Office of the Washington State Auditor
Pat McCarthy

December 11, 2023

Board of Commissioners
Washington State Dairy Products Commission
Lynnwood, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Washington State Dairy Products Commission for the fiscal years ended December 31, 2022 and 2021. The Commission contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

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

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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

WASHINGTON DAIRY PRODUCTS COMMISSION
(A Component Unit of the State of Washington)

Financial Statements

For the Years Ended December 31, 2022 and 2021

Table of Contents

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 11
Financial Statements:	
Balance Sheets	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 36
Required Supplementary Information:	
Schedules of Proportionate Share of the Net Pension Liability - PERS 1	37
Schedules of Proportionate Share of the Net Pension Liability (Asset) - PERS 2/3	38
Schedules of Employer Contributions - PERS 1	39
Schedules of Employer Contributions - PERS 2/3	40
Schedules of Changes in Total Other Liability and Related Ratios	41
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*	42 - 43

Clark Nuber PS

Independent Auditor's Report

To the Board of Commissioners
Washington Dairy Products Commission
Lynnwood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Washington Dairy Products Commission (the Commission), a Component Unit of the State of Washington, which comprise the balance sheets as of December 31, 2022 and 2021, the statements of revenue, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (*Government Auditing Standards*). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

CN

T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Clark Nuber PS

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 one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

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.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- 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.

We are required to 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.

Clark Nuber PS

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Commission is an agency of the State of Washington, however the Commission's financial statements are not representative of the State of Washington's financial affairs. Our opinion is not modified in respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and the schedules of proportionate share of the net pension liability, schedule of changes in total other liability and related ratios, and schedules of employer contributions on pages 33 through 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 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 solely 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 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.

Clark Nuber P.S.

Certified Public Accountants
May 11, 2023

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Washington Dairy Products Commission for the years ended December 31, 2022 and 2021. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues in the financial statements as a whole.

The Organization and Program

The Washington Dairy Products Commission (the Commission) is a self-governing state agency with that authority granted to it by, and subject to the limitations of, RCW 15.44 and the constitution and policies adopted by the Commission.

The dairy industry is a very significant part of Washington State's history, culture, economy and future. In order to develop and promote Washington's dairy industry, as part of an already existing comprehensive regulatory scheme, the legislature established the Washington State Dairy Products Commission and declared:

1. It is vital to the continued economic well-being of the citizens of this state and their general welfare that its dairy products be properly promoted by (a) enabling the dairy industry to help themselves in establishing orderly, fair, sound, efficient, and unhampered marketing, grading, and standardizing of the dairy products they produce and (b) working to stabilize the dairy industry by increasing consumption of dairy products within the state, the nation and internationally.

2. Dairy producers operate within a regulatory environment that imposes burdens on them for the benefit of society and the citizens of the state and includes restrictions on marketing autonomy. Those restrictions may impair the dairy producer's ability to compete in local, domestic and foreign markets.

3. It is in the overriding public interest that support for the dairy industry is clearly expressed, that adequate protection is given to agricultural commodities, uses, activities, and operations, and that dairy products are promoted individually, and as part of a comprehensive industry to:
    a. Enhance the reputation and image of Washington State's agricultural industry;
    b. Increase the sale and use of Washington State's dairy products in local, domestic, and foreign markets;
    c. Protect the public by educating the public in reference to the quality, care, and methods used in the production of Washington State's dairy products;
    d. Increase the knowledge of the health-giving qualities and dietetic value of dairy products; and
    e. Support and engage in programs or activities that benefit the production, handling, processing, marketing, and uses of dairy products produced in Washington State.

4. The Commission is established for the purpose of protecting the health, peace, safety and general welfare of the people of this state.

The majority of the Commission's funding is through the collection of assessments on milk produced within Washington State. The Commission may decrease or increase the current level of assessment provided for in RCW 15.44.080 following a hearing conducted in accordance with the Administrative Procedure Act, chapter 34.05 RCW, provided that the current level of assessment established in this manner shall not exceed the maximum authorized assessment rate established by producers in the most recent referendum.

The Organization and Program (Continued)

Upon receipt of a petition bearing the names of 20% of the producers requesting a reduction in the current level of assessment, the Commission shall hold a hearing in accordance with chapter 34.05 RCW to receive producer testimony. After considering the testimony of the producer, the Commission may adjust the current level of assessment.

Additional funding is received through the sale of educational materials, processor assessments, interest income, and other miscellaneous income.

Overview of the Financial Statements

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These financial statements cover the years ended December 31, 2022 and 2021.

The financial statements include the Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to Financial Statements.

The Balance Sheets provide a record, or snapshot, of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission at the close of the year. They provide information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). They provide a basis for assessing its liquidity and financial flexibility.

The Statements of Revenues, Expenses and Changes in Net Position present the results of the business activities over the course of the year. This information can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, and to evaluate its financial viability and credit worthiness.

The Statements of Cash Flows report cash receipts, cash payments and net changes in cash resulting from operating, capital and related financing and investing activities over the course of the year. The statements present information on where cash came from and what it was used for.

The Notes to Financial Statements provide useful information regarding the Commission's significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Financial Highlights 2022

In the year ended December 31, 2022, operating expenses for the Commission were $6,912,614 and operating revenues were $6,418,414. Both operating revenues and expenses were under budget. The decreased operating expenses compared to budget can be attributed primarily to reduced spending in all budget areas along with the write-off of a vendor payable in the amount of $225,179. Additionally, some planned programs for 2022 were postponed until the 2023 calendar year or were not activated on.

Producer income decreased approximately 3.4% primarily due to production limits which were lifted late in the year. The increase in educational revenues can be attributed to increased production of dairy products that qualify for the collection of the assessment.

