Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington Tree Fruit Research Commission

For the period July 1, 2021 through June 30, 2023

Published June 20, 2024

Report No. 1035099

Office of the Washington State Auditor
Pat McCarthy

June 20, 2024

Board of Commissioners
Washington Tree Fruit Research Commission
Wenatchee, Washington

Report on Financial Statements

Please find attached our report on the Washington Tree Fruit Research Commission's financial statements.

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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Washington Tree Fruit Research Commission
July 1, 2021 through June 30, 2023

Board of Commissioners
Washington Tree Fruit Research 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 Tree Fruit Research Commission, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 13, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

June 13, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington Tree Fruit Research Commission
July 1, 2021 through June 30, 2023

Board of Commissioners
Washington Tree Fruit Research Commission
Wenatchee, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Washington Tree Fruit Research Commission, as of and for the years ended June 30, 2023 and 2022, 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 Tree Fruit Research Commission, as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Washington State Tree Fruit Research Commission, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly in the financial position of the state of Washington as of June 30, 2023 and 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 13, 2024

FINANCIAL SECTION

Washington Tree Fruit Research Commission
July 1, 2021 through June 30, 2023

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Management's Discussion and Analysis – 2023 and 2022

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Management's Discussion and Analysis

As management of the Washington Tree Fruit Research Commission (Commission), we offer readers of the Commission's basic financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ending June 30, 2021, through June 30, 2023. The intent of this discussion and analysis is to look at the Commission's performance. Readers should also review the notes to the financial statements and the basic financial statements to enhance their understanding of the Commission's financial performance.

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

Financial Highlights

- *Revenues –*
  FY23 Revenues for the Commission total $4,568,991 consisting of $3,689,435 in assessment revenues; $707,806 in pear research revenue; $77,976 in outside research funding revenue; $11,049 in government and other grants; with lease income, investments, and other income making up the balance.

  Likewise, total revenues for FY22 were $5,228,034 consisting mainly of assessment revenues totaling $4,036,234; pear research revenue totaling $985,867; $153,631 in outside research funding; $10,784 in government and other grants; with lease income, investments, and other income making up the balance. The total revenues for FY21 were $5,379,876 consisting of $4,345,339 in assessment revenues; $916,905 in pear research revenue; $56,171 in outside research funding revenue; $3,689 in government and other grants; with lease income, investments, and other income make up the balance of revenues.

- *Expenditures –*
  Total expenditures for FY23 of $5,596,065 consist mainly of external research operations at $4,345,645; salary and benefits of $683,458; and internal research operations of $248,436, with the Commission's general office and facility operations, depreciation, and Wapato property expenses making up the balance of expenditures for each year.

  Likewise, total expenditures for FY22 of $5,613,009 consist mainly of external research operations at $4,605,393; salary and benefits of $487,260; and internal research operations of $202,869. Total expenditures for FY21 of $3,611,441 consist mainly of external research operations at $2,679,815; salaries and benefits of $477,651; internal research operations of $213,266; with the Commission's general office and facility operations, depreciation, and Wapato property expenses making up the balance of expenditures for each year.

- *Capital Purchases –*
  Capital purchases in FY23, FY22, and FY21 totaled zero, $14,621, and $41,968, respectively. The capital purchases for FY22 and FY21 were for a trailer and vehicles, respectively.

  During the audit period, the Governmental Accounting Standards Board (GASB) announced two new standards, GASB Statement No. 87, Leases and GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs).

  GASB 87 Leases- The reporting of GASB 87 became effective for all fiscal years beginning after June 15, 2021. With the implementation of GASB 87, a right-to-use asset and its accumulated amortization were added to the capital asset schedule.

  GASB 96 Subscription-Based Information Technology Arrangements (SBITAs)- The reporting of GASB 96 became effective for fiscal years beginning after June 15, 2022. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software. GASB 96 requires government entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts with a specified term. The Commission has no SBITAs that meet the criteria of GASB 96 during the audit period.

- *Change in Accounting Principle-*
  In the fiscal year 2022, management implemented GASB Statement No. 87 Leases. The new standard states, "a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. By adopting GASB 87, this allows lease activities beyond a one-year period to be reported as assets and liabilities on the Commission's proprietary fund Statement of Net Position.

  GASB 87 implementation is reflected in FY22 and FY23 basic statements. The implementation required a negative adjustment of $482 to the FY22 beginning proprietary fund net position.

- *Net Position –*
  The assets of the Commission exceeded its liabilities at the close FY23 by $5,934,691 (net position) and by $6,961,765 and $7,347,222 at the close of FY22 and FY21 respectively. The decrease in the Net Position from FY21 to FY22 is due to an increase in external project expenses. In FY21, during the COVID pandemic, WSU staffing and billing were limited. In FY22, the WSU activities resumed allowing for a backlog of external project costs to be billed. The decrease in Net Position from FY22 to FY23 is due to smaller crop sizes, reduced pear research activity, and less outside funding for research projects.

- The Commission continues to operate without the need for operating debt borrowings during the current fiscal year.

Overview of the Financial Statements

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

Fund Financial Statements

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes for the financial statements can be found on pages 14 through 34 of this report.

Future funding resources may be significantly affected due to weather and economic conditions.

Financial Analysis

On June 30, 2023, the Commission's net position of $5,934,691 reflects a decrease over the previous FY22 by $1,027,074. The decrease to the FY23 net position is due to reduced crop size, fewer pear research projects, and less outside funding. The largest portion of the Commission's net position $5,934,691 reflects its cash, investments, receivable, and fixed assets. For FY23, $4,643,296 is unrestricted.

For FY22, and FY21, the net position (decreased)/increased by $(384,976); and $1,728,434, respectively.

The Commission uses its funds to provide research programs on behalf of the tree fruit industry participants. Our analysis in the tables below focuses on the net position and the change in net position of the Commission as a whole.

