



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Washington Apple Commission

For the period July 1, 2022 through June 30, 2023

Published March 11, 2024

Report No. 1034404



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

March 11, 2024

Board of Commissioners
Washington Apple Commission
Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Washington Apple 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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Washington Apple Commission July 1, 2022 through June 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Washington Apple 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.

<u>ALN</u>	<u>Program or Cluster Title</u>
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 Apple Commission July 1, 2022 through June 30, 2023

Board of Commissioners
Washington Apple Commission
Wenatchee, 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 Apple Commission, as of and for the year ended June 30, 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 March 4, 2024.

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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 4, 2024

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 Apple Commission July 1, 2022 through June 30, 2023

Board of Commissioners
Washington Apple Commission
Wenatchee, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Washington Apple 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 June 30, 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 June 30, 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 4, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington Apple Commission July 1, 2022 through June 30, 2023

Board of Commissioners
Washington Apple Commission
Wenatchee, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Washington Apple Commission, as of and for the year ended June 30, 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 Apple Commission, as of June 30, 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.

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 listed in the financial section of our report 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 March 4, 2024 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.

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Pat McCarthy, State Auditor

Olympia, WA

March 4, 2024

FINANCIAL SECTION

Washington Apple Commission July 1, 2022 through June 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

Schedule of Changes in OPEB Liability and Covered Payroll – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

WASHINGTON APPLE COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Washington Apple Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2023 and 2022. Please read the MD&A in conjunction with the Commission's financial statements.

USING THE FINANCIAL REPORTS

The financial reports consist of the following: Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Financial Statements, Required Supplementary Information, Schedule of Expenditures of Federal Awards, and Notes to the Schedule of Expenditures of Federal Awards. These reports provide information about the activities of the Washington Apple Commission as a whole and present a longer-term view of the Commission's finances. The Notes to the Financial Statements are an integral part of the financial statements. Please read in conjunction to the financial statement figures.

WASHINGTON APPLE COMMISSION FINANCIAL STATEMENT REVIEW: STATEMENT OF NET POSITION

Current Assets:

- WAC maintains one bank account at Cashmere Valley Bank that is used for all general checking including assessment deposits, vendor checks, MAP & ATP reimbursements, payroll tax deposits and employee direct deposits. This account is also used for export check writing and international wire transfers.
- The unrestricted funds are maintained in an interest-bearing Cash Management account, and fixed rate Certificates of Deposits held at Banner Bank, Cashmere Valley Bank, Heritage Bank, Key Bank, North Cascades Bank, Peoples Bank, US Bank, Washington Federal, Washington Trust Bank, and Yakima Federal Savings & Loan. All are public depositories administered by the State of Washington Public Deposit Protection Commission. Reference Note 3 in the Notes to the Financial Statements for Investment details.
- In 2004, the Board of Commissioners discussed how unforeseen circumstances such as a Port slow down or the potential for a food safety issue could become huge obstacles for the apple industry, and how creating a General Reserve Fund would proactively set aside a portion of current investment funds to help react to a future industry crisis if needed. After much discussion at the May 2022 board meeting, the Board approved to decrease the Board Designated Reserves from \$4,000,000 to \$3,000,000 effective July 1, 2022, moving \$1,000,000 into working capital to cover decreased assessment revenue from lower crop volumes as well as increased industry fund expenses. Other than this need for prior board approval, there are no limitations which will affect the availability of resources for future use.
- The Commission collects an assessment on behalf of Tree Fruit Research in the amount of \$1.00 per ton for all fresh, sliced and processed apples. WAC has determined that these activities meet the criteria of fiduciary activities as defined by GASB Statement No. 84 and has recorded an asset related to billing and collection of the assessment and a corresponding liability that is relieved when funds are disbursed at the end of each month.
- As of June 30, 2023, the balance in Fresh Assessment Receivable consisting of amounts owing to WAC & TFRC for assessments due on fresh apple shipments. 92% of the Assessment receivable is

for current invoices due within 35 days. 4% of this balance is made up of invoices due over 45 days and the remaining 4% is invoices over 60 days old. Historic collection times average between 35-45 days.

- The Export MAP, ATP, TASC and WSDA programs are set up on a reimbursement basis. All activities are paid for out of WAC dollars and then reimbursed by the Foreign Agricultural Service (FAS) and the Washington State Department of Agriculture (WSDA). The Federal Grant Receivable is the balance of expenses accrued by WAC still pending reimbursement from FAS as of June 30, 2023. This balance consists of seven MAP and five ATP claims. All outstanding claims were reimbursed in full by September 27, 2023.
- All point-of-sale materials and gratuity items were inventoried at year end and are valued at their net realizable cost.

Capital Assets:

- All property and equipment are stated at cost and depreciated over their useful lives. Reference Note 4 in the Notes to the Financial Statements.
- Reference Note 9 in the Notes to the Financial Statements for details of the operating lease assets and liabilities.

Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Asset or Liability:

- Reference Note 5 in the Notes to the Financial Statements for details regarding the Commission's pension plan activity.
- As of June 30, 2023, the Commission reported a pension liability of \$100,280 for PERS Plan 1 and a pension asset of \$231,862 for PERS Plan 2/3.

OPEB Liability:

- GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, requires significant disclosures regarding OPEB plans. Note 12 in the Notes to the Financial Statements discloses details regarding the Commission's OPEB plan activity.

Net Position:

- As discussed in Note 5 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 June 30, 2023 was \$266,371.