Financial Analysis

Condensed Financial Statement
Balance Sheets
December 31, 2022 and 2021

	2022	2021	Change	Percentage Change
Current assets	$ 5,654,220	$ 6,204,653	$ (550,433)	-9%
Current assets, Montana Dairy Program	436,642	405,812	30,830	8%
Capital assets, net	331,086	359,287	(28,201)	-8%
Pension asset	81,878	753,914	(672,036)	100%
Total Assets	**6,503,826**	**7,723,666**	**(1,219,840)**	**-16%**
Deferred outflows of resources	438,432	275,923	162,509	59%
Total Assets and Deferred Outflows of Resources	**$ 6,942,258**	**$ 7,999,589**	**$ (1,057,331)**	**-13%**
Current liabilities	$ 531,095	$ 514,293	$ 16,802	3%
Current liabilities, Montana Dairy Program	43,680	500	43,180	
Other post employment benefits (OPEB) obligation	733,271	770,156	(36,885)	-5%
Total Liabilities	**1,308,046**	**1,284,949**	**23,097**	**2%**
Deferred inflows of resources	428,334	1,051,739	(623,405)	-59%
Total Liabilities and Deferred Inflows of Resources	**1,736,380**	**2,336,688**	**(600,308)**	**-26%**
Net Position:				
Unrestricted	4,874,792	5,303,614	(428,822)	-8%
Net invested in capital assets	331,086	359,287	(28,201)	-8%
Total Net Position	**5,205,878**	**5,662,901**	**(457,023)**	**-8%**
Total Liabilities, Deferred Inflows and Net Position	**$ 6,942,258**	**$ 7,999,589**	**$ (1,057,331)**	**-13%**

Financial Analysis (Continued)

Condensed Financial Statement
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022 and 2021

	2022	2021	Change	Percentage Change
Operating Revenues:				
Total operating revenues	$ 6,418,414	$ 6,645,420	$ (227,006)	-3%
Total operating expenses	6,912,614	5,700,187	1,212,427	21%
Operating (Loss) Income	**(494,200)**	**945,233**	**(1,439,433)**	**-152%**
Nonoperating revenues	37,177	53,379	(16,202)	**-30%**
Change in Net Position	**(457,023)**	**998,612**	**(1,455,635)**	**-146%**
Net position, beginning of year	5,662,901	4,664,289	998,612	**21%**
Net Position, End of Year	**$ 5,205,878**	**$ 5,662,901**	**$ (457,023)**	**-8%**

Financial Highlights 2021

In the year ended December 31, 2021, operating expenses for the Commission were $5,700,187 and operating revenues were $6,645,420. Both operating revenues and expenses were over budget. The decreased operating expenses compared to budget can be attributed primarily to reduced spending in all budget areas. Additionally, some planned programs for 2021 were postponed until the 2022 calendar year.

Producer income increased approximately 4.5% due to weather related issues which impacted milk production along with one less production day in the month of February for 2021. The increase in educational revenues can be attributed to increased production of dairy products as a result of the normalization of supply chain disruptions from COVID-19.

Financial Analysis

Condensed Financial Statement
Balance Sheets
December 31, 2021 and 2020

	2021	2020	Change	Percentage Change
Current assets	$ 6,204,653	$ 5,797,978	$ 406,675	7%
Current assets, Montana Dairy Program	405,812	377,497	28,315	8%
Capital assets, net	359,287	391,246	(31,959)	-8%
Pension asset	753,914		753,914	100%
Total Assets	**7,723,666**	**6,566,721**	**1,156,945**	**18%**
Deferred outflows of resources	275,923	191,764	84,159	44%
Total Assets and Deferred Outflows of Resources	**$ 7,999,589**	**$ 6,758,485**	**$ 1,241,104**	**18%**
Current liabilities	$ 514,293	$ 739,910	$ (225,617)	-30%
Current liabilities, Montana Dairy Program	500		500	
Other post employment benefits (OPEB) obligation	770,156	762,792	7,364	1%
		487,781	(487,781)	-100%
Total Liabilities	**1,284,949**	**1,990,483**	**(705,534)**	**-35%**
Deferred inflows of resources	1,051,739	103,713	948,026	914%
Total Liabilities and Deferred Inflows of Resources	**2,336,688**	**2,094,196**	**242,492**	**12%**
Net Position:				
Unrestricted	5,303,614	4,273,043	1,030,571	24%
Net invested in capital assets	359,287	391,246	(31,959)	-8%
Total Net Position	**5,662,901**	**4,664,289**	**998,612**	**21%**
Total Liabilities, Deferred Inflows and Net Position	**$ 7,999,589**	**$ 6,758,485**	**$ 1,241,104**	**18%**

Financial Analysis (Continued)

Condensed Financial Statement
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020	Change	Percentage Change
Operating Revenues:				
Total operating revenues	$ 6,645,420	$ 6,950,746	$ (305,326)	-4%
Total operating expenses	5,700,187	6,344,252	(644,065)	-10%
Operating Income	**945,233**	**606,494**	**338,739**	**56%**
Nonoperating revenues	53,379	65,094	(11,715)	-18%
Change in Net Position	**998,612**	**671,588**	**327,024**	**49%**
Net position, beginning of year	4,664,289	3,992,701	671,588	**17%**
Net Position, End of Year	**$ 5,662,901**	**$ 4,664,289**	**$ 998,612**	**21%**

Capital Assets

Assets in excess of $5,000 in original cost, such as buildings, equipment, furniture and fixtures, and automobiles, are capitalized and depreciated over their estimated economic lives. See Note 2 of the financial statements for further discussion on capital assets.

Economic Outlook

In 2022, the Dairy Commission continued to focus on building trust and driving sales for dairy. The Commission executed programming in key marketing and sales channels with an emphasis on digital channels to reach consumers with positive dairy messaging that positions dairy as good for people, the community, and the planet. Acting as dairy farmers' voice in the marketplace, the Commission aims to connect consumers with where their food comes from and eliminate barriers to consumption

The Board of Directors continued to explore opportunities in the export market by supporting a partnership with Dairy Management Inc. (DMI) and Darigold focused on increasing value-added dairy ingredient sales in key international markets via a direct selling force.