Table 1

Washington Tree Fruit Research Commission
Comparative Statement of Net Postion

	2023	2022	2021
Current and other assets	$ 5,016,335	$ 6,060,682	$ 6,664,029
Capital assets, (net)	1,177,274	1,198,953	1,215,252
Net Pension Asset	145,199	393,782	-
Deferred outflows of resources	172,289	76,909	87,949
TOTAL ASSETS & DEFERRED OUTFLOWS of RESOURCES	**$ 6,511,097**	**$ 7,730,327**	**$ 7,967,230**
Current and other liabilities	$ 121,509	$ 96,531	$ 72,315
Noncurrent liabilities	256,623	197,303	415,545
Deferred inflows of resources	198,275	474,728	132,147
TOTAL LIABILITIES & DEFERRED INFLOWS of RESOURCES	**$ 576,406**	**$ 768,562**	**$ 620,008**
Net investments in capital assets	$ 1,177,274	$ 1,198,953	$ 1,215,252
Restricted assets related to pension asset	114,121	19,021	-
Unrestricted	4,643,296	5,743,791	6,131,970
TOTAL NET POSITION	**$ 5,934,691**	**$ 6,961,765**	**$ 7,347,222**

Table 2

WASHINGTON TREE FRUIT RESEARCH COMMISSION

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For The Years Ending June 30, 2023, 2022, and 2021

		2023		2022		2021
Operating Revenue:						
Assessment revenue	$	3,689,435	$	4,036,234	$	4,345,339
Pear research revenue		707,806		985,867		916,905
Other Research Revenue		77,976		153,631		56,171
TOTAL OPERATING REVENUE	**$**	**4,475,217**	**$**	**5,175,732**	**$**	**5,318,415**
Operating Expenses:						
External project expenses	$	4,345,645	$	4,605,393	$	2,679,815
Internal Research operation expenses		248,436		202,869		213,266
Salaries & benefits		683,458		487,260		477,651
Administrative services		68,419		66,800		67,979
Professional & legal fees		13,040		26,462		25,039
Collection fees		8,016		5,011		6,970
IT services/software/design		20,457		30,832		26,476
Misc Equipment & Maintenance		2,890		13,184		5,771
Insurance		6,941		6,363		6,523
Misc expenses		1,127		1,213		158
Lease Expense		8,693		8,693		8,693
Telephone & internet		10,163		8,210		6,491
Travel & meetings		81,356		60,200		16,657
Utilities & building maintenance		20,204		14,714		10,131
Vehicle fuel & maintenance		27,932		26,911		15,977
Amortization expense		10,512		9,884		-
Depreciation expense		35,406		34,647		41,149
TOTAL OPERATING EXPENSES	**$**	**5,592,695**	**$**	**5,608,646**	**$**	**3,608,745**
NET OPERATING INCOME OR (LOSS)	**$**	**(1,117,479)**	**$**	**(432,914)**	**$**	**1,709,670**
Nonoperating Revenues (Expenses):						
Gain/loss of sale of fixed assets	$	18,550	$	7,539	$	16,184
Governmental operating grant - revenue		11,049		10,784		3,689
Other income		-		420		94
Interest income		58,337		11,461		34,746
Interest expense		(583)		(287)		-
Orchard lease income		5,839		22,098		6,747
Wapato property expense		(2,788)		(4,076)		(2,695)
TOTAL NONOPERATING REVENUES (EXPENSES)	**$**	**90,404**	**$**	**47,939**	**$**	**58,765**
NET INCOME (LOSS)	**$**	**(1,027,074)**	**$**	**(384,975)**	**$**	**1,768,435**
Net Position, July 1	$	6,961,765	$	7,347,222	$	5,578,788
Change in Accoungting Principle		-		(482)		-
NET POSITION, June 30	**$**	**5,934,691**	**$**	**6,961,765**	**$**	**7,347,222**

CAPITAL ASSETS

The Commission's investment in capital assets as of June 30, 2023, amounts to $1,177,274 (net of accumulated depreciation.) This investment in capital assets includes land, land improvements, buildings, building improvements, furniture and vehicles, and right-to-use assets. During FY23, there we no capital asset transactions. However, capital asset transactions occurring FY22 and FY21 included the purchase of a trailer and new vehicles.

The reporting of GASB No. 87, Leases, became effective for all fiscal years beginning subsequent to June 15, 2021. As such, the implementation of GASB 87 right-to-use asset and its accumulated amortization are added to the table below.

Capital Assets at Year-end			
	2023	2022	2021
Land	464,960	464,960	464,960
Land Improvements	309,986	309,986	309,986
Buildings	486,489	486,489	486,489
Building Improvements	70,582	70,582	70,582
Furniture and equipment	485,830	547,141	566,253
Right-of-Use Asset	36,684	34,631	-
Totals	**1,854,531**	**1,913,789**	**1,898,270**

Refer to financial notes for further information.

LONG-TERM DEBT

The Commission' currently has no long-term debt.

Current and Non-Current Liabilities

CURRENT LIABILITIES

The current liabilities for FY23 total $121,509 consisting of payroll benefits and general operation payables of the Commission. Likewise, total current liabilities for FY22 and FY21 were $96,531 and $72,315, respectively.

NON-CURRENT LIABILITIES

Non-current liabilities for FY23 total $256,623 consisting of OPEB, Pension Liability, and the Special Industry Fund. Likewise, total non-current liabilities for FY22 and FY21 were $197,303 and $415,545, respectively.

The Special Industry Fund Account consists of funds collected to fund industry service programs related to sanitation, planting, production, harvesting, handling, processing, and shipping. The FY23 account balance of $24,620 has remained the same since FY20.

Economic Factors and Next Year's Budgets and Rates

The Commission is primarily dependent upon apple and soft fruit assessments of tonnage for the funding of research programs and business operations: therefore, the Commission is affected by crop production. Early projections of the 2023 crop (FY24) indicate comparable tonnage. The internal budget for FY23 has been approved by the Commission.

