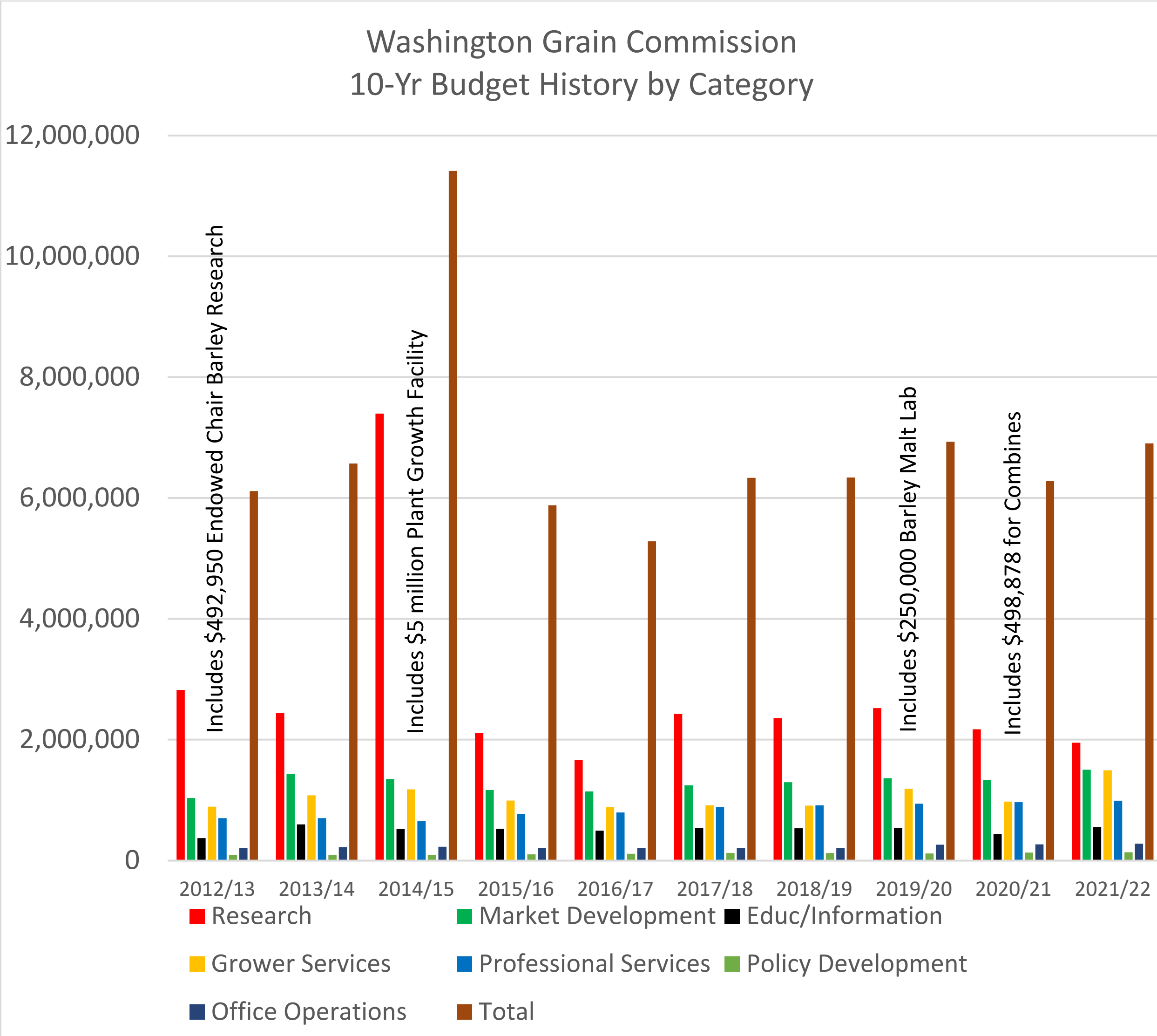
	Governmental Activities	
	2021	2020
Building	$912,500	$912,500
Building improvements	332,941	332,941
Furniture/accessories	64,909	64,909
Office & Computer equipment	75,164	75,164
Vehicle	35,735	35,735
	1,421,249	1,421,249
Land	337,500	337,500
	1,758,749	1,758,749
Accumulated depreciation	(584,107)	(534,701)
Net capital assets	**$1,174,642**	**$1,224,048**

Table 4 shows that on June 30, 2021, Washington Grain Commission had $1,174,642 invested in land, building and improvements, furniture/accessories, equipment and vehicles.