In addition to this, the Dairy Commission continued to support the "Northwest Fluid Milk Revitalization" initiative in partnership with DMI and Darigold through the existing United Dairy Industry Association (UDIA) agreement. The partnership focuses on driving fluid milk sales and value in the Northwest through marketing efforts around value-added fluid products, specifically Darigold FIT, leveraging sales channel and consumer marketing efforts.

The Fuel Up to Play 60 (FUTP60) program is part of the Unified Marketing Plan. Through an agreement with the National Football League (NFL), dairy farmers are bringing a nutrition component to the NFL's "Play 60" program, which encourages 60 minutes of physical activity each day. The Washington Dairy Commission and Dairy Council partnered with the Seattle Seahawks to implement this program throughout the State of Washington and Alaska, including providing grant dollars to schools for equipment and program support.

In the area of food insecurity, the Commission developed programs with local food banks and retailers and participated with partners to promote dairy consumption and address food insecurity. Partnerships with Smith Brothers, Rosauers, WSDA, and EWU Food Banks help ensure that consumers and underserved populations have access to local dairy.

The Commission continues to promote its initiatives by working in partnership with dairy processors, retailers, ecommerce partners, and schools. The Commission is currently working with schools to support breakfast programs and healthy beverage choices to boost the sale and consumption of dairy products within the school environment and to encourage good nutrition. Additionally, the Commission educated students about dairy farming through virtual farm tours and digital content.

Over the last 3 years the food industry has faced major headwinds from supply chain challenges due to record levels of inflation. Consumers have reacted with continued consumption at home, overall shifting of retailer and brand preferences as well as adoption of ecommerce all in an attempt to find what they need, at a price they can afford.

In 2022, the dairy industry faced inflation and lingering supply chain issues. The cost of food in grocery retail rose +11.4% vs 2021 with dairy pricing slightly higher +12.0% vs 2021 (Consumer Price Index) driven by above-average impact on Butter. While this boosted retail dollar sales, volumes were flat to declining vs 2021. The 5-year CAGR for total dairy volume in Washington is flat (+0.2%) with moderate growth vs pre-pandemic (+2%) driven by cheese which is +18.5% in volume vs 2019 (pre-pandemic).

Economic Outlook (Continued)

Retail fluid milk sales continued their slow downward trend driven by volume declines in conventional gallon milk, however there were bright spots of growth. Value-added milk including lactose-free, reduced lactose and ultra-filtered reduced sugar milk have grown exponentially with a 5-year volume CAGR of +13.4% in Washington state. Ultra-filtered extended shelf-life products are outpacing the national average in the northwest largely due to fluid milk innovations and marketing efforts supported by the NW Fluid Milk Revitalization Partnership supported by checkoff and Darigold.

Looking at overall beverage trends in 2022, we saw plant-based beverages decline for the first time with volume sales down -2.3% as of Q3 2022, driven by -13% decline in average velocity.

Outside of retail, Ecommerce and Foodservice channels continue to show promise for fluid milk sales through value added products and innovation around the coffee occasion. Milk and dairy are highly sought-after in major food insecurity organizations and will continue to play a bigger role as a cost-effective source of protein for millions nationwide.

Continued support in the export market led to record sales of $9.6 billion in 2022, accounting for 18% of total US dairy sales for the year. The US reached a record global market share of 25% and US Dairy Exports grew more than 3x vs domestic consumption.

Scientific studies continue to indicate no link between saturated fat and risk of heart disease, diabetes, and stroke. The growing science affirms the consumers' desire to move to healthier and more sustainable products which includes dairy.

The Commission's 2022 and 2021 budgets are conservative and the Board of Commissioners continues to maintain a reserve to meet operational and opportunistic needs as well as unanticipated income shortfalls.

Additional Information

Questions and inquiries may be directed to the Washington Dairy Products Commission, 4201 198th Street SW, Suite 101, Lynnwood, Washington 98036, (425) 672-0687.

WASHINGTON DAIRY PRODUCTS COMMISSION

Balance Sheets
December 31, 2022 and 2021

	2022	2021
Current Assets:		
Cash and cash equivalents	$ 5,109,866	$ 5,559,870
Cash - Montana Dairy Program	428,632	396,448
Accounts receivable	544,354	644,783
Accounts receivable - Montana Dairy Program	8,010	9,364
Total Current Assets	**6,090,862**	**6,610,465**
Capital assets not being depreciated	304,000	304,000
Capital assets, net of accumulated depreciation	27,086	55,287
Pension asset	81,878	753,914
Total Assets	**6,503,826**	**7,723,666**
Deferred Outflows of Resources:		
Deferred outflows related to pensions	369,704	150,354
Commission other post employment benefits (OPEB) contributions subsequent to measurement date	68,728	125,569
Total Deferred Outflows of Resources	**438,432**	**275,923**
Total Assets and Deferred Outflows of Resources	**$ 6,942,258**	**$ 7,999,589**
Current Liabilities:		
Accounts payable and accrued expenses	$ 504,793	$ 494,080
Accounts payable - Montana Dairy Program	43,680	500
Current portion of OPEB obligation	26,302	20,213
Total Current Liabilities	**574,775**	**514,793**
Long term portion of OPEB obligation	733,271	770,156
Total Liabilities	**1,308,046**	**1,284,949**
Total Deferred Inflows of Resources:		
Deferred inflows related to pensions	341,586	915,365
Changes in OPEB assumptions	86,748	136,374
Total Deferred Inflows of Resources	**428,334**	**1,051,739**
Net Position:		
Unrestricted	4,874,792	5,303,614
Net invested in capital assets	331,086	359,287
Total Net Position	**5,205,878**	**5,662,901**
Total Liabilities, Deferred Inflows and Net Position	**$ 6,942,258**	**$ 7,999,589**

See accompanying notes.