WASHINGTON TREE FRUIT RESEARCH COMMISSION
COMPARATIVE STATEMENT OF NET POSITION
Years Ending June 30, 2023 and 2022

		2023		2022
Current Assets:				
Cash-unrestricted	$	1,101,085	$	1,533,310
Investments-unrestricted		3,250,946		3,898,221
Receivables		657,022		615,702
Prepaid expenses and other assets		7,282		13,449
TOTAL CURRENT ASSETS	**$**	**5,016,335**	**$**	**6,060,682**
Noncurrent Assets:				
Capital Assets:				
Land	$	464,960	$	464,961
Buildings		486,489		486,489
Building improvements		70,582		70,582
Land improvements		309,986		309,986
Furniture and equipment		485,830		547,141
Right-to-use asset		36,684		34,631
Accumulated amortization		(19,230)		(30,903)
Accumulated depreciation		(658,028)		(683,933)
TOTAL CAPITAL ASSETS	**$**	**1,177,274**	**$**	**1,198,953**
Net Pension Assets:				
Net pension assets	$	145,199	$	393,782
TOTAL NET PENSION ASSETS	**$**	**145,199**	**$**	**393,782**
TOTAL NONCURRENT ASSETS	**$**	**1,322,473**	**$**	**1,592,735**
TOTAL ASSETS	**$**	**6,338,808**	**$**	**7,653,418**
Deferred Outflows of Resources:				
OPEB related	$	300	$	-
Pension related		171,989		76,909
TOTAL DEFERRED OUTFLOW OF RESOURCES	**$**	**172,289**	**$**	**76,909**
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	**$**	**6,511,097**	**$**	**7,730,327**
Current Liabilities:				
Accounts payable	$	49,434	$	17,541
Lease liability		8,677		3,276
Total OPEB liability		300		1,188
Accrued liabilities		63,098		74,526
TOTAL CURRENT LIABILITIES	**$**	**121,509**	**$**	**96,531**
Noncurrent Liabilities:				
Lease liability	$	9,234	$	666
Total OPEB liability		139,349		134,414
Net Pension liability		83,420		37,603
Special industry fund		24,620		24,620
TOTAL NONCURRENT LIABILITIES	**$**	**256,623**	**$**	**197,303**
TOTAL LIABILITIES	**$**	**378,131**	**$**	**293,834**
Deferred Inflows of Resources:				
Pension related	$	198,275	$	474,728
TOTAL DEFERRED INFLOWS OF RESOURCES	**$**	**198,275**	**$**	**474,728**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$**	**576,406**	**$**	**768,562**
NET POSITION				
Net investment in capital assets	$	1,177,273	$	1,198,953
Restricted assets related to pension asset		114,121		19,021
Unrestricted		4,643,297		5,743,791
TOTAL NET POSITION		**5,934,691**		**6,961,765**

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

WASHINGTON TREE FRUIT RESEARCH COMMISSION
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Years Ending June 30, 2023 and 2022

		2023		2022
Operating Revenue:				
Assessment revenue	$	3,689,435	$	4,036,234
Pear research revenue		707,806		985,867
Other research revenue		77,976		153,631
TOTAL OPERATING REVENUE	**$**	**4,475,217**	**$**	**5,175,732**
Operating Expenses:				
External project expenses	$	4,345,645	$	4,605,393
Internal Research operation expenses		248,436		202,869
Salaries & benefits		683,458		487,260
Administrative services		68,419		66,800
Professional & legal fees		13,040		26,462
Collection fees		8,016		5,011
IT services/software/design		20,457		30,832
Misc equipment purchases		2,890		13,184
Insurance		6,941		6,363
Misc expenses		1,127		1,213
Office Lease		8,693		8,693
Telephone & internet		10,163		8,210
Travel & meetings		81,356		60,200
Utilities & building maintenance		20,204		14,714
Vehicle fuel & maintenance		27,932		26,911
Amortization expense		10,512		9,884
Depreciation expense		35,406		34,647
TOTAL OPERATING EXPENSES	**$**	**5,592,695**	**$**	**5,608,646**
NET OPERATING INCOME OR (LOSS)	**$**	**(1,117,479)**	**$**	**(432,914)**
Nonoperating Revenues (Expenses):				
Gain/loss of sale of fixed assets	$	18,550	$	7,539
Governmental operating grant - revenue		11,049		10,784
Other income		-		420
Interest income		58,337		11,461
Interest expense		(583)		(287)
Orchard lease income		5,839		22,098
Wapato property expense		(2,788)		(4,076)
TOTAL NONOPERATING REVENUES (EXPENSES)	**$**	**90,404**	**$**	**47,939**
NET INCOME (LOSS)	**$**	**(1,027,074)**	**$**	**(384,975)**
Net Position, July 1	$	6,961,765	$	7,347,222
Change in accounting principle		-		(482)
NET POSITION, June 30	**$**	**5,934,691**	**$**	**6,961,765**

