

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Washington Apple Commission

Audit Period
July 1, 2012 through June 30, 2013

Report No. 1011432

Issue Date
March 17, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

March 17, 2014

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 condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

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Washington Apple Commission July 1, 2012 through June 30, 2013

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Federal Summary

Washington Apple Commission July 1, 2012 through June 30, 2013

The results of our audit of the Washington Apple Commission are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

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 under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.601	USDA Foreign Agricultural Service Market Access Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Commission qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Washington Apple Commission
July 1, 2012 through June 30, 2013**

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, Chelan County, Washington, as of and for the year ended June 30, 2013, 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 3, 2014. As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the Commission elected to change its fiscal year end from August 31 to June 30.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

March 3, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Washington Apple Commission
July 1, 2012 through June 30, 2013**

Board of Commissioners
Washington Apple Commission
Wenatchee, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Washington Apple Commission, Chelan County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Commission's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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 "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

March 3, 2014

Independent Auditor's Report on Financial Statements

Washington Apple Commission July 1, 2012 through June 30, 2013

Board of Commissioners
Washington Apple Commission
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington Apple Commission, Chelan County, Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Apple Commission, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis Regarding Change in Fiscal Year End

As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the Commission elected to change its fiscal year end from August 31 to June 30. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

March 3, 2014

Financial Section

**Washington Apple Commission
July 1, 2012 through June 30, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Revenues, Expenses and Changes in Net Position – 2013

Statement of Cash Flows – 2013

Notes to the Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

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, 2013 and 2012. As of July 1, 2013, the Board approved to change the Commission's fiscal year from September 1 – August 31 to July 1 – June 30. For comparative purposes, the financial numbers in this analysis for 2012 were updated to reflect the new fiscal period. Please read the MD&A in conjunction with the Commission's financial statements.

USING THE FINANCIAL REPORTS

The financial reports consist of the following: A Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows and Notes to the financial statements. 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 two bank accounts. The main account is used for all general checking; assessment deposits, vendor checks; MAP reimbursements; payroll tax deposits and employee direct deposits. The second account is 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 Bank of America, Banner Bank, Cashmere Valley Bank, Central Valley Bank, Key Bank, Peoples Bank, US Bank, Washington Trust Bank, and Yakima Federal Savings & Loan. All are public depositaries administered by the State of Washington Public Deposit Protection Commission.
- As of June 30, 2013 there is a balance in Assessment Receivable consisting of amounts owing to WAC for assessments due on fresh apple shipments. 99.99% of the Assessment receivable is for current invoices due within 30 days. .01% of the outstanding receivable balance consists of one shipper, with one invoice over 35 days old. Our average collection time on assessment billings is 35-40 days.
- The Export MAP 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 Grant Reimbursement Receivable is the balance of expenses accrued by WAC still pending reimbursement from FAS and WSDA as of June 30, 2013. This balance consists of six MAP claims and one WSDA claim.
- All point of sale materials and gratuity items were inventoried at year end and are valued at their net realizable cost.

Board Designated Investments:

- In December 2004, the Board of Commissioners passed a motion to designate \$150,000 of current investment funds to create a General Reserve Fund. The goal was to set aside a percentage of the Commission’s working capital equal to 10% of assessment revenues or approximately \$350,000, to fully fund this reserve. This goal was met in July 2008. From 2008 to 2013, as the crop size has increased creating higher assessment revenues, the Board has been able to set aside an additional \$650,000 in working capital to increase the General Reserve Fund to \$1,000,000. Other than this Board Designation, there are no other restrictions or limitations which will affect the availability of resources for future use.