WASHINGTON DAIRY PRODUCTS COMMISSION

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues:		
Producer assessments - check off	$ 6,303,585	$ 6,481,363
Educational assessments and sales	114,829	164,057
Total Operating Revenues	**6,418,414**	**6,645,420**
Operating Expenses:		
Program-		
Media and sponsorships	1,964,669	1,976,961
Public relations	1,234,547	1,126,070
Nutrition marketing and education	675,742	478,416
Research, retail promotions and business development	2,539,534	1,805,212
Total program expenses	6,414,492	5,386,659
Administrative expenses	498,122	313,528
Total Operating Expenses	**6,912,614**	**5,700,187**
Operating (Loss) Income	**(494,200)**	**945,233**
Nonoperating Revenues:		
Montana Dairy Program operations, net	(12,350)	38,890
Interest and miscellaneous income	42,061	6,866
Consulting services	7,466	7,623
Total Nonoperating Revenues	**37,177**	**53,379**
Change in Net Position	**(457,023)**	**998,612**
Net position, beginning of year	5,662,901	4,664,289
Net Position, End of Year	**$ 5,205,878**	**$ 5,662,901**

See accompanying notes.

WASHINGTON DAIRY PRODUCTS COMMISSION

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities:		
Cash received from customers	$ 6,496,014	$ 6,593,740
Cash paid to employees	(426,312)	(2,287,061)
Cash paid to suppliers of goods and services	(6,555,699)	(3,978,756)
Receipts from consulting services	7,466	7,623
Net receipts from the Montana Dairy Program	(12,350)	38,890
Net Cash (Used) Provided by Operating Activities	**(490,881)**	**374,436**
Capital and Related Financing Activities:		
Proceeds from the sales of capital assets	31,000	4,000
Purchases of capital assets		(7,303)
Net Cash Provided (Used) by Capital and Related Financing Activities	**31,000**	**(3,303)**
Cash Flows From Investing Activities:		
Receipt of interest and miscellaneous income	42,061	6,866
Net Cash Provided by Investing Activities	**42,061**	**6,866**
Change in Cash and Cash Equivalents	**(417,820)**	**377,999**
Cash and Cash Equivalents Balance:		
Beginning of year	5,956,318	5,578,319
End of Year	**$ 5,538,498**	**$ 5,956,318**
Cash and Cash Equivalents Balance is Composed of the Following at December 31:		
Cash and cash equivalents	$ 5,109,866	$ 5,559,870
Cash - Montana Dairy Program	428,632	396,448
	$ 5,538,498	**$ 5,956,318**

See accompanying notes.

WASHINGTON DAIRY PRODUCTS COMMISSION

Statements of Cash Flows (Continued)
For the Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:		
Change in net position	$ (457,023)	$ 998,612
Adjustments to reconcile change in net position to cash flows from operating activities-		
(Gain) Loss on disposal of assets	(24,183)	5,311
Depreciation	21,384	29,951
Interest and miscellaneous income	(42,061)	(6,866)
Changes in assets and liabilities:		
Accounts receivable	101,783	(56,991)
Pension asset	672,036	(753,914)
Deferred outflows of resources	(162,509)	(84,159)
Accounts payable and accrued expenses	53,893	(124,733)
Pension liability		(487,781)
OPEB obligation	(30,796)	(93,020)
Deferred inflows of resources	(623,405)	948,026
Net Cash Provided by Operating Activities	**$ (490,881)**	**$ 374,436**

See accompanying notes.

Note 1 - Organization and Summary of Significant Accounting Policies

Operations - The Washington Dairy Products Commission (the Commission) is an agency fund and component unit of the State of Washington. The Commission's primary purpose is to build demand for milk and dairy products and to protect and build the image of the dairy industry. The Commission develops and implements a variety of marketing and communication programs including research, nutrition education, and general education about dairy products and the industry. The Commission's revenues are primarily generated through collection of assessments on milk produced within Washington State.

The Commission was created by the Washington State Legislature in 1939 under RCW 15.44. The Commission is governed by a nine-member Board appointed by the Director of the State Department of Agriculture. The State appoints the governing body and provides financial benefit to the Commission and therefore, the financial accountability criteria as defined by the Government Accounting Standards Board (GASB) have been met and the Commission is a component unit of the State of Washington.

The Commission performs programs and activities, such as general nutritional education, with an emphasis on dairy products. Sectors served by the Commission include: (1) health professionals, (2) educational institutions, (3) consumers, and (4) the dairy industry.

The Commission administers the funds for the Montana Dairy Program (the Program). The Program promotes demand for milk and dairy products and to protect and build the image of the dairy industry. The Commission develops and implements a variety of marketing and communication programs including research, nutrition education, and general education about dairy products and the industry. The Commission also has an agreement to provide accounting and program services to the Program. A nominal fee is paid to the Commission for these services each month. The net activity of the Program has been included in the Commission's statements of revenues, expenses and changes in net position as part of nonoperating activities.

Basis of Accounting and Presentation - The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to special-purpose governments. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Commission is a government enterprise. Enterprise funds are accounted for on the economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating and Nonoperating Activity - Operating activities include revenues from assessments on milk producers and processors, educational material sales, and expenses associated with the development and implementation of a variety of marketing, education, and communication programs. Nonoperating activities include the Montana Dairy Program operations, interest, miscellaneous income and consulting services.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash includes cash on hand and on deposit with financial institutions. The Commission considers all liquid investments with original maturities of less than three months at the date of acquisition and all nonnegotiable certificates of deposit to be cash equivalents. Cash on hand was $5,538,498 and $5,956,318 for the years ended December 31, 2022 and 2021, respectively.

