



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington Tree Fruit Research Commission

For the period July 1, 2019 through June 30, 2021

Published April 11, 2022

Report No. 1030287



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

April 11, 2022

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 condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Washington Tree Fruit Research Commission July 1, 2019 through June 30, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: July 1, 2017 through June 30, 2019	Report Ref. No.: 1025877	Finding Ref. No.: 2019-001
Finding Caption: The Washington Tree Fruit Research Commission did not have adequate internal controls in place to ensure accurate and complete financial reporting.		
Background: The Washington State Tree Fruit Research Commission provides administrative and accounting services to the Fresh Pear Committee and the Processed Pear Committee and oversees these committees' research projects. The Commission pays for research expenses on behalf of these committees, requests reimbursement for the associated costs and charges an administrative service fee. The Commission did not report project expenses or the associated reimbursement as expenditures or revenue on its financial statements. In addition, the Commission misclassified operating revenue received for the administrative service fees and the reimbursement for chairman expenses as non-operating revenues. We consider this to be a significant deficiency in controls over financial reporting.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected </div> <div> <input type="checkbox"/> Partially Corrected </div> <div> <input type="checkbox"/> Not Corrected </div> <div> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>At the conclusion of the prior audit, accounting processes were changed to accurately report all pear research expenditures and reimbursements on its financial statements. Further, all pear research reimbursements (revenue) is now reported as operating revenue.</i>		

INDEPENDENT AUDITOR'S REPORT

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

Washington Tree Fruit Research Commission July 1, 2019 through June 30, 2021

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 5, 2022.

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, changes in the 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 the financial position of the state of Washington as of June 30, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

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) to determine the 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 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.

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

Pat McCarthy, State Auditor

Olympia, WA

April 5, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Washington Tree Fruit Research Commission July 1, 2019 through June 30, 2021

Board of Commissioners
Washington Tree Fruit Research Commission
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington Tree Fruit Research Commission, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed on page 10.

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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinions

In our opinion, the 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, 2021 and 2020, 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.

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, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 5, 2022

FINANCIAL SECTION

Washington Tree Fruit Research Commission July 1, 2019 through June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis - 2021 and 2020

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position - 2021 and 2020

Comparative Statement of Revenues, Expenses and Changes in Net Position - 2021 and 2020

Comparative Statement of Cash Flows - 2021 and 2020

Notes to Financial Statements - 2021 and 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability - PERS 1 and PERS 2/3 – 2021 and 2020

Schedule of Employer Contributions - PERS 1 and PERS 2/3 - 2021 and 2020

Schedule of Changes in OPEB Liability and Related Ratios - 2021 and 2020

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, 2019, through June 30, 2021. 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 –*
FY21 Revenues for the Commission total \$5,443,415 consisting of \$4,345,339 in assessment revenues; \$916,905 in pear research revenue; \$63,540 in Special Project revenue; \$59,860 in government and other grants; with lease income, investments, and other income making up the balance.

Likewise, total revenues for FY20 were \$7,665,430 consisting mainly of assessment revenues totaling \$4,179,288; pear research revenue totaling \$998,627; and Special Project revenue totaling \$2,269,294. The total revenues for FY19 were \$9,556,134 consisting of assessment revenues totaling \$4,245,078 and Special Project revenue totaling \$4,280,615. The government and other grant income, lease income, investments, and other income make up the balance of revenues for each year.

- *Expenditures –*
Total expenditures for FY21 of \$3,674,981 consists mainly of external research operations at \$2,679,815; salary and benefits of \$477,651; internal research operations of \$213,266; and Special Project expenses at \$63,540.

Likewise, total expenditures for FY20 of \$7,903,707 consist mainly of external research operations at \$4,283,885; Special Project expenses at \$2,269,294; salary and benefits of \$702,892; and internal research operations of \$315,698. Total expenditures for FY19 of \$10,143,548 consist mainly of Special Project expenses at \$4,280,615; external research operations at \$4,258,738; salaries and benefits of \$903,015; internal research operations of \$243,482, with the Commission's general office and facility operations, depreciation, and Wapato property expenses making up the balance of expenditures for each year.