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)

Current Liabilities:

	<u>2013</u>	<u>2012</u>
Accounts Payable:		
Vendor Payable	\$795,976	\$686,915
Accrued vacation adjusted for current employees on payroll	<u>\$ 56,413</u>	<u>\$ 48,755</u>
Total Liabilities:	<u>\$852,388</u>	<u>\$735,670</u>

CONDENSED FINANCIAL DATA – STATEMENT OF NET POSITION

	<u>2013</u>	<u>2012</u>
Current Assets	\$4,391,130	\$3,516,602
Board Designated Investments	1,000,000	500,000
Capital Assets Net of Depreciation	<u>1,330,757</u>	<u>1,376,455</u>
Total Assets	<u>\$6,721,887</u>	<u>\$5,393,057</u>
Total Liabilities	\$852,388	\$735,670
Net Investment in Capital Assets	1,330,757	1,376,455
Unrestricted	<u>4,538,742</u>	<u>3,280,932</u>
Total Net Position	5,869,499	4,657,387
Total Liabilities and Net Position	<u>\$6,721,887</u>	<u>\$5,393,057</u>

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Operating Revenue:

- The Commission assesses the net weight of Washington apple shipments at the rate of 3.5 cents per 40 lb. box. Shippers are billed every two weeks and assessment revenues are being paid 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 2013 crop was significantly greater than that of 2012 resulting in an increase in cash received from growers this fiscal year.
- In 2012-13, the Commission spent 47% of its Operating revenues on the Export program, 40% in support of other industry organizations and 13% on Administrative costs, compared to 47%, 41% and 12% respectively in 2011-12.

Operating Expenses:

- The Commission continues to streamline operations, reduce costs and be extremely efficient with the limited resources we have to operate with.
- Salaries & Benefit expense decreased over 9% from last year, of which salaries decreased 6% while benefits decreased 3%. The salary and benefit variance between the two years reflects the retirement of one full time employee (FTE) in June 2012 who was not replaced. The Commission's portion of PEBB insurance per FTE also decreased \$50 per employee per month beginning July 1, 2012. WAC staff currently consists of 7 full-time and 5 part-time employees.
- The Commission remains full dues paying members of US Apple Association and Northwest Horticulture Council, and also 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.
- Export Staff travel expense was significantly reduced this year as we were able to move some of the staff's eligible market travel to MAP expenses, freeing up these grower dollars to use as match funding for the MAP promotional programs.
- Facility costs to maintain the building, equipment and grounds continue to increase from year to year. However we were able to keep our budget consistent with that of last year as the expenses were offset substantially by income generated from leasing out our excess office space and conference room rentals. Over the last 5 years, we have replaced the 24 year old HVAC systems, remodeled the offices, painted the building both inside and out as well as replaced the carpet and old florescent lighting. We do not anticipate any other large projects in the foreseeable future that would increase current facility costs.
- Computer expenses nearly doubled this year as we finished the revamp of our Billing program as well as our waapple.org members-only website. We now also have a sufficient backup system in place and continuous maintenance of our current computer systems.
- The legal fees to protect our Washington Apple logo increased this year as we had several trademark violations by companies in the US as well as in foreign markets, illegally using our logo to represent their organizations.
- Export promotions were increased in 2012-13 to help move the large WA apple crop that was the result of fruit now being harvested from higher density orchards that produce more fruit per acre, as well as the extreme shortage of apples grown in the Eastern United States due to crop failures from unexpected weather conditions. There was a greater immediate industry need to move more

shipments overseas to compensate for the oversupply. The Commission will maintain this focus on increasing International promotional support as the apple crops continue to increase in volume.

- The Washington Apple Commission Operating Revenues in 2013 exceed Operating Expenses by \$1,114,928 compared to \$431,846 in 2012. The increase was almost entirely due to the increase in Assessment Revenues in 2013 versus that of 2012 due to the larger apple crop.

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. This year we also classified the federal grant revenues and their related expenses as Non-Operating where in years past had been recorded as Operating activities.
 - In 2013 as well as 2012, over 77% of all Export expenses were paid for with funds from the USDA grant programs. The total federal funds allocated to the Washington Apple Commission to use from July 1, 2012 through June 30, 2013 were over \$5.3 million.
 - The Commission spent \$5,214,156 of MAP/GBI grant funds and submitted and received reimbursed for 28 MAP reimbursements claims.
 - From a total of \$120,754 in WSDA specialty crop grant funds, \$9,494 were used to conduct care & handling seminars in Thailand, \$68,610 to create a training DVD and online website for retailers to conduct individualized care & handling seminars and \$42,650 to design an apple iPhone app for consumers.
 - All available WAC office space not utilized by staff is leased out to tenants and the conference rooms are frequently rented by industry and other organizations throughout the year.
 - POS sales continue to increase due to the on-line ordering system available on our website.
 - 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 continue to be low due to the economic downturn reflected by lower interest rates available to invest excess working capital.

Analysis:

The Washington Apple Commission sets the annual budget for the season based on the crop estimates and past shipment reports generated by the Wenatchee Valley Traffic Association. In years past, 100 million boxes was the norm for total annual shipments with approximately 70 million boxes shipped domestically and 30 million boxes to international markets. The US demand for Washington Apples has become fairly stagnant over the years while at the same time the total apple production has steadily increased. This has necessitated the need to increase exports of Washington Apples to markets outside of the country to take care of the excess supply. While last season Export shipments exceeded 36 million boxes which was the highest export total reported to date, this season over 41 million boxes of Washington Apples were shipped overseas surpassing last year's record by 14%. Historically, the apple crop is cyclical in nature where the total number of apples produced each year may fluctuate by several million boxes. Yet growers throughout the US are removing old orchard blocks and replacing them with new trellised tree plantings that will double or triple the volume per acre. These plantings are now coming to fruition offsetting the old cyclical crop fluctuations. This season we had anticipated a "larger" crop from that of 2012 and set our budget at a 110 million box assessment level. However this number was still low as we collected on

nearly 128 million boxes, resulting in over \$600,000 in assessment revenues over budget. The total variance between 2013 and 2012 operating revenues was nearly \$700,000 due to the increase in apple shipments. However, our Operating Expenses have remained consistent with that of last year as we continue to effectively utilize our federal funding, decreasing the need to spend excess grower dollars.

As a direct result of higher assessment revenues due to the increase in apple shipments as well as the continued reduction of operating expenses, the overall financial status for the Washington Apple Commission has improved for 2013 as reflected by the \$1,212,112 increase in Net Position.

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

	<u>2013</u>	<u>2012</u>
Operating Revenues	\$4,476,261	\$3,781,399
Non-Operating Revenues	<u>5,432,094</u>	<u>5,587,549</u>
Total Revenues	\$9,908,355	\$9,368,948
Operating Expenses	3,361,333	3,349,553
Non-Operating Expenses	<u>5,334,910</u>	<u>5,543,736</u>
Total Expenses	8,696,243	8,893,289
Increase (Decrease) in Net Position	1,212,112	475,659
Net Position – Beginning of Year	<u>4,657,387</u>	<u>4,181,728</u>
Net Position – End of Year	<u>\$5,869,499</u>	<u>\$4,657,387</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, public employees retirement plan (PERS), assessment rate structure, risk management strategy, current operating leases and related organizations.

**WASHINGTON APPLE COMMISSION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

ASSETS

CURRENT ASSETS

Checking Accounts	182,964
Deposits	1,099
Savings/Investments - Unrestricted	<u>3,122,098</u>
Total Cash and Cash Equivalents	3,306,161
Receivables -	
WAC Fresh Assessment	331,867
Grant Reimbursements	688,221
Other	<u>14,347</u>
Total Receivables	1,034,435
Inventory	41,998
Prepaid Expenses	<u>8,537</u>
Total Other Assets	50,535

Total Current Assets **4,391,130**

NONCURRENT ASSETS

Board Designated Investments

General Reserve Fund	<u>1,000,000</u>
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Total Board Designated Investments **1,000,000**

Capital Assets

Building	2,233,994
Land Improvements	124,816
Building Furniture, Fixtures & Equipment	<u>287,957</u>
	2,646,767
Less: Accumulated Depreciation	<u>(1,471,119)</u>
	1,175,648
Land	<u>155,109</u>

Total Capital Assets **1,330,757**

Total Noncurrent Assets **2,330,757**

TOTAL ASSETS **6,721,887**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	795,976
Accrued Vacation Payable	<u>56,413</u>

Total Current Liabilities **852,388**

NET POSITION

Net Investment in Capital Assets	1,330,757
Unrestricted	<u>4,538,742</u>

Total Net Position **5,869,499**

TOTAL LIABILITIES AND NET POSITION **6,721,887**

The accompanying notes are an integral part of this financial statement

WASHINGTON APPLE COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>2013</u>
OPERATING REVENUES	
Assessment Revenue	4,476,261
Total Operating Revenues	4,476,261
OPERATING EXPENSES	
Salaries and Benefits	816,455
Contracted Reps	353,500
Export Promotions	263,703
Industry Organizations	1,340,866
Professional Fees	67,123
Travel, Training and Meetings	211,788
Depreciation	66,373
Office Expenses	96,386
Facility Costs	78,965
Business Insurance	22,365
Miscellaneous	43,810
Total Operating Expenses	3,361,333
OPERATING INCOME (LOSS)	1,114,928
NON-OPERATING REVENUES (EXPENSES)	
Federal Grant Revenue	5,334,910
Federal Grant Expense	(5,334,910)
Office Space Lease Income	44,355
Conference Room Rental	2,470
Net Fee for Service Income	14,156
Gain (Loss) on Sale of Assets	-
Gain (Loss) on Sale of Inventory	15,292
Interest Income	20,119
Other Income (Expense)	792
Total Non-Operating Revenues (Expenses)	97,184
INCREASE (DECREASE) IN NET POSITION	1,212,112
NET POSITION - BEGINNING OF YEAR	4,657,387
NET POSITION - END OF YEAR	5,869,499

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

**WASHINGTON APPLE COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013**

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received as assessments from growers	\$ 4,344,007
Cash payments for goods and services	(1,028,061)
Cash payments to employees	(808,797)
Cash payments to industry organizations	<u>(1,340,866)</u>
Net cash provided by operating activities	<u>1,166,283</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash reimbursements from FAS	5,671,135
Cash payments for goods and services reimbursed by FAS	(5,334,910)
Other cash income	<u>140,366</u>
Net cash provided by noncapital financing activities	<u>476,591</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Property and equipment additions	(20,677)
Net cash used by capital and related financing activities	<u>(20,677)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	20,119
Transfer to Board designated investments	<u>(500,000)</u>
Net cash used by investing activities	<u>(479,881)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,142,316
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,163,845</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,306,161</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,114,928
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	66,373
Increase in current assets -	
Receivables	(132,254)
Prepaid expenses	517
Decrease in current liabilities -	
Accounts payable	109,061
Accrued vacation and related payroll taxes	<u>7,658</u>
Net cash provided by operating activities	<u>\$ 1,166,283</u>

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

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

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 the 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 believe that the Commission has no component units required to be included as part of the reporting entity.

For the year ended June 30, 2013, the Washington Apple Commission has elected to change its fiscal year end from August 31 to June 30.

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 market 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 investments represent cash funds that are restricted by the Commission for specific purposes. The Board previously passed a motion to designate a General Reserve fund equal to 10% of

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

NOTE 2 - ACCOUNTING POLICIES - CONTINUED

WAC's Assessment Revenues for an average 100 million box crop or \$350,000. The Board unanimously approved to increase this fund \$150,000 on July 23, 2009, \$250,000 on July 19, 2012 and an additional \$250,000 on March 28, 2013 to bring the balance of the Board Designated Reserves up to the goal of \$1,000,000. Other than this designation, there are no other restrictions or other limitations which will affect the availability of resources for future use.

Operating Revenues are strictly the assessment dollars collected from Washington fruit warehouses after the packed apples are shipped at 3.5 cents-per-box. Operating expenses are the costs associated with following the Apple Commission's core missions 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.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS

All investments of the Commission's funds are in certificates of deposits or money market savings accounts. Amounts are stated at cost plus accrued interest, which approximates fair market value.

The Commission's investments are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments:	<u>2013</u>
Certificates of Deposit	\$2,667,161
Money Market Savings	<u>1,454,937</u>
Total	<u>\$4,122,098</u>

These investments are recorded on the balance sheet as follow:

	<u>2013</u>
Savings and certificates of deposits – unrestricted	\$3,122,098
Board designated investments	<u>1,000,000</u>
Total	<u>\$4,122,098</u>

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Property and equipment are stated at cost. Buildings and land improvements are depreciated using the straight-line method over twenty (20) to fifty (50) years. Depreciation of furniture, fixtures and equipment is computed on the straight-line method using three (3) to ten (10) year asset lives. The Washington Apple Commission's Capitalization threshold is \$1,000. Maintenance and repairs, including the replacement of minor items, are charged to expense. Depreciation and amortization expense for fiscal year 2013 was \$66,373.

Capital Asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance 7/1/12	Increases	Decreases	Ending Balance 6/30/13
Capital Assets not being depreciated:				
Land	\$ <u>155,109</u>	--	--	\$ <u>155,109</u>
Total Capital Assets not being depreciated	\$ <u>155,109</u>			\$ <u>155,109</u>
Capital Assets, being depreciated:				
Buildings	\$ 2,215,184	18,810	--	\$ 2,233,994
Building Furniture & Fixtures	57,973	1,865	--	59,838
Land Improvements	124,816	--	--	124,816
Equipment	228,119	--	--	228,119
Other	<u>- 0 -</u>	<u>--</u>	<u>--</u>	<u>- 0 -</u>
Total Capital Assets being depreciated	2,626,092	20,675	- 0 -	2,646,767
Less Accumulated Depreciation for:				
Buildings	1,045,118	53,296	--	1,098,414
Building Furniture & Fixtures	52,587	631	--	53,218
Land Improvements	124,559	202	--	124,761
Equipment	182,482	12,244	--	194,726
Other	<u>- 0 -</u>	<u>--</u>	<u>--</u>	<u>- 0 -</u>
Total Accumulated Depreciation	<u>1,404,746</u>	<u>66,373</u>	<u>- 0 -</u>	<u>1,471,119</u>
Total Net Capital Assets being depreciated	<u>\$1,221,346</u>	<u>\$(45,698)</u>	<u>\$ - 0 -</u>	<u>\$1,175,648</u>

NOTE 5 - PENSION PLANS

All of the Commission's full-time and qualifying part-time employees participate in one of the Public Employees' Retirement System (PERS) plans administered by the Washington State Department of Retirement Systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

NOTE 5 - PENSION PLANS - CONTINUED

financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from FRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees, community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment or will default to PERS Plan 3.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. Employee contributions to Plan 3 are mandatory with a fixed unchangeable contribution rate once selected. Defined retirement benefits in all three plans are vested after completion of five years of eligible service. Defined contributions under Plan 3 are always 100% vested. Currently, the Commission has employees enrolled only in Plan 2.

PERS Plan 2 members may retire at age 65 with at least five service credit years, or at age 55 with a reduced benefit with at least 20 years of service. The monthly retirement benefit is two percent of the average final compensation (AFC) per service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to 65 are actuarially reduced. Plan 3 members may retire at age 65 with at least 10 service credit years; or at age 65 with 5 service credit years, including 12 service credits months that were earned after age 44; or at age 65 with 5 service credit years that were earned under Plan 2 and transferred to Plan 3 before June 1, 2003. The monthly defined benefit portion is calculated at one percent of the AFC per year of service. Plan 3 retirements prior to age 65 are also actuarially reduced.

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates and PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and may only be changed by legislative action. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by state

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

NOTE 5 - PENSION PLANS - CONTINUED

law. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of the 2011, 2012 and 2013 years covered payroll were as follows:

	<u>PERS Plan 2</u>	
	<u>Employee</u>	<u>Employer</u>
July 1, 2010 through June 30, 2011	3.90%	5.31%
July 1, 2011 through August 31, 2011	4.59%	7.07%
September 1, 2011 through March 31, 2012	4.64%	7.25%
April 1, 2012 through June 30, 2012	4.64%	7.08%
July 1, 2012 through June 30, 2013	4.64%	7.21%

The Commission's required contributions were \$44,028 in 2013, \$46,603 in 2012 and \$33,540 in 2011.

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 has several insurance policies in place to protect against the potential of risk in such areas as liability, property, auto, health & welfare, and compliance.

The Washington Apple Commission is self-insured through the State of Washington to protect against general liability claims up to \$12,500,000. 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. We have procured commercial property, auto, foreign liability, Director's & Officers liability, Media & Professional liability insurance policies through Conover Insurance to help mitigate any loss due to those risk factors. 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 tries to incorporate the best practices listed in Executive Order 01-05 into our daily planning and agency-wide strategic focus. We routinely consult the Attorney General's Office whenever there is a question regarding potential litigation or situation of risk.

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

NOTE 7 – RISK MANAGEMENT - CONTINUED

The Commission has not had any claims over the past 10 years and does not anticipate any losses in the near future. We strive to identify any risk exposures in our strategic planning and long-term focus and develop internal strategies as needed to address any potential risks.

NOTE 8 – OPERATING LEASE

The Washington Apple Commission leases certain office equipment as well as a company vehicle on operating leases. The lease expense for the years ended June 30, 2013 and 2012 was \$17,386 and \$12,913 respectively. The approximate total future lease commitments are as follows:

<u>Fiscal Year</u>	<u>Mail Machine</u>	<u>Copier</u>	<u>Auto</u>	<u>Total Lease Expense</u>
2013-14	\$6,502	\$3,726	\$5,083	\$15,311
2014-15	\$1,625	\$3,726	\$5,083	\$10,434
2015-16	- 0 -	\$3,726	\$2,118	\$5,844
2016-17	- 0 -	\$3,726	- 0 -	\$3,726
2017+	- 0 -	\$3,415	- 0 -	\$3,415
				<u>\$38,730</u>

NOTE 9 – 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.

Previous to 2012, the Washington Apple Commission collected and forwarded the research assessment on behalf of TFRC in the amount of \$1.00/ton for all fresh, sliced and processed apples. Effective September 1, 2012, TFRC passed a Special Project Assessment on apples to fund contractual endowments with Washington State University to permanently expand and enhance the institution’s capability to conduct research of specific interest to tree fruit producers in the state. This increased assessment of an additional \$1.00/ton will terminate after a total of \$32 million is collected, or eight crops years, whichever occurs first. For the period of September 2012 through June 2013, the Washington Apple Commission collected an assessment on behalf of Tree Fruit Research in the amount of \$2.00/ton for all fresh, sliced and processed apples.

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.

WASHINGTON APPLE COMMISSION

Notes to the Financial Statements

June 30, 2013

NOTE 10 – 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** – provides information on agricultural issues related to apples to the US Congress, the United States Department of Agriculture (USDA) and the Environmental Protection Agency (EPA);
- **Education** – will work on health and nutrition issues related to apples and apple products;
- **Crisis Management** – will provide materials and support to handle crisis management domestically for the apple industry;
- **Weekly Newsletter** – US Apple will provide a weekly report of its activities and disseminate information of interest to the Commission, growers and shippers;
- **Statistics** – will compile and disseminate statistics on fresh and processor apple holdings on the national apple crop;
- **Encourage and Promote Consumption of Apples and Apple Products** – by developing press releases, magazine articles, health studies and other health messages marketers can use in their programs.

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 2012-13, the Commission paid US Apple \$907,723 in annual dues.

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. Its current work focuses on national and international policy issues affecting growers and shippers in Idaho, Oregon and Washington. NHC deals with export problems, negotiation of trade agreements, securing equitable freight transportation rates, spray residue and other general industry related issues.

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. The Apple Commission's obligation for 2012-13 was \$418,264.

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

WASHINGTON APPLE COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June, 30, 2013

1	2	3	4	5		
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures		
				From Pass-Through Awards	From Direct Awards	Total
Department of Agriculture, Foreign Agricultural Service	Market Access Program	10.601	109		\$ 5,214,156	\$ 5,214,156
Department of Agriculture, Agricultural Marketing Service / Pass-Through to Washington State Department of Agriculture	Specialty Crop Grant Program - Farm Bill	10.170	K274	\$ 120,754		\$ 120,754
Total Federal Awards Expended				\$ 120,754	\$ 5,214,156	\$ 5,334,910

WASHINGTON APPLE COMMISSION
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2013

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 – PROGRAM COSTS

The amounts shown as current and prior year expenditures represent the Federal portion of the program costs on the Schedule of Expenditures of Federal Awards.



ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor
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Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
Deputy Director of Quality Assurance
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