Note 1 - Continued

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Commission would not be able to recover deposits or will not be able to recover collateral securities that at in possession of an outside party. The Commission's cash deposits are mostly covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission of the State of Washington (PDPC). Cash is deposited with a financial institution as public funds in compliance with the rules of the PDPC. Balances are collateralized by securities held by the financial institution's trust department in the Commission's name.

Accounts Receivable - Accounts receivable are comprised primarily of amounts due from assessments. No allowance for uncollectible balances has been deemed necessary by management based upon the Commission's historical experience of collections.

Capital Assets - Capital assets are stated at cost less accumulated depreciation. All capital assets purchased for more than $5,000 with a useful life of greater than one year are capitalized. Maintenance and repairs are charged to operations as incurred. Expenditures that represent additions and betterments are capitalized. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 years
Furniture, fixtures and computer equipment	4 - 10 years
Vehicles	4 - 5 years

Income Taxes - The Commission, as a state agency, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Compensated Absences - The Commission has a policy for compensated absences which allows employees to accumulate up to 240 hours; however, compensated absences may be accumulated above the maximum allowed between the time 240 hours is accrued and the employee's anniversary date of employment. Management tracks the accumulated compensated absences for employees, which totaled $102,455 and $134,680 for the years ended December 31, 2022 and 2021, respectively.

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

Advertising - The Commission expenses all advertising and marketing costs when incurred. Advertising costs were $209,074 and $97,873 for the years ended December 31, 2022 and 2021, respectively.

Note 1 - Continued

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events - The Commission has evaluated subsequent events through May 11, 2023, the date on which the financial statements were available to be issued.

Note 2 - Capital Assets

The following is a summary of changes in capital assets:

	December 31, 2021	Additions	Disposals	December 31, 2022
Capital Assets Being Depreciated:				
Building and improvements	$ 663,039	$ -	$ -	$ 663,039
Vehicles	40,899		(40,899)	
Furniture, fixtures and computer equipment	183,500		(50,152)	133,348
Total Capital Assets Being Depreciated	**887,438**		**(91,051)**	**796,387**
Less accumulated depreciation	(832,151)	(21,384)	84,234	(769,301)
Depreciable Capital Assets, Net	**55,287**	**(21,384)**	**(6,817)**	**27,086**
Capital Assets Not Being Depreciated:				
Land	304,000			304,000
Total Capital Assets	**$ 359,287**	**$ (21,384)**	**$ (6,817)**	**$ 331,086**

Note 2 - Continued

	December 31, 2020	Additions	Disposals	December 31, 2021
Capital Assets				
Being Depreciated:				
Building and improvements	$ 663,039	$ -	$ -	$ 663,039
Vehicles	40,899			40,899
Furniture, fixtures and computer equipment	197,686	7,303	(21,489)	183,500
Total Capital Assets Being Depreciated	**901,624**	**7,303**	**(21,489)**	**887,438**
Less accumulated depreciation	(814,378)	(29,951)	12,178	(832,151)
Depreciable Capital Assets, Net	**87,246**	**(22,648)**	**(9,311)**	**55,287**
Capital Assets Not Being Depreciated:				
Land	304,000			304,000
Total Capital Assets	**$ 391,246**	**$ (22,648)**	**$ (9,311)**	**$ 359,287**

Depreciation expense was $21,384 and $29,951 with approximately $4,277 and $5,990 charged to each of the five programs - advertising, communications, nutrition marketing, retail promotions/business development, and administrative expenses, in the statements of revenues, expenses and changes in net position for the years ended December 31, 2022 and 2021, respectively.

Note 3 - Commitments and Contingencies

Operating Leases - The Commission has operating leases for postal and copier equipment rental. The Commission has established a capitalization threshold for leases of $20,000 in future payments. All leases held by the Commission currently do not meet that threshold and have not been considered as part of a lease liability.

For the Year Ending December 31,

2023	$ 16,807
2024	12,941
2025	1,344
2026	336
	$ 31,428

Note 3 - Continued

Rent expense was 16,807 for both the years ended December 31, 2022 and 2021**.**

Sponsorship - In July 2012, the Commission entered into a three-year contract with Washington Interscholastic Activities Association as a co-title sponsor of various activities. The contract was renewed for an additional three years in both 2016 and 2019. The contract was amended in 2020. The amount paid in both the years ended December 31, 2022 and 2021, was $90,000. The future amount payable on the contract is $90,000 for the year ending December 31, 2023.

In February 10, 2022, the Commission renewed a two-year contract for the Montana Dairy Program to extent through June 30, 2024, totaling $57,646, to be paid in annual installments, with the University of Montana as a co-title sponsor of various activities. The amount paid in both the years ended December 31, 2022 and 2021, was $28,120 and $13,000, respectively. Future amounts payable on the contract are $29,526 to be paid in 2023.

In February 10, 2022, the Commission renewed a two-year contact for the Montana Dairy Program to extend through June 30, 2024, totaling $57,646 with Montana State University as a co-title sponsor of various activities. The amount paid in both the years ended December 31, 2022 and 2021, was $28,120 and $26,907, respectively. Future amounts payable on the contract are $29,526 to be paid in 2023.

In September 2022, the Commission renewed its three-year contract, totaling $442,526, to be paid in annual installments, with the Seahawks as a co-title sponsor of various activities. The amount paid in both the years ended December 31, 2022 and 2021, was $143,170 and $138,683. Future amounts payable on the contract include:

For the Year Ending December 31,

2022	$	143,170
2023		147,466
2024		151,890
	$	**442,526**

Contingent Liability - During the year ended December 31, 2015, the Commission's media vendor filed for bankruptcy, and the Commission terminated its media contract with the vendor. At December 31, 2021, a contingent liability for approximately $300,000 was included in accounts payable and accrued expenses in the balance sheets for the full balance of unpaid invoices to the vendor. During the year ended December 31, 2022, the statute of limitations expired for these payables. The approximately $300,000 was recognized as offsetting expenses on the statements of revenues, expenses and changes in net position.