CURRENT FINANCIAL ISSUES AND CONCERNS

- Each year, the Commission submits its budget to the Washington State Department of Agriculture for review. Approval by WSDA Director Derek Sandison for the FY 2021 budget beginning July 1, 2020 was received by the Commission on June 8, 2020.
- The FY 2021 budget was set at $6,280,925; a decrease of ($399,329) from the previous year. The budget was under expended by $539,270.
- The Research category remained as the largest funded category at $2,171,284; and included $400,000 to address any Special Projects that might arise during the year. An additional $498,878 was expended at year end toward the purchase of two combines to complement the wheat breeders' varietal efforts at Washington State University.
- There was a budget category adjustment of $98,300 at year end to Professional Services and Support and Research from Market Development, with no change to the budget total.
- There was one reserve fund balance transfer at the beginning of the year.
- In drafting the FY 2021 budget, the Board looked strategically at its investments in research, marketing and education on behalf of the small grains industry. Crop conditions in 2019 resulted in increased yields for both winter and spring wheat resulting in increased production in 2020 by 16%. Barley production rose despite 5% fewer acres. This, coupled with higher small grains prices, resulted in an increase of $1,300,237 in 2021 total assessment revenue to the Commission over 2020.
- FY 2020 production for wheat was 143,205,000 bushels with slightly higher acreage yet lower average yield of 64.7 bushels per acre. Average Portland price for soft white wheat was $6.01 per bushel. Barley production was 5,950,000 bushels with average yield down 4% to 70 bushels per acre.
- FY 2021 wheat production jumped to 165,635,000 bushels on higher acreage and yield rose 12% to 72.5 bushels per acre. Average Portland price for soft white wheat rose to $6.31 per bushel. Barley production was 6,390,000 bushels with average yield of 71 bushels per acre.
- FY 2022 estimated production for wheat is 93,260,000 bushels; down approximately 72.4 million bushels due to extreme drought and sharply lower yields. Barley production is also estimated lower at 3,068,000 bushels, with a 17% decrease in acreage and a 42% drop in yield.
- Board Designated Funds: Total Commission designated funds as of June 30, 2021 amount to $6,350,000; which are reported as Committed Fund Balance.
- Committed Fund Balance – The Board has historically agreed to conservatively operate with some funds held in reserve to compensate for volatile variations in the market and/or a crop failure to ensure enough funds are available to continue important programs during times of severely reduced income. After transferring $200,000 to the Committed Reserved Fund Balance from cash in July 2020, the total Commission designated funds balance of $5,000,000 is recorded as committed general reserved fund balance.
- Committed Marketing Fund Balance – The Board prepared for the probability of reduced funding received for market development by the national wheat industry organizations from the USDA through Market Access Program and Foreign Market Development funding. The total Commission designated funds balance of $1,350,000 is recorded as committed marketing reserved fund balance to address any increased marketing needs due to reduced USDA funds.

Current Financial Issues and Concerns, Continued



- In conclusion, the Washington Grain Commission is committed to financial accuracy and excellence and will continue to strive for sound fiscal management to efficiently address the many challenges facing Washington State farmers today and into the future.

Contacting the Commission's Financial Management

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

Basic Financial Statements

Washington Grain Commission
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2021

	Governmental Fund Balance Sheet	Adjustments (Note 11)	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments (Note 6)	$ 17,130,047	$ -	$ 17,130,047
Assessments receivable	118,639	-	118,639
Total current assets	17,248,686	-	17,248,686
Noncurrent assets:			
Capital assets, net (Note 7)	-	1,174,642	1,174,642
Total noncurrent assets	-	1,174,642	1,174,642
Deferred outflows of resources:			
Deferred outflows related to the net pension liability (Note 10)	-	134,810	134,810
Total deferred outflows of resources	-	134,810	134,810
Total assets and deferred outflows of resources	$ 17,248,686	1,309,452	18,558,138
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	$ 26,380	-	26,380
Accrued liabilities	333	-	333
Unearned revenue	3,000	-	3,000
Compensated absences, due within one year (Note 8)	-	92,000	92,000
Total current liabilities	29,713	92,000	121,713
Noncurrent liabilities:			
Compensated absences, due after one year (Note 8)	-	21,731	21,731
Net OPEB liability (Note 9)	-	303,730	303,730
Net pension liability (Note 10)	-	242,634	242,634
Total noncurrent liabilities	-	568,095	568,095
Deferred inflows of resources:			
Deferred assessments revenue	118,639	(118,639)	-
Deferred inflows related to the net pension liability (Note 10)	-	67,973	67,973
Total deferred inflows of resources	118,639	(50,666)	67,973
Total liabilities and deferred inflows of resources	148,352	609,429	757,781
Commitments and contingencies (Note 14)			
FUND BALANCE/NET POSITION			
Fund balance (Note 13):			
Committed for:			
General reserve	5,000,000	(5,000,000)	-
Marketing reserve	1,350,000	(1,350,000)	-
Assigned for:			
Budgetary purposes	7,311,921	(7,311,921)	-
Unassigned	3,438,413	(3,438,413)	-
Total fund balance	17,100,334	(17,100,334)	-
Total liabilities, deferred inflows of resources and fund balance	$ 17,248,686		
Net position:			
Net investment in capital assets		1,174,642	1,174,642
Unrestricted		16,625,715	16,625,715
Total net position		$ 17,800,357	$ 17,800,357