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

WASHINGTON TREE FRUIT RESEARCH COMMISSION

Comparative Statements of Cash Flows

Years Ending June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 4,433,896	$ 5,273,220
Cash paid for goods and services	(4,835,528)	(5,105,473)
Cash payments to employees for services	(768,273)	(718,288)
Net cash provided(used) by operating activities	$ (1,169,905)	$ (550,540)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other project grant income	11,049	10,784
Lease income	5,839	22,098
Other income	-	420
Property expenses	(2,788)	(4,076)
Net cash provided(used) by non-capital financing activities	$ 14,100	$ 29,226
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Fixed assets purchases	$ -	$ (14,620)
Proceeds from sale of fixed assets	18,550	7,539
Interest paid on lease payables	(583)	-
Net cash provided(used) for capital and related financing activities	$ 17,968	$ (7,081)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	$ 58,336	$ 11,461
Proceeds from sale and maturities on investments securities	1,147,275	691,563
(Sale)/Purchase of investments	(500,000)	(1,199,998)
Net cash provided (used) for investing activities	$ 705,612	$ (496,974)
Net (decrease) increase in cash and cash equivalents	$ (432,225)	$ (1,025,370)
Cash and cash equivalents at beginning of year	$ 1,533,310	$ 2,558,680
Cash and cash equivalents at end of year	$ 1,101,085	$ 1,533,310
Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:		
Operating income (loss)	$ (1,117,479)	$ (432,914)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	35,406	34,647
Amortization expense	10,512	9,884
Increase (decrease) in OPEB liability	3,747	(90,514)
Increase (decrease) in net pension liability and deferred outflows/inflows	(77,134)	(167,871)
Change in assets and liabilities:		
Receivables, net	(41,320)	97,489
Prepaids	6,168	(11,077)
Accounts and other payables	21,624	(17,541)
Accrued expenses	(11,428)	27,357
Net Cash provided(used) by operating activities	$ (1,169,905)	$ (550,540)

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Washington Tree Fruit Research Commission, (the Commission), a Washington State Agency defined under RCW15.26, was created to promote and carry on research and administer specific industry service programs, including but not limited to sanitation programs, which will or may benefit the planting, production, harvesting, handling, processing or shipment of Washington tree fruit.

The Commission is governed by a board composed of nine voting members, as follows: three members to be appointed by the Washington State Fruit Commission; five members to be appointed by the Washington Apple Commission; and one member representing the winter pear industry to be appointed by the director of the Washington State Department of Agriculture. The director or his duly authorized representative shall be ex officio member with a vote, to represent all assessed commodities. A majority of the voting members constitute a quorum for the transaction of all business and carrying out the duties of the Commission.

An annual assessment is levied upon all commercial tree fruit produced in Washington State or held out as being produced in Washington State for use in fresh or processing. The Commission's comparative financial statements include the financial position and results of operations.

B. Basis of Accounting

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

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

C. Budgets

The Commission is not required to prepare a budget.

D. Assets, Liabilities and Fund Balance

1. Cash and Cash Equivalents

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

2. Temporary Investments - **See Note 2**

3. Receivables

Receivables mainly consist of amounts due from the Washington Apple Commission and the Washington State Fruit Commission for assessments, research partners, and interest on investments.

4. Inventories

N/A

5. Capital Assets and Depreciation - **See Note 3**

6. Deferred outflows/inflows of resources

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

7. Pensions – **See Note 7**

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.

8. Other Postemployment Benefits (OPEB) – **See Note 8**
The Commission recognizes OPEB liability for the actuarially determined future benefits related to health insurance that is made available to certain retirees.

9. Accumulated Unpaid Employee Leave Benefits
The Commission tracks all accumulated unused vacation leave. In proprietary funds, the expenses are realized when paid. Vacation pay, which may be accumulated up to 240 hours (30 days), is payable upon resignation, retirement or death.

Sick leave may accumulate up to 240 hours (30 days) and is not payable upon resignation, retirement, or death.

10. Accrued Liabilities – **See Note 6 and 7**
These accounts consist of accrued wages and employee benefits, as well as accrued expenses to be paid out at a future date.

11. Lease Liability – **See Note 4**
The Commission recognizes a lease liability for leased equipment.

12. Change in Accounting Method – **See note 5**
Pursuant to GASB 87 Leases, the Commission changed the method in which it accounts for certain leases.

13. Long Term Debt
The Commission currently has no long-term debt.

14. Pension Liability – **See Note 7**

15. OPEB Liability – **See Note 8**

16. Special Industry Fund – **See Note 9**

E. Revenues and Expenses

Under the full accrual basis of accounting:

Revenues are recognized when earned, if measurable, and expenses are recognized when incurred, if measurable.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

The Commission's deposits and *certificates of deposit* are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protections Commission (PDPC).

The Commission is a voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized costs, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participants withdrawal. The Commission deposited funds into the LGIP and in FY23 and FY22 reported a balance of $576,530 and $1,039,924, respectively.

The bank balance for FY23 was $1,355,717, while the book balance was $896,110; with a difference of $459,607 due to outstanding checks. Respectively, the bank balances for FY22 and FY21 were $1,394,260 and $2,199,611 with book balances of $1,033,651 and $2,061,478. The differences between bank and book balances are due to outstanding checks of $360,609 and $138,132, respectively.

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

Investment Type	2023		2022	
	Carrying Value	Market Value	Carrying Value	Market Value
Cert. of Deposit	$2,674,416	$2,674,416	$2,858,297	$2,858,297
State Investment Pool	$576,530	$576,530	$1,039,924	$1,039,924
Total	**$3,250,946**	**$3,250,946**	**$3,898,221**	**$3,898,221**

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

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

As of June 30, 2023, the Commission had no investments that meet GASB criteria for measurement at fair value. All investments are stated at cost plus interest, which approximates market value.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

a. General Policies

All capital assets in excess of $5,000 are capitalized and depreciated. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred.

b. Proprietary Fund Capital Assets

The Commission's investment in capital assets as of June 30, 2023, amounts to $1,177,274 (net of accumulated amortization and depreciation). This is a decrease of $21,679 from capital assets consisting of $1,198,953 (net of accumulated amortization and depreciation) on June 30, 2022.

Capital assets of proprietary funds are capitalized in their respective balance sheets and are recognized at historical cost as follows:

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

	Years		Years
Computers	4	Improvements	35
Vehicles	5	Buildings	50
Equipment	5		

During the year ended June 30, 2022, the Commission implemented GASB No. 87, Leases, thereby Right-to-Use assets have been capitalized along with associated accumulated amortization. As such, the following chart includes the Right-to-Use asset and associated Accumulated Amortization for the fiscal years ended June 30, 2023, and 2022.