Property Contingency - The Dairy Products Commission owns and occupies property and the building located at 4201 198th Street SW in Lynnwood, Washington 98036. This property is designated as part of the City of Lynnwood's City Center Zone Districts and is further designated as entirely within the route of a proposed new street. The City has not yet implemented a program to acquire properties, including the Commission's property, to build this street improvement. If/when the City elects to proceed with this project, the City may not have the authority to condemn the Commission's property given court decisions interpreting RCW 8.12.030 (the City's general condemnation authority statute).

Note 3 - Continued

The courts' decisions can be interpreted to preclude city condemnation when state property is presently dedicated to a public use. The Commission's use and occupancy of its property appears to qualify as such a public use. Even if a condemnation action by the City is not legally possible, the Commission could face pressure to voluntarily sell its property to allow for the City's project to proceed. Upon condemnation or voluntary sale, the Commission would proceed through processes involving the use of qualified appraisals to identify the fair market value of the property. Upon any such sale, the Commission would be entitled to use any net proceeds for purposes including the purchase of property for its operations. For purposes of this statement, it is assumed that the Commission's property has appreciated in value and that a sale would generate net proceeds rather than loss. This assumption would need to be validated if/when the City takes tangible steps to begin the above-referenced property acquisitions for the street improvement project affecting the Commission's property.

Note 4 - Pension Plan

The following table represents the aggregate pension amounts for the year ending December 31:

	2022	2021
Pension assets	$ 81,878	$ 753,914
Deferred outflows of resources	(369,704)	(150,354)
Deferred inflows of resources	341,586	915,365
Pension expense/expenditures	16,461	(245,793)

State Sponsored Pension Plans - Substantially all Washington Dairy Products Commission full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, 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 (DRS), 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

Alternatively, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Note 4 - Continued

Public Employee's 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 nonduty 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) for 2022 were as follows:

PERS Plan 1:

Actual Contribution Rates	Employer	Employee*
January - August 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL)	3.71%	
Administrative fee	0.18%	
	10.25%	**6.00%**
September - December 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative fee	0.18%	
	10.39%	**6.00%**

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 12.26%

Note 4 - Continued

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1:

Actual Contribution Rates	Employer	Employee*
January - June 2021:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL)	4.87%	
Administrative fee	0.18%	
	12.97%	**6.00%**
July - December 2021:		
PERS Plan 1	10.07%	6.00%
Administrative fee	0.18%	
	10.25%	**6.00%**

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 12.26%

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty 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.

Note 4 - Continued

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 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%. 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) for 2022 were as follows:

PERS Plan 2/3:

Actual Contribution Rates	Employer	Employee*
January - August 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative fee	0.18%	
Employee PERS Plan 3		Varies
	10.25%	**6.36%**
September - December 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative fee	0.18%	
Employee PERS Plan 3		Varies
	10.39%	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%.

Note 4 - Continued

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3:

Actual Contribution Rates	Employer	Employee*
January - June 2021:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative fee	0.18%	
Employee PERS Plan 3		Varies
	12.97%	**7.90%**
July - December 2021:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative fee	0.18%	
Employee PERS Plan 3		Varies
	10.25%	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%.

The Washington Dairy Products Commission's actual PERS plan contributions were $59,850 and $58,400 to PERS Plan 1 and $77,706 and $73,996 to PERS Plan 2/3 for the year ended December 31, 2022 and 2021, respectively.

Actuarial Assumptions - The total pension liabilities (TPL) for each of the DRS plans during 2022 and 2021 were determined using the most recent actuarial valuation completed in 2022 and 2021, respectively, with a valuation date of June 30, 2021 and 2020, respectively. The actuarial assumptions used in the valuation for 2022 and 2021 were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

For the year ended December 31, 2022, 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.

<u>Inflation</u> - 2.75% total economic inflation; 3.25% salary inflation.

Note 4 - Continued

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%

For the year ended December 31, 2021, additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation - 2.75% total economic inflation; 3.5% salary inflation.

Salary Increases - In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment Rate of Return - 7.4%

For both the years ended December 31, 2022 and 2021, mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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 his or her lifetime.

For the year ended December 31, 2022, 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 the model. Those 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 provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

For the year ended December 31, 2021, there were no changes since the previous valuation. There were changes in methods since the previous valuation.

Note 4 - Continued

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate - The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent and 7.4 percent, for the years ended December 2022 and 2021, respectively.

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. Based on OSA's 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 and 7.4 percent was used to determine the total liability for the years ended December 31, 2022 and 2021, respectively.

Long-Term Expected Rate of Return - The long-term expected rate of return on the DRS pension plan investments of 7.0 percent and 7.4 percent, for the years ended December 31, 2022 and 2021, respectively, was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Note 4 - Continued

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 and 2021, 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
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 - 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 for 2022.

Plan	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 325,601	$ 243,716	$ 172,249
PERS 2/3	383,429	(325,594)	(908,101)

The table below presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate for 2021.

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 183,245	$ 107,566	$ 275,956
PERS 2/3	(245,419)	(861,480)	(1,368,806)

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.