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

Washington Grain Commission
Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance/Statement of Activities
Year Ended June 30, 2021

	Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance	Adjustments (Note 12)	Statement of Activities
REVENUES			
Wheat and barley assessments	$ 7,689,062	$ (39,646)	$ 7,649,416
Interest income	203,810	-	203,810
Realized gains on investments	3,280	-	3,280
Unrealized gains (losses) on investments, net	(362,061)	-	(362,061)
Rent income	17,914	-	17,914
Other income	18,605	-	18,605
Total revenues	7,570,610	(39,646)	7,530,964
EXPENDITURES/EXPENSES			
Research	2,241,062	-	2,241,062
Market development	988,146	-	988,146
Grower services	871,388	-	871,388
Education/information	406,141	-	406,141
Professional services and support	991,429	(240,723)	750,706
Office operations	190,307	-	190,307
Policy development	53,182	-	53,182
Depreciation expense	-	49,406	49,406
Total expenditures/expenses	5,741,655	(191,317)	5,550,338
Excess (deficiency) of revenues over (under) expenditures/expenses	1,828,955	(1,828,955)	-
Change in net position	-	1,980,626	1,980,626
FUND BALANCE/NET POSITION			
Beginning of year	15,271,379	-	15,819,731
End of year	$ 17,100,334	$ -	$ 17,800,357

1. Organization

The Washington Grain Commission ("the Commission") was authorized and established 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:

Management's Discussion and Analysis

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

Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

2. Government-Wide and Fund Financial Statements, Continued

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, 2021, the budget was amended to reflect revised expense estimates.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected as of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences, early retirement liabilities, other postemployment benefit liabilities and net pension 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 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).

4. Budgetary Information, Continued

Scope of Budget, Continued

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

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

Amending the Budget

The Chief Executive Officer 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 Board.

When the Commission determines that it is in the best interest of the Commission to increase or decrease the appropriation for a particular fund, it may do so by a majority approval of the Board.

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

5. Summary of Significant Accounting Policies

Accounting Principles Generally Accepted in the United States of America

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

Recent Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Statement No. 84 became effective for the Commission beginning in the fiscal year ended June 30, 2021. The implementation of this statement did not have a material financial statement impact.

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments leasing activities. Statement No. 87 is effective for the Commission beginning in the fiscal year ending June 30, 2022 (see Statement No. 95). The Commission is currently evaluating the financial statement impact of adopting this statement.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of Statement No. 92 that are related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to the other topics covered in Statement No. 92 will be effective for the Commission beginning in the fiscal year ending June 30, 2022 (see Statement No. 95). The Commission is currently evaluating the financial statement impact of adopting this statement.

In May 2020, as a direct response to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, the GASB issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which is effective immediately. This statement postpones by one year the effective dates of provisions in most GASB Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later.

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Statement No. 96 is effective for the Commission beginning in the fiscal year ending June 30, 2023. The Commission is currently evaluating the financial statement impact of adopting this statement.

Cash and Cash Equivalents

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

Investments

The Commission invests in an account with Robert W. Baird & Company. Deposits are stated at fair market value, which approximates cost, and consist of money market accounts, certificates of deposit, and taxable bonds.

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, 2021 assessments receivable 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.

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.

5. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

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

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

	Years
Buildings and building improvements	15 to 39
Furniture/accessories	10
Office equipment	3 to 10
Vehicles	5

Fair Value Measurements

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

At June 30, 2021, the assets or liabilities of the Commission that were measured at fair value on a recurring basis are summarized as follows:

	Level 1	Level 2	Level 3	Total
Taxable bonds	$ -	$ 16,361,853	$ -	$ 16,361,853
Money market accounts and deposits	226,309	-	-	226,309

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Commission had no assets or liabilities measured at fair value on a nonrecurring basis during 2021.