CAPITAL ASSETS, AMORTIZATION, AND DEPRECIATION:

Business Type Activities	Balance 6/30/2021	Increases	Decreases	Balance 6/30/2022	Increases	Decreases	Balance 6/30/2023
Capital Assets, not being depreciated:							
Land	**464,960**	-	-	**464,960**	-	-	**464,960**
Land Improvements	**309,986**	-	-	**309,986**	-	-	**309,986**
Total Capital Assets, not being depreciated:	**774,946**	**-**	**-**	**774,946**	**-**	**-**	**774,946**
Capital Assets, being depreciated:							
Building	**486,489**	-	-	**486,489**	-	-	**486,489**
Building Improvements	**70,582**	-	-	**70,582**	-	-	**70,582**
Furniture and Equipment	**566,252**	14,621	33,733	**547,140**	-	61,311	**485,829**
Right-to-Use Asset	**-**	34,631		**34,631**	24,238	22,184	**36,685**
Total Capital Assets, being depreciated:	**1,123,324**	**49,252**	**33,733**	**1,138,843**	**24,238**	**83,495**	**1,079,586**
Less accumulated depreciation for:							
Building	**164,339**	13,283	-	**177,622**	13,283	-	**190,905**
Building Improvements	**20,183**	2,017	-	**22,200**	2,017	-	**24,216**
Furniture and Equipment	**498,496**	19,348	33,733	**484,111**	20,106	61,311	**442,907**
Right-to-Use	**-**	30,903		**30,903**	10,512	22,184	**19,231**
Total accumulated depreciation	**683,018**	**65,551**	**33,733**	**714,836**	**45,918**	**83,495**	**677,259**
Total capital assets, being depreciated, net	**440,306**	**(16,299)**	**-**	**424,007**	**(21,680)**	**0**	**402,327**
Business Type Activities capital assets, net	**1,215,252**	**(16,299)**	**-**	**1,198,953**	**(21,680)**	**0**	**1,177,273**

NOTE 4 – LEASE LIABILITY

After adoption of GASB 87 (see NOTE 5- Change in Accounting Method), the Commission accounted for several leases using lease accounting. All leases assumed a borrowing rate of 3.0%.

On June 30, 2022, three leases, Xerox, Pitney Bowes, and Stemilt Growers 2019-2023, gave rise to a year-end lease liability of $3,942. For the year ended June 30, 2022, the Commission recorded $9,994 of amortization expense and $287 of interest expense related to leases.

On June 30, 2023, three leases, Xerox, Pitney Bowes, and Stemilt Growers 2023-2027, resulted in year-end lease liability of $17,911. For the year ended June 30, 2022, the Commission recorded $10,512 of amortization expense and $583 of interest expense related to the leases. During the year ended June 30, 2023, the Stemilt Growers 2017- 2023 lease expired and was replaced by the Stemilt Growers 2023-2027 lease. Upon the expiration of the Stemilt Growers

2017-2023 lease, the Commission disposed of the fully amortized lease asset which was originally recorded at $22,184.

The following table shows the lease liability, right-of-asset and associated accumulated amortization on June 30, 2022 and June 30, 2023, as well as net activity during the years.

Pitney Bowes	Balance 6/30/21	Increase due to Adoption of GASB 87	Increase/ (Decrease)	Balance 6/30/22	Increase/ (Decrease)	Balance 6/30/23
Lease Liability	$ -	$ 1,266	$ (552)	$ 714	$ (569)	$ 145
Right of Use Asset	$ -	$ 2,709	$ -	$ 2,709	$ -	$ 2,709
Accum Amort	$ -	$ 1,490	$ 542	$ 2,032	$ 542	$ 2,573
Xerox	**Balance 6/30/21**	**Increase due to Adoption of GASB 87**	**Increase/ (Decrease)**	**Balance 6/30/22**	**Increase/ (Decrease)**	**Balance 6/30/23**
Lease Liability	$ -	$ 4,552	$ (1,985)	$ 2,566	$ (2,045)	$ 521
Right of Use Asset	$ -	$ 9,738	$ -	$ 9,738	$ -	$ 9,738
Accum Amort	$ -	$ 5,356	$ 1,948	$ 7,303	$ 1,948	$ 9,251
Stemilt - 2019-2023	**Balance 6/30/21**	**Increase due to Adoption of GASB 87**	**Increase/ (Decrease)**	**Balance 6/30/22**	**Increase/ (Decrease)**	**Balance 6/30/23**
Lease Liability	$ -	$ 8,451	$ (7,789)	$ 661	$ (661)	$ (0)
Right of Use Asset	$ -	$ 22,184	$ -	$ 22,184	$ (22,184)	$ -
Accum Amort	$ -	$ 14,173	$ 7,395	$ 21,568	$ (21,568)	$ 0
Stemilt - 2023-2025	**Balance 6/30/21**	**Increase due to Adoption of GASB 87**	**Increase/ (Decrease)**	**Balance 6/30/22**	**Increase/ (Decrease)**	**Balance 6/30/23**
Lease Liability	$ -	$ -	$ -	$ -	$ 17,245	$ 17,245
Right of Use Asset	$ -	$ -	$ -	$ -	$ 24,238	$ 24,238
Accum Amort	$ -	$ -	$ -	$ -	$ 7,406	$ 7,406
Total all leases	**Balance 6/30/21**	**Increase due to Adoption of GASB 87**	**Increase/ (Decrease)**	**Balance 6/30/22**	**Increase/ (Decrease)**	**Balance 6/30/23**
Lease Liability	$ -	$ 14,268	$ (10,327)	$ 3,942	$ 13,969	$ 17,911
Right of Use Asset	$ -	$ 34,631	$ -	$ 34,631	$ 2,054	$ 36,684
Accum Amort	$ -	$ 21,019	$ 9,884	$ 30,903	$ (11,672)	$ 19,230

As of June 30, 2023, the principal and interest requirements to maturity are as follows:

Year ended	Principal	Interest	Total
2024	$ 8,677	$ 411	$ 9,089
2025	$ 8,511	$ 161	$ 8,672
2026	$ 723	$ 2	$ 724
Thereafter	$ -	$ -	$ -
Total	**$ 17,911**	**$ 574**	**$ 18,485**

NOTE 5 – CHANGE IN ACCOUNTING METHOD

Effective with the beginning of the year ended June 30, 2022, and pursuant to GASB 87 Leases, the Commission changed the method in which it accounts for certain leases. Prior to the method change payments that were required under the terms of a lease were expensed when incurred. With the accounting method change, all leases that are not short term and that don't transfer ownership of the asset being leased, are recognized as a liability over the term of the lease. The liability is determined using an interest rate that is explicitly stated in the lease contract or that is assumed based on the borrowing rate of the Commission.