CONDENSED FINANCIAL DATA – STATEMENT OF NET POSITION

	<u>2023</u>	<u>2022</u>
Current Assets	\$8,049,021	\$8,321,397
Noncurrent Assets	<u>1,066,552</u>	<u>1,089,932</u>
Total Assets	9,115,573	9,411,329
Deferred Outflows of Resources	152,853	176,219
Total Assets and Deferred Outflows of Resources	<u><u>9,268,426</u></u>	<u><u>9,587,548</u></u>

Current Liabilities	2,108,036	1,900,992
Noncurrent Liabilities	<u>493,194</u>	<u>521,614</u>
Total Liabilities	2,601,229	2,422,606
Deferred Inflows of Resources	129,656	212,852
Net Investment in Capital Assets	834,690	884,354
Restricted Net Asset related to PERS 2/3 Pension Asset	266,371	188,501
Unrestricted	<u>5,436,479</u>	<u>5,879,235</u>
Total Net Position	6,537,539	6,952,090
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$9,268,426</u>	<u>\$9,587,548</u>

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Operating Revenue:

- The Commission collects an assessment on the net weight of all Washington apples shipped at 8.75 cents per hundredweight (100 pounds of apples). Shippers are billed every two weeks and assessment revenues are collected on an average of 35-40 days from date of invoice.
- The cyclical nature of the crop sizes directly affect the assessment revenue collected. The shipped 2023 crop was smaller than that of 2022 by nearly 12 million boxes resulting in a decrease of \$423,515 in cash received from growers this fiscal year.
- In 2023, the Commission spent 62% of its operating revenues on the export program, 44% in support of other industry organizations and 15% on administrative costs, compared to 55%, 39% and 6% respectively in 2022. The Commission reported an operating loss during fiscal year 2023 resulting in the over 100% of assessment revenue to operating expense ratio.

Operating Expenses:

- The Commission continues to streamline operations, reduce costs and be extremely efficient with the limited resources with which we operate. Salaries and benefits increased by about 15.7% from 2022 due to hiring new staff members to replace retiring employees, and having them work concurrently for training through the end of the fiscal year and costs are anticipated to decrease to prior levels for 2023-24.
- Rep contract fees decreased slightly in 2023 due to a reduction in ATP contract fees as the program winds down.
- There was a small increase in Export promotions this season. In most markets, the Commission continued to concentrate on higher level brand building programs this season, while the majority of on-the-ground activities did not start up again until the 2022-23 program year. WAC was still able to spend all allocated MAP funding as well as meet our required industry match dollars.
- The Commission remains a full dues paying member of US Apple Association and Northwest Horticulture Council and helps support other various industry organizations. Dues for US Apple and NHC are calculated each year based on a 3-5 year average of Washington apple production. Dues for both organizations this year stayed consistent with 2021-21 totals. The 2022-23 fiscal year was the first of three years of US Apple contributions capped at \$1,000,000.

- Professional fees increased by about \$23,000 in 2023 as more expenses were paid to address trademark violations in various countries and to maintain our WA apple logos around the world.
- International travel increased as COVID travel restrictions lessened in some markets allowing Reps to conduct market visits. WAC staff travel was largely unrestricted and increased by about \$64,000, nearing pre-2020 levels. Actual in-person travel by Export Staff and Reps will continue to decrease from years prior as we are now able to effectively communicate and evaluate WA apple promotional programs virtually via frequent Zoom meetings.
- Facility costs to maintain the building, equipment and grounds have remained constant over the last few years. Due to the change in our Capital Asset policy, there are more facility costs that are expensed during the year.
- The Washington Apple Commission Operating Expenses in 2023 exceeded Operating Revenues by \$515,398 compared to Operating expenses exceeding revenues in 2022 by \$82,326.

Non-Operating Revenue (Expenses):

- Non-Operating Revenues and Expenses of the Commission are those items not generated by or in use of assessment dollars, such as office space/conference room rental, interest income, fee for service income and gain/(loss) on sale of inventory or capital assets.

MAP Funding

- The total MAP grant funds allocated to the Washington Apple Commission to use from July 1, 2022 through June 30, 2023 was \$5,571,806 million. The Commission spent a total of \$5,571,806 in MAP funds this season, which were reimbursed by September 27, 2023.

ATP Grant Funding

- In response to the imposition of tariffs by other countries on U.S. agricultural products, as part of the Trump administration's trade aid package, the Washington Apple Commission was awarded \$9,957,600 in funds from the Agricultural Trade Promotions (ATP) program administered by the USDA's Foreign Agricultural Service (FAS). Participants in the ATP program are required to contribute a total amount in goods, services, and/or cash equal to at least 10 percent of the total grant award. The Commission has pledged to match a minimum of \$995,760 in industry funds over the course of the ATP promotional program. As COVID restrictions continue to affect the utilization of these funds, FAS has extended the deadline to spend all ATP grant funding to June 30, 2024.
- Before each season begins, the Foreign Trade Committee and WAC Board approve an allocation by country to best utilize these ATP funds.
- The Commission spent \$2,863,027 in ATP funds in 2019-20, \$2,698,669 in 2020-21, \$2,308,666 in 2021-22, and \$1,250,368 in 2022-23, leaving a balance of \$789,660 to spend during fiscal year 2023-24.

Other Non-Operating Revenue & Expenses

- All available WAC office space not utilized by staff is leased out to tenants. Tenant and conference room rentals combined for 37,886 in income, a slight decrease from the prior year.
- The June 2023 inventory count led to an increase in inventory assets of \$485. Online merchandise sales were paused subsequent to fiscal year-end, as store operations are being reconsidered.

- The main source of service income is derived from quarterly billings to the Tree Fruit Research Commission for collection of their assessment revenues which is mandated by RCW 15.26.250.
- Interest revenues more than doubled from the prior year to \$46,619, as interest rate offering rebounded from the prior fiscal year.

Analysis:

The Washington Apple Commission's annual budget is based on current and historical data provided by the Washington State Tree Fruit Association (WSTFA). As is the situation with most agriculture, many factors influence yield including the cyclic nature of the annual crop, planting trends, market pricing and Mother Nature just to name a few. Therefore, predicting crop volume and setting a budget are 'best guesses' and continue to evolve as the season progresses. In principle, approximately 65-70% of all Washington grown apples sell into the U.S. domestic market, with the balance exported to over 60 countries. U.S. domestic demand remains static, and as crop volumes fluctuate, additional export sales offset limited domestic demand.