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.

5. Summary of Significant Accounting Policies, Continued

Compensated Absences

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

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

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

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

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

Pensions

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

Fund Balances

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

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

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

5. Summary of Significant Accounting Policies, Continued

Fund Balances, Continued

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

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

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

Fund Balance Spending Policy

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

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

Net Position

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

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

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, 2021 are $6,350,000 that have been designated by the Board of Commissioners to carry out programs and provide operating capital in case of a crop failure.

Use of Restricted Resources

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

5. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

Subsequent Events

The Commission has evaluated subsequent events through November 30, 2021, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in these financial statements.

6. Cash and Investments

Cash and investments consist of cash on hand, deposits held in a checking account, savings accounts, and cash, money market accounts and taxable bonds 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.

The carrying amount of cash and investments on the Commission's books at June 30, 2021 consists of and appears in the financial statements as summarized below:

Petty cash	$ 200
Checking account	20,541
Savings accounts	521,144
Investments with brokerage institution	16,588,162
Total cash and investments	$ 17,130,047

The carrying amount of bank balances on the Commission's books at June 30, 2021 was $541,685 and the bank balances totaled $1,741,228. 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, 2021. Of the amount of bank deposits, $250,000 was covered by federal deposit insurance through the FDIC and $1,491,228 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.

6. Cash and Investments, Continued

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, 2021, the Commission had investments of $16,588,162, which were comprised of money market accounts, deposits with local banks and taxable bonds held with Robert W. Baird & Company. These balances were fully covered, except for fluctuations in market value, by FDIC, SIPC and an insurance policy with Lloyd's of London and are summarized below:

Money market accounts	$ 226,309
Taxable bonds	16,361,853
Total investments	$ 16,588,162

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 $16,588,162 represents 100% of the Commission's total investments.

7. Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Transfers	Disposals	Balance June 30, 2021
Building	$ 912,500	$ -	$ -	$ -	$ 912,500
Building improvements	332,941	-	-	-	332,941
Furniture/accessories	64,909	-	-	-	64,909
Office equipment	75,164	-	-	-	75,164
Vehicles	35,735	-	-	-	35,735
Capital assets in service	1,421,249	-	-	-	1,421,249
Accumulated depreciation	(534,701)	(49,406)	-	-	(584,107)
	886,548	(49,406)	-	-	837,142
Land	337,500	-	-	-	337,500
Net capital assets	$ 1,224,048	$ (49,406)	$ -	$ -	$ 1,174,642

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

8. Long-Term Obligations

A summary of changes in the Commission's long-term obligations, excluding other postemployment benefits and the net pension liability, for the year ended June 30, 2021 is as follows:

	Long-Term Obligations June 30, 2020	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2021	Due Within One Year
Governmental activities:					
Compensated absences	$ 163,923	$ 40,984	$ (91,176)	$ 113,731	$ 92,000

9. Other Postemployment Benefits

GASB Statement No. 75 (GASB No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Commission has one OPEB plan that is accounted for in accordance with GASB No. 75, as described below.

Plan Description

The Commission participates in a defined benefit plan administered by the Health Care Authority (HCA), which provides medical, prescription drug, dental, vision, disability and long-term care coverage. Per RCW 41.05.065, the Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees, and offers retirees access to all benefits administered by HCA. However, PEBB employers primarily provide monetary assistance, or subsidies, only for medical, prescription drug and vision insurance.

The relationship between the PEBB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice regarding the sharing of benefit costs.

GASB No. 75 establishes the standards for measurement, recognition and reporting of non-pension postemployment benefits, including medical, dental and vision insurance benefits offered to retirees. The ability for retirees to obtain coverage at rates similar to active employees constitutes a significant economic benefit to retirees. GASB No. 75 requires that the Commission recognize the implicit cost of its retiree postemployment benefit plan during the period of the employee's active employment while the benefits are being earned.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, P.O. Box 40914, Olympia, Washington 98504-0914, or it may be downloaded from the Office of the State Actuary website at http://leg.wa.gov/OSA.

9. Other Postemployment Benefits, Continued

Plan Description, Continued

Subsidies

The HCA administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy permitted under RCW 41.05.085 is a fixed dollar amount for a specific group of retirees. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The explicit subsidy was $183 per member per month for both 2021 and 2020.

The implicit subsidy established under RCW 41.05.022 is more complex because it is not a direct payment from the employer on behalf of the retiree. Because retirees covered by the implicit subsidy pay premiums based on claims experience for employees and non-Medicare eligible retirees who are typically younger and healthier, their premiums are lower than they would be if they were insured separately. The subsidy is the difference between the age-based claims costs and the premium paid by the retirees.

Administrative costs, as well as explicit and implicit subsidies, are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits. Contributions are set each biennium as part of the State's budget process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Commission covers OPEB costs when they come due, on a pay-as-you-go basis.

Because the Commission has fewer than 100 employees (active and inactive) that are provided with OPEB through the plan, the Commission qualifies to use the alternative measurement method for calculating the OPEB liability.

Employees Covered by Benefit Terms

As of June 30, 2021, the following employees are covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	7
	7

The active employees have an average age of 50.3 as of June 30, 2021, and an average of 21.4 years of service.

OPEB Liabilities, OPEB Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2021, the Commission reported a total OPEB liability of $303,730 related to this plan. The net OPEB liability was measured as of June 30, 2021 and was determined by using the alternative measurement method.

9. Other Postemployment Benefits, Continued

OPEB Liabilities, OPEB Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

For the year ended June 30, 2021, the Commission recognized OPEB expense (expense offset) of ($107,851) related to this plan. Since the Commission records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan. In accordance with the alternative measurement method, no deferred outflows of resources and deferred inflows of resources related to OPEB from any other sources are reported.

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined using the following assumptions and other inputs, applied to all periods included in the measurement:

Discount rate*:	
Beginning of measurement year	2.21%
End of measurement year	2.16%
Projected salary changes	3.50% + service-based increases
Healthcare cost trend rate**:	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Mortality rates:	
Base mortality table	PubG.H-2010 (General)
Age setback	0 years
Mortality improvements	MP-2017 Long-Term Rates
Projection period	Generational
Inflation rate	2.75%
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

* Source: Bond Buyer General Obligation 20-Bond Municipal Index.
** Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see Office of the State Actuary's 2020 PEBB OPEB Actuarial Valuation Report.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the fiscal year ended June 30, 2021:

Balance at June 30, 2020	$ 411,825
Service cost	24,469
Interest	9,639
Changes in experience data and assumptions	(141,959)
Benefit payments	(244)
Increase in net OPEB liability	(108,095)
Net OPEB obligation, end of year	$ 303,730

9. Other Postemployment Benefits, Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability reported by the Commission calculated using the discount rate of 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate:

	1% Decrease (1.16%)	Current Rate (2.16%)	1% Increase (3.16%)
Employer's proportionate share of the net OPEB liability (asset)	$ 372,170	$ 303,730	$ 250,345

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability reported by the Commission calculated using the current healthcare cost trend rate, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or higher than the current rate:

	1% Decrease	Current Rate	1% Increase
Employer's proportionate share of the net OPEB liability (asset)	$ 241,765	$ 303,730	$ 386,289

10. Pension Plans

Overview

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for 2021:

Aggregate Pension Amounts – All Plans

Pension liabilities	$ 242,634
Deferred outflows of resources	134,810
Deferred inflows of resources	67,973
Pension expense	9,716

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.

10. Pension Plans

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs.

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

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. AFC is the average of the member's 60 consecutive highest-paid service credit 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 five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

10. Pension Plans, Continued

Plan Description, Continued

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

Funding Policy

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

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

Through August 31, 2020, the required contribution rates, expressed as a percentage of current-year covered payroll, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	12.86%**	12.86%	12.86%***
Employee	6.00%****	7.90%	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 19.20% for Plan 1.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Effective September 1, 2020, the required contribution rates, expressed as a percentage of current-year covered payroll, through June 30, 2021, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	12.973%**	12. 973%**	12. 973%***
Employee	6.00%****	7.90%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 19.37% for Plan 1.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

10. Pension Plans, Continued

Funding Policy, Continued

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2021	$ 35,005	$ 56,467	$ 680
2020	33,787	56,216	-
2019	35,311	51,898	-

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2008-2013 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, reflecting each plan's normal cost (using the Entry-Age Cost Method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.40%

Mortality rates were developed using the Society of Actuaries Pub.H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor) as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Discount Rate

The discount rate used to measure the total pension liability for all PERS plans was 7.40%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% 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, whose rates include a component for the PERS 1, plan liability). 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 7.40% was used to determine the total liability.

10. Pension Plans, Continued

Long-Term Expected Rate of Return

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the *Washington State Investment Board* (WSIB). The CMAs contain three pieces of information for each class of assets WSIB currently invests in, including expected annual return; standard deviation of the annual return; and correlations between the annual returns of each asset class with every other asset class. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

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, 2020, are summarized in the table below. The inflation component used to create the table is 2.20% 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%	2.20%
Tangible assets	7.00%	5.10%
Real estate	18.00%	5.80%
Global equity	32.00%	6.30%
Private equity	23.00%	9.30%
Total	100.00%	

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

At June 30, 2021, the Commission reported a total net pension liability of $242,634 for its proportionate share of the net pension liability as follows:

PERS 1	$ 164,589
PERS 2/3	78,045
Total	$ 242,634

The Commission's proportionate shares of the collective net pension liability for the measurement dates of June 30, 2019 and 2020 were as follows:

	Proportionate Share June 30, 2019	Proportionate Share June 30, 2020	Change in Proportionate Share
PERS 1	0.0049245%	0.0046619%	-0.0002626%
PERS 2/3	0.0063543%	0.0061023%	-0.0002520%

10. Pension Plans, Continued

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

Employer contribution transmittals received and processed by DRS for the PERS fiscal years ended June 30, 2019 and 2020 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, 2020, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

For the year ended June 30, 2021, the Commission recognized pension expense (Expense Offset) as follows:

PERS 1	$ (2,725)
PERS 2/3	12,441
Total	$ 9,716

At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Contributions made subsequent to measurement date	$ 35,005	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	916
PERS 2/3		
Contributions made subsequent to measurement date	57,147	-
Change in proportionate share of net pension liability	13,607	-
Differences between expected and actual experience	27,939	9,781
Net difference between projected and actual investment earnings on pension plan investments	-	3,964
Changes of assumptions	1,112	53,312
Total	$ 134,810	$ 67,973

The combined amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date, in the amount of $92,152, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

10. Pension Plans, Continued

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

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, 2019, the beginning of the measurement period ended June 30, 2020, is zero and 7.2 years for PERS 1 and PERS 2/3, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (expense offset) as follows:

Year Ending June 30,	PERS 1	PERS 2/3	Total
2022	$ (4,158)	$ (27,785)	$ (31,943)
2023	(131)	(3,142)	(3,273)
2024	1,269	5,986	7,255
2025	2,104	9,132	11,236
2026	-	(3,890)	(3,890)
Thereafter	-	(4,700)	(4,700)
	$ (916)	$ (24,399)	$ (25,315)

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 7.40%, as well as what the Commission's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.40%)	Current Rate (7.40%)	1% Increase (8.40%)
Commission's proportionate share of PERS 1 net pension liability	$ 206,157	$ 164,589	$ 128,337
Commission's proportionate share of PERS 2/3 net pension liability (asset)	485,617	78,045	(257,591)
Total proportionate share	$ 691,774	$ 242,634	$ (129,254)

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

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

Total fund balance, Governmental Fund Balance Sheet		$ 17,100,334
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	$ 1,758,749	
Accumulated depreciation is	(584,107)	
		1,174,642
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.		118,639
Certain accrued and long-term liabilities, including compensated absences, net OPEB liability 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	(92,000)	
Compensated absences, due after one year	(21,731)	
Net OPEB liability	(303,730)	
Net pension liability	(242,634)	
		(660,095)
Deferred outflows and deferred inflows of resources pertaining to the net pension liability are not financial resources and therefore are not reported in the governmental fund:		
Deferred outflows related to the net pension liability	134,810	
Deferred inflows related to the net pension liability	(67,973)	
		66,837
Total net position, Statement of Net Position		$ 17,800,357

12. 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		$ 1,828,955
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 decrease in assessments receivable in the governmental fund during the 2021 fiscal year is an adjustment.		(39,646)
In the Statement of Activities, certain operating expenses, including compensated absences and other postemployment benefits, 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 paid exceeded the amount incurred.		158,287
Capital outlays to purchase capital assets are reported as expenditures in the governmental fund. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation. Amounts recognized for these items in the current year are as follows:		
Capital outlays	$ -	
Depreciation expense	(49,406)	
		(49,406)
In the Statement of Activities, pension expense (expense offset) 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.		82,436
Change in net position, Statement of Activities		$ 1,980,626

13. Fund Equity

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

Committed: The Commission's Committed Fund Balance is fund balance reporting required by the Commission's Board of Commissioners, either because of a Board policy or because of motions that passed at Board meetings. At June 30, 2021, fund balance reported as committed, as a result of Board policies or as a result of motions passed at Board meetings, consisted of a general reserve for future expenditures of $5,000,000 and a marketing reserve of $1,350,000.

Assigned: The Commission's Assigned Fund Balance is fund balance reporting as a result of the Board administration authority, as designated by the Commissioners, with consultation of management. In addition, the Commission enters into various agreements and contracts that are to be effective as of July 1 of the next fiscal year. However, the expenditures for these agreements and contracts are based on revenue earned during the current fiscal year. Since the upcoming budget is based on revenue already recognized by the Commission, the next year's budget has been reported as Assigned Fund Balance at June 30, 2021.

14. 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 the State of Washington Department of Enterprise Services, Office of Risk Management, for property insurance and general liability insurance. The Commission pays the State Workers' Compensation System a premium at an experience-based rate. This rate is calculated based on accident history and administrative costs.

Credit Risk

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

Litigation

The Commission's management is not aware of any pending litigation or claims against the Commission at June 30, 2021. The Commission has no reserve established for the payment of uninsured claims. Expenditures are recognized when amounts are paid.

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, during April 2020, the Governor of the State of Washington issued proactive emergency declarations in response to the spread of COVID-19. As a result, economic uncertainties have arisen, but the impact of COVID-19 has not had a material impact to the Commission's financial statements as of and through June 30, 2021. However, if the severity of the economic disruptions increase as the duration of the COVID-19 pandemic continues, there is the potential that negative financial impact could occur in the near future. However, any potential impact to the Commission is unknown at this time.

Required Supplementary Information

Washington Grain Commission
Budgetary Comparison Schedule
Year Ended June 30, 2021

	Budgeted Amounts		Actual Modified Accrual Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Wheat and barley assessments	$ 6,284,365	$ 6,284,365	$ 7,689,062	$ -	$ 1,404,697
Interest income	343,789	343,789	203,810	-	(139,979)
Realized gains on investments	-	-	3,280	-	3,280
Unrealized losses on investments	-	-	(362,061)	-	(362,061)
Rent income	13,140	13,140	17,914	-	4,774
Other income	165	165	18,605	-	18,440
Total revenues	6,641,459	6,641,459	7,570,610	-	929,151
EXPENDITURES					
Research	2,171,284	2,241,084	2,241,062	69,800	22
Market development	1,335,296	1,236,996	988,146	(98,300)	248,850
Grower services	974,545	974,545	871,388	-	103,157
Education/information	438,500	438,500	406,141	-	32,359
Professional services and support	965,000	993,500	991,429	28,500	2,071
Office operations	266,300	266,300	190,307	-	75,993
Policy development	130,000	130,000	53,182	-	76,818
Total expenditures	6,280,925	6,280,925	5,741,655	-	539,270
Net change in fund balance	360,534	360,534	1,828,955	-	1,468,421
Total fund balance, beginning of year	15,271,379	15,271,379	15,271,379	-	-
Total fund balance, end of year	$ 15,631,913	$ 15,631,913	$ 17,100,334	$ -	$ 1,468,421
Reserves					
General reserve	$ 5,000,000	$ 5,000,000			
Marketing reserve	1,350,000	1,350,000			
Total fund balance, end of year	$ 6,350,000	$ 6,350,000			

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

Washington Grain Commission
Notes to Budgetary Comparison Schedule
June 30, 2021

1. Basis of Presentation

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

2. Expenditures in Excess of Budgeted Amounts

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

Washington Grain Commission
Schedule of Changes in the Total OPEB Liability and Related Ratios - PEBB
Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability, beginning of year	$ 411,825	$ 290,801	$ 309,384	$ 301,043
Service cost	24,469	12,779	13,989	16,355
Interest	9,639	10,607	12,498	11,363
Changes in benefit terms	-	-	-	-
Changes in exeperience data and assumptions	(141,959)	98,679	(44,194)	(19,377)
Benefit payments	(244)	(1,041)	(876)	-
Net change in total OPEB liability	(108,095)	121,024	(18,583)	8,341
Total OPEB liability, end of year	$ 303,730	$ 411,825	$ 290,801	$ 309,384
Employer's covered employee payroll	$ 758,357	$ 709,804	$ 690,740	$ 669,952
Total OPEB liability as a percentage of covered payroll	40.05%	58.02%	42.10%	46.18%

* GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

Washington Grain Commission
Notes to OPEB PEBB Plan Schedule
June 30, 2021

1. Changes in Benefit Terms

There were no changes in benefit terms during the PEBB Plan year ended June 30, 2021.

2. Changes in Assumptions

During the PEBB Plan year ended June 30, 2021, the assumed discount rate was reduced from 2.21% at June 30, 2020 to 2.16% at June 30, 2021, based on the 20-year municipal bond indices per GASB No. 75 requirements. In addition, healthcare cost trend rates and mortality rates were updated based on the results of the latest OSA demographic experience study.

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

Plan Year	Employer's Portion of NPL	Employer's Proportionate Share of NPL (a)	Employer's Covered Employee Payroll (b)	Employer's NPL as a Percentage of Covered Payroll (a/b)	Plan Net Position as a Percentage of Total Pension Liability
2014	0.0040422%	$ 203,627	$ 441,607	46.11%	61.19%
2015	0.0041033%	214,640	470,302	45.64%	59.10%
2016	0.0042292%	227,130	502,806	45.17%	57.03%
2017	0.0046921%	222,642	591,697	37.63%	61.24%
2018	0.0050348%	224,856	669,062	33.61%	63.22%
2019	0.0049245%	189,366	690,594	27.42%	67.12%
2020	0.0046619%	164,589	709,804	23.19%	68.64%

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

Data reported is measured as of June 30 of each respective plan year.

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

Plan Year	Employer's Portion of NPL	Employer's Proportionate Share of NPL (a)	Employer's Covered Employee Payroll (b)	Employer's NPL as a Percentage of Covered Payroll (a/b)	Plan Net Position as a Percentage of Total Pension Liability
2014	0.0052043%	$ 105,198	$ 441,607	23.82%	93.29%
2015	0.0053002%	189,378	470,302	40.27%	89.20%
2016	0.0054262%	273,202	502,806	54.34%	85.82%
2017	0.0060353%	209,696	591,697	35.44%	90.97%
2018	0.0064945%	110,889	669,062	16.57%	95.77%
2019	0.0063543%	61,722	690,594	8.94%	97.77%
2020	0.0061023%	78,045	709,804	11.00%	97.22%

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

Data reported is measured as of June 30 of each respective plan year.

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

Fiscal Year	Statutorily Required Contributions (a) **	Actual Contributions (b) ***	Contributions Deficiency (Excess) (a-b)	Employer's Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
2014	$ 17,892	$ 17,892	$ -	$ 441,607	4.05%
2015	18,858	18,858	-	470,302	4.01%
2016	23,984	23,984	-	502,806	4.77%
2017	28,224	28,224	-	591,697	4.77%
2018	33,654	33,654	-	669,062	5.03%
2019	35,311	35,311	-	690,594	5.11%
2020	33,787	33,787	-	709,804	4.76%
2021	35,005	35,005	-	721,547	4.85%

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

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

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

Data reported is measured as of June 30 of each respective fiscal year.

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

Fiscal Year	Statutorily Required Contributions (a) **		Actual Contributions (b) ***		Contributions Deficiency (Excess) (a-b)	Employer's Covered Employee Payroll (c)		Contributions as a Percentage of Covered Employee Payroll (b/c)
2014	$	21,985	$	21,985	-	$	441,607	4.98%
2015		23,610		23,610	-		470,302	5.02%
2016		31,325		31,325	-		502,806	6.23%
2017		36,863		36,863	-		591,697	6.23%
2018		50,113		50,113	-		669,062	7.49%
2019		51,898		51,898	-		690,594	7.51%
2020		56,216		56,216	-		709,804	7.92%
2021		57,147		57,147	-		721,547	7.92%

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

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

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

Data reported is measured as of June 30 of each respective fiscal year.

Washington Grain Commission
Notes to PERS Plan Schedules
June 30, 2021

1. Changes in Benefit Terms

There were no changes in benefit terms during the Plan year ended June 30, 2020.

2. Changes in Composition of the Population

There were no changes in the composition of the populations during the Plan year ended June 30, 2020.

3. Changes in Assumptions

During the Plan year ended June 30, 2020, OSA updated their demographic assumptions based on the results of their latest demographic experience study. This study is completed every six years and includes updates to a wide range of behavioral and demographic assumption. In addition, OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement. These factors match the ones that DRS implemented on October 1, 2020.

Compliance Report

DECORIA, BLAIR & TEAGUE, PS

Certified Public Accountants
Business Consultants
Micheal A. DeCoria, CPA
Brandon J. Blair, CPA
David W. Teague, CPA

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

Board of Commissioners
Washington Grain Commission
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Washington Grain Commission ("the Commission"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 30, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The sole purpose of this report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeCoria, Blair & Teague, PS

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

November 30, 2021

Washington Grain Commission
Schedule of Findings and Responses
Year Ended June 30, 2021

Section I – Summary of Auditor's Results:

Financial Statements

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

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

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

Section II – Financial Statement Findings:

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

There are no current year findings.

Washington Grain Commission
Status of Prior Year Findings
Year Ended June 30, 2021

There were no findings in the prior year.