Concurrently, the right conferred under the lease contract to use the underlying asset is recognized as a lease asset which is amortized on a straight-line basis over the term of the lease. As lease payments are made the lease liability is reduced and interest is expensed.

The new method of accounting for leases better reflects the economic effects of lease activities including the ongoing requirement to make payments and the inherent right to use the underlying asset.

At the time of adoption of the new lease accounting method, the Commission had three leases that met the criteria to be accounted for using the new method. The adoption of the accounting method change was implemented retrospectively. Accordingly, at the beginning of the year ended June 30, 2022, the combined lease liability related to the three leases was determined to be $14,268, the combined right-to-use (lease) asset was $34,631 and accumulated amortization of $21,019. Beginning Net Position for the year ended June 30, 2022, was reduced by $482.

NOTE 6 - DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the Washington State Retirement System, Deferred Compensation. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 7 - 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 2023 and 2022:

Aggregate Pension Amounts – All Plans		
	2023	2022
Pension liabilities	$ 83,420	$ 37,603
Pension assets	$ 145,199	$ 393,782
Deferred outflows of resources	$ 171,989	$ 76,909
Deferred inflows of resources	$ 198,273	$ 474,728
Pension (benefit) expense	$ (27,504)	$ (117,316)

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS)
PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the

Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for FY23 and FY22 were as follows:

PERS Plan 1			
Actual Contribution Rates	**Employer**		**Employee**
	FY23	**FY22**	**FY23 & FY22**
PERS Plan 1	10.21%	10.07%	6.00%
Administrative Fee	0.18%	0.18%	
Total	**10.39%**	**10.25%**	**6.00%**

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

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions
The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for FY23 and FY22 were as follows:

PERS Plan 2/3				
Actual Contribution Rates	**Employer PERS 2/3**		**Employee PERS 2**	**Employee PERS 3**
	FY23	**FY22**	**FY23 & FY22**	**FY23 & FY22**
PERS Plan 2/3	10.21%	10.07%	6.36%	Varies
Administrative Fee	0.18%	0.18%		
Total	**10.39%**	**10.25%**	**6.36%**	

The Commission's actual PERS plan contributions were $18,619 to PERS Plan 1 and $31,010 to PERS Plan 2/3 for the year ending June 30, 2023, and $18,667 to PERS Plan 1 and $31,887 to PERS Plan 2/3 for the year ending June 30, 2022.

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

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rate as the base table. OSA applied age offsets to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP2017 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.

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

Changes in assumptions:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in their model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions. The investment return assumption was reduced from 7.50 to 7.00 percent, the salary growth assumption was lowered from 3.50 to 3.25 percent. This action was a result of recommendations from the OSA biennial economic experience study.

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Consistent with the long-term expected rate of return, a 7.0 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return
The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various future times.

Estimated Rates of Return by Asset Class
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, 2023, and June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return
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 Net Pension Liability/(Asset)
The table below presents the *Commission*'s proportionate share of the 2023 and 2022 net pension liability calculated using the discount rate of 7.0% and 7.4% for 2023 and 2022, respectively, as well as what the *Commission*'s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and/or 1-percentage point higher than the current rate.

FY23	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 111,447	$ 83,420	$ 58,958
PERS 2/3	$ 170,991	$ (145,199)	$ (404,968)

FY22	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 64,057	$ 37,602	$ 14,530
PERS 2/3	$ (112,181)	$ (393,782)	$ (625,681)

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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.
The *Commission* reported a total pension asset and liability of $145,199 and $83,420, respectively, on June 30, 2023, and total pension asset and liability of $393,782 and $37,602, respectively, on June 30, 2022, for its proportionate share of the net pension liabilities as follows:

	2023	2022
PERS 1 (Asset)/Liability	$ 83,420	$ 37,602
PERS 2/3 (Asset)/Liability	$ (145,199)	$ (393,782)
Total Pension Liability	**$ 83,420**	**$ 37,602**
Total Pension (Asset)	**$ (145,199)**	**$ (393,782)**

At June 30, 2023 and June 30, 2022, the *Commission*'s proportionate share, and the change in that share from the previous year, of the collective net pension liability was as follows:

	Proportionate Share 6/30/23	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.002996%	0.003079%	-0.000083%
PERS 2/3	0.003915%	0.003953%	-0.000038%

	Proportionate Share 6/30/22	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.003079%	0.003183%	-0.000104%
PERS 2/3	0.003953%	0.004139%	-0.000186%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations*.