Washington apple growers are optimistic and progressive when considering new varieties and planting techniques. For the first time in several decades, the world renowned Red Delicious has lost its #1 position to Gala in total volume produced. Cosmic Crisp, a new proprietary variety available to Washington growers only is beginning to impact domestic consumer demand. Washington is expected to produce in excess of 20 million bushels by 2026. There are over 40 new proprietary varieties planted with an expectation to increase consumption.

Consumer demands are changing, and growers are reacting with new high value varieties to match consumer demand with an increased focus on yield per acre, new flavors, and improved texture. These modern orchards use new horticultural structures that can minimize the cyclic nature of our business. Expectations are for more consistent production volumes as the industry matures and replaces mainstream varieties with new orchards using close proximity planting and trellis systems. Our industry will look a lot different in a few short years as new varieties displace mainstream.

Supporting and building international demand is the priority of the Washington Apple Commission, and as the industry continues to evolve from a variety and production standpoint, export markets play an increasingly important role in maintaining grower returns. International shipments fluctuate between 28% to 34% with a historical high in 2014-15 of 50,592,461 boxes followed by a decade low in 2015-16 of 33,061,707 boxes. Even with this fluctuation, consistent messaging and promotional activities must be maintained to support long term brand strategies on behalf of the Washington apple growers. Revenue changes due to the harvest swings described above, influence operational expenses depending upon the promotional support deemed necessary to address these unpredictable market forces. Many factors influence our activities including Trade issues (steel & aluminum tariffs), the China trade war, COVID-19 restrictions, high U.S. dollar valuation, increased competition from China (#1 apple producer worldwide) and the EU (#2 producer) requiring nimble strategic marketing alterations throughout the season.

**CONDENSED FINANCIAL DATA – STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION**

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$3,657,388	\$4,080,903
Non-Operating Revenues	7,173,665	8,375,865
Total Revenues	10,831,053	12,456,768
Operating Expenses	4,172,786	4,163,229
Non-Operating Expenses	7,072,820	8,315,851
Total Expenses	11,245,606	12,479,080
Change in Net Position	(414,553)	(22,312)
Total Net Position - Beginning of Year	6,952,090	6,974,402
Total Net Position - End of Year	<u><u>\$6,537,538</u></u>	<u><u>\$6,952,090</u></u>

NOTES TO THE FINANCIAL STATEMENTS

The accompanying Notes are an integral part of the financial statements. The Notes give a more detailed description of the Washington Apple Commission's accounting and reporting policies, investment portfolio, capital assets and depreciation, pension plans, assessment rate structure, risk management strategy, commitments, current operating leases and related industry organizations. Please read in conjunction to the financial statement figures.

WASHINGTON APPLE COMMISSION
STATEMENT OF NET POSITION
As of June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash & Investments	\$ 2,737,517	
Board Designated Reserves	3,000,000	
WAC Fresh Assessment Receivable	359,167	
TFRC Assessment Receivable	203,742	
Federal Grant Receivable	1,729,694	
Other Receivables	1,110	
Inventory	17,791	
Total Current Assets		8,049,021

NONCURRENT ASSETS

Building	1,986,832	
Land Improvements	114,344	
Building Furniture, Fixtures & Equipment	102,008	
Automobiles	50,843	
Leased Office Equipment	23,779	
Less: Accumulated Depreciation	(1,598,226)	
	679,580	
Land	155,109	
Total Capital Assets	834,690	
Net Pension Asset	231,862	
Total Noncurrent Assets		1,066,552

DEFERRED OUTFLOWS OF RESOURCES

152,853

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 9,268,426

The accompanying notes are an integral part of this financial statement.

WASHINGTON APPLE COMMISSION
STATEMENT OF NET POSITION
As of June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 1,809,021
Accrued Leave Payable	74,630
Lease Liability, Current Portion	2,106
OPEB Liability, Current Portion	16,409
TFRC Assessment Payable	205,870
Total Current Liabilities	<u>2,108,036</u>

NONCURRENT LIABILITIES

Net Pension Liability	100,280
Lease Liability, Net of Current Portion	1,246
OPEB Liability, Net of Current Portion	391,668
Total Noncurrent Liabilities	<u>493,194</u>

Total Liabilities		2,601,229
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DEFERRED INFLOWS OF RESOURCES

129,656

NET POSITION

Net Investment in Capital Assets	834,690	
Restricted Net Asset related to PERS 2/3 Pension Asset	266,371	
Unrestricted	5,436,479	
Total Net Position		<u>6,537,539</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION**

\$ 9,268,426

The accompanying notes are an integral part of this financial statement.

WASHINGTON APPLE COMMISSION
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

OPERATING REVENUES

Assessment Revenue	\$ 3,657,388
 Total Operating Revenues	 <u>3,657,388</u>

OPERATING EXPENSES

Salaries and Benefits	936,719
Contracted Reps	831,700
Export Promotions	244,240
Industry Organizations	1,612,480
Professional Fees	105,944
Travel, Training and Meetings	215,524
Depreciation	49,665
Office Expenses	66,961
Facility Costs	74,867
Business Insurance	18,342
Miscellaneous	<u>16,345</u>
 Total Operating Expenses	 <u>4,172,786</u>

OPERATING INCOME (LOSS) (515,398)

NON-OPERATING REVENUES (EXPENSES)

Federal Grant Revenue	7,082,012
Federal Grant Expense	(7,072,820)
Tenant Rental Income	35,106
Conference Room Rental	2,780
Net Fee for Service Income	4,748
Gain (Loss) on Sale of Inventory	2,187
Interest Income	46,619
Other Income (Expense)	<u>213</u>
 Total Non-Operating Revenues (Expenses)	 <u>100,845</u>

INCREASE (DECREASE) IN NET POSITION (414,553)

NET POSITION - BEGINNING OF YEAR 6,952,090

NET POSITION - END OF YEAR \$ 6,537,538

The accompanying notes are an integral part of this financial statement.

