Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Washington State Fruit Commission

For the period April 1, 2022 through March 31, 2023

Published November 6, 2023

Report No. 1033543

Office of the Washington State Auditor
Pat McCarthy

November 6, 2023

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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April 1, 2022 through March 31, 2023

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 its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
10.601	Market Access 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

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, 2022 through March 31, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 30, 2023.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

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, 2022 through March 31, 2023

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Washington State Fruit Commission, with the types of compliance requirements identified as subject to audit 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, 2023. The Commission's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Commission's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington State Fruit Commission
April 1, 2022 through March 31, 2023

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Washington State Fruit Commission, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Fruit Commission, as of March 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters of Emphasis

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, 2023, 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.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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. 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 supplementary information 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 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 the effectiveness of the Commission's 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

FINANCIAL SECTION

Washington State Fruit Commission
April 1, 2022 through March 31, 2023

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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, 2022, and March 31, 2023. 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.

Financial Highlights

- *Revenues –*

  The Commission's FY23 revenues of $8,583,591 consist of $2,081,685 in assessment collections, $2,134,365 in publication revenue for advertising and subscriptions sales of the *Good Fruit Grower* publication, $2,030,367 in federal and state grant funds, $1,121,189 in industry assessment revenue, and $445,059 in partner revenue. The remaining revenue of $770,926 consists of trade show, administrative services, office space lease, investments, and other income.

  In comparison, FY22 revenues of $10,580,875 consists mainly of $3,346,475 in assessment collections, $2,229,195 in publication revenue for advertising and subscriptions sales of the *Good Fruit Grower* publication, $2,271,729 in federal and state grant funds, $1,493,478 in industry assessment revenue, and $555,389 in partner revenue. The remaining revenue of $684,609 consists of administrative services, office space lease, investments, and other income.

  The FY23 revenues reflect a decrease over prior FY22 of $1,997,284 mainly due to a decrease in the cherry crop tonnage caused by inclement weather in early spring resulting with snow on the bloom and ultimately poor bee pollination and stress to the trees.

- *Expenditures –*

  The Commission's FY23 expenditures of $9,001,904 consists mainly of $4,649,452 in promotion programs, $1,121,189 in industry assessment expense, $1,738,101 in salary and benefits, $576,283 in publication expenses, and $436,204 in administrative services to industry partners, with the balance of $480,675 in general operations.

  In comparison, The Commission's FY22 expenditures of $10,576,336 consists mainly of $6,221,006 in promotion programs, $1,493,478 in industry assessment expense, $1,477,601 in salary and benefits, $550,362 in publication expenses, and $429,541 in administrative services to industry partners, with the balance of $404,348 in general operations.

  Because of the reduced crop size, thus resulting in reduced promotion programs, FY23 expenditures reflect a decrease over FY21 by 1,574,432.

- *Capital Purchases –*
  There were no capital purchases in FY23. However, with the implementation of GASB 87 leases, a right-to-use asset and its accumulated amortization were added to the table. Further, total fixed assets were reduced for the removal of a salvaged vehicle and obsolete items.

- *Change in Accounting Principle –*
  In the current fiscal year, management implemented GASB Statement No. 87, Leases. The new standard states that, "a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources." By adopting GASB 87, this allows lease activities beyond a one-year period to be reported as assets and liabilities on the Commission's proprietary fund Statement of Net Position.

  GASB 87 implementation is reflected in FY23 basic statements. The implementation required a negative adjustment of $118 to the FY23 beginning proprietary fund net position.

- *Net Position –*
  The assets and outflows of the Commission exceeded its liabilities and inflows at the close of FY23 by $4,620,398 (net position) and by $5,038,829 at the close of FY22. The Commission's total FY23 net position of $4,620,398 was a decrease over prior FY22 net position by $418,431.

- The Commission continues to operate without the need for operating debt borrowings.

Overview of the Basic Financial Statements

This discussion and analysis are 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.

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 in 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 9 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 10 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 12 through 31 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

In the Northwest cherry industry, unlike the 2021 crop where it will be remembered as the year where a never seen before heat dome settled over the growing region for a week in June and early July, the 2022 crop was hit with an April snowstorm on top of bloom that was followed by several significant rain events and left our growers with what could be best described as "half a crop".

The 2022 season was negatively affected by six inches of snow that fell across the 5-State region on April 14, 2022. The late snowstorm crushed what was shaping up to be a fairly typical harvest – as the crop was 60% in bloom when the snow struck across our 5-State region. Growers had never seen so much snow so late in the growing season. By mid-May it was clear that the bloom that was hit by snow did not pollinate at a level we had hoped.