The collective net pension liability was measured as of June 30, 2023, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ending June 30, the *Commission* recognized pension expense(benefit) as follows:

Pension Expense (Benefit)		
	2023	2022
PERS 1	$ 36,585	$ (10,908)
PERS 2/3	$ (64,089)	$ (106,408)
Total	**$ (27,504)**	**$ (117,316)**

Deferred Outflows of Resources and Deferred Inflows of Resources

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

FY23	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	$ -	$ 35,977	$ -	$ 3,287
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ -	$ 13,825	$ 107,347
Changes of assumptions	$ -	$ 80,928	$ -	$ 21,190
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ 5,455	$ -	$ 52,625
Contributions subsequent to the measurement date	$ 18,619	$ 31,010	$ -	$ -
TOTAL	**$ 18,619**	**$ 153,370**	**$ 13,825**	**$ 184,449**

Deferred outflows of resources related to pensions resulting from the *Commission*'s contributions subsequent to the measurement date and recorded on June 30, 2023, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported on June 30, 2023, 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	$ (5,850)	$ (49,855)
2025	$ (5,314)	$ (43,803)
2026	$ (6,666)	$ (43,007)
2027	$ 4,005	$ 41,992
2028	$ -	$ 15,520
Thereafter	$ -	$ 17,064
TOTAL	**$ (13,825)**	**$ (62,089)**

On June 30, 2022, the *Commission* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FY22	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	$ -	$ 19,126	$ -	$ 4,827
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ -	$ 41,725	$ 329,110
Changes of assumptions	$ -	$ 575	$ -	$ 27,965
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ 6,652	$ -	$ 71,099
Contributions subsequent to the measurement date	$ 18,667	$ 31,887	$ -	$ -
TOTAL	**$ 18,667**	**$ 58,240**	**$ 41,725**	**$ 433,001**

Deferred outflows of resources related to pensions resulting from the *Commission*'s contributions subsequent to the measurement date and reported on June 30, 2022, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported on June 30, 2022, 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
2023	$ (11,053)	$ (106,865)
2024	$ (10,128)	$ (100,949)
2025	$ (9,577)	$ (94,862)
2026	$ (10,967)	$ (94,126)
2027	$ -	$ (8,304)
Thereafter	$ -	$ (1,542)
TOTAL	**$ (41,725)**	**$ (406,648)**

NOTE 8– 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 years ended June 30, 2023, and June 30, 2022:

Aggregate OPEB Amounts	2023	2022
OPEB liabilities	$ 139,602	$ 135,602
OPEB deferred outflows of resources	$ 300	$ -
OPEB (benefit)expense	$ 4,246	$ (89,163)

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 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 regards 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 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.

On June 30, 2023, and 2022, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms	2023	2022
Inactive employees or beneficiaries currently receiving benefits	0	0
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	9	9
Total	**9**	**9**

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, and June 30, 2022, actuarially determined OPEB benefits were $199 and $1,351, respectively.

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, 2022, Fiscal Year-End report for the purpose of developing the AMM Online Tool.

The total OPEB liability was determined using the following methodologies: actuarial valuation date was June 30, 2022, and the measurement date was June 30, 2022. The actuarial cost method was Early Age. The amortization method 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 techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified. Inflation rate was 2.75% and the projected salary change was 3.5% plus service-based salary increases. Health care trend rates assumptions vary slightly by medical plan. The initial rate 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.

For the year ended June 30, 2023, the discount rate used to measure the total OPEB liability was 2.16 percent at the beginning of the measurement year and 3.54 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 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, or 1.0 percentage point higher than the current rate.

	1.0 % Decrease	Current HCTR	1.0% Increase
2023 OPEB Liability	$ 110,325	$ 139,649	$ 179,255
2022 OPEB Liability	$ 107,147	$ 135,602	$ 174,160

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.

	1.0% Decrease	Current DR	1.0% Increase
2023 OPEB Liability	$ 171,517	$ 139,649	$ 114,804
2022 OPEB Liability	$ 166,670	$ 135,602	$ 111,441

Changes in the Total OPEB liability

For the years ended June 30, 2023, and June 30, 2022, changes in the total OPEB liability are as follows:

	2023	2022
Total OPEB Liability at July 1	$ 135,602	$ 226,116
Service Cost	17,120	29,171
Interest	3,297	5,500
Changes in benefit terms	-	(123,834)
Changes in experience data and assumptions	(16,171)	-
Benefit payments	(199)	(1,351)
Other Charges	-	-
Total OPEB Liability at June 30	$ 139,649	$ 135,602

There were no significant changes of assumptions or other inputs that affect measurement of the total OPEB liability since the prior measurement date. There were no significant changes to benefit terms that affected measurement of the total OPEB liability since the prior measurement date. There were no benefit payments in the measurement period attributable to the purchase of allocated insurance contracts. The Commission's reporting date is June 30, 2023. The OPEB valuation date and measurement dates are June 30, 2022. As of June 30, 2023, the Commission had actuarially determined payments subsequent to the measurement date of $300. Such subsequent payments are recorded as deferred outflows of resources. Accordingly, the Commission has recognized deferred outflows of resources related to OPEB of $300. The deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024.

NOTE 9– SPECIAL INDUSTRY FUND ACCOUNT

The Special Industry Fund Account consists of funds collected to fund industry service programs related to sanitation, planting, production, harvesting, handling, processing, and shipping. The assessment shall be set annually by the Commission, upon approval of two-thirds of the voting members of the Commission, to create and maintain this fund at or near one hundred thousand dollars. The referendum was approved by 83% of those voting. No assessment was levied on the 2022 and 2021 crops.

NOTE 10 - CONTINGENCIES AND LITIGATION

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

NOTE 11 – ORCHARD LEASE

The Commission operates a lease consisting of orchard properties and referred to as the Wapato Property. The Lessee, Wilcox Orchards LLC, is entitled to operate the leased premises subject to terms stated in the contract. The rental for the leased premises shall be ten percent (10%) of the total crop proceeds realized from the crops grown on the property and the term of the lease will expire 25 years from date of signing (April 12, 2044).

NOTE 12 – RISKS

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

The Commission maintains applicable insurance coverages through a self-procured insured policy obtained through Conover Insurance Services, LLC, the Washington State Liability Self Insurance Liability Program, and the State of Washington Alliant Mobile Vehicle Program.

The self-procured policy through HUB International Northwest LLC provides commercial property and general liability coverage up to $2 million aggregate for general liability with a $1 million per occurrence general liability. The Conover policy also includes a $3 million umbrella that extends over the general liability and equipment liability.

The Washington State Self-Insurance Liability program provides coverage up to $10 million for general and auto liability and related defense costs.