WASHINGTON APPLE COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grower assessments	\$ 3,662,889
Cash payments for goods and services	(1,375,440)
Cash payments to employees	(1,035,583)
Cash payments to industry organizations	(1,612,480)
Cash received from custodial assessments	3,012,563
Cash payments of custodial assessments	<u>(3,010,434)</u>
Net cash provided (used) by operating activities	<u>(358,485)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Cash reimbursements from FAS	7,253,718
Cash payments for goods and services reimbursable by FAS	(7,072,820)
Other cash income	<u>62,853</u>
Net cash provided (used) by noncapital financing activities	<u>243,751</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Payments on lease liabilities	(4,597)
Property and equipment additions	<u>(0)</u>
Net cash used by capital and related financing activities	<u>(4,597)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Transfer to board designated investments	1,000,000
Interest received on investments	<u>46,619</u>
Net cash (used) by investing activities	<u>1,046,619</u>

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS 927,288

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 1,810,227

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 2,737,515

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating (loss) income	\$ (515,398)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities -	
Depreciation	49,665
(Increase) decrease in current assets -	
Assessments receivable	10,141
Prepaid expenses	-
Increase (decrease) in current liabilities -	-
Accounts payable	195,972
Accrued vacation and related payroll taxes	11,254
Increase (decrease) in deferred inflows, outflows and pension and OPEB assets and liabilities	<u>(110,118)</u>
Net cash provided (used) by operating activities	<u>\$ (358,484)</u>

The accompanying notes are an integral part of this financial statement.

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 1 - REPORTING ENTITY

The Washington Apple Commission (formerly the Washington State Apple Advertising Commission) is a commodity commission created in 1937 by and subject to Washington State law. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

The Washington Apple Commission provides the following services: research; education; federal Market Access Program (MAP) fund administration to promote Washington State apples in foreign markets; to maintain and protect the Washington apple logo and intellectual properties; and to provide funding and support for other industry organizations that are important to the Washington apple industry.

The Commission is governed by a 14-member Board of Commissioners that approves the budget and sets direction for the Commission's operations. The Board is appointed by the Director of the Washington State Department of Agriculture.

The Commission's primary source of revenue is an assessment on all packed Washington apples based on the net weight of apples when shipped. The assessment is collected from Washington fruit warehouses after the packed apples are shipped. The Commission's revenue is substantially dependent on the yearly volume of Washington apple shipments. Since the Commission is a nonprofit State organization, it is not subject to Federal income tax.

As required by GAAP, management has considered all potential component units in defining the reporting entity and determined that the Commission has no component units required to be included as part of the reporting entity.

NOTE 2 - ACCOUNTING POLICIES

The Washington Apple Commission uses proprietary fund accounting policies which are in accordance with generally accepted accounting principles in all material respects. Outlined below are those policies considered particularly significant.

Assessment revenues and related receivables are recognized in the period packed apples are shipped as reported on the Washington State Department of Agriculture's certificates of compliance.

The USDA - Foreign Agricultural Service (FAS) reimbursements and related receivables for foreign export marketing programs are recognized in the period in which expenses qualified for reimbursement are incurred.

Inventories of merchandise and point of sale materials are valued at the lower of cost or net realizable value on a first-in, first-out basis.

All costs necessary to administer the foreign trade program, protect the WAC logo and intellectual properties, fund other industry organizations, and maintain the facility, are expensed in the year incurred.

Board designated funds represent cash and investments that were set aside by the Commission in the event there is a future industry need for the funds. Board approval is needed to release these funds for general use. The balance of the Board Designated Reserves is \$3,000,000. Other than the need for prior board approval, there are no other limitations which will affect the availability of resources for future use.

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

The Commission classifies a portion of its net position as restricted when appropriate. The classification results from externally imposed restrictions on Commission assets which may not be removed without the consent of those imposing the restriction.

Operating Revenues consist of assessment dollars collected from Washington fruit warehouses on all apples shipped for both fresh and slices at 8.75 cents per hundredweight (100 pounds of apples) based on net shipping weight. Operating expenses are the costs associated with following the Apple Commission's core mission detailed in Note 1.

Non-Operating Revenues and Expenses of the Commission are those items not generated by or in use of assessment dollars, such as office space/conference room rental, interest income, or gain/(loss) on sale of inventory or capital assets. Federal grant revenues and their related expenses are also classified as Non-Operating.

For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less (and not designated by the Board) to be cash equivalents.

The Commission's checking and savings accounts and certificates of deposit are maintained in bank branches and savings and loan institutions located in Washington State. The accounts are fully covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The Commission regularly acts as a clearing house for assessments made on industry members on behalf of the Washington Tree Fruit Research Commission. Commission has determined these activities meet the criteria of fiduciary activities as defined by GASB Statement 84, *Fiduciary Activities*. Since assessments collected are expected to be held for less than three months prior to disbursement, the Commission does not account for its fiduciary activity in discretely presented fiduciary fund statements. Instead, the Commission records an asset related to billing and collection of assessments and a corresponding liability that is relieved when funds are disbursed.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

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.

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

All investments of the Commission's funds are in certificates of deposits or business savings accounts. Amounts are stated at cost plus accrued interest, which approximates fair market value. The remaining balance of cash and investments reported on the Statement of Net Position do not meet the Commission's definition of investments and are thus not included in these tables.

As of June 30, 2023, the Commission had the following investments:

<u>Investment Type</u>	<u>Maturity Year</u>	<u>2023</u>
Cash Management Savings	N/A	\$703,443
Certificates of Deposit	2023	2,233,028
Certificates of Deposit	2024	2,295,088
Total		<u>\$5,231,664</u>

These investments are recorded on the Statement of Net Position as follow:

	<u>2023</u>
Savings and certificates of deposits – unrestricted	\$2,231,664
Board designated investments	<u>3,000,000</u>
Total	<u>\$5,231,664</u>

As required by State law, all deposits and investments of the Commission are with Washington State banks and savings and loan institutions approved by the PDPC. The Commission's investment policy contains no limitations to the amount that can be invested in any one public depository. Deposit amounts in excess of the FDIC insured limit of \$250,000 are secured by securities held by the financial institutions which are in a pool administered by the Washington Public Deposit Protection Commission. As of June 30, 2023, these excess amounts totaled \$98,412.68.