Note 4 - Continued

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2022 and 2021, the Commission reported its proportionate share of the net pension liabilities as follows:

	2022 Liability (Asset)	2021 Liability (Asset)
PERS 1	$ 243,716	$ 107,566
PERS 2/3	(325,594)	861,480
Net Pension Asset	**$ (81,878)**	**$ 969,046**

At June 30, the Commission's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.008808%	0.008753%	-0.000055%
PERS 2/3	0.008648%	0.008779%	0.000131%

Employer contribution transmittals received and processed by the 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 the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense - The Commission recognized pension expense as follows for the year ended December 31:

	2022 Pension Expense	2021 Pension Expense
PERS 1	$ 110,818	$ (63,351)
PERS 2/3	(94,357)	(182,442)
Total Pension Expense	**$ 16,461**	**$ (245,793)**

Note 4 - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ (40,391)
Contributions subsequent to measurement date	31,125	
	$ 31,125	**$ (40,391)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 80,675	$ (7,371)
Net difference between projected and actual investment earnings		(240,714)
Changes in assumptions	181,473	(47,516)
Changes in proportion and differences between contributions and proportionate share of contributions	37,093	(5,594)
Contributions subsequent to measurement date	39,338	
	$ 338,579	**$ (301,195)**

At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ (119,363)
Contributions subsequent to measurement date	24,915	
	$ 24,915	**$ (119,363)**

Note 4 - Continued

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,841	$ (10,561)
Net difference between projected and actual investment earnings		(719,995)
Changes in assumptions	1,259	(61,179)
Changes in proportion and differences between contributions and proportionate share of contributions	50,180	(4,267)
Contributions subsequent to measurement date	32,159	
	$ 125,439	**$ (796,002)**

Deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2022 and 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ending December 31,	PERS 1
2023	$ (17,093)
2024	(15,524)
2025	(19,475)
2026	11,701
	$ (40,391)

For the Year Ending December 31,	PERS 2/3
2023	$ (61,465)
2024	(54,237)
2025	(69,866)
2026	110,909
2027	34,843
Thereafter	37,862
	$ (1,954)

Note 5 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for risk of loss. The Commission did not have settled claims in excess of its commercial insurance coverage in the past year.

The Commission provides medical insurance for employees and dependents under an elective health care plan. Benefits are subject to scheduled limitations and exclusions.

Note 6 - Related Party Transaction

In both of the years ended December 31, 2022 and 2021, the Commission paid $20,000, to the Washington State Dairy Council (the Council) for the right to utilize the Council's name. Two members of the Commission's management serve on the Board of Directors of the Council.

Note 7 - Concentrations

During the years ended December 31, 2022 and 2021, 92% and 93%, respectively, of total operating revenue was derived from a dairy cooperative that collects assessments for numerous producers. At December 31, 2022 and 2021, 91% and 90% of total accounts receivable balance was derived from this dairy cooperative, respectively.

Note 8 - Other Post-Employment Benefits

OPEB activity and balances as of and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
OPEB liability	$ 759,573	$ 790,369
Deferred outflows	68,728	125,569
Deferred inflows	(86,748)	(136,374)
OPEB expenses	(23,581)	(72,458)

Plan Description - The state, through the Health Care Authority (HCA), administers an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan. The Public Employees' Benefits Board (PEBB), created within HCA, is authorized to design and determine the terms and conditions of employee and retired employee participation and coverage. PEBB established eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life and long-term disability.

The relationship between PEBB OPEB and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. The understanding is based on communication between the HCA, employers and plan members, and the historical pattern of practice with regard to sharing of benefit costs. The PEBB OPEB plan is administered by the state, is funded on a pay-as-you-go basis, does not issue a publicly available financial report and has no assets.

Note 8 - Continued

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system.

Retirees who are not yet eligible for Medicare benefits may continue participation in the state's nonMedicare community-rated health insurance risk pool on a self-pay basis. Retirees in the nonMedicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other nonMedicare retirees. The subsidy is valued using the difference between age-base claims cost and the premium. Retirees who are enrolled in both Part A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for next year's explicit subsidy for inclusion in the Governor's budget.

Benefits Provided - The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively establish premiums at the time they retire under the provisions of the retirement system they belong to.

Employees Covered by Benefit Terms - At June 30, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	9	7
Inactive employees entitled to but not yet receiving benefits		
Active employees	12	12
Total Participants	**21**	**19**

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

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salaries Increases	3.5 percent plus service-based increases
Discount Rate	3.54 percent
Healthcare Cost Trend Rates	Initial rate range from about 2-11%, reaching an ultimate range of ~4.3% in 2075
Mortality Rates	PubG.H-2010 (general) table with an age set back of 0 years and improvements based on MP-2017 long-term rates and projection period of generational
Actuarial Cost Method	Entry Age Normal

Note 8 - Continued

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salaries Increases	3.5 percent plus service-based increases
Discount Rate	3.54 percent
Healthcare Cost Trend Rates	Initial rate range from about 2-11%, reaching an ultimate range of ~4.3% in 2075
Mortality Rates	PubG.H-2010 (general) table with an age set back of 0 years and improvements based on MP-2017 long-term rates and projection period of generational
Actuarial Cost Method	Entry Age Normal

Sensitivity Analysis - The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare cost trend rate	1% Increase
2022	9.70%	10.70%	11.70%
2021	5.80%	6.80%	7.80%
Total OPEB Liability	**$ 659,585**	**$ 759,573**	**$ 884,519**

The following presents the total OPEB liability of the Commission's calculated liability using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current discount rate	1% Increase
2022	2.54%	3.54%	4.54%
2021	1.16%	2.16%	3.16%
Total OPEB Liability	**$ 875,706**	**$ 759,573**	**$ 665,019**

Note 8 - Continued

Changes in the Total OPEB Liability - The following represents the changes in the OPEB liability during the year ended December 31:

OPEB Liability, December 31, 2020	$	883,389
Changes for the year-		
Service cost		33,083
Interest		20,028
Changes in assumptions		(125,569)
Benefit payments		(20,562)
OPEB Liability, December 31, 2021		790,369
Changes for the year-		
Service cost		27,696
Interest		17,451
Changes in assumptions		(55,577)
Benefit payments		(20,366)
OPEB Liability Ending Balance, December 31, 2022	**$**	**759,573**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2022, the Commission recognized OPEB expense of $(10,430). At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Changes of assumptions	$ -	$ 68,728
Commission contributions subsequent to measurement date	86,748	
	$ 86,748	**$ 68,728**