The State of Washington Alliant Mobile Vehicle Program provides an all-risk equipment floater including earthquake and flood.

The Commission did not have any settlements that exceeded its coverage during each of the past years ending 2023and 2022.

NOTE 13 – RELATED PARTIES

The Washington State Apple Commission (WAC), a separate entity established by the Washington State legislature as defined under RCW 15.24, exists primarily for the benefit of the people of the state of Washington and its economy. The WAC is charged with oversight by the director, to speak on behalf of the Washington state government with regards to apples and apple-related issues. The WAC appoints five of the nine members of the Commission.

The Washington State Fruit Commission (WSFC), a separate entity defined under RCW 15.28, was created in order to develop, and promote Washington's soft tree fruits as part of an existing comprehensive regulatory scheme. The WSFC appoints three of the nine members of the Commission.

Per RCW 15.26.250, both the WAC and WSFC are mandated to collect assessments due to Commission at the same time as collections are made to the WAC and WSFC. These funds are then passed on to the Commission expeditiously. The total regular assessments billed by both the WAC and WSFC were $3,689,435 and $4,036,234 in FY23 and FY22 respectively. The total fees paid to WAC for collections of apple assessments were $8,016 and $5,010 in FY23 and FY22 respectively.

NOTE 14 – RESTRICTED ASSETS

As stated in Note 7- Pension Plans, in the Notes to the Financial Statements, the Commission has recognized certain assets associated with pension plans. Those assets 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 years ended June 30, 2023, and June 30, 2022, are $114,121 and $19,021, as shown below.

Restricted Net Position Related to PERS 2/3 Pension		
	2023	**2022**
Pension Asset	$ 145,199	$ 393,782
Plus Deferred Outflows	$ 153,370	$ 58,240
Less Deferred Inflows	$ (184,448)	$ (433,001)
Total Restricted Net Position	$ 114,121	$ 19,021

REQUIRED SUPPLEMENTARY INFORMATION

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

PERS 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.002996%	0.003079%	0.003183%	0.004628%	0.004382%	0.005404%	0.005889%	0.006110%	0.005969%
Employer's proportionate share of the net pension liability	$ 83,420	$ 37,602	$ 112,377	$ 177,963	$ 195,702	$ 256,424	$ 316,267	$ 319,610	$ 300,692
Covered payroll- July 1 to June 30	$ 494,761	$ 469,704	$ 465,298	$ 649,647	$ 583,512	$ 710,508	$ 703,567	$ 696,631	$ 634,291
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	16.86%	8.01%	24.15%	27.39%	33.54%	36.09%	44.95%	45.88%	47.41%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

PERS 2/3

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.003915%	0.003953%	0.004139%	0.005976%	0.005628%	0.006951%	0.007548%	0.007893%	0.007685%
Employer's proportionate share of the net pension (asset)/liability	(145,199)	$ (393,782)	$ 52,935	$ 58,047	$ 96,093	$ 241,514	$ 380,036	$ 282,021	$ 155,342
Covered payroll- July 1 to June 30	$ 494,761	$ 469,704	$ 465,298	$ 649,647	$ 583,512	$ 710,508	$ 703,567	$ 696,631	$ 634,291
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-29.35%	-83.84%	11.38%	8.94%	16.47%	33.99%	54.02%	40.48%	24.49%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions as of June 30

PERS 1

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$ 18,619	$ 18,667	$ 22,767	$ 22,241	$ 33,183	$ 29,293	$ 33,891	$ 33,179	$ 26,924
Contributions in relation to the statutorily or contractually required contributions	(18,619)	(18,667)	(22,767)	(22,241)	(33,183)	(29,293)	(33,891)	(33,179)	(26,924)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 487,576	$ 494,761	$ 469,704	$ 465,298	$ 649,647	$ 583,512	$ 710,508	$ 703,567	$ 696,631
Contributions as a percentage of covered employee payroll	3.82%	3.77%	4.85%	4.78%	5.11%	5.02%	4.77%	4.72%	3.86%

PERS 2/3

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$ 31,010	$ 31,887	$ 37,201	$ 36,751	$ 48,810	$ 43,426	$ 44,264	$ 43,238	$ 35,952
Contributions in relation to the statutorily or contractually required contributions	(31,010)	(31,887)	(37,201)	(36,751)	(48,810)	(43,426)	(44,264)	(43,238)	(35,952)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 487,576	$ 494,761	$ 469,704	$ 465,298	$ 649,647	$ 583,512	$ 710,508	$ 703,567	$ 696,631
Contributions as a percentage of covered employee payroll	6.36%	6.44%	7.92%	7.90%	7.51%	7.44%	6.23%	6.15%	5.16%

Notes to Required Supplementary Information (RSI) Related to Pensions

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in OPEB Liablity And Related Ratios
for Year Ended June 30

	2023	2022	2021	2020	2019	2018
Service cost	$ 17,120	$ 29,171	$ 25,992	$ 19,708	$ 22,749	$ 25,087
Interest	3,297	5,500	7,161	10,555	12,112	10,750
Changes in benefit terms	-	-	-	-	-	-
Changes in experience data and assumptions	(16,171)	(123,834)	(104,755)	(11,605)	(38,682)	(16,785)
Benefit payments	(199)	(1,351)	(612)	(4,322)	(4,748)	(3,350)
Net change in total OPEB liability	4,047	(90,514)	(72,214)	14,336	(8,569)	15,702
Total OPEB liability - beginning	135,602	226,116	298,330	283,994	292,563	276,861
Total OPEB liability - ending	$ 139,649	$ 135,602	$ 226,116	$ 298,330	$ 283,994	$ 292,563
Covered employee payroll	$ 487,576	$ 494,761	$ 469,704	$ 465,298	$ 649,647	$ 583,512
Total OPEB liability as a percentage of covered payroll	28.64%	27.41%	48.14%	64.12%	43.72%	50.14%

Notes to Required Supplementary Information (RSI) Related to OPEB

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

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

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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