Investments in single issuers that exceed 5% of total investments are as follows:

<u>Institution</u>	<u>Investment Type</u>	<u>2023</u>
Banner Bank	Certificate of Deposit	\$640,415
Cashmere Valley Bank	Certificate of Deposit / Business Savings	1,882,074
Key Bank	Certificate of Deposit	426,244
US Bank	Certificate of Deposit	433,800
North Cascades Bank	Certificate of Deposit	250,716
Washington Federal	Certificate of Deposit	582,503
Washington Trust Bank	Certificate of Deposit	234,150
Yakima Federal Savings & Loan	Certificate of Deposit	336,104

Certificates of Deposits are purchased with varying maturity dates with terms ranging from 6-24 months to mitigate interest rate risk and to ensure that cash needed for operations will be available.

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.

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

Level 3: Unobservable inputs supported by little or no market activity.

As of June 30, 2023, the Commission had no investments that meet the GASB criteria for measurement at fair value.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

CAPITAL ASSET DEFINED

Capital assets are tangible or intangible assets having initial useful lives extending beyond a reporting period. Such assets may include land and improvements to land, buildings and building improvements, building furniture and fixtures, parking lots, vehicles, and machinery and equipment.

POLICY APPROACH

Any repairs and maintenance are expensed as incurred regardless of the dollar amount. Costs are only capitalized if they result in a betterment/improvement to the original capital asset if they 1) extend the useful life, or 2) increase the service capacity or efficiency of the asset.

Certain expenditures may be classified separately from the rest of the structure, such as the roof of the main or conference room buildings, on the grounds that the asset may be replaced several times over the life of the building.

When there is a change in the estimated useful life due to an improvement of an asset, depreciation charges for future periods will be revised based on the new book value and the new estimated useful life. No adjustment will be made to prior periods. If it is determined that an existing asset's useful life needs to be extended, future depreciation charges will be revised based on the original cost allocated over the asset's new estimated useful life.

COST TO BE RECORDED

All capital assets are stated at historical cost, or the original amount spent to acquire the asset.

DEPRECIATION METHOD

The straight-line depreciation method is used for all WAC assets. The cost of an individual capital asset (less any salvage value) is allocated equally over its estimated useful life. Buildings and land improvements are depreciated over twenty (20) to fifty (50) years. Depreciation of furniture, fixtures, and equipment is computed using three (3) to ten (10) year asset lives. The Washington Apple Commission's Capitalization threshold is \$5,000 for any individual item. Office equipment items under \$5,000 such as computers, laptops, printers, office furniture, and the like are charged to expense but tagged with an inventory number which allows WAC to track the location of the items purchased. Repairs and maintenance costs that keep or restore an asset to its original condition will be expensed as they are incurred, regardless of dollar amount.

DATE PLACED IN SERVICE

An asset will be capitalized and begin to be depreciated in the month it is either substantially completed (when it can perform its intended function) or placed in service. Depreciation expense will be booked annually at the end of each fiscal year for all assets that remain in service.

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

ESTIMATED USEFUL LIFE

The objective of depreciation is to spread the costs of capital assets incurred in one period equitably over multiple periods for which the capital asset will benefit. Depreciation must be based on a reasonable estimate of expected useful life, or the number of years WAC expects to use that asset in operations. The useful life will be periodically reviewed and adjusted prospectively when needed to ensure that the asset's cost is allocated over its useful life.

FULLY DEPRECIATED ASSETS

Starting in 2018, WAC will not fully depreciate assets that are still in service. Those assets that are currently on the books that are fully depreciated but are still in service, will remain until their life is exhausted. No subsequent adjustments will be made. However, those assets that are still depreciating will be re-assessed annually before their estimated life is due to expire and adjusted as needed.

INVENTORY

All capital assets are inventoried at least once per fiscal year to confirm location, condition, and to re-evaluate whether the estimated useful life is still sufficient. At this time, assets no longer in service may be either sent to the State surplus or destroyed if damaged and unusable. In both cases, these assets will be taken off the books. Asset additions will also be recorded and begin depreciation the month they were placed in service.

A complete capital asset inventory is maintained which states each asset by category listing WAC's inventory equipment number (if applicable), the date the asset was placed in service, the historical cost, and its estimated useful life.

Reported depreciation and amortization expense for fiscal year 2023 was \$49,665.

NOTE 5 - 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 June 30, 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(100,280)
Pension assets	231,862
Deferred outflows of resources	152,853
Deferred inflows of resources	(129,656)
Pension expense/expenditures	(24,160)

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

State Sponsored Pension Plans

Substantially all 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 downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

Administrative Fee	0.18%	
Total	10.39%	6.00%
July – December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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.

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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	Employer 2/3	Employee 2*	Employee 3**
January – June			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	10.39%	6.36%	

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

July – December			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.71%		
Administrative Fee	0.18%		
Total	10.25%	6.36%	

The Commission's actual PERS plan contributions were \$29,937 to PERS Plan 1 and \$49,739 to PERS Plan 2/3 for the year ended June 30, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 service-based salary increase.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. 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, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

Discount Rate

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

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% 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% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the 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, 2021. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the 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%, as well as what the Commission's proportionate share of the net pension

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

Plan	1% Decrease -6%	Current Discount Rate -7%	1% Increase -8%
PERS 1	\$140,000	\$100,280	\$65,528
PERS 2/3	\$252,178	(\$231,862)	(\$629,533)

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 June 30, 2023, the Commission reported its proportionate share of the net pension liabilities and assets as follows:

Plan	Liability (or Asset)
PERS 1	\$100,280
PERS 2/3	(\$231,862)

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

Plan	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.004238%	0.004393%	0.000155%
PERS 2/3	0.005543%	0.005657%	0.000114%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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.