Note 8 - Continued

For the year ended December 31, 2021, the Commission recognized OPEB expense of $(72,458). At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Changes of assumptions	$ -	$ 125,569
Commission contributions subsequent to measurement date	136,374	
	$ 136,374	**$ 125,569**

Deferred outflows of resources of $68,728 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ending December 31,	
2023	$ (6,175)
2024	(6,175)
2025	(6,175)
2026	(6,175)
2027	(6,175)
Thereafter	(24,701)
	$ (55,576)

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON DAIRY PRODUCTS COMMISSION
Schedules of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2022
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability	0.011133%	0.011294%	0.010439%	0.010185%	0.010950%	0.010024%	0.008808%	0.008753%
Employer's proportionate share of the net pension liability	$ 582,359	$ 606,541	$ 495,339	$ 454,866	$ 421,066	$ 353,905	$ 107,566	$ 243,716
Employer's covered employee payroll	$ 171,818	$ 177,156	$ 133,082	$ 107,601	$ 111,368	$ 115,823	$ 120,774	$ 124,125
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	338.94%	342.38%	372.21%	422.73%	378.09%	305.56%	89.06%	196.35%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

Notes to Schedule:
Changes in benefit terms, and change in the size or composition of the population covered by the benefit terms will affect the trends in the amounts reported in the schedule.

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available (June 30, 2015 and after).

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

See independent auditor's report.

WASHINGTON DAIRY PRODUCTS COMMISSION
Schedules of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30, 2022
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability	0.010019%	0.011008%	0.010296%	0.010534%	0.011596%	0.010468%	0.008648%	0.006713%
Employer's proportionate share of the net pension liability (asset)	$ 357,985	$ 507,621	$ 357,737	$ 179,859	$ 112,637	$ 133,380	$ (861,480)	$ 248,970
Employer's covered employee payroll	$ 889,044	$ 934,207	$ 1,009,430	$ 1,085,965	$ 1,260,140	$ 1,217,583	$ 1,034,292	$ 1,108,899
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	54.34%	35.44%	16.56%	8.94%	10.95%	-83.29%	22.45%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

Notes to Schedule:
Changes in benefit terms, and change in the size or composition of the population covered by the benefit terms will affect the trends in the amounts reported in the schedule.

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available (June 30, 2015 and after).

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

See independent auditor's report.

WASHINGTON DAIRY PRODUCTS COMMISSION
Schedules of Employer Contributions
PERS 1
As of December 31, 2022
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	$ 17,794	$ 63,695	$ 65,212	$ 70,352	$ 81,342	$ 65,836	$ 58,440	$ 59,850
Contributions in relation to the statutorily or contractually required contributions	(17,794)	(63,695)	(65,212)	(70,352)	(81,342)	(65,836)	(58,440)	(59,850)
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered employer payroll	$ 174,383	$ 170,004	$ 106,035	$ 109,485	$ 113,595	$ 117,560	$ 122,250	$ 137,810
Contributions as a percentage of covered employer payroll	10.20%	37.47%	61.50%	64.26%	71.61%	56.00%	47.80%	43.43%

Notes to Schedule:
Changes in benefit terms, and change in the size or composition of the population covered by the benefit terms will affect the trends in the amounts reported in the schedule.

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available (June 30, 2015 and after).
* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).
* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

See independent auditor's report.

WASHINGTON DAIRY PRODUCTS COMMISSION
Schedules of Employer Contributions
PERS 2/3
As December 31, 2022
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	$ 92,919	$ 58,766	$ 75,461	$ 83,823	$ 104,387	$ 84,048	$ 73,996	$ 77,706
Contributions in relation to the statutorily or contractually required contributions	(92,919)	(58,766)	(75,461)	(83,823)	(104,387)	(84,048)	(73,996)	(77,706)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ 909,116	$ 943,269	$ 1,072,368	$ 1,117,609	$ 1,352,907	$ 1,061,210	$ 1,033,891	$ 1,359,594
Contributions as a percentage of covered employer payroll	10.22%	6.23%	7.04%	7.50%	7.72%	7.92%	7.16%	5.72%

Notes to Schedule:
Changes in benefit terms, and change in the size or composition of the population covered by the benefit terms will affect the trends in the amounts reported in the schedule.

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available (June 30, 2015 and after).
* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).
* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

See independent auditor’s report.

WASHINGTON DAIRY PRODUCTS COMMISSION
OPEB Liability
Schedule of Changes in Total Other Liability and Related Ratios
As December 31, 2022
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022
Total OPEB liability - beginning	$ 751,250	$ 764,584	$ 794,008	$ 883,389	$ 790,369
Service cost	36,875	29,798	27,636	33,083	27,696
Interest	27,985	30,366	28,385	20,028	17,451
Changes in benefit terms					
Differences between expected and actual experience					
Changes of assumptions	(38,549)	(13,891)	54,820	(125,569)	(55,577)
Benefit payments	(12,977)	(19,646)	(21,460)	(20,562)	(20,366)
Other changes		2,797			
Total OPEB Liability - Ending	**$ 764,584**	**$ 794,008**	**$ 883,389**	**$ 790,369**	**$ 759,573**
Covered-employee payroll	$ 1,247,189	$ 1,466,502	$ 1,178,770	$ 1,162,173	$ 1,375,676
Total OPEB liability as a % of covered payroll	61.30%	54.14%	74.94%	68.01%	55.21%

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

See independent auditor's report.

ADDITIONAL AUDITOR'S REPORT
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Clark Nuber PS

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*

Independent Auditor's Report

To the Board of Commissioners
Washington Dairy Products Commission
Lynnwood, Washington

We have audited, in accordance with the 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 Washington Dairy Products Commission (the Commission) (*Governmental Auditing Standards*), which comprise the statement of net position as of and for the year ended December 31, 2022, and the related statement of revenues, expenses and changes in net position and statement of cash flows and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 11, 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 contro*l exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

CN

T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Clark Nuber PS

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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
May 11, 2023