- *Special Project Assessments –*

The Washington tree fruit industry approved by referendum a “special project assessment” to expand research and outreach capacity at the Washington State University (WSU) centers in Prosser and Wenatchee. An Endowment Advisory Committee (EAC), appointed by tree fruit industry organizations will oversee all industry-endowed programs and have direct and regular input to the Dean of the WSU college of Agricultural, Human, and Natural Resource Sciences. The Commission will appoint one of seven members to the EAC committee. Additionally, the manager of the Commission will serve as ex-officio, non-voting member to provide technical support and advice as needed.

- Starting with the **2012 crop year**, an additional **\$1.00 per ton** research assessment was levied on all Washington **apples and pears** for the “special project assessment”.
- Starting with the **2013 crop year**, an additional **\$1.00 per ton** research assessment was levied on all Washington stone fruits (**apricots, peaches, nectarines, prunes, and plums**) and a **\$4.00 per ton** research assessment was levied on all Washington **cherries** for the “special project assessment.”

This special project assessment goal is to raise \$32 million over a time period not to exceed 8 years. The following table reflects the *special project assessments* billed through FY19:

Special Project Assessment Collections					
Period	Apples	Pears	Cherries	Stone Fruit	Total
FY13	\$2,695,191	\$367,109	\$137,322	\$493	\$3,200,114
FY14	\$3,296,416	\$401,298	\$784,405	\$32,462	\$4,514,581
FY15	\$3,497,781	\$360,760	\$1,011,033	\$37,113	\$4,906,687
FY16	\$3,299,434	\$365,739	\$864,125	\$29,744	\$4,559,042
FY17	\$3,405,103	\$302,738	\$644,885	\$30,725	\$4,383,451
FY18	\$3,371,086	\$287,280	\$1,079,816	\$33,102	\$4,771,284
FY19	\$3,235,736	\$335,325	\$683,226	\$26,329	\$4,280,615
FY20	\$2,074,554	\$194,741	\$0	\$0	\$2,269,294
FY21	\$63,869	(\$329)	\$0	\$0	\$63,540
Total	\$24,939,170	\$2,614,661	\$5,204,812	\$189,968	\$32,948,611

Note: Special Project Assessment collections on cherries and stone fruit ended with the 2018 crop (collected through March 31, 2019). Collections for apples and pears were finalized in FY21.

Although \$32 million was the special project assessment goal, due to the nature of the crop seasons, additional assessments were collected through the close of the season. The full \$32,948,611 collected on behalf of the Special Project Assessments have been delivered to the Endowment Advisory Committee (EAC).

- *Capital Purchases* –
Capital purchases in FY21 totaled \$41,968 and in FY20 totaled \$33,823, purchases in both years were for vehicle purchases.
- *Net Position* –
The assets of the Commission exceeded its liabilities at the close FY21 by \$7,347,222 (net position) and by \$5,578,788 and \$5,817,065 at the close of FY20 and FY19 respectively. The increase to the FY21 net position is because of the reduced external project expenses. Due to COVID-19 pandemic and the changes to staffing and billing procedures at WSU some projects were delayed.
- 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 of 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 to the financial statements can be found on pages 14 through 32 of this report.

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

Financial Analysis

On June 30, 2021, the Commission's net position of \$7,347,222 reflects an increase over the previous FY20 by \$1,768,434. The increase to the FY21 net position is because of the reduced external project expenses. Due to COVID-19 pandemic and the changes to staffing and billing procedures at WSU some projects were delayed. The largest portion of the Commission's net position (\$7,347,222) reflects its cash, investments, receivable, and fixed assets. For FY21, \$6,131,970 is unrestricted.

For FY20, and FY19, the net position increased/(decreased) by (\$238,278); and (\$587,414) 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 Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and other assets	6,664,029	5,987,737	6,946,539
Capital assets, (net)	1,215,252	1,214,434	1,234,789
Deferred outflows of resources	<u>87,949</u>	<u>87,009</u>	<u>95,682</u>
TOTAL ASSETS & DEFERRED OUTFLOWS of RESOURCES	7,967,230	7,289,180	8,277,010
Current and other liabilities	72,315	966,687	1,677,718
Noncurrent liabilities	415,545	555,384	601,738
Deferred inflows of resources	<u>132,148</u>	<u>188,321</u>	<u>180,489</u>
TOTAL LIABILITIES & DEFERRED INFLOWS of RESOURCES	620,008	1,710,392	2,459,945
Net investments in capital assets	1,215,252	1,214,434	1,234,789
Unrestricted	<u>6,131,970</u>	<u>4,364,354</u>	<u>4,582,276</u>
TOTAL NET POSITION	7,347,222	5,578,788	5,817,065