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LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended June 30, 2023, the Commission recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$3,972
PERS 2/3	(\$28,131)
TOTAL	(\$24,160)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$11,312)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$0	\$0
TOTAL	\$0	(\$11,312)

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PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$47,230	(\$2,591)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$87,380)
Changes of assumptions	\$97,344	(\$21,217)
Changes in proportion and differences between contributions and proportionate share of contributions	\$8,279	(\$7,157)
Contributions subsequent to the measurement date	\$0	\$0
TOTAL	\$152,853	(\$118,344)

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 June 30, 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 June 30:	PERS 1	PERS 2/3
2024	(7,696)	(41,233)
2025	(9,679)	(49,532)
2026	5,968	72,212
2027	95	26,304
2028	-	26,215
Thereafter	-	544
Total	(11,312)	34,509

NOTE 6 - ASSESSMENT RATE

The assessment rate on all Washington apples (fresh and sliced) shipped is 8.75 cents per hundredweight based on net shipping weight, or 3.5 cents per standard 40 lb. box.

NOTE 7 - RISK MANAGEMENT

"Risk" is defined as anything that could prevent the achievement of a goal. Though we can never completely eliminate risk, the Commission makes every effort to minimize risks by implementing internal controls and procedures, segregating duties, and procuring adequate insurance policies to protect against the potential of risk in such areas as liability, property, auto, health & welfare, and compliance.

WASHINGTON APPLE COMMISSION
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For the Year Ended June 30, 2023

The Washington Apple Commission is self-insured through the State of Washington to protect against general liability claims up to \$5,000,000. The State Public Officials Bond covers the Treasurer up to \$50,000, and the Public Employees Blanket Fidelity Bond protects the State from losses caused by dishonest acts of Commission employees. The Washington State Health Care Authority Public Employees Benefit program provides medical, dental, vision, life, and disability insurance benefits to all eligible full-time WAC employees.

The Washington Apple Commission recognizes the importance of risk management and applies the best practices listed in Executive Order 01-05 into daily planning and agency-wide strategic focus. WAC routinely consults the Attorney General's Office whenever there is a question regarding potential litigation or situation of risk.

Per Executive Order 16-06, The Commission instituted an Enterprise Risk Management policy and annually provides DES with an undated Risk Register that identifies any potential risk exposures and what measures WAC has in place to mitigate these risks.

NOTE 8 – COMMITMENTS

Upon retirement or death, employees receive one day of pay for each four days of accumulated sick leave. As of June 30, 2023, the contingent liability under this formula was \$38,129.

NOTE 9 - LEASES

The Washington Apple Commission leases certain office equipment on operating leases. A mail machine was leased under terms that provided for 63 monthly payments of \$179 commencing in November 2019 and expiring in January 2025. A copier was leased under terms that provide for 60 monthly payments of \$233 commencing in June 2018 and expired in May 2023. The copier lease is continuing on a month-to-month basis.

The Washington Apple Commission has \$23,779 of leased equipment with \$20,531 of accumulated depreciation as of June 30, 2023.

The present value of the lease payments is recorded as a lease liability upon commencement and amortized over the term of the lease agreement. The Commission paid a total of \$4,710 under lease arrangements for the year ended June 30, 2023 with \$4,597 and \$113 applied to principal and interest, respectively.

Principal and interest requirements to maturity for the lease liability at June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payment</u>
2023-24	2,106	42	2,148
2024-25	1,246	7	1,253
Total	<u>\$3,352</u>	<u>\$49</u>	<u>\$3,401</u>

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Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 10 - RELATED ORGANIZATIONS

The Washington State Tree Fruit Research Commission (TFRC) is a separate entity established by the Washington State legislature in 1969 as defined under RCW 15.26. This commission was created to “promote and carry-on research and administer specific industry service programs, ...which will or may benefit the planting, production, harvesting, handling, processing or shipment of tree fruit of this state...” Under this code, assessments are levied on all commercial tree fruit produced in the state for fresh or processing use. Per RCW 15.26.250, the Washington Apple Commission is mandated to collect the assessments due TFRC at the time we collect our own assessments and then pass those assessments on to them expeditiously. WAC bills TFRC quarterly for the actual cost of time and materials necessary to collect their assessments.

The Washington Apple Commission currently collects an assessment on behalf of Tree Fruit Research in the amount of \$1.00/ton for all fresh, sliced and processed apples. Assessments collected are not held for more than 35 days before disbursement to Tree Fruit Research. The Commission paid Tree Fruit Research a total of \$3,007,913 in FY22-23.

The Washington State Tree Fruit Research Commission has nine members: three appointed by the Washington State Fruit Commission; five appointed by the Washington Apple Commission; and one appointed by the Washington Director of Agriculture to represent the pear industry.

NOTE 11 - INDUSTRY ORGANIZATIONS

US Apple Association

US Apple is a non-profit corporation, organized and incorporated in 1970 under the laws of the District of Columbia. The WAC and US Apple sign an annual memorandum of agreement which outlines the services US Apple provides the Commission in return for WAC’s annual dues.

With oversight by the Director of Agriculture, the Washington Apple Commission is authorized in RCW 15.24.070(16) to provide funding and support to organizations providing support and leadership to and the representation of the apple industry.

US Apple provides the following services to the Commission:

- **Public Relations** - US Apple will provide information on agricultural issues related to apples to both the US Congress and to the appropriate administrative agencies such as the United States Department of Agriculture (USDA), Food and Drug Administration (FDA), and the Environmental Protection Agency (EPA).
- **Education** - US Apple will work on health and nutrition issues such as the healthy aspects of eating apples and apple products and develop public relations and educational materials.
- **Crisis Management** - US Apple will develop materials for and handle Crisis Management domestically for the apple industry and provide support to the apple industry export agencies in the event of an export crisis.
- **Weekly Newsletter** - US Apple will provide regular reports of its activities to the Commission. Additionally, US Apple will collect and disseminate information of interest to the Commission, growers, and shippers.
- **Statistics** - US Apple will compile and disseminate statistics on fresh and processor apple holdings on the national apple crop.