The Northwest cherry harvest is an integral part of the financial activity of the Commission and with the 2022 fresh cherry crop coming in significantly low at 131,176 tons, this resulted in decreased assessment revenues.

Federal and state grant revenues received by the Commission decreased over the prior year by approximately $241,362 mainly due to the completion of the Agricultural Trade Promotion (ATP) and the WSDA/GFG grants.

Therefore, with the decrease in crop assessments and reduction in grant revenues, this resulted in a decrease to the net position by $418,313. Therefore, on March 31, 2023, the Commission's net position is $4,620,398, of which $2,900,308 was unrestricted.

Table 1

Washington State Fruit Commission

Comparative Statement of Net Position

For The Years Ending March 31, 2023 and March 31, 2022

	2023	2022
Current and Other Assets	$ 5,031,734	$ 5,980,298
Capital Assets (Net)	1,167,702	1,251,855
Net Pension Asset	565,404	1,459,276
Deferred Outflows of Resources	641,602	257,594
TOTAL ASSETS & DEFERRED OUTFLOWS of RESOURCES	**7,406,442**	**8,949,023**
Current and Other Liabilities	485,917	539,785
Noncurrent Liabilities	1,690,205	1,798,196
Deferred Inflows of Resources	609,922	1,572,213
TOTAL LIABILITIES & DEFERRED INFLOWS of RESOURCES	**2,786,044**	**3,910,194**
Net Position		
Net Investments in Capital Assets, Net of Related Debt	1,156,667	1,251,855
Restricted Assets Related to Pension Asset	563,423	240,239
Unrestricted	2,900,308	3,546,735
TOTAL NET POSITION	**$ 4,620,398**	**$ 5,038,829**

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

Table 2

Washington State Fruit Commission

Comparative Statement of Revenue, Expenses and Changes in Net Position

For The Years Ending March 31, 2023 and March 31, 2022

	2023	2022
Operating Revenue:		
Assessment Revenue	$ 2,081,685	$ 3,346,475
Partner Revenue	445,058	555,388
Publication Revenue	2,134,365	2,229,194
Trade Show Revenue	31,479	34,030
TOTAL OPERATING REVENUE	**4,692,587**	**6,165,087**
Operating Expenses:		
Promotion Expenses	4,649,452	6,221,006
Publication Expenses	576,283	550,362
Salaries & Benefits	1,738,101	1,477,601
Professional Services	14,364	13,691
Amortization	1,977	-
Depreciation	88,803	94,697
Industry Dues & Memberships	132,261	139,326
Office Expenses	26,910	38,915
Travel, Training, and Meetings	55,152	8,844
Water	5,116	5,835
Electricity	15,931	13,677
Gas	8,352	5,566
Security	19,750	18,250
Other Utilities	7,492	8,539
Materials & Other Maintenance Costs	61,932	22,624
Insurance	13,994	13,260
Taxes	28,609	21,125
TOTAL OPERATING EXPENSES	**7,444,479**	**8,653,318**
NET OPERATING LOSS	**(2,751,892)**	**(2,488,231)**
Nonoperating Revenues (Expenses):		
Grant Revenue	2,030,367	2,271,729
Administrative Services Revenue	524,216	513,274
Administrative Services Expense	(436,204)	(429,541)
Office Space Lease Income	117,741	117,741
Gain/Loss of Sale of Fixed Assets	13,984	7,500
Industry Assessment Revenue	1,121,189	1,493,478
Industry Assessment Expense	(1,121,189)	(1,493,478)
Other Income	69,817	24
Interest Income	13,689	12,042
Interest Expense	(31)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	**2,333,579**	**2,492,769**
NET LOSS	**(418,313)**	**4,538**
Net Position (Beginning April 1)	5,038,829	5,047,792
Change in Accounting Principle	(118)	(13,501)
NET POSITION, MARCH 31	**$ 4,620,398**	**$ 5,038,829**

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, 2023, totals $1,167,703 (net of accumulated depreciation and amortization.) This investment in capital assets includes land, buildings, leasehold improvements, equipment, and the newly implemented GASB 87 right-to-use lease asset. The FY22 investment in capital assets (net of accumulated depreciation & amortization) was $1,251,855. The total decrease in the Commission's investment in capital assets for the current fiscal year was $84,152.

