Financial Statements and Federal Single Audit Report

Puget Sound Clean Air Agency

For the period July 1, 2019 through June 30, 2020

Published March 22, 2021

Report No. 1027965

Office of the Washington State Auditor
Pat McCarthy

March 22, 2021

Board of Directors
Puget Sound Clean Air Agency
Seattle, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Puget Sound Clean Air Agency's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

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Puget Sound Clean Air Agency
July 1, 2019 through June 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Puget Sound Clean Air Agency are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Agency.

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 Agency's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
66.605	Performance Partnership Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The Agency qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Puget Sound Clean Air Agency
July 1, 2019 through June 30, 2020

Board of Directors
Puget Sound Clean Air Agency
Seattle, 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 Puget Sound Clean Air Agency, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 16, 2021.

As discussed in Note 14 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown. Management's plans in response to this matter are also described in Note 14.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 Agency's financial statements are free from material misstatement, we performed tests of the Agency'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy
State Auditor
Olympia, WA

March 16, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Puget Sound Clean Air Agency
July 1, 2019 through June 30, 2020

Board of Directors
Puget Sound Clean Air Agency
Seattle, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Puget Sound Clean Air Agency, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2020. The Agency's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Agency'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 Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency 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, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency 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 Agency'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 the Uniform Guidance, 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 Agency'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

March 16, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Puget Sound Clean Air Agency
July 1, 2019 through June 30, 2020

Board of Directors
Puget Sound Clean Air Agency
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Puget Sound Clean Air Agency, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 15.

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 Agency'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 Agency'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 Puget Sound Clean Air Agency, as of June 30, 2020, 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

As discussed in Note 14 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown. Management's plans in response to this matter are also described in Note 14. 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 15 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 Agency's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).This 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 16, 2021 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

March 16, 2021

FINANCIAL SECTION

Puget Sound Clean Air Agency
July 1, 2019 through June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Management Discussion and Analysis

This section of the Puget Sound Clean Air Agency (the "Agency") financial report for the fiscal year 2020 (July 1, 2019 to June 30, 2020) provides an overview of the Agency's financial activities, highlights significant financial issues, and provides comparative data to the prior fiscal year. The Management Discussion and Analysis should be considered in conjunction with Agency's financial statements and notes to the financials.

Agency Background

The Puget Sound Clean Air Agency has operated under the federal Clean Air Act and the Washington State Clean Air Act for over fifty years and is responsible for air pollution control in King, Pierce, Snohomish, and Kitsap Counties. The goals and objectives of the Agency's 2014-2020 Strategic Plan, available on our website (www.pscleanair.org), are:

1. Protect public health and the environment from air pollution
   - 1.1 Meet National Ambient Air Quality Standards
   - 1.2 Reduce transportation emissions, especially diesel particulate, in highly impacted locations
   - 1.3 Reduce emissions and exposures from wood smoke and outdoor burning
   - 1.4 Prevent, reduce, and control emissions and exposure from significant stationary sources of air pollution
   - 1.5 Characterize and communicate air quality throughout the region, with the active participation of the public
   - 1.6 Reduce inequities in air pollution exposure

2. Become the most climate-friendly region in the United States
   - 2.1 Reduce emissions of greenhouse gases from transportation

3. Employ the best people, policies, and practices to achieve our work
   - 3.1 Attract, retain, and inspire exceptional staff
   - 3.2 Develop a culture that integrates environmental justice and equity principles into our day-to-day work and decisions
   - 3.3 Engage in meaningful dialogue and outreach with all sectors of the public
   - 3.4 Build the agency's long-term financial strength and ensure accountability
   - 3.5 Be a model of environmental sustainability

The Agency has made significant progress on the goals in the Strategic Plan and periodically updates its Board of Directors on the status of those goals and objectives.

Overview of the Financial Statements

The Agency's financial statements are reported as a single proprietary fund and are comprised of these schedules: 1) ***Statement of Net Position***, 2) ***Statement of Revenues, Expenses and Changes in Fund Net Position***, 3) ***Statement of Cash Flows***, and 4) ***Notes to the Financial Statements***. In addition, the Management Discussion & Analysis, Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Employer Contributions and the Schedule of Changes in Total OPEB Liability and Related Ratios are included as required supplementary schedules.

The ***Statement of Net Position*** provides information on the financial position of the Agency's assets, deferred outflows, liabilities, deferred inflows, and net position at year-end. The change in net position may be an indicator, over time, of the financial health of the Agency. Net position is classified on this statement as:

- Net Investment in capital assets
- Restricted (the use of the funds is restricted by an external entity)
- Unrestricted (the use of the funds may be controlled by internal reserve policies)

The ***Statement of Revenues, Expenses and Changes in Fund Net Position*** presents information on all transactions that affect net position in the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows; therefore, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods. Revenues are classified as either "operating", those revenues which support specific programs and are fee-for-service, or as "non-operating", those revenues that are grants, grant-related contracts or miscellaneous minor revenues that do not specifically support a program.