WASHINGTON APPLE COMMISSION
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For the Year Ended June 30, 2023

- **Encourage and Promote Consumption of Apples and Apple Products** - US Apple will encourage and promote the consumption of apples and apple products by developing and producing press releases and long lead magazine articles, developing health messages that marketers can use in their programs, and developing other public relations activities. The materials and activities will include the release of health studies on the benefits of eating apples and apple products.

US Apple has adopted bylaws to regulate its operations and establish a formula for charging dues. These dues are calculated on a 5-year average of Washington State's apple production multiplied by a board approved millage dues level of \$.007. For fiscal year 2022-23, based on unanimous approval by the Board, the Commission's annual dues payable to US Apple was \$1,000,000.

US Apple has 24 Board of Directors, five of which are appointed by the Washington Apple Commission.

Northwest Horticultural Council

The Northwest Horticultural Council (NHC) was incorporated in 1947 with the broad purpose of coordinating the activities of its members and to assist in handling problems common to the Northwest tree fruit industry, including but not limited to, export problems, negotiation of trade agreements, securing just

and equitable freight rates for both domestic and ocean transportation, spray residue, and other general industrial problems. Its current work focuses on national and international policy issues affecting growers and shippers in Idaho, Oregon, and Washington.

Northwest Horticultural Council has adopted bylaws to regulate its operations and establish a formula for allocating the anticipated annual expense of its operations between contributing participants. This formula is based on a 3-year average of production for each commodity. However, per NHC's Reserve policy, if their balance in reserves exceeds 50% of the average of the past three (3) years' annual operating budgets, NHC is to return funds proportionately to its membership based on the percentage of the overall budget paid by each organization. For 2022-23 the Commission's annual dues paid to NHC was about \$600,000.

NHC has nine Trustees, two of which are appointed by the Washington Apple Commission.

NOTE 12 - DEFINED BENEFIT OTHER POSTEMPLOYMENT 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 June 30, 2023:

Aggregate OPEB Amounts	
OPEB liabilities	\$ 408,077
OPEB assets	\$ -
OPEB deferred outflows of resources	\$ -
OPEB expense	\$ 8,986

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

Plan Description. Per Revised Code of Washington (RCW) 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. 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 the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums 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 and the participation of the Commission in the PEBB provided health insurance plan. The OPEB liability arises from health insurance cost subsidies, both explicit and implicit, provided by the Commission to qualified retirees.

At June 30, 2023, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms	
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	8
Total	13

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. During the year ended June 30, 2023 actuarially determined OPEB benefits payments were \$15,270.

Assumptions and Other Inputs

The Commission uses the alternative measurement method (AMM) in determining its total OPEB liability. The AMM is accomplished by utilizing the AMM Online Tool provided by the Washington State Office of the State Actuary (OSA). The OSA relied on its 2022 PEBB OPEB Actuarial Valuation Report and OPEB Actuarial Valuation for the State's June 30, 2023 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, 2023 and the measurement date was June 30, 2023. The actuarial cost method was Early Age. The amortization method was 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

WASHINGTON APPLE COMMISSION
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For the Year Ended June 30, 2023

techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified. Inflation rate was 2.35% and the projected salary change was 3.25% 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 65.00% and the percentage with spouse coverage is 45.00%

In projecting the growth of the explicit subsidy, a statutory cap on the explicit subsidy is assumed to grow at the health care trend rates. The Washington State Legislature determines the value of the cap, and no future increases are guaranteed, however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the PubG.H-2010 (General) Table. The Office of the State Actuary applied no offsets 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 3.54 percent at the beginning of the measurement year and 3.65 percent 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 (UMP) Classic Plan, the KP pre-Medicare costs and premiums are a 50/50 blend of KP WA Classic and KP WA Value, the KP post-Medicare costs and premiums are equal to KP WA Medicare. The estimated retirement service for each active cohort is based on the average entry age of 35. Assumption for retirement, disability, termination, and mortality are based on the 2020 PEBB OPEB Actuarial Valuation Report with the assumptions that all employees are retirement eligible at age 55, and all employees retire at age 70. Based on an average expected retirement age of 65, active mortality rates were applied for ages less than 65 and retiree mortality rates for ages greater than 65. 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 OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower and 1.0 percentage point higher than the current rate.

	1% Decrease	Current HCTR	1.0% Increase
Total OPEB Liability	\$ 356,013	\$ 408,077	\$ 472,827

The following presents the total OPEB liability calculated using the current 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% Decrease	Current DR	1.0% Increase
Total OPEB Liability	\$ 467,425	\$ 408,077	\$ 359,528

WASHINGTON APPLE COMMISSION
Notes to the Financial Statements
For the Year Ended June 30, 2023

Changes in the Total OPEB liability

For the year ended June 30, 2023, a schedule of changes in the total OPEB liability are as follows.

Total OPEB Liability at June 30, 2022	\$414,361
Service cost	9,863
Interest	14,750
Changes in experience data and assumptions	(15,627)
Changes in benefit terms	-
Benefit payments	(15,270)
Other charges	-
Change in OPEB Liability	(6,284)
Total OPEB Liability at June 30, 2023	\$408,077

There were no significant changes in benefit terms, assumptions, or other factors that significantly affect 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 OPEB measurement date corresponds with the financial statement reporting date. Accordingly, there are no factors to disclose which may affect the OPEB liability between the two dates. The total OPEB expense recognized for the year ended June 30, 2023 was \$8,986.