The major change to capital asset events during the current fiscal year was the removal of a vehicle that was considered totaled by the insurance company and therefore salvaged. The detail of capital assets before depreciation and amortization are as follows:

Capital Assets at Year-end

Buildings	$	1,848,386
Furniture and Equipment		409,902
Land		174,240
Leasehold Improvements		340,785
Right-of-Use Asset		11,238
Total	**$**	**2,784,551**

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 crop production. Pre-season cherry crop estimates indicated a 2022 crop close to or above industry average.

However, due to inclement weather in early spring resulting with snow on the bloom, this caused poor bee pollination and stress to the trees and therefore reduced the estimates significantly. Although there are ample reserves, management will continue to watch the crop estimates closely and will adjust the promotional activities accordingly.

Additional revenue sources include the *Good Fruit Grower* publication. The current economic conditions both nationally and worldwide 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 inflation rates are beginning to show signs of potential reduction in advertising support. Management will monitor sales trends closely and adjust accordingly.

Washington State Fruit Commission

STATEMENT OF NET POSITION

March 31, 2023

Current Assets:		
Cash-Unrestricted	$	2,206,743
Investments-Unrestricted		2,561,715
Receivable, net		202,690
Prepaid Expense & Other Assets		60,585
TOTAL CURRENT ASSETS		**5,031,733**
Noncurrent Assets:		
Captial Assets:		
Buildings		1,848,386
Furniture & Equipment		409,902
Land		174,240
Leasehold Improvements		340,785
Right-of-Use Assets		11,238
Accumulated Amortization		(187)
Accumulated Depreciation		(1,616,661)
Total Capital Assets		**1,167,703**
Net Pension Assets:		
Net Pension Assets		565,404
Total Net Pension Assets		**565,404**
TOTAL NONCURRENT ASSETS		**1,733,107**
TOTAL ASSETS		**6,764,840**
Deferred Outflows of Resources:		
OPEB Related		31,626
Pension Related		609,976
TOTAL DEFERRED OUTFLOWS OF RESOURCES		**641,602**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		**7,406,442**
Current Liabilities:		
Accounts Payable		122,731
Accrued Payroll Taxes & Benefits Payable		73,376
Assessments Payable		94,808
Compensated Absences		150,719
Current Portion of total OPEB Liability		42,168
Current Portion of Lease Liability		2,115
TOTAL CURRENT LIABILITIES		**485,917**
Noncurrent Liabilities:		
Total OPEB Liability		1,356,098
Lease Liability		8,921
Net Pension Liability		325,186
TOTAL NONCURRENT LIABILITIES		**1,690,205**
TOTAL LIABILITIES		**2,176,122**
Deferred Inflows of Resources:		
Pension Related		609,922
TOTAL DEFERRED INFLOWS OF RESOURCES		**609,922**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		**2,786,044**
Net Position:		
Invested in Capital Assets, Net of Related Debt		1,156,667
Restricted Assets Related to Pension Asset		563,423
Unrestricted		2,900,308
TOTAL NET POSITION		**4,620,398**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	**$**	**7,406,442**

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, 2023

Operating Revenue:		
Assessment Revenue	$	2,081,685
Partner Revenue		445,058
Publication Revenue		2,134,365
Trade Show Revenue		31,479
TOTAL OPERATING REVENUE		**4,692,587**
Operating Expenses:		
Promotion Expenses		4,649,452
Publication Expenses		576,283
Salaries & Benefits		1,738,101
Professional Services		14,364
Amortization		1,977
Depreciation		88,803
Industry Dues & Memberships		132,261
Office Expenses		26,910
Travel, Training, and Meetings		55,152
Water		5,116
Electricity		15,931
Gas		8,352
Security		19,750
Other Utilities		7,492
Materials & Other Maintenance Costs		61,932
Insurance		13,994
Taxes		28,609
TOTAL OPERATING EXPENSES		**7,444,479**
NET OPERATING LOSS		**(2,751,892)**
Nonoperating Revenues (Expenses):		
Grant Revenue		2,030,367
Administrative Services Revenue		524,216
Administrative Services Expense		(436,204)
Office Space Lease Income		117,741
Gain/Loss of Sale of Fixed Assets		13,984
Industry Assessment Revenue		1,121,189
Industry Assessment Expense		(1,121,189)
Other Income		69,817
Interest Income		13,689
Interest Expense		(31)
TOTAL NONOPERATING REVENUES (EXPENSES)		**2,333,579**
NET LOSS		**(418,313)**
Net Position (Beginning April 1)		5,038,829
Change in Accounting Principle		(118)
NET POSITION, MARCH 31	**$**	**4,620,398**