The ***Statement of Cash Flows*** provides information on the sources and uses of cash flows in the categories shown below:

- Cash Flows from Operating Activities
- Cash Flows from Noncapital Financing Activities
- Cash Flows from Capital and Related Financing Activities
- Cash Flows from Investing Activities

Financial Highlights

- As of June 30, 2020, the Agency's total assets of $13.8 million exceeded liabilities of $7.7 million by $6.1 million. In combination with the net amount of Deferred Outflows of Resources ($1.0 million) and Deferred Inflow of Resources ($1.6 million), this resulted in a net position of $5.5 million. Of the net position amount, $4.7 million was restricted for specific purposes related to grant, contract, or legislative requirements, $.7 million represented the net investment in capital assets, and $.1 million was the unrestricted portion.
- The Agency's net position increased by $2.1 million from the prior year. The increase was due primarily to the decrease in long-term liabilities mainly as the result of the decrease in the net pension liability (decreased state's PERS pension liability along with a decrease in the agency's proportionate projected share).
- Total operating revenues were $9.3 million, a 1.2% increase from the prior year primarily due to a transfer of civil penalty revenues to the Registration fee program to offset higher-than-usual staff costs related to several enforcement cases. In addition, while the supplemental income (per capita) rate remained the same as the prior year, assessments increased in 2020 due to population growth in our four-county jurisdiction. These revenues consist of Charges for Services (fee programs), Supplemental Income (Per Capita), and other operating revenues.
- Total operating expenses for the Agency were $9.2 million, a 2.6% increase from 2019 due to increased personnel expenses (filling open positions in 2020), increased leave liability, and increased expenses related to post-employment benefit liabilities.
- Net non-operating revenues increased from $.7 million to $1.4 million due mainly to increased federal grants and higher civil penalty collections.
- The Agency ended the fiscal year with a surplus of $1.5 million and a total net position of $5.5 million.

Discussion of the Financial Statements

Comparative Statement of Net Position

An analysis of net position, the excess of assets over liabilities, may serve as a useful indicator of an Agency's financial position. Table 1 summarizes assets, liabilities, and the components of net position - net investment in capital assets (total capital assets less accumulated depreciation), restricted (restricted by external requirements), and unrestricted.

TABLE 1
COMPARATIVE STATEMENT OF NET POSITION
As of June 30, 2020 and 2019
(In whole dollars)

	2020	2019	Change
ASSETS			
Current Assets	$ 13,078,378	$ 11,839,124	$ 1,239,253
Non-current Assets	701,248	690,323	10,925
Total Assets	13,779,626	12,529,447	1,250,178
DEFERRED OUTFLOWS OF RESOURCES	999,543	990,708	8,835
LIABILITIES			
Current Liabilities	1,121,870	1,034,567	87,304
Non-current Liabilities	6,561,606	6,950,596	(388,989)
Total Liabilities	7,683,477	7,985,163	(301,686)
DEFERRED INFLOWS OF RESOURCES	1,616,970	2,130,671	(513,701)
NET POSITION			
Net Investment in Capital Assets	658,594	647,669	10,925
Restricted (Grant, Legislative or Contract restrictions)	4,716,737	4,729,463	(12,726)
Unrestricted	103,391	(1,972,811)	2,076,202
Total Net Position	**$ 5,478,721**	**$ 3,404,321**	**$ 2,074,400**

1. Amounts may not add due to rounding

TABLE 1 COMPARATIVE STATEMENT OF NET POSITION As of June 30, 2020 and 2019 (In whole dollars)			
	2020	2019	Change
ASSETS			
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Non-current Assets	701,248	690,323	10,925
Total Assets	13,779,626	12,529,447	1,250,178
DEFERRED OUTFLOWS OF RESOURCES	999,543	990,708	8,835
LIABILITIES			
Current Liabilities	1,192,802	1,095,499	97,304
Non-current Liabilities	6,490,674	6,889,664	(398,989)
Total Liabilities	7,683,477	7,985,163	(301,686)
DEFERRED INFLOWS OF RESOURCES	1,616,970	2,130,671	(513,701)
NET POSITION			
Net Investment in Capital Assets	658,594	647,669	10,925
Restricted (Grant, Legislative or Contract restrictions)	4,716,737	4,729,463	(12,726)
Unrestricted	103,391	(1,972,811)	2,076,202
Total Net Position	**$ 5,478,721**	**$ 3,404,321**	**$ 2,074,400**
1. Amounts may not add due to rounding			
2. Prior year restated for current v. long-term portions of OPEB liabilitiy			

Assets

At fiscal year-end 2020, total assets were $13.8 million. Total assets grew (10.0%) from the prior year, due mainly to the increase in cash reserves (in current assets). As shown in Table 2 below, current assets (comprised of cash and investments, accounts receivable and prepaid assets) were $13.1 million at the end of 2020. This was an increase (10.5%) from the prior year and the change was due to a combination of factors. The agency took steps, in the second half of the fiscal year, to reduce costs in light of the economic downturn; additionally, the agency collected higher civil penalties due to several enforcement cases and earned $.2 million in interest on reserves invested in the King County Investment Pool – these all contributed to higher cash reserves. Total receivables decreased due primarily to increased payments of dues assessed for calendar year 2020 (jurisdictions can elect to pay quarterly). Prepaids decreased due to lower prepaid ferry transit passes at the end of the fiscal year (increased teleworking by staff).