Table 2

**WASHINGTON TREE FRUIT RESEARCH COMMISSION
COMPARATIVE STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
For The Years Ending June 30, 2021, 2020, and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenue:			
Assessment revenue	4,345,339	4,179,288	4,245,078
Pear research revenue	916,905	998,627	845,636
TOTAL OPERATING REVENUE	5,262,244	5,177,915	5,090,714
Operating Expenses:			
External project expenses	2,679,815	4,283,885	4,258,738
Internal Research operation expenses	213,266	315,698	243,482
Salaries & benefits	477,651	702,892	903,015
Administrative services	67,979	84,590	88,388
Professional & legal fees	25,039	43,353	39,869
Bad debts	-	-	2,307
Collection fees	6,970	6,947	6,774
IT services/software/design	26,476	22,111	24,431
Misc equipment purchases	5,003	2,370	3,639
Misc equipment maintenance & repairs	768	10,320	373
Insurance	6,523	7,030	8,311
Misc expenses	158	254	790
Rent	8,693	12,529	14,103
Telephone & internet	6,491	8,255	11,202
Travel & meetings	16,657	39,789	120,001
Utilities & building maintenance	10,131	10,540	12,191
Vehicle fuel & maintenance	15,977	26,525	46,592
Depreciation expense	41,149	54,178	68,262
TOTAL OPERATING EXPENSES	3,608,746	5,631,266	5,852,468
NET OPERATING INCOME OR (LOSS)	1,653,498	(453,351)	(761,754)
Nonoperating Revenues (Expenses):			
Gain/loss of sale of fixed assets	16,184	24,134	-
Governmental operating grant - revenue	3,689	22,146	34,202
Other grant revenue	56,171	96,328	73,431
Special project revenue	63,540	2,269,294	4,280,615
Special project expense	(63,540)	(2,269,294)	(4,280,615)
Other income	94	985	1,830
Interest income	34,746	64,799	57,781
Orchard lease income	6,747	9,829	17,561
Wapato property expense	(2,695)	(3,147)	(10,465)
TOTAL NONOPERATING REVENUES (EXPENSES)	114,936	215,074	174,340
NET INCOME (LOSS)	1,768,434	(238,277)	(587,414)
Net Position, July 1	5,578,788	5,817,065	6,404,479
Change in Accounting Principle	-	-	-
NET POSITION, June 30	7,347,222	5,578,788	5,817,065

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

Long-Term Debt

CAPITAL ASSETS

The Commission's investment in capital assets as of June 30, 2021, amounts to \$1,215,253 (net of accumulated depreciation.) This investment in capital assets includes land, land improvements, buildings, building improvements, vehicles, and equipment. In FY21, there was an increase of \$41,968 to the Commission's investment in capital assets. FY20 showed a total increase of \$33,823 compared to \$0 in FY19.

Capital asset events occurring both in FY21 and FY20 included the purchase of new vehicles.

Capital Assets at Year-end			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
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	566,253	556,192	590,379
Totals	1,898,270	1,888,209	1,922,396

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 FY21 total \$72,315 consisting of payroll benefits, OPEB liability, and general operations of the Commission. Likewise, total current liabilities for FY20 and FY19 were \$966,687 and \$1,677,718 respectively. The decrease to current liabilities year over year is due to the phasing out of the Special Project Assessment collections.

NON-CURRENT LIABILITIES

Non-current liabilities for FY21 total \$415,545 consisting of OPEB, Pension Liability, and the Special Industry Fund. Likewise, total non-current liabilities for FY20 and FY19 were \$555,384 and \$601,738, 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. In FY21 the account balance of \$24,620 remained the same as FY20. FY19 balance of \$30,258 was reduced in FY20 by \$5,638 due to the purchase and placement of apple maggot signage.

See notes to the financial statements for additional information.