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

Washington State Fruit Commission

STATEMENT OF CASH FLOWS

Year Ending March 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$	4,744,908
Cash payments to suppliers		(6,235,309)
Cash payments to employees for services		(1,738,101)
Net cash used by operating activities		(3,228,502)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Administrative services income		524,216
Administrative services expense		(436,204)
Industry assessment revenue		1,121,189
Industry assessment expense		(1,121,189)
Operating grant		2,030,367
Lease income		117,741
Other income		69,817
Net cash provided by non-capital financing activities		2,305,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Fixed assets (Net)		4,290
Proceeds from sale of fixed assets		13,953
Net cash (used) for capital and related financing activities		18,243
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments		13,688
Sale of investments		1,275,389
Net cash provided for investing activities		1,289,078
Net increase/decrease in cash and cash equivalents		384,756
Cash and cash equivalents at beginning of year		1,821,987
Cash and cash equivalents at end of year		2,206,743
Reconciliation of Operating Income(Loss) to Net Cash Used by Operating Activities:		
Operating income (loss)		(2,751,892)
Adjustments to reconcile operating income to net cash used by operating activities:		
Amortization/Depreciation expense		90,780
Increase (decrease) in total OPEB liability		(279,108)
Increase (decrease) in net pension liability		(289,042)
Change in assets and liabilities:		
Accounts receivables, net		52,320
Prepaids		5,611
Accounts and other payables		52,605
Deferred income		(80,642)
Accrued expenses		(29,134)
Net cash used by operating activities	$	(3,228,502)

The accompanying notes are an integral part of the cash flow statement.

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 proprietary 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 in these investments is pro-rated 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 in 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 of resources and/or deferred outflows of resources for items related to various deferred pension adjustments.

6. Pensions – **See Note 4**

For purposes of measuring the net pension liability, pension assets, 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 a total OPEB liability for the actuarially determined future benefits related to health insurance that is made available to certain retirees.

8. Lease Liability - **See Note 6**
The Commission recognizes a lease liability for leased equipment.

9. 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 are accrued when incurred. Vacation pay, which may be accumulated up to 240 hours (30 days), is payable upon resignation, retirement, or death. In FY23, due to the inability to use vacation during the COVID-19 pandemic, the Commission agreed to allow individuals to carryover more than the 240-hour limit to be used in FY23. Accumulated sick leave is not payable upon resignation, retirement, or death.

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

11. Restricted Assets
As stated in Note 4 – Pension Plans, in the Notes to the Financial Statements, certain assets associated with the plans give rise to restrictions on the Commission's net position due to enabling legislation. The restricted net position due to pension assets (net of associated deferred inflows of resources and deferred outflows of resources for the year ended March 31, 2023, was $563,423

Restricted Net Asset Related to PERS 2/3 Pension Asset

PERS 2/3 Pension Asset	$	565,404
PERS 2/3 Deferred Outflows		554,048
PERS 2/3 Deferred Inflows		(556,029)
Restricted Net Assets	**$**	**563,423**

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 is a voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather; oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized costs, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participants withdrawal. The Commission deposited funds into the Local Government Investment Pool (LGIP) and in FY23 reported a balance of $51,927.

The Commission's bank balances for the fiscal year-end 2023 was $4,912,702; the book balance was $4,768,308 with a difference of $144,395, due to outstanding checks and deposits.

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

GASB Codification Section 3100, Fair Value Measurement, establishes the following hierarchy that prioritizes the inputs used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Observable inputs other than Level 1 prices which are either directly or indirectly observable as of the reporting date.
- Level 3: Unobservable inputs supported by little or no market activity.

As of March 31, 2023, the Commission had no investments that meet the GASB criteria for measurement at fair value.

The following table shows the Commission's investments at year-end.

Investment Type	3/31/22 Carrying	3/31/22 Market	3/31/23 Carrying	3/31/23 Market
Cert. of Deposits	$3,837,105	$3,837,105	$2,561,715	$2,561,715

NOTE 3-CAPITAL ASSETS, AMORTIZATION, 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, 2023, amounts to $1,167,703 (net of accumulated amortization and depreciation). This is a decrease of $84,152, from capital assets consisting of $1,251,855 (net of accumulated depreciation) on March 31, 2022.