NOTE 13 - RESTRICTED NET POSITION

As discussed in Note 5, the Commission participates in cost-sharing, multiple-employer public employee defined benefit, and defined contribution retirement plans. As such, 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 June 30, 2023 was \$266,371.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability as of June 30, 2023

Last 10 Fiscal Years*

PERS 1 UAAL

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion of the net pension liability (asset)	0.004393%	0.004238%	0.004725%	0.004751%	0.004931%	0.004702%	0.004784%	0.004982%
Employer's proportionate share of the net pension liability	\$ 100,280	\$ 118,001	\$ 57,703	\$ 167,736	\$ 189,614	\$ 209,993	\$ 227,005	\$ 267,557
Employer's covered employee payroll	\$ 782,055	\$ 700,143	\$ 711,942	\$ 723,446	\$ 691,798	\$ 624,817	\$ 603,334	\$ 592,314
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	12.82%	16.85%	8.11%	23.19%	27.41%	33.61%	37.63%	45.17%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%

PERS 2/3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion of the net pension liability	0.005657%	0.005543%	0.006109%	0.006220%	0.006362%	0.006065%	0.006154%	0.006392%
Employer's proportionate share of the net pension liability (asset)	\$ (231,863)	\$ (205,578)	\$ (608,555)	\$ 79,550	\$ 61,797	\$ 103,554	\$ 213,822	\$ 321,832
Employer's covered employee payroll	\$ 782,055	\$ 700,143	\$ 711,942	\$ 723,446	\$ 691,798	\$ 624,817	\$ 603,334	\$ 592,314
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-29.65%	-29.36%	-85.48%	11.00%	8.93%	16.57%	35.44%	54.33%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions as of June 30, 2023
Last 10 Fiscal Years*

PERS 1 UAAL

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or contractually required contributions	\$ 29,937	\$ 25,975	\$ 35,196	\$ 34,436	\$ 35,357	\$ 31,428	\$ 28,779	\$ 28,253
Contributions in relation to the statutorily or contractually required contributions	<u>(29,937)</u>	<u>(25,975)</u>	<u>(35,196)</u>	<u>(34,436)</u>	<u>(35,357)</u>	<u>(31,428)</u>	<u>(28,779)</u>	<u>(28,253)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 782,055	\$ 700,143	\$ 711,942	\$ 723,446	\$ 691,798	\$ 624,817	\$ 603,334	\$ 592,314
Contributions as a percentage of covered employee payroll	3.83%	3.71%	4.94%	4.76%	5.11%	5.03%	4.77%	4.77%

PERS 2/3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or contractually required contributions	\$ 49,739	\$ 44,529	\$ 57,873	\$ 57,297	\$ 51,962	\$ 46,799	\$ 37,588	\$ 36,901
Contributions in relation to the statutorily or contractually required contributions	<u>(49,739)</u>	<u>(44,529)</u>	<u>(57,873)</u>	<u>(57,297)</u>	<u>(51,962)</u>	<u>(46,799)</u>	<u>(37,588)</u>	<u>(36,901)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 782,055	\$ 700,143	\$ 711,942	\$ 723,446	\$ 691,798	\$ 624,817	\$ 603,334	\$ 592,314
Contributions as a percentage of covered employee payroll	6.36%	6.36%	8.13%	7.92%	7.51%	7.49%	6.23%	6.23%
Administrative fees	\$ 1,408	\$ 1,260	\$ 1,270	\$ 1,302	\$ 1,245	\$ 1,124	\$ 1,086	\$ 1,066
Covered employer payroll	\$ 782,055	\$ 700,143	\$ 711,942	\$ 723,446	\$ 691,798	\$ 624,817	\$ 603,334	\$ 592,314
Admin. fee as a percentage of covered employee payroll	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%	0.18%
Contributions and administrative fees as a percentage of covered employee payroll	<u>10.37%</u>	<u>10.25%</u>	<u>13.25%</u>	<u>12.86%</u>	<u>12.80%</u>	<u>12.70%</u>	<u>11.18%</u>	<u>11.18%</u>

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in OPEB Liability And Covered Payroll Information is Available for 2018-2023 Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 9,863	\$ 11,995	\$ 19,256	\$ 13,431	\$ 13,462	\$ 13,402
Interest	14,750	8,731	10,430	13,087	15,810	8,601
Changes in experience data and assumptions	(15,627)	6,510	(79,338)	76,408	(53,037)	(14,468)
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(15,270)	(10,132)	(11,509)	(9,897)	(11,697)	-
Other	-	-	-	-	-	-
Net change in total OPEB liability	\$ (6,284)	\$ 17,104	\$ (61,161)	\$ 93,029	\$ (35,462)	\$ 7,535
Change in OPEB estimate	-	-	-	-	166,465	-
Total OPEB liability - beginning	414,361	397,257	458,418	365,389	234,386	226,851
Total OPEB liability - ending	\$ 408,077	\$ 414,361	\$ 397,257	\$ 458,418	\$ 365,389	\$ 234,386
Covered payroll	\$ 782,055	\$ 700,143	\$ 711,942	\$ 723,446	\$ 691,798	\$ 624,817
Total OPEB liability as a percentage of covered payroll	52.18%	59.18%	55.80%	63.37%	52.82%	37.51%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

No significant changes in benefit terms, assumptions, or other factors that affect measurement of the total Pension and/or OPEB liabilities have occurred since the prior measurement date, however, significant fluctuation in investment returns have resulted in volatility in the actuarially determined liabilities. Management expects the volatility to continue while investment markets respond to economic influences.

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

WASHINGTON APPLE COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June, 30, 2023

1	2	3	4	5
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures
				Amount Provided to Subrecipients
				From Pass-Through Awards
				From Direct Awards
				Total
Department of Agriculture, Foreign Agricultural Service	Market Access Program	10.601	MAP-2022-WSAC	\$5,571,805
Department of Agriculture, Foreign Agricultural Service	Agricultural Trade Promotion Program	10.618	ATP-2019-WSAC	\$1,250,368
Department of Agriculture, Foreign Agricultural Service	Technical Assistance for Specialty Crops Program	10.604	TASC-2021-04	\$249,927
Total Federal Awards Expended				\$7,072,100

WASHINGTON APPLE COMMISSION
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Washington Apple Commission's financial statements. The Washington Apple Commission uses the accrual method of accounting.

NOTE 2 – INDIRECT COST RATE

The Washington Apple Commission has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the Washington Apple Commission's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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