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 the crop production. Early projections of the 2021 crop (FY22) indicate comparable tonnage. The internal budget for FY21 has been approved by the Commission.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

WASHINGTON TREE FRUIT RESEARCH COMMISSION COMPARATIVE STATEMENT OF NET POSITION

Years Ending June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash-unrestricted	2,558,680	1,649,122
Investments-unrestricted	3,389,786	3,379,632
Receivables	713,191	956,392
Prepaid expenses and other assets	2,372	2,591
TOTAL CURRENT ASSETS	6,664,029	5,987,737
Noncurrent 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	566,253	556,192
Accumulated depreciation	(683,018)	(673,776)
TOTAL NONCURRENT ASSETS	1,215,252	1,214,434
TOTAL ASSETS	7,879,281	7,202,171
Deferred Outflows of Resources:		
Pension Related	87,949	87,009
TOTAL DEFERRED OUTFLOW OF RESOURCES	87,949	87,009
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	7,967,230	7,289,180
Current Liabilities:		
Accounts payable	24,643	15,496
OPEB Liability	504	3,576
Accrued liabilities	47,168	947,615
TOTAL CURRENT LIABILITIES	72,315	966,687
Noncurrent Liabilities:		
OPEB liability	225,612	294,754
Pension liability	165,313	236,010
Special industry fund	24,620	24,620
TOTAL NONCURRENT LIABILITIES	415,545	555,384
TOTAL LIABILITIES	487,860	1,522,071
Deferred Inflows of Resources:		
Pension deferrals	132,148	188,321
TOTAL DEFERRED INFLOWS OF RESOURCES	132,148	188,321
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	620,008	1,710,392
NET POSITION		
Net investment in capital assets	1,215,251	1,214,434
Unrestricted	6,131,971	4,364,354
TOTAL NET POSITION	7,347,222	5,578,788
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	7,967,230	7,289,180

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
For the fiscal years ending June 30, 2021, and June 30, 2020

**WASHINGTON TREE FRUIT RESEARCH COMMISSION
COMPARATIVE STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
Years Ending June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating Revenue:		
Assessment revenue	4,345,339	4,179,288
Pear research revenue	916,905	998,627
TOTAL OPERATING REVENUE	5,262,244	5,177,915
Operating Expenses:		
External project expenses	2,679,815	4,283,885
Internal Research operation expenses	213,266	315,698
Salaries & benefits	477,651	702,892
Administrative services	67,979	84,590
Professional & legal fees	25,039	43,353
Collection fees	6,970	6,947
IT services/software/design	26,476	22,111
Misc equipment purchases	5,003	2,370
Misc equipment maintenance & repairs	768	10,320
Insurance	6,523	7,030
Misc expenses	158	254
Rent	8,693	12,529
Telephone & internet	6,491	8,255
Travel & meetings	16,657	39,789
Utilities & building maintenance	10,131	10,540
Vehicle fuel & maintenance	15,977	26,525
Depreciation expense	41,149	54,178
TOTAL OPERATING EXPENSES	3,608,746	5,631,266
NET OPERATING INCOME OR (LOSS)	1,653,498	(453,351)
Nonoperating Revenues (Expenses):		
Gain/loss of sale of fixed assets	16,184	24,134
Governmental operating grant - revenue	3,689	22,146
Other grant revenue	56,171	96,328
Special project revenue	63,540	2,269,294
Special project expense	(63,540)	(2,269,294)
Other income	94	985
Interest income	34,746	64,799
Orchard lease income	6,747	9,829
Wapato property expense	(2,695)	(3,147)
TOTAL NONOPERATING REVENUES (EXPENSES)	114,936	215,074
NET INCOME (LOSS)	1,768,434	(238,277)
Net Position, July 1	5,578,788	5,817,065
Change in accounting principle	-	-
NET POSITION, June 30	7,347,222	5,578,788

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

Washington Tree Fruit Research Commission
Comparative Statement of Cash Flows
For the fiscal years ending June 30, 2021, and June 30, 2020

WASHINGTON TREE FRUIT RESEARCH COMMISSION

Comparative Statements of Cash Flows
Years Ending June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	5,505,446	5,537,115
Cash paid for goods and services	(3,965,650)	(5,554,037)
Cash payments to employees for services	(693,053)	(757,948)
Net cash provided by operating activities	846,742	(774,871)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Special project revenue	63,540	2,269,294
Special project expense	(63,540)	(2,269,294)
Other project grant income	59,860	118,474
Lease income	6,747	9,829
Other income	94	985
Property expenses	(2,695)	(3,147)
Net cash provided by non-capital financing activities	64,006	126,141
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Fixed assets (net)	(41,968)	(33,823)
Proceeds from sale of fixed assets	16,184	24,134
Net cash (used) for capital and related financing activities	(25,784)	(9,689)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	34,746	64,799
Purchases of investments	(10,153)	(28,548)
Net cash provided (used) for investing activities	24,593	36,251
Net (decrease) increase in cash and cash equivalents	909,558	(622,168)
Cash and cash equivalents at beginning of year	1,649,122	2,271,290
Cash and cash equivalents at end of year	2,558,680	1,649,122
Reconciliation of Operating Income(Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	1,653,498	(453,351)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	41,149	54,178
Increase (decrease) in OPEB liability	(72,214)	14,336
Increase (decrease) in net pension liability and deferred outflows/inflows	(127,811)	(39,279)
Change in assets and liabilities:		
Receivables, net	243,201	359,200
Prepays	219	5,982
Accounts and other payables	(875,923)	(685,824)
Accrued expenses	(15,377)	(30,112)
Net Cash provided by operating activities	846,742	(774,871)

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 in order 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 6

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 7

The Commission recognizes an 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 4 and 5

These accounts consist of the “*special project assessments*”, accrued wages, and employee benefits, and accrued expenses to be paid out at a future date and are detailed in the following table:

Accrued Liabilities		
	2021	2020
Special Project Assessments	\$ -	\$ 885,069
Employee Wages and Benefits	\$ 47,672	\$ 66,121
Total	\$ 47,672	\$ 951,191

11. Long Term Debt

The Commission currently has no long-term debt.

12. Pension Liability – See Note 6

13. OPEB Liability – See Note 7

14. Special Industry Fund – See Note 8

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 bank balances for FY21 were \$2,696,812, while the book balance was \$2,558,680; with a difference of \$138,132 due to outstanding checks. Respectively, the bank balance for FY20 was \$2,359,050, the book balance was \$1,649,122 with a difference of \$709,928 due to outstanding checks.

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	2021		2020	
	Carrying Value	Market Value	Carrying Value	Market Value
Cert. of Deposit	\$2,352,658	\$2,352,658	\$2,843,609	\$2,843,609
State Investment Pool	\$1,037,128	\$1,037,128	\$536,023	\$536,023
Total	\$3,389,786	\$3,389,786	\$3,379,632	\$3,379,632

All investments are stated at cost plus interest, which approximates market.

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

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:

	<u>Years</u>		<u>Years</u>
Computers	4	Improvements	35
Vehicles	5	Buildings	50
Equipment	5		

A summary of changes in general fixed assets follows:

CAPITAL ASSETS AND DEPRECIATION

Business Type Activities	Balance 6/30/2019	Increases	Decreases	Balance 6/30/2020	Increases	Decreases	Balance 6/30/2021
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	590,379	33,823	68,010	556,192	41,968	31,907	566,253
Total Capital Assets, being depreciated:	1,147,450	33,823	68,010	1,113,263	41,968	31,907	1,123,324
Less accumulated depreciation for:							
Building	137,736	13,319	-	151,056	13,283	-	164,339
Building Improvements	16,144	2,022	-	18,166	2,017	-	20,183
Furniture and Equipment	533,727	38,836	68,010	504,554	25,849	31,907	498,496
Total accumulated depreciation	687,608	54,178	68,010	673,776	41,149	31,907	683,018
Total capital assets, being depreciated, net	459,843	(20,355)	-	439,488	819	-	440,306
Business Type Activities capital assets, net	1,234,789	(20,355)	-	1,214,434	819	-	1,215,253

NOTE 4 - 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 5 - SPECIAL PROJECT ASSESSMENT

The Washington tree fruit industry approved by referendum a “special project assessment” to expand research and outreach capacity at the Washington State University (WSU) centers in Prosser and Wenatchee. An Endowment Advisory Committee (EAC), appointed by tree fruit industry organizations will oversee all industry-endowed programs and have direct and regular input to the dean of the WSU college of Agricultural, Human, and Natural Resource Sciences. The Commission will appoint one of seven members to the EAC committee. Additionally, the manager of the Commission will serve as ex-officio, non-voting member to provide technical support and advice as needed.

Starting with the **2012 crop year**, an additional **\$1.00 per ton** research assessment was levied on all Washington **apples and pears** for the “special project assessment”.