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
Computers	4
Vehicles & Equipment	5
Improvements	15
Building	50

With respect to the capitalization of Right-to-Use asset required under GASB 87, which was implemented at the beginning of the current year, the Commission's presentation of a single year in the basic financial statements means there was no Right-of-Use asset recognized at the end of FYE 2022. As such, the following chart does not indicate any changes to the Right-of-Use asset and associated Accumulated Amortization during FYE 2022. Had the change in accounting principle been retrospectively implemented at the beginning of FYE 2022, there would have been an increase to the Right-to-Use Asset and Accumulated Amortization of $10,817 and $8,834, respectively, during FYE 2022.

SUMMARY OF CHANGES IN CAPITAL ASSETS, AMORTIZATION, AND DEPRECATION:

Business Type Activities	Balance 3/31/21	Increase	Decrease	Balance 3/31/22	Increase	Decrease	Balance 3/31/23
Capital Assets, not being depreciated:							
Land	**$ 174,240**	$ -	$ -	**$ 174,240**	$ -	$ -	**$ 174,240**
Total Capital Assets, not being depreciated:	**$ 174,240**	**$ -**	**$ -**	**$ 174,240**	**$ -**	**$ -**	**$ 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	**$ 433,422**	$ 53,427	$ 30,267	**$ 456,582**	$ -	$ 46,679	**$ 409,902**
Right-to-Use Asset	**$ -**	$ -	$ -	**$ -**	$ 22,054	$ 10,817	**$ 11,238**
Total Capital Assets, being depreciated:	**$ 2,622,593**	**$ 53,427**	**$30,267**	**$2,645,753**	**$ 22,054**	**$57,496**	**$2,610,311**
Less accumulated amortization/depreciation for:							
Building	**$ 943,740**	$ 36,968	$ -	**$ 980,707**	$ 36,968	$ -	**$ 1,017,675**
Leasehold Improvements	**$ 215,377**	$ 16,131	$ -	**$ 231,508**	$ 16,131	$ -	**$ 247,639**
Furniture and Equipment	**$ 344,591**	$ 41,599	$ 30,267	**$ 355,923**	$ 29,234	$ 33,810	**$ 351,347**
Right-to-Use	**$ -**	$ -	$ -	**$ -**	$ 10,824	$ 10,637	**$ 187**
Total accumulated amortization/depreciation	**$ 1,503,708**	**$ 94,697**	**$ 30,267**	**$ 1,568,138**	**$ 93,157**	**$ 44,447**	**$ 1,616,848**
Total capital assets, being depreciated, net	**$ 1,118,886**	**$(41,271)**	**$ -**	**$ 1,077,615**	**$(71,102)**	**$ 13,049**	**$ 993,463**
Business Type Activities capital assets, net	**$ 1,293,126**	**$(41,271)**	**$ -**	**$ 1,251,855**	**$(71,102)**	**$ 13,049**	**$ 1,167,703**

NOTE 4 - PENSION PLANS

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, 2023:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(325,186)
Pension assets	$	565,404
Deferred outflows of resources	$	609,976
Deferred inflows of resources	$	(609,922)
Pension (benefit) expense	$	(92,770)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS ACFR 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, 2023, were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
4/1/22 to 8/31/22		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
9/1/22 to 3/31/23		
PERS Plan 1	10.21%	6.00%
Administrative Fee	0.18%	
Total	**10.39%**	**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 aged 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, 2023, were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer**	**Employee**
4/1/22 to 8/31/22		
PERS Plan 2/3	10.07%	6.36%
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**10.25%**	**6.36%**
9/1/22 to 3/31/23		
PERS Plan 2/3	10.21%	6.36%
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**10.39%**	**6.36%**

The Commission's actual PERS plan contributions were $73,285 to PERS Plan 1 and $ 122,986 to PERS Plan 2/3 for the year ending March 31, 2023. PERS Plan 1 contributions include $73,285 of PERS Plan 1 UAAL contributions related to PERS Plan 2/3 participation.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study Report* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rate as the base table. OSA applied age offsets to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30,2020, AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in their model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions. The investment return assumption was reduced from 7.5 to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent. This action was a result of recommendations from the OSA biennial economic experience study. OSA

Discount Rate
The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Consistent with the long-term expected rate of return, a 7.0 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 7.0 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 7.0 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 at various future times.