TABLE 2 CURRENT ASSETS As of June 30, 2020 and 2019 (In whole dollars)			
	2020	2019	Change
CURRENT ASSETS			
Cash and Investments	$ 11,631,195	$ 10,150,855	$ 1,480,340
Accounts Receivable (Net)	1,330,463	1,566,793	(236,329)
Prepaids	116,720	121,477	(4,757)
Total Current Assets	**$ 13,078,378**	**$ 11,839,124**	**$ 1,239,253**
1. Amounts may not add due to rounding			

Non-Current Assets

Non-current assets (Table 1) consist of Deposits (security deposit for the office lease) and Net Capital Assets (total capital assets less accumulated depreciation). At fiscal year-end 2020, non-current assets were $.7 million, a small increase from the prior year. The increase was primarily due to the purchase of vehicles, air quality monitoring equipment and computer equipment, offset by the write-off of disposed assets (see note 4 – Capital Assets).

Liabilities

Table 3 shows the key components of liabilities and their changes from the prior year. Total liabilities at June 30, 2020 were $7.7 million, a decrease of $.3 million from 2019 mainly as the result of the decrease in the agency's proportionate share of the state PERS pension liability and a reduction in the total state PERS pension liability (see Note 6 – Pension Plans). This decrease was offset by increases in other post-employment liabilities (due to changes in assumptions) and increases in both the current and non-current portions of compensated absences (employees used less of their paid leave balances in 2020 due to Covid). See Note 11 – Changes in Long Term Liabilities and Note 7 – Other Postemployment Benefit Plans for further information.

TABLE 3
LIABILITIES
As of June 30, 2020 and 2019
(In whole dollars)

	2020	2019	Change
LIABILITIES			
Accounts Payable	$ 373,413	$ 299,994	$ 73,419
Accrued Payroll Liabilities	(1,926)	31,889	(33,815)
Compensated Absences and Excess Compensation - Current	750,369	701,955	48,414
Other Current Liabilities	14	728	(714)
Subtotal - Current Liabilities	**1,121,870**	**1,034,567**	**87,304**
Compensated Absences - Non-current	77,653	71,889	5,764
Other Post Employment Benefits Liability	4,195,626	3,743,649	451,977
Net Pension Liability	2,288,328	3,135,057	(846,730)
Subtotal - Non-Current Liabilities	**6,561,606**	**6,950,596**	**(388,989)**
Total Liabilities	**$ 7,683,477**	**$ 7,985,163**	**$ (301,686)**
1. Amounts may not add due to rounding			

TABLE 3
LIABILITIES
As of June 30, 2020 and 2019
(In whole dollars)

	2020	2019	Change
LIABILITIES			
Accounts Payable	$ 373,413	$ 299,994	$ 73,419
Accrued Payroll Liabilities	(1,926)	31,889	(33,815)
Compensated Absences and Excess Compensation - Current	750,369	701,955	48,414
Current Portion - OPEB Liability	70,932	60,932	10,000
Other Current Liabilities	14	728	(714)
Subtotal - Current Liabilities	**1,192,802**	**1,095,499**	**97,304**
Compensated Absences - Non-current	77,653	71,889	5,764
Other Post Employment Benefits Liability	4,124,694	3,682,717	441,977
Net Pension Liability	2,288,328	3,135,057	(846,730)
Subtotal - Non-Current Liabilities	**6,490,674**	**6,889,664**	**(398,989)**
Total Liabilities	**$ 7,683,477**	**$ 7,985,163**	**$ (301,686)**
1. Amounts may not add due to rounding			
2. Prior year restated for current v. long-term portions of OPEB liabilitiy			

Deferred Outflows and Inflows of Resources

The deferred outflows and inflows shown on the Comparative Statement of Net Position in Table 1 are the result of implementing GASB 68 (Accounting and Financial Reporting for Pensions) to reflect the Agency's portion of the state's net pension liability and from implementing GASB 75 for recognizing liabilities for other post-employment benefits (OPEB). Deferred outflows have a positive effect on net position and deferred inflows have a negative effect on net position. In FY20, deferred outflows increased by $8,835 mainly as a result of the change in the net difference between expected and actual experience for PERS Plan 2 and 3 pension plans. In FY20, deferred inflows decreased by $.5 million due primarily to the elimination of deferred inflows for OPEB (see Notes 6 and 7).

TABLE 4
DEFERRED OUTