



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Washington State Fruit Commission

For the period April 1, 2019 through March 31, 2020

Published December 28, 2020

Report No. 1027596





**Office of the Washington State Auditor
Pat McCarthy**

December 28, 2020

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Washington State Fruit Commission's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Washington State Fruit Commission April 1, 2019 through March 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Washington State Fruit Commission are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Commission.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Commission's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.601	MAP/APT Cluster – Market Access Program
10.618	MAP/APT Cluster – Agricultural Trade Promotion Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Commission qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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**

**Washington State Fruit Commission
April 1, 2019 through March 31, 2020**

Board of Commissioners
Washington State Fruit Commission
Yakima, 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 Washington State Fruit Commission, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 22, 2020.

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Commission.

The financial statements of the Washington State Fruit Commission, an agency of the state of Washington, are intended to present the financial position, changes in the financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the state of Washington as of March 31, 2020, the changes in its financial position, or where applicable, its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

December 22, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Washington State Fruit Commission April 1, 2019 through March 31, 2020

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Washington State Fruit Commission, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended March 31, 2020. The Commission's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

December 22, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington State Fruit Commission April 1, 2019 through March 31, 2020

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington State Fruit Commission, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed on page 16.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Fruit Commission, as of March 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 11 to the financial statements, February 2020, a state of emergency was declared that could have a negative financial effect on the Commission. Management's plans in response to this matter are also described in Note 11. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Washington State Fruit Commission, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly in the financial position of the state of Washington as of March 31, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

December 22, 2020

FINANCIAL SECTION

Washington State Fruit Commission April 1, 2019 through March 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

Schedule of Changes in the OPEB Liability and Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Management's Discussion and Analysis

As management of the Washington State Fruit Commission (Commission), we offer readers of the Commission's basic financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ending March 31, 2019 and March 31, 2020. The intent of this discussion and analysis is to look at the Commission's performance as a whole. Readers should also review the notes to the financial statements and the basic financial statements to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required and has been presented in the MD&A.

Financial Highlights

- *Revenues -*

The Commission's FY20 revenues of \$11,400,552 consist of \$3,525,222 in assessment collections, \$1,910,580 from advertising and subscriptions sales of the *Good Fruit Grower* Publication, \$2,473,496 in federal and state grant funds, \$1,958,702 in industry assessment revenue and \$777,663 in partner revenue. The remaining revenue consists of trade show, administrative services, office space lease, investments, and other income.

The FY20 revenue reflects a decrease of \$641,743 over FY19 revenue totaling \$12,042,295. This decrease is mainly due to the suspension of the *Special Project* soft fruit assessments and the reduced size of the 2019 crops.

- *Expenditures –*

The Commission's FY20 expenditures of \$11,448,628 consists mainly of \$6,148,432 in promotion programs, \$1,775,293 in salary and benefits, \$543,030 in publication expense, \$1,958,702 in industry assessments, and \$452,002 in administrative services to industry parnters. The remaining balance of expenditures consist of \$571,169 in general operations.

In comparison, FY19 expenditures of \$11,387,712 consists mainly of \$5,354,873 in promotion programs, \$1,748,631 in salary and benefits, \$533,830 in publication exepenses, \$2,838,633 in industry assessments, and \$460,815 in administrative services with the balance made up of \$450,930 in general operations.

FY20 expenditures reflect a \$60,916 increase over FY19.

From time to time the Commission acts as a clearinghouse for assessments made on industry members under the Washington Tree Fruit Research Commission, a state agency, and the Processed Pear Committee, Cherry Marketing Committee, and Apricot Marketing Committee, all USDA federal entities operating under marketing

orders under #927, #923, and #922, respectively. Starting with the current fiscal year, when the Commission receives assessments in this manner, it records Industry Assessment Revenue. When disbursed, funds are recorded as Industry Expense. Both are considered non-operating. The Statement of Revenues, Expenses and Changes in Net Position that accompanies this MD&A has been changed from its presentation in prior years to conform with this change in presentation.

- *Capital Purchases* –
Total spending for capital purchases in FY20 was \$7,035; down \$51,164 from FY19 \$58,199. FY20 capital purchase of \$7,035 was for the purchase of a new trade show booth.
- *Bond Note* –
The Commission's long-term debt for the building bond principal balance at March 31, 2020 is \$0. The balance at March 31, 2019 was \$100,000. Therefore, with the payoff of this bond note in July 2020, the current portion of the building bond is \$100,000.
- *Net Position* –
The assets and outflows of the Commission exceeded its liabilities and inflows at the close of FY20 by \$5,175,510 (net position) and by \$5,223,587 at the close of FY19. The Commission's total FY20 net position of \$5,175,510 was a decrease over prior FY19 net position by \$48,077.
- The Commission continues to operate without the need for operating debt borrowings.

Overview of the Basic Financial Statements

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are reported as proprietary funds.

Proprietary funds – All of the Commission's services are reported in enterprise funds. They account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. They also are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

The statement of net position presents information on the Commission's assets, liabilities, deferred outflow of resources, deferred inflow of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The statement of net position can be found on page 11 of this report.

The statement of revenues and expenses combined with the statement of changes in net position presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The statement of revenues, expenses, and changes in net position can be found on page 12 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14 through 32 of this report.

Much of the Commission's revenues are derived from assessments collected on stone fruit crops, federal and state grant funding, and advertising sales. Future funding resources may be significantly affected due to weather and economic conditions.

Financial Analysis

The 2019 Northwest Cherry harvest was the 4th largest crop ever shipped out of the five-state production region. The 2019 season ran from June 5th to September 3rd, a total of 90 days of shipments. Overall, demand for our fruit remained strong throughout the season despite another year of 60% tariffs on fruit going into the Peoples Republic of China. Losing a significant portion of our traditional China market shipments was another financial blow to the Northwest Cherry industry that resulted in lost sales and downward price pressure across all markets. However, fruit quality and outstanding demand domestically and in other export markets carried the day in 2019.

The Northwest industry began with an "official" start date of June 1st and volume ramped up quickly which allowed the industry to build the momentum needed to have opportunity for success in July. The peak shipping day in 2019 was June 24th – where an all-time single day record of 733,392 were shipped out of the industry. The Northwest industry shipped 9 million boxes in June, which helped drive distribution to domestic retail well before the July 4th holiday.

A further factor in the 2019 season was the pre-season estimate out of the California industry. Leading up to the start of the Northwest season, the industry was being told by California growers that the industry to the south had a record crop on the trees. Many California industry insiders were predicting between 12 and 14 million 18 lb. equivalent boxes. As the industry prepared to enter a market that would be "full" of California grown sweet cherries, the Northwest industry moved to secure shelf space and promotional activity by offering the

domestic retail trade promotion-based pricing in early June. While this strategy ended up not working out for the early season growers, it did secure both ad and shelf space for the Northwest industry.

It is estimated that the northwest has just under 62,000 acres of sweet cherries in production – with new plantings still occurring. However, due to the “Little Cherry Disease” in cherries and “Western X” in the soft fruit (peach, apricot, nectarine, prunes, and plums), the removal of trees and acreage has served to mitigate overall acreage growth for the Northwest production region.

The Northwest cherry harvest is an integral part of the financial activity of the Commission. With the 2019 crop coming in slightly lower than the 2018 crop, this resulted in a slight decrease to the net position. At March 31, 2020, the Commission’s net position of \$5,175,510 is a decrease of \$48,077 over FY19. Of this amount, \$3,861,262 was unrestricted. The Commission’s net position (\$5,175,510) is reflected its cash and investments.

Table 1

Washington State Fruit Commission

Comparative Statement of Net Position

For The Years Ending March 31, 2019 and March 31, 2020

	<u>2020</u>	<u>2019</u>
Current and Other Assets	6,645,355	7,240,183
Capital Assets (Net)	1,357,053	1,523,598
Deferred Outflows of Resources	<u>250,842</u>	<u>223,222</u>
TOTAL ASSETS & DEFERRED OUTFLOWS of RESOURCES	8,253,250	8,987,003
Current and Other Liabilities	578,059	750,946
Noncurrent Liabilities	2,093,067	2,633,126
Deferred Bond Refunding	2,500	10,421
Deferred Inflows of Resources	<u>404,113</u>	<u>368,923</u>
TOTAL LIABILITIES & DEFERRED INFLOWS of RESOURCES	3,077,739	3,763,416
Net Position		
Net Investments in Capital Assets, Net of Related Debt	1,257,053	1,328,598
Unrestricted	<u>3,918,457</u>	<u>3,894,989</u>
TOTAL NET POSITION	5,175,510	5,223,587

Table 2
Washington State Fruit Commission
Comparative Statement of Revenue, Expenses and Changes in Net Position
For The Years Ending March 31, 2019 and March 31, 2020

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Assessment Revenue	3,525,222	4,082,744
Partner Revenue	777,663	701,699
Publication Revenue	1,910,580	1,804,822
Trade Show Revenue	28,765	28,385
TOTAL OPERATING REVENUE	6,242,230	6,617,650
Operating Expenses:		
Promotion Expenses	6,148,432	5,354,873
Publication Expenses	543,030	533,830
Salaries & Benefits	1,775,293	1,748,631
Professional Services	15,635	122,162
Depreciation	106,107	103,479
Industry Dues & Memberships	116,997	56,683
Office Expenses	46,786	34,556
Travel, Training, and Meetings	13,618	23,192
Water	4,977	5,406
Electricity	12,585	14,121
Gas	4,176	2,824
Security	18,300	-
Other Utilities	7,830	9,362
Materials & Other Maintenance Costs	123,008	44,600
Insurance	12,540	13,670
Taxes	21,137	20,875
TOTAL OPERATING EXPENSES	8,970,451	8,088,264
NET OPERATING LOSS	(2,728,221)	(1,470,614)
Nonoperating Revenues (Expenses):		
Grant Revenue	2,473,496	1,781,836
Administrative Services Revenue	539,594	551,626
Administrative Services Expense	(452,002)	(460,815)
Office Space Lease Income	118,537	120,541
Gain/Loss of Sale of Fixed Assets	-	1,000
Industry Assessment Revenue	1,958,702	2,838,633
Industry Assessment Expense	(1,958,702)	(2,838,633)
Other Income	-	75,000
Interest Income	67,992	56,010
Interest Expense	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	2,747,617	2,125,198
NET INCOME	19,396	654,584
Net Position (Beginning April 1)	5,223,587	5,452,547
Change in Accounting Principle	-	(883,544)
NET POSITION, MARCH 31	5,242,983	5,223,587

The accompanying notes are an integral part of these financial statements.

Capital Assets and Long-Term Debt

CAPITAL ASSETS

The Commission's investment in capital assets as of March 31, 2020 total \$1,357,053 (net of accumulated depreciation.) This investment in capital assets includes land, buildings, building improvements and equipment. Comparatively, the FY19 investment in capital assets (net of accumulated depreciation) was \$1,523,598. The total decrease in the Commission's investment in capital assets for the current fiscal year was \$166,545.

Major capital asset events during the current fiscal year included purchase of a new trade show booth. Also, during FY20, prior year investment of architectural services for the design of a new addition to the W.L. Hansen building was suspended and therefore \$67,473 for the architecture services was expensed. The detail of capital assets before depreciation are as follows:

Capital Assets at Year-end

Buildings	1,848,386
Furniture and Equipment	427,304
Land	174,240
Leasehold Improvements	340,785
Total	2,790,715

Refer to financial notes for further information.

LONG TERM DEBT

During FY 2014, the Washington Office of the State Treasurer refunded \$665,000 of the series R-2004A bonds and issued a new debt under series R-2014A totaling \$600,000. The deferred bond refunding balance at FY20 totals \$2,500. The Commission's March 31, 2020 building bond principal balance of \$100,000 will be extinguished July 2020 and is therefore reported as current long term debt.

Refer to financial notes for further information.

Economic Factors and Next Year's Budgets and Rates

The Commission is primarily dependent upon stone fruit assessment of tonnage for the funding of promotional programs, educational programs, and business operations. Therefore, the Commission is affected by the crop production. Early cherry crop estimates indicate a 2020 crop close to or above industry average. However, due to the infection of Western X, thereby resulting in reduced soft fruit acreage (peach, apricot, nectarine, prunes, and plums), assessment collections on all soft fruit has been suspended for the 2020 crop year. This suspension will result in a reduction of assessment income of approximately \$200,000.

Additional revenue sources include the *Good Fruit Grower* publication. The recent economic conditions both nationally and world-wide have put a stronger spotlight on a publication's ability to generate advertising revenue. Content remains king in terms of

attracting and retaining advertising revenue. Given the high, existing levels in usage of digital sources of information (websites, internet search, email); the *Good Fruit Grower* continues to expand its digital presence and enhance the Spanish content thus providing further avenues of advertising exposure. Due to the industry specific readership that the *Good Fruit Grower* publication reaches, current advertisers have indicated continued support through advertising channels.

Therefore, the budget for FY20 has been prepared accordingly and approved by the Commission.

Washington State Fruit Commission

STATEMENT OF NET POSITION

March 31, 2020

	<u>2020</u>
Current Assets:	
Cash-Unrestricted	2,313,170
Investments-Unrestricted	4,042,126
Receivable, net	229,014
Prepaid Expense & Other Assets	<u>61,045</u>
TOTAL CURRENT ASSETS	6,645,355
Noncurrent Assets:	
Buildings	1,848,386
Construction in Progress (CIP)	-
Furniture & Equipment	427,304
Land	174,240
Leasehold Improvements	340,785
Accumulated Depreciation	<u>(1,433,662)</u>
TOTAL NONCURRENT ASSETS	1,357,053
TOTAL ASSETS	8,002,408
Deferred Outflows of Resources:	
OPEB Related	32,103
Pension Related	<u>218,739</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	250,842
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,253,250
Current Liabilities:	
Accounts Payable	174,207
Accrued Business Tax Payable	1,125
Accrued Expenses	-
Accrued Payroll Taxes & Benefits Payable	60,603
Assessments Payable	62,897
Compensated Absences	126,924
Current Portion of Long Term Debt	100,000
Current Portion of OPEB Liability	42,804
Unearned Revenue	<u>9,500</u>
TOTAL CURRENT LIABILITIES	578,060
Noncurrent Liabilities:	
Bonds Payable	-
OPEB Liability	1,451,409
Net Pension Liability	<u>641,658</u>
TOTAL NONCURRENT LIABILITIES	2,093,067
TOTAL LIABILITIES	2,671,127
Deferred Inflows of Resources:	
Deferred Bond Refunding	2,500
Pension Related	<u>404,113</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	406,613
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,077,740
Net Position:	
Invested in Capital Assets, Net of Related Debt	1,257,053
Unrestricted	<u>3,918,457</u>
TOTAL NET POSITION	5,175,510
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	8,253,250

The accompanying notes are an integral part of these financial statements.

Washington State Fruit Commission
**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION**
For Period Ending March 31, 2020

	<u>2020</u>
Operating Revenue:	
Assessment Revenue	3,525,222
Partner Revenue	777,663
Publication Revenue	1,910,580
Trade Show Revenue	<u>28,765</u>
TOTAL OPERATING REVENUE	6,242,230
Operating Expenses:	
Promotion Expenses	6,148,432
Publication Expenses	543,030
Salaries & Benefits	1,775,293
Professional Services	15,635
Depreciation	106,107
Industry Dues & Memberships	116,997
Office Expenses	46,786
Travel, Training, and Meetings	13,618
Water	4,977
Electricity	12,585
Gas	4,176
Security	18,300
Other Utilities	7,830
Materials & Other Maintenance Costs	123,008
Insurance	12,540
Taxes	<u>21,137</u>
TOTAL OPERATING EXPENSES	8,970,451
NET OPERATING LOSS	(2,728,221)
Nonoperating Revenues (Expenses):	
Grant Revenue	2,473,496
Administrative Services Revenue	539,594
Administrative Services Expense	(452,002)
Office Space Lease Income	118,537
Industry Assessment Revenue	1,958,702
Industry Assessment Expense	(1,958,702)
Other Income	-
Interest Income	<u>67,992</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	2,747,617
NET INCOME	19,396
Net Position (Beginning April 1)	5,223,587
Prior Period Adjustment	(67,473)
NET POSITION, MARCH 31	<u>5,175,510</u>

The accompanying notes are an integral part of these financial statements.

Washington State Fruit Commission
STATEMENT OF CASH FLOWS
Year Ending March 31, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	6,274,127
Cash payments to suppliers	(7,775,644)
Cash payments to employees for services	(1,775,293)
<i>Net cash used by operating activities</i>	(3,276,810)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Administrative services income	539,594
Administrative services expense	(452,002)
Industry assessment revenue	1,958,702
Industry assessment expense	(1,958,702)
Operating grant	2,473,496
Lease income	118,537
Other income	-
<i>Net cash provided by non-capital financing activities</i>	2,679,625
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Fixed assets (Net)	60,438
Proceeds from sale of fixed assets	-
Principal paid on debt issues	(95,000)
Deferred refunding of debt	(7,921)
Interest paid on various contracts and debt issues	-
<i>Net cash (used) for capital and related financing activities</i>	(42,483)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	67,992
Purchases of investments	(20,785)
<i>Net cash used for investing activities</i>	47,207
<i>Net increase/decrease in cash and cash equivalents</i>	(592,460)
Cash and cash equivalents at beginning of year	2,905,631
Cash and cash equivalents at end of year	2,313,170
Reconciliation of Operating Income(Loss) to Net Cash Used by Operating Activities:	
Operating income (loss)	(2,795,694)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation expense	106,107
Increase (decrease) in OPEB liability	(189,182)
Increase (decrease) in net pension liability	(238,423)
Change in assets and liabilities:	
Receivables, net	31,896
Prepays	(8,745)
Deferred income	9,500
Accounts and other payables	(200,276)
Accrued expenses	8,006
<i>Net cash used by operating activities</i>	(3,276,810)
<i>The accompanying notes are an integral part of the cash flow statement.</i>	

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The Washington State Fruit Commission, (the Commission), a corporation and Washington State Agency defined under RCW15.28, was created in order to develop and promote Washington's soft tree fruits as part of an existing comprehensive regulatory scheme, vital to the continued economic well-being of the citizens of this state and their general welfare that its soft tree fruits be properly promoted by (a) enabling the soft tree fruit industry to help themselves in establishing orderly, fair, sound, efficient, and unhampered cooperative marketing, grading, and standardizing of soft tree fruits they produce; and (b) working to stabilize the soft tree fruit industry by increasing consumption of soft tree fruits within the state, the nation, and internationally.

The commission is governed by a board composed of seventeen voting members, as follows: Ten producers, four dealers, and two processors, and the director of WSDA, or an authorized representative. A majority of the voting members constitute a quorum for the transaction of any business.

An annual assessment is levied upon all commercial soft tree fruits grown in the state or packed as Washington soft tree fruit. The commission's financial statements include the financial position and results of operations.

B. Basis of Accounting

The commission uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Grant revenues are recognized when earned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are assessments levied on all commercial tree soft fruit produced in Washington State or held out as being produced in Washington State for fresh or processing use. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Budgets

The commission is not required to prepare a budget.

D. Assets, Liabilities and Fund Balance

1. Cash and Cash Equivalents

The commission considers cash and equivalents to include all checking, savings, and municipal investments accounts with no maturity dates. It is the commission's policy to invest all temporary cash surpluses. The amount is classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is prorated to the various funds.

2. Temporary Investments - See Note 2

3. Receivables

Receivables consist of amounts due from assessments, advertising in the *Good Fruit Grower* magazine, and administrative and accounting services provided to other industry members relating to the tree fruit industry.

4. Capital Assets and Depreciation - See Note 3

5. Deferred outflow/inflows of resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission has recorded deferred outflows of resources for items related to various deferred pension and OPEB costs. In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission has recorded deferred inflows or resources for items related to various deferred pension adjustments and bond refunding.

6. Pensions – See Note 4

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.

7. Other Post-Employment Benefits (OPEB) – See Note 5

The Commission recognizes an OPEB liability for the actuarially determined future benefits related to health insurance that is made available to certain retirees.

Beginning with the year ended March 31, 2019 the Commission implemented GASB 75 *Accounting and Financial Reporting by Employers Postemployment Benefits Other Than Pensions* (OPEB). Prior to the change, the Commission accounted for OPEB according to the requirements outlined in GASB 45. See note 11 for details regarding the accounting principle change resulting from the implementation of GASB 75.

8. Accumulated Unpaid Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued when incurred. Vacation pay, which may be accumulated up to 240 hours (30 days), is payable upon resignation, retirement, or death. Sick leave may accumulate up to 240 hours (30 days) and is not payable upon resignation, retirement or death.

9. Accrued Liabilities

These accounts consist of accrued expenses, wages, and employee benefits.

10. Long-Term Debt - See Note 7

E. Revenue and Expenses

1. Industry Assessments

From time to time the Commission acts as a clearinghouse for assessments made on industry members under the Washington Tree Fruit Research Commission, a state agency, and the Processed Pear Committee, Cherry Marketing Committee, and Apricot Marketing Committee, all USDA federal entities operating under marketing orders under #927, #923, and #922, respectively. When the Commission receives assessments in this manner, it records Industry Assessments Revenue. When disbursed, funds are recorded as Industry Expense. Both are considered non-operating.

NOTE 2 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the commission are obligations of the U.S. Government or deposits with Washington State banks and savings and loan institutions.

The Commission's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protections Commission (PDPC). The Commission's bank balances for the fiscal year-end 2020 was 6,460,708; the book balance at March 31, 2020 was \$6,355,146 with a difference of \$105,562, due to outstanding checks.

The Commission's investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the Commission's investments at year-end. Investments are insured, registered or held by the Commission or its agent in the commission's name.

Investment Type	3/31/20 Carrying	3/31/20 Market	3/31/19 Carrying	3/31/19 Market
Cert. of Deposits	\$4,042,126	\$4,042,126	\$ 4,021,341	\$ 4,021,341

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

A. General Policies

All capital assets in excess of \$3,000 are capitalized and depreciated. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred.

B. Proprietary Fund Capital Assets

The Commission's investment in capital assets as of March 31, 2020 amounts to \$1,357,053 (net of accumulated depreciation). This is a decrease of \$166,545, from capital assets consisting of \$1,523,598 (net of accumulated depreciation) at March 31, 2019.

Capital assets of proprietary funds are capitalized in their respective balance sheets and are recognized at historical cost or estimated historical cost when purchased or constructed.

Capital assets of proprietary funds are depreciated using the straight-line method over the useful life of the asset as follows:

Description	Years	Description	Years
Computers	4	Improvements	15
Vehicles & Equipment	5	Building	50

A summary of changes in capital assets are represented in the following table:

CAPITAL ASSETS AND DEPRECIATION

Business Type Activities	Balance 3/31/18	Increase	Decrease	Balance 3/31/19	Increase	Decrease	Balance 3/31/20
Capital Assets, not being depreciated:							
Land	174,240	-	-	174,240	-	-	174,240
Construction in Progress	67,473	-	-	67,473	-	67,473	-
Total Capital Assets, not being depreciated:	241,713	-	-	241,713	-	67,473	174,240
Capital Assets, being depreciated:							
Building	1,848,386	-	-	1,848,386	-	-	1,848,386
Leasehold Improvements	340,785	-	-	340,785	-	-	340,785
Furniture and Equipment	395,649	58,199	33,045	420,803	7,035	534	427,304
Total Capital Assets, being depreciated:	2,584,820	58,199	33,045	2,609,974	7,035	534	2,616,475
Less accumulated depreciation for:							
Building	832,736	36,967	-	869,703	37,069	-	906,772
Leasehold Improvements	158,341	21,613	-	179,954	19,292	-	199,246
Furniture and Equipment	266,577	44,585	32,730	278,432	49,746	534	327,644
Total accumulated depreciation	1,257,654	103,165	32,730	1,328,089	106,107	534	1,433,662
Total capital assets, being depreciated, net	1,327,166	(44,966)	315	1,281,885	(99,073)	-	1,182,813
Business Type Activities capital assets, net	1,568,879	(44,966)	315	1,523,598	(99,073)	67,473	1,357,053

NOTE 4 - PENSION PLANS

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.

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 the year ended March 31, 2020:

Aggregate Pension Amounts – All Plans	
Net pension liability	\$ 641,658
Deferred outflows of resources	\$ 218,739
Deferred inflows of resources	\$ 404,112
Pension benefit	\$ 9,573

State Sponsored Pension Plans

Substantially all of the Commission's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS 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 two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. 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.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. 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 percent. Each biennium, the

state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) during the Commission's fiscal year ended March 31, 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
4/1/19 to 6/30/19		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
7/1/19 to 3/31/20		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service 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 three percent 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 ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent 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.

Contributions

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 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) during the Commission's fiscal year ended March 31, 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
4/1/19 to 6/30/19		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%
7/1/19 to 3/31/20		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

The Commission's actual PERS plan contributions were \$96,250 to PERS Plan 1 and \$132,663 to PERS Plan 2/3 for the year ending March 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The

actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018 to June 30, 2019, 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:** 7.4%

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

There were minor changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment programming to reflect legislation signed during the 2018 Legislative session (C151 L18)

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 percent 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 liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be

available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 627,659	\$ 501,538	\$ 391,601
PERS 2/3	\$ 1,076,048	\$ 140,300	\$ (627,542)

Pension Plan Fiduciary Net Position

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

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

At March 31, 2020, the Commission reported a total pension liability of \$641,658 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 501,358
PERS 2/3	\$ 140,300
Total	\$ 641,658

At March 31, 2020, the Commission's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 3/31/19	Proportionate Share 3/31/20	Change in Proportion
PERS 1	0.013983%	0.013038%	(0.00095%)
PERS 2/3	0.015629%	0.014444%	(0.00119%)

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30, 2019 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*.

Pension Expense

For the year ended March 31, 2020, the Commission recognized pension expense as follows:

Pension Expense (Benefit)	
PERS 1	\$ (20,960)
PERS 2/3	\$ 11,387
Total	\$ (9,573)

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2020, 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	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	\$ -	\$ 40,196	\$ -	\$ 30,164
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ -	\$ 33,495	\$ 204,220
Changes of assumptions	\$ -	\$ 3,593	\$ -	\$ 58,865
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -	\$ -	\$ 77,368
Contributions subsequent to the measurement date	\$ 72,370	\$ 102,580	\$ -	\$ -
TOTAL	\$ 72,370	\$ 146,369	\$ 33,495	\$ 370,617

Deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended March 31:	PERS 1	PERS 2 & 3
2021	\$ (7,394)	\$ (77,821)
2022	\$ (17,515)	\$ (118,905)
2023	\$ (6,250)	\$ (60,575)
2024	\$ (2,336)	\$ (38,970)
2025	\$ -	\$ (24,140)
Thereafter	\$ -	\$ (6,417)
TOTAL	\$ (33,495)	\$ (326,828)

NOTE 5 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended March 31, 2020:

Aggregate OPEB Amounts	
OPEB liabilities	\$ 1,494,213
OPEB assets	\$ -
OPEB deferred outflows of resources	\$ 32,103
OPEB expense	\$ 134,388

The Commission, through the Health Care Authority (HCA) administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

OPEB Plan Description

Per Revised Code of Washington 41.05.065, the Public Employees Benefits Board (PEBB) created under the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan, the Commission, its 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 with regard to sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that the substantive plan will be carried forward into the future.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), and political subdivisions. Additionally, the PEBB plan is available to the retirees of the Commission. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by and may be amended by the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates.

Eligibility

Commission members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 1, 2 or 3 (see Note 4):

- Age 60 with 5 years of service
- Age 55 with 25 years of service for Plan 2,3

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2020:

Non-Medicare medical plan premiums				
For members not eligible for Medicare (or enrolled in Part A only)	Subscriber	Subscriber and Spouse	Subscriber and Child(ren)	Subscriber, spouse, and child(ren)
Kaiser Permanente WA Classic	\$ 752	\$ 1,499	\$ 1,312	\$ 2,060
Kaiser Permanente WA CDHP	\$ 610	\$ 1,210	\$ 1,075	\$ 1,616
Kaiser Permanente WA Value	\$ 676	\$ 1,346	\$ 1,179	\$ 1,849
Uniform Medical Plan Classic	\$ 680	\$ 1,354	\$ 1,186	\$ 1,860
Uniform Medical Plan CDHP	\$ 608	\$ 1,206	\$ 1,072	\$ 1,611
Uniform Medical Plan Puget Sound High Value Network	\$ 645	\$ 1,285	\$ 1,125	\$ 1,765

The implicit rate subsidy is the difference between the total cost of pre-65 medical benefits for retirees and pre-65 contributions paid by retirees. Per member health costs vary depending on age, number of dependents and expected morbidity.

Retirees who are enrolled in Medicare Parts A and B receive an explicit rate subsidy in the form of reduced premiums on Medicare supplemental plans.

At June 30, 2020, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms	
Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	0
Active employees	24
Total	36

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and other Inputs

The Commission uses the alternative measurement method (AMM) in determining its total OPEB liability. The AAM is accomplished by utilizing the AMM Online Tool provided by the Washington State Office of the State Actuary (OSA). The OSA relied on its OPEB

Actuarial Valuation for the State's June 30, 2018 Fiscal Year-End report for the purpose of developing the AMM Online Tool.

The total OPEB liability was determined using the following methodologies: actuarial valuation date was June 30, 2019 and the measurement date was June 30, 2019. The actuarial cost method was Early Age. The amortization method used immediate recognition.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan the plan as understood by the employer and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified. Inflation rate was 2.75% and the projected salary change was 3.5% plus service-based salary increases. Health care trend rates assumptions vary slightly by medical plan. The initial rate is approximately 7.00%, reaching an ultimate rate of approximately 5.00% in 2020. The post-retirement participation rate is 65.00% and the percentage with spouse coverage is 45.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Municipal Bond Index.

Specific assumptions made by the Office of the State Actuary to develop the AMM Online Tool that vary from those described above are: 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan, UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan, the Kaiser Permanente pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value, the Kaiser Permanente post-Medicare costs and premiums are equal to KP Medicare. The estimated retirement service for each active cohort is based on the average entry age of 35. Assumption for retirement, disability, termination, and mortality are based on the 2018 PEBB OPEB Actuarial Valuation Report. Each cohort is assumed to be a 50/50 male/female split and eligible spouses are the same age as the primary member. The age-based cohorts were based on the overall distribution of Washington State employees and retirees that participate in PEBB.

The following presents the total OPEB Liability calculated using the current healthcare cost trend rate (HCTR), as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current rate.

	1.0 % Decrease	Current HCTR	1.0% Increase
Total OPEB Liability	\$1,260,607	\$1,494,213	\$1,794,160

The following presents the total OPEB liability calculated using the discount rate (DR), as well as what the OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current rate.

	1.0% Decrease	Current DR	1.0% Increase
Total OPEB Liability	\$1,759,319	\$1,494,213	\$1,282,485

Changes in the Total OPEB liability

Total OPEB Liability at April 1, 2019	1,679,732
Service Cost	50,005
Interest	65,964
Changes in experience data and assumptions	(250,354)
Changes in benefit terms	-
Benefit payments	(51,131)
Other Charges	-
Total OPEB Liability at March 31, 2020	1,494,216

There were no significant changes of assumptions or other inputs that affect measurement of the total OPEB liability since the prior measurement date. There were no significant changes to benefit terms that affected measurement of the total OPEB liability since the prior measurement date. There were no benefit payments in the measurement period attributable to the purchase of allocated insurance contracts.

The Commission's reporting date is March 31, 2020. The OPEB liability valuation and measurement dates are June 30, 2019. As of March 31, 2020 the Commission had actuarially determined payments subsequent to the measurement date of \$32,103. Such subsequent payments are recorded as deferred outflows of resources. Accordingly, the Commission has recognized deferred outflows of resources related to OPEB of \$32,103. The deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended March 31, 2021.

For further information on the results of the HCA Actuarial Valuation of the employer-provided subsidies associated with the state's PEBB plan, refer to: <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>. The plan does not issue a separate report, however, additional information is included in the State of Washington's CAFR, which is available at: <http://www.ofm.wa.gov/cafr/default.asp>.

NOTE 6 – DEFERRED COMPENSATION PLAN

457 Plan – Deferred Compensation Plan

Commission employees have the option of participating in an IRC, Section 457, and deferred compensation plan administered by the state retirement system. The plan assets and all related income are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 7 – LONG TERM DEBT

In 1995, a \$1,510,000 State of Washington General Obligation Bond, Series 1995C, was issued on behalf of the commission for the purpose of providing funds to finance a facility for the State's Fruit Commission, located at 105 S. 18th Street, Yakima, WA 98901.

In 2003, Series 1995C was rescheduled into two separate bond schedules (Series 1995C & Series R2004A). In 2013, Series R2004A was rescheduled into a new bond schedule (Series 2014A). Series 2014A is secured by an unconditional pledge of the full faith and credit of the State. Under provision of Article VIII of the State Constitution, as amended, the Legislature is obligated to provide by appropriation for the payment of the principal of and interest on the Bonds from general State revenues.

These Bonds are excluded from the Statutory Debt Limitation.

The long-term debt for this bond is due in biannual payments with maturity in the year 2020. During FY 2014, the Washington Office of the State Treasurer refunded \$665,000 of the series R-2004A bonds and issued new debt under series R-2014A totaling \$600,000. The rescheduling of the bond Series 2014A resulted with a savings of \$67,261 which will be amortized over the remaining life of the bond.

The Commission's bond principal balance at March 31, 2020 is \$100,000. The bond principal balance at March 31, 2019 was \$195,000. The Commission's deferred bond gain on refunding balance at March 31, 2020 is \$2,500; the balance at March 31, 2019 was \$10,421. The total payment for 2020 is \$100,000 for principal. The annual requirements to amortize outstanding debt, including interest, are as follows:

	Bond Principal	Bond Interest	Bond Principal Balance
Balance at 2020	\$ -	\$ -	\$ 100,000
2020	\$ 100,000	\$ 2,500	\$ -
Total	\$ 100,000	\$ 2,500	\$ -

Changes in the Washington State Fruit Commission's long-term liabilities during the years ending March 31, 2020, and 2019 are summarized below.

	Balance at March 31, 2018	Increase	Decrease	Balance at March 31, 2019	Increase	Decrease	Balance at March 31, 2020	Amounts Due within One Year
2014A	\$ 285,000	\$ -	\$ 90,000	\$ 195,000	\$ -	\$ 95,000	\$ 100,000	\$ 100,000
OPEB Liability	\$ 774,979	\$904,755	\$ -	\$ 1,679,734	\$ -	\$ 185,519	\$ 1,494,215	\$ 42,804
Pension Liability	\$ 1,281,230	\$ -	\$ 389,915	\$ 891,314	\$ -	\$ 249,657	\$ 641,658	\$ -
TOTALS	\$ 2,341,209	\$904,755	\$ 479,915	\$ 2,766,048	\$ -	\$ 530,176	\$ 2,235,873	\$ 142,804

NOTE 8 - CONTINGENCIES AND LITIGATION

The commission has recorded in its financial statements all material liabilities.

NOTE 9 – RISKS

Although risk can never be eliminated, the Washington State Fruit Commission makes every effort to minimize risks by implementing internal controls and procedures, segregating duties, and procuring adequate insurance coverage.

The Washington State Fruit Commission maintains applicable insurance coverage through a self-procured insured policy obtained through Conover Insurance, an auto policy through the Washington State Department of Enterprise Services (DES), and a policy obtained through the Washington State Liability Self Insurance Program.

The Washington State Self-Insurance policy provides coverage up to \$10 million with no deductible for general and auto liability while the self-procured policy through Conover provides coverage up to \$2 million aggregate for general liability with a \$1 million per occurrence general liability with a \$3 million umbrella that extends over the general liability. The State DES Commercial policy has a \$1,000 deductible

Further, the Washington State Fruit Commission, per RCW 15.28.190, obtains up to \$50,000 in coverage for the State Public Officials Bond and also up to \$10 million in coverage for crime coverage.

As stated in RCW 15.28.250, for the purpose of securing collection of soft fruit assessments, the Washington State Department of Agriculture shall cease to provide inspection services

under Chapter 15.17 RCW to any delinquent party until that party pays all delinquent assessments, interest, and penalties.

NOTE 10 – OTHER DISCLOSURES

The Pacific Northwest Canned Pear Service (PNCPS), a non-profit organization established in Washington State in February 1998, was organized exclusively for the promotion and marketing of canned pears grown and/or processed in Oregon or Washington. The Commission is not financially accountable for PNCPS.

From time to time the Commission acts as a clearinghouse for assessments made on industry members under the Washington Tree Fruit Research Commission, a state agency, and the Processed Pear Committee, Cherry Marketing Committee, and Apricot Marketing Committee, all USDA federal entities operating under marketing orders under #927, #923, and #922, respectively. Starting with the current fiscal year, when the Commission receives assessments in this manner, it records Industry Assessment Revenue. When disbursed, funds are recorded as Industry Expense. Both are considered non-operating.

NOTE 11 – SUBSEQUENT EVENTS

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability as of a Measurement Date of June 30

PERS 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion of the net pension liability	0.013038%	0.013983%	0.014737%	0.015097%
Employer's proportionate share of the net pension liability	\$ 501,357	\$ 624,463	\$ 699,282	\$ 810,780
Employer's covered employee payroll - July 1 to June 30	\$ 1,674,605	\$ 1,715,824	\$ 1,735,921	\$ 1,684,595
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	29.94%	36.39%	40.28%	48.13%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%

PERS 2/3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion of the net pension liability	0.014444%	0.015629%	0.016749%	0.017115%
Employer's proportionate share of the net pension liability	\$ 140,300	\$ 266,851	\$ 581,948	\$ 861,727
Employer's covered employee payroll - July 1 to June 30	\$ 1,569,829	\$ 1,618,274	\$ 1,642,065	\$ 1,594,303
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	8.94%	16.49%	35.44%	54.05%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%

REQUIRED SUPPLEMENTARY INFORMATION**Schedule of Employer Contributions as of March 31**

	PERS 1			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 96,250	\$ 91,230	\$ 93,908	\$ 87,917
Contributions in relation to the statutorily or contractually required contributions	<u>(96,250)</u>	<u>(91,230)</u>	<u>(93,908)</u>	<u>(87,917)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 1,806,087	\$ 1,642,477	\$ 1,754,220	\$ 1,720,259
Contributions as a percentage of covered employee payroll	5.33%	5.55%	5.35%	5.11%

	PERS 2/3			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily or contractually required contributions	\$ 132,623	\$ 115,652	\$ 118,376	\$ 101,312
Contributions in relation to the statutorily or contractually required contributions	<u>(132,623)</u>	<u>(115,652)</u>	<u>(118,376)</u>	<u>(101,312)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 1,696,535	\$ 1,540,504	\$ 1,657,545	\$ 1,626,197
Contributions as a percentage of covered employee payroll	7.82%	7.51%	7.14%	6.23%

Notes to Required Supplementary Information (RSI) Related to Pensions

There were no changes in benefit terms, changes in size or composition of the population covered by the benefit terms, assumptions, or other factors that significantly affected trends in the pension related amounts reported in RSI.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in OPEB Liability And Related Ratios
Information is Available for Years Ended March 31

	<u>2020</u>	<u>2019</u>
Service cost	\$ 50,005	\$ 52,632
Interest	65,961	61,561
Changes in experience data and assumptions	(250,354)	(84,690)
Changes in benefit terms	-	-
Benefit payments	(51,131)	(33,174)
Net change in total OPEB liability	\$ (185,519)	\$ (3,671)
Total OPEB liability - beginning	1,679,732	1,683,403
Total OPEB liability - ending	<u>\$ 1,494,213</u>	<u>\$ 1,679,732</u>
Covered payroll	\$ 1,806,087	\$ 1,642,477
Total OPEB liability as a percentage of covered payroll	82.73%	102.27%

Notes to Required Supplementary Information (RSI) Related to OPEB

There were no changes in benefit terms, changes in size or composition of the population covered by the benefit terms, assumptions, or other factors that significantly affected trends in the OPEB related amounts reported in RSI.

No assets are accumulated in a trust that meets the criteria on paragraph 4 of GASB Pronouncement 75 to pay OPEB related benefits.

WASHINGTON STATE FRUIT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2020

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Pass Through to Subrecipient	Footnote Reference
				From Pass- Through Awards	From Direct Awards	Total		
MAP/ATP Cluster U.S. Department of Agriculture Foreign Agriculture Service	Market Access Program (MAP)	10.601	MAP	\$ -	\$ 1,792,397	\$ 1,792,397	\$ -	1, 2
	Agricultural Trade Promotion program (ATP)	10.601/10.618	ATP	\$ -	\$ 625,438	\$ 625,438	\$ -	1, 2
	Total MAP/ATP Cluster			\$ -	\$ 2,417,835	\$ 2,417,835	\$ -	
	Specialty Crop Block Grant Program (SCBGP)	10.170	WSDA-K2303	\$ 42,284	\$ -	\$ 42,284	\$ -	1, 2
		10.170	WSDA-K2303 (program income)	\$ 2,500	\$ -	\$ 2,500	\$ -	1,3
	Subtotal	10.170		\$ 44,784	\$ -	\$ 44,784	\$ -	
	Emerging Markets Program (EMG)	10.603	Emerg-Mkt Philippines	\$ -	\$ 13,377	\$ 13,377	\$ -	1, 2
Total Federal Awards Expended				\$ 44,784	\$ 2,431,212	\$ 2,475,996	\$ -	

The accompanying notes are an integral part of this schedule.

WASHINGTON STATE FRUIT COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(AND STATE/LOCAL FINANCIAL ASSISTANCE)
For year ended March 31, 2020

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the commission's financial statements. The Commission uses the accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Commission's portion, may be more than shown.

NOTE 3 – PROGRAM INCOME

The amounts shown as program income represent sponsorship funds received on behalf of specific grant activity. The granting agency has designated these funds to be reported using the addition method.

NOTE 4 – INDIRECT COST RATE

The Commission has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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