Estimated Rates of Return by Asset Class
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, 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	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
	100.00%	

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 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

Plan	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 434,444	$ 325,186	$ 229,830
PERS 2/3	$ 665,837	$ (565,404)	$ (1,576,946)

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, 2023, the Commission reported a total pension liability/(asset) of $(240,218) for its proportionate share of the net pension liabilities/(assets) as follows:

Plan	2023
PERS 1 Liability	$ 325,186
PERS 2/3 (Asset)	$ (565,404)
Total Pension Liability	$ 325,186
Total Pension (Asset)	$ (565,404)

At March 31, 2023, the Commission's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 3/31/22	Proportionate Share 3/31/23	Change in Proportion
PERS 1	0.013322%	0.011679%	(0.001643%)
PERS 2/3	0.014649%	0.015245%	0.000596%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30, 2022, 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, 2023, the Commission recognized pension expense/(benefit) as follows:

Plan	2023
PERS 1 Pension (Benefit) Expense	$ 107,427
PERS 2/3 Pension (Benefit)Expense	$ (200,197)
Total Pension (Benefit)Expense	$ (92,770)

Deferred Outflows of Resources and Deferred Inflows of Resources

At March 31, 2023, 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	$ -	$ 140,094	$ -	$ 12,799
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ -	$ 53,893	$ 418,008
Changes of assumptions	$ -	$ 315,134	$ -	$ 82,513
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ 5,589	$ -	$ 42,709
Contributions subsequent to the measurement date	$ 55,928	$ 93,231	$ -	$ -
TOTAL	**$55,928**	**$ 554,048**	**$ 53,893**	**$ 556,029**

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, 2023. 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
2024	$ (22,806)	$ (143,081)
2025	$ (20,714)	$ (127,512)
2026	$ (25,985)	$ (146,335)
2027	$ 15,612	$ 190,691
2028	$ -	$ 65,963
Thereafter	$ -	$ 65,062
TOTAL	$ (53,893)	$ (95,212)

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, 2023:

Aggregate OPEB Amounts	
Total OPEB liabilities	$ 1,398,266
OPEB assets	$ -
OPEB deferred outflows of resources	$ 31,626
OPEB (benefit) expense	$ (241,236)

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 are 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 assumes 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 to 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 2023:

Non-Medicare medical plan premiums										
	Kaiser Foundation Health Plan of the Northwest [3]		Kaiser Foundation Health Plan of Washington				Uniform Medical Plan[4]			
	Classic	CDHP	Classic	CDHP	SoundChoice	Value	Classic	CDHP	Select	UMP Plus
Monthly premiums										
Subscriber	$ 842	$ 700	$ 837	$ 700	$ 716	$ 764	$ 805	$ 704	$ 729	$ 767
Subscriber & spouse[1]	$ 1,679	$ 1,394	$ 1,668	$ 1,393	$ 1,426	$ 1,523	$ 1,606	$ 1,402	$ 1,453	$ 1,529
Subscriber & children	$ 1,469	$ 1,235	$ 1,460	$ 1,234	$ 1,249	$ 1,333	$ 1,406	$ 1,242	$ 1,272	$ 1,338
Subscriber, spouse,[1] & children	$ 2,306	$ 1,871	$ 2,292	$ 1,869	$ 1,959	$ 2,093	$ 2,206	$ 1,882	$ 1,996	$ 2,100

1. Or state-registerd domestic partner

2. If a Medicare supplement plan is selected, non-Medicare enrollees are enrolled in UMP Classic. The rates shown reflect the total due, including premiums for both plans.

3. Kaiser Foundation Health Plan of the Northwest (KFHPNW) offers plans in Clark and Cowlitz counties in Washington and select counties in Oregon.

4. Administered by Regence BlueShield and Washington State RX Services.

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 March 31, 2023, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms	2023
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	*
Active employees	22
Total	35

* It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the Commission, Health Care Authority, or the state of Washington.

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, 2022, 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, 2022, and the measurement date was June 30, 2022. 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. The 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 ranges from 2-11%, reaching an ultimate rate of approximately 4.3% in 2075. The post-retirement participation rate is 65% and the percentage with spouse coverage is 45%

Mortality rates were based on the PubG.H-2010 (General) Table. The Office of the State Actuary applied offsets to the base table and mortality improvements are according to MP-2017 long-term rates. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The discount rate used to measure the total OPEB liability was 2.16% at the beginning of the measurement year and 3.54% at the end of the measurement year.

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. Assumptions for retirement, disability, termination, and mortality are consistent with the most recent PEBB OPEB valuation. 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. Dental benefits are not included when calculating the total OPEB liability.

The following presents the total OPEB Liability calculated using the current healthcare cost trend rate (HCTR), as well as what the total 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
2023 Total OPEB Liability	$ 1,191,606	$ 1,398,266	$ 1,661,689

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
2023 Total OPEB Liability	$ 1,632,088	$ 1,398,266	$ 1,210,135

Changes in the Total OPEB liability

	2023	
Total OPEB Liability at July 1	$	1,676,483
Service cost	$	57,495
Interest	$	37,057
Changes of benefit terms	$	-
Changes in experience data and assumptions	$	(335,788)
Benefit payments	$	(36,981)
Other charges	$	-
Total OPEB Liability at June 30	$	1,398,266

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, 2023. The OPEB liability valuation and measurement dates are June 30, 2022. As of March 31, 2023, the Commission had actuarially determined payments subsequent to the measurement date of $31,626. Such subsequent payments are recorded as deferred outflows of resources. Accordingly, the Commission has recognized deferred outflows of resources related to OPEB of $31,626. 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, 2024.

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 – LEASE LIABILITY

The Commission entered into an agreement in 2018 to lease a mail machine from Pitney Bowes. At the beginning of FY23, pursuant to the adoption of GASB 87 and relating to the 2018 lease, the Commission recorded a right to use asset of $10,817 with associated accumulated amortization of $8,834, and a remaining lease liability of $2,101. During FY23, with one month remaining on the 2018 lease, the Commission replaced the mail machine with a new machine, also leased from Pitney Bowes. At the commencement of the 2023 lease, the Commission recorded a right to use asset valued at $11,238 and a beginning lease liability of $11,238 related to the 2023 lease. The Commission assumed a borrowing rate of 3.0% when determining the right to use asset and lease liability. Any remaining net right to use asset and lease liability related to the 2018 lease was written off resulting in a net credit to amortization expense of $13.

During FY23, the Commission recorded activity relating to the two leases as shown below. Also, during FY23, the Commission recorded $1,977 and $31 of net amortization and interest expense, respectively.

2018 Pitney Bowes	Balance 3/31/2022	Increase due to Adoption of GASB 87	Decrease	Balance 3/31/2023
Lease Liability	$ -	$ 2,101	$ 2,101	$ -
Right of Use Asset	$ -	$ 10,817	$ 10,817	$ -
Accum Amort	$ -	$ 10,637	$ 10,637	$ -
2023 Pitney Bowes	Balance 3/31/2022	Increase due to Commencement	Decrease	Balance 3/31/2023
Lease Liability	$ -	$ 11,238	$ 201	$ 11,036
Right of Use Asset	$ -	$ 11,238	$ -	$ 11,238
Accum Amort	$ -	$ 187	$ -	$ 187

As of March 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended March 31	Principal	Interest	Total
2024	$ 2,115	$ 302	$ 2,417
2025	$ 2,179	$ 238	$ 2,417
2026	$ 2,245	$ 172	$ 2,417
2027	$ 2,314	$ 103	$ 2,417
2028	$ 2,183	$ 33	$ 2,216
Thereafter	$ -	$ -	$ -
Total	$ 11,036	$ 848	$ 11,884

NOTE 7 – 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 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 Insurance, Inc. 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 for automobiles 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 9 – 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, and Cherry Marketing Committee, both USDA federal entities operating under marketing orders under #927 and #923 respectively. 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 – CHANGE IN ACCOUNTING PRINCIPLE

In the current fiscal year, management reviewed the Commission's lease activities and determined which lease agreements met the requirements outlined in GASB Statement No. 87, *Leases*, and reported a right-of-use asset and lease liability on the Commission's proprietary fund Statement of Net Position.

As such, management has changed the way it accounts for the Commission's lease activities. Given the nature of the accounts involved, a reduction of $118 to the fiscal year beginning proprietary fund net position was required.

REQUIRED SUPPLEMENTARY INFORMATION

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

PERS 1

	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	0.011679%	0.013322%	0.013258%	0.013038%	0.013983%	0.014737%	0.015097%
Employer's proportionate share of the net pension liability	$ 325,186	$ 162,693	$ 468,079	$ 501,357	$ 624,463	$ 699,282	$ 810,780
Covered payroll - July 1 to June 30	$ 1,912,636	$ 1,863,814	$ 1,833,071	$ 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	17.00%	8.73%	25.54%	29.94%	36.39%	40.28%	48.13%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%

PERS 2/3

	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	0.015245%	0.014649%	0.014799%	0.014444%	0.015629%	0.016749%	0.017115%
Employer's proportionate share of the net pension liability (asset)	$ (565,404)	$ (1,459,276)	$ 189,271	$ 140,300	$ 266,851	$ 581,948	$ 861,727
Covered payroll - July 1 to June 30	$ 1,912,636	$ 1,752,123	$ 1,710,597	$ 1,569,829	$ 1,618,274	$ 1,642,065	$ 1,594,303
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-29.56%	-83.29%	11.06%	8.94%	16.49%	35.44%	54.05%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions as of March 31

PERS 1

	2023	2022	2021	2020	2019	2018	2017
Statutorily or contractually required contributions	$ 73,285	$ 78,678	$ 98,488	$ 96,250	$ 91,230	$ 93,908	$ 87,917
Contributions in relation to the statutorily or contractually required contributions	(73,285)	(78,678)	(98,488)	(96,250)	(91,230)	(93,908)	(87,917)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$1,933,740	$1,907,419	$1,854,427	$1,806,087	$1,642,477	$1,754,220	$1,720,259
Contributions as a percentage of covered employee payroll	3.79%	4.12%	5.31%	5.33%	5.55%	5.35%	5.11%

PERS 2/3

	2023	2022	2021	2020	2019	2018	2017
Statutorily or contractually required contributions	$ 122,986	$ 127,426	$ 137,813	$ 132,623	$ 115,652	$ 118,376	$ 101,312
Contributions in relation to the statutorily or contractually required contributions	(122,986)	(127,426)	(137,813)	(132,623)	(115,652)	(118,376)	(101,312)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$1,933,740	$1,883,039	$1,740,065	$1,696,535	$1,540,504	$1,657,545	$1,626,197
Contributions as a percentage of covered employee payroll	6.36%	6.77%	7.92%	7.82%	7.51%	7.14%	6.23%

Notes to Required Supplementary Information (RSI) Related to Pensions

Other than the retirement of the sole PERS 1 plan participant, there were no changes in benefit terms or changes in size or composition of the population covered by the benefit terms that significantly affected trends in the pension related amounts reported in RSI, however investment returns and other assumptions varied from the preceeding year. As a result, the employer's share of pension liabilities increased in the current year. In the case of the PERS 2/3 plan, similar differences in assumptions from the prior year yielded a reduced pension asset. Note that even with no PERS 1 participants, PERS 1 UAAL contributions are required with respect to PERS 2/3 participants.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	2022	2021	2020	2019
Service cost	$ 57,495	$ 68,644	$ 47,218	$ 50,005	$ 52,632
Interest	37,057	43,924	53,308	65,961	61,561
Changes in experience data and assumptions	(335,788)	(333,254)	382,620	(250,354)	(84,690)
Changes in benefit terms	-	-	-	-	-
Benefit payments	(36,981)	(43,188)	(37,002)	(51,131)	(33,174)
Net change in total OPEB liability	$ (278,217)	$ (263,874)	$ 446,144	$ (185,519)	$ (3,671)
Total OPEB liability - beginning	1,676,483	1,940,357	1,494,213	1,679,732	1,683,403
Total OPEB liability - ending	$ 1,398,266	$ 1,676,483	$ 1,940,357	$ 1,494,213	$ 1,679,732
Covered employee payroll	1,933,740	1,907,419	$ 1,854,427	$ 1,806,087	$ 1,642,477
Total OPEB liability as a percentage of covered payroll	72.31%	87.89%	104.63%	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 pargraph 4 of GASB Pronouncement 75 to pay OPEB related benfits

WASHINGTON STATE FRUIT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2023

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	Assistance Listing Number (ALN)	Other I.D. Number	Expenditures			Pass Through to Subrecipient	Footnote Reference
				From Pass-Through Awards	From Direct Awards	Total		
U.S. Department of Agriculture Foreign Agriculture	Market Access Program (MAP)	10.601	MAP	$ -	$ 1,990,450	$ 1,990,450	$ -	1, 2
USDA Foreign Agriculture Service/(WSDA)	Specialty Crop Block Grant Program	10.170	WSDA-K3580	$ 39,917	$ -	$ 39,917	$ -	1, 2
Total Federal Awards Expended				**$ 39,917**	**$ 1,990,450**	**$ 2,030,367**	**$ -**	

The accompaning 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, 2023

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 – 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 Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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