Starting with the **2013 crop year**, an additional **\$1.00 per ton** research assessment was levied on all Washington stone fruits (**apricots, peaches, nectarines, prunes, and plums**) and a **\$4.00 per ton** research assessment was levied on all Washington **cherries** for the “special project assessment.”

This special project assessment goal is to raise \$32 million over a time period not to exceed 8 years. However, due to the nature of the crop seasons, additional assessments were collected through the close of the season. The full \$32,948,611 collected on behalf of the Special Project Assessments have been delivered to the Endowment Advisory Committee (EAC).

NOTE 6 - 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 2021 and 2020:

Aggregate Pension Amounts – All Plans		
	2021	2020
Pension liabilities	\$ 165,313	\$ 236,010
Deferred outflows of resources	\$ 87,949	\$ 87,009
Deferred inflows of resources	\$ 132,147	\$ 188,319
Pension(benefit) expense	\$ (67,843)	\$ 19,712

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

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

Or the DRS CAFR 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 FY21 and FY20 were as follows:

PERS Plan 1			
Actual Contribution Rates	Employer		Employee
	FY21	FY20	FY20 & FY21
PERS Plan 1	7.92%	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	4.76%	
Administrative Fee	0.18%	0.18%	
Total	12.97%	12.86%	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 FY21 and FY20 were as follows:

PERS Plan 2/3					
Actual Contribution Rates	Employer PERS 2/3		Employee PERS 2		Employee PERS 3
	FY21	FY20	FY21	FY20	FY21 & FY20
PERS Plan 2/3	7.92%	7.92%	7.92%	7.90%	Varies
PERS Plan 1 UAAL	4.87%	4.76%			
Administrative Fee	0.18%	0.18%			
Total	12.97%	12.86%	7.92%	7.90%	

The Commission's actual PERS plan contributions were \$22,767 to PERS Plan 1 and \$37,201 to PERS Plan 2/3 for the year ending June 30, 2021, and \$22,242 to PERS Plan 1 and \$36,751 to PERS Plan 2/3 for the year ending June 30, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. 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 *2019 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, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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.

There were minor changes in methods and assumptions since the last valuation.

- OSA updated their demographic assumptions based on the results of their latest demographic experience study.
- OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 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 7.4 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 7.4 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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, and June 30, 2020, 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%	1.70%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

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

FY21	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 140,759	\$ 112,377	\$ 87,625
PERS 2/3	\$ 329,379	\$ 52,935	\$ (174,716)

FY20	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 222,866	\$ 177,963	\$ 139,003
PERS 2/3	\$ 445,200	\$ 58,047	\$ (259,937)

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 liability of \$165,313 and 236,010 at June 30, 2021, and June 30, 2020, respectively, for its proportionate share of the net pension liabilities as follows:

	2021	2020
PERS 1 liability	\$ 112,377	\$ 177,963
PERS 2/3 liability	\$ 52,935	\$ 58,047
Total	\$ 165,312	\$ 236,010

At June 30, 2021 and June 30, 2020, 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 6/30/21	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.003183%	0.004628%	-0.001445%
PERS 2/3	0.004139%	0.005976%	-0.001837%

	Proportionate Share 6/30/20	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.004628%	0.004382%	0.000246%
PERS 2/3	0.005976%	0.005628%	0.000348%

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, 2020, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2019, 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 as follows:

Pension Expense (Benefit)		
	2021	2020
PERS 1	\$ (54,608)	\$ 19,557
PERS 2/3	\$ (13,235)	\$ 155
Total	\$ (67,843)	\$ 19,712

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the *Commission* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FY21	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	\$ -	\$ 18,950	\$ -	\$ 6,634
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ -	\$ 626	\$ 2,688
Changes of assumptions	\$ -	\$ 754	\$ -	\$ 36,160
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 8,276	\$ -	\$ 86,039
Contributions subsequent to the measurement date	\$ 22,767	\$ 37,201	\$ -	\$ -
TOTAL	\$ 22,767	\$ 65,181	\$ 626	\$ 131,521

Deferred outflows of resources related to pensions resulting from the *Commission's* contributions subsequent to the measurement date and recorded at June 30, 2021, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported at June 30, 2021 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
2022	\$ (2,839)	\$ (38,292)
2023	\$ (89)	\$ (21,577)
2024	\$ 865	\$ (15,386)
2025	\$ 1,437	\$ (9,124)
2026	\$ -	\$ (8,689)
Thereafter	\$ -	\$ (10,473)
TOTAL	\$ (626)	\$ (103,541)

At June 30, 2020, the *Commission* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FY20	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Differences between expected and actual experience	\$ -	\$ 16,630	\$ -	\$ 12,480
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ -	\$ 11,889	\$ 84,493
Changes of assumptions	\$ -	\$ 1,486	\$ -	\$ 24,355
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 9,899	\$ -	\$ 55,104
Contributions subsequent to the measurement date	\$ 22,242	\$ 36,751	\$ -	\$ -
TOTAL	\$ 22,242	\$ 64,766	\$ 11,889	\$ 176,432

Deferred outflows of resources related to pensions resulting from the *Commission's* contributions subsequent to the measurement date and reported on June 30, 2020, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported on June 30, 2020, 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
2021	\$ (2,625)	\$ (36,046)
2022	\$ (6,216)	\$ (52,817)
2023	\$ (2,219)	\$ (28,684)
2024	\$ (829)	\$ (19,744)
2025	\$ -	\$ (11,786)
Thereafter	\$ -	\$ 660
TOTAL	\$ (11,889)	\$ (148,417)

NOTE 7– 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, 2021, and June 30, 2020:

Aggregate OPEB Amounts	2021	2020
OPEB liabilities	\$ 226,116	\$ 298,330
OPEB assets	\$ -	\$ -
OPEB deferred outflows of	\$ -	\$ -
OPEB expense	\$ (71,602)	\$ 18,658

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 using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system and the participation of the Commission in the PEBB provided health insurance plan. The OPEB liability arises from health insurance cost subsidies, both explicit and implicit, provided by the Commission to qualified retirees.

At June 30, 2021 and 2020 the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms	2021	2020
Inactive employees or beneficiaries currently receiving benefits	0	1
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	8	8
Total	8	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, 2021, and June 30, 2020, actuarially determined OPEB benefits were \$612 and \$4,322, 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 2020 PEBB OPEB Actuarial Valuation Report and OPEB Actuarial Valuation for the State's June 30, 2021, 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, 2021, and the measurement date was June 30, 2021. 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, 2021, the discount rate used to measure the total OPEB liability was 2.21 percent at the beginning of the measurement year and 2.16 percent at the end of the measurement year. For the year ended June 30, 2020, the discount rate used to measure the total OPEB liability was 3.50 percent at the beginning of the measurement year and 2.21 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
2021 OPEB Liability	\$177,257	\$226,116	\$292,138
2020 OPEB Liability	\$239,375	\$298,330	\$378,137

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
2021 OPEB Liability	\$279,600	\$226,116	\$184,625
2020 OPEB Liability	\$364,294	\$298,330	\$247,244

Changes in the Total OPEB liability

For the years ended June 30, 2021, and June 30, 2020, changes in the total OPEB liability are as follows:

	2021	2020
Total OPEB Liability at July 1	\$ 298,330	\$ 283,994
Service Cost	25,992	19,708
Interest	7,161	10,555
Changes in benefit terms	-	-
Changes in experience data and assumptions	(104,755)	(11,605)
Benefit payments	(612)	(4,322)
Other Charges	-	-
Total OPEB Liability at June 30	\$ 226,116	\$ 298,330

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 OPEB measurement date corresponds with the financial statement reporting date. Accordingly, there are no factors to disclose which may affect the OPEB liability between the two dates. The total OPEB (benefit)/expense recognized for the years ended June 30, 2021, and June 30, 2020, was \$(71,602) and \$18,658, respectively.

NOTE 8– 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 2021 and 2020 crops.

NOTE 9 - CONTINGENCIES AND LITIGATION

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

NOTE 10 – 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 11 – 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 Conover Insurance 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 for equipment.

The Commission did not have any settlements that exceeded its coverage during each of the past years ending 2021 and 2020.

NOTE 12 – 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 and special assessments billed by both the WAC and WSFC were \$4,408,879 and \$6,448,583 in FY21 and FY20 respectively. The total fees paid to WAC for collections of apple assessments were \$6,970 and \$6,946 in FY21 and FY20 respectively.

The Washington tree fruit industry approved by referendum a “special project assessment” to expand research and outreach capacity at the Washington State University (WSU) centers in Prosser and Wenatchee. An Endowment Advisory Committee (EAC), appointed by tree fruit industry organizations will oversee all industry-endowed programs and have direct and regular input to the dean of the WSU college of Agricultural, Human, and Natural Resource Sciences. The Commission will appoint one of seven members to the EAC committee. Additionally, the manager of the Commission will serve as ex-officio, non-voting member to provide technical support and advice as needed.

- Starting with the **2012 crop year**, an additional **\$1.00 per ton** research assessment was levied on all Washington **apples and pears** for the “special project assessment”.
- Starting with the **2013 crop year**, an additional **\$1.00 per ton** research assessment was levied on all Washington stone fruits (**apricots, peaches, nectarines, prunes, and plums**) and a **\$4.00 per ton** research assessment was levied on all Washington **cherries** for the “special project assessment.”

This special project assessment goal is to raise \$32 million over a time period not to exceed 8 years.

NOTE 13 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financials statements as a result of this uncertainty.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Commission is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

	PERS 1					
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.003183%	0.004628%	0.004382%	0.005404%	0.005889%	0.006110%
Employer's proportionate share of the net pension liability	\$ 112,377	\$ 177,963	\$ 195,702	\$ 256,424	\$ 316,267	\$ 319,610
Covered payroll - July 1 to June 30	\$ 465,298	\$ 649,647	\$ 583,512	\$ 710,508	\$ 703,567	\$ 696,631
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	24.15%	27.39%	33.54%	36.09%	44.95%	45.88%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
						61.19%
	PERS 2/3					
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.004139%	0.005976%	0.005628%	0.006951%	0.007548%	0.007893%
Employer's proportionate share of the net pension liability	\$ 52,935	\$ 58,047	\$ 96,093	\$ 241,514	\$ 380,036	\$ 282,021
Covered payroll - July 1 to June 30	\$ 465,298	\$ 649,647	\$ 583,512	\$ 710,508	\$ 703,567	\$ 696,631
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	11.38%	8.94%	16.47%	33.99%	54.02%	40.48%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%
						93.29%

Washington Tree Fruit Research Commission
Required Supplementary Information
For the fiscal years ending June 30, 2021–June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions as of June 30

	PERS 1					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 22,767	\$ 22,241	\$ 33,183	\$ 29,293	\$ 33,891	\$ 26,924
Contributions in relation to the statutorily or contractually required contributions	(22,767)	(22,241)	(33,183)	(29,293)	(33,891)	(26,924)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 469,704	\$ 465,298	\$ 649,647	\$ 583,512	\$ 710,508	\$ 696,631
Contributions as a percentage of covered employee payroll	4.85%	4.78%	5.11%	5.02%	4.77%	3.86%

	PERS 2/3					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 37,201	\$ 36,751	\$ 48,810	\$ 43,426	\$ 44,264	\$ 35,952
Contributions in relation to the statutorily or contractually required contributions	(37,201)	(36,751)	(48,810)	(43,426)	(44,264)	(35,952)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 469,704	\$ 465,298	\$ 649,647	\$ 583,512	\$ 710,508	\$ 696,631
Contributions as a percentage of covered employee payroll	7.92%	7.90%	7.51%	7.44%	6.23%	5.16%

Notes to Required Supplementary Information (RSI) Related to Pensions

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 25,992	\$ 19,708	\$ 22,749	\$ 25,087
Interest	7,161	10,555	12,112	10,750
Changes in benefit terms	-	-	-	-
Changes in experience data and assumptions	(104,755)	(11,605)	(38,682)	(16,785)
Benefit payments	(612)	(4,322)	(4,748)	(3,350)
Net change in total OPEB liability	(72,214)	14,336	(8,569)	15,702
Total OPEB liability - beginning	298,330	283,994	292,563	276,861
Total OPEB liability - ending	<u>\$ 226,116</u>	<u>\$ 298,330</u>	<u>\$ 283,994</u>	<u>\$ 292,563</u>
Covered employee payroll	\$ 469,704	\$ 465,298	\$ 649,647	\$ 583,512
Total OPEB liability as a percentage of covered payroll	48.14%	64.12%	43.72%	50.14%

Notes to Required Supplementary Information (RSI) Related to OPEB

Other than the changes in the population covered by benefit terms shown in the accompanying notes to the financial statements, there were no significant changes in 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 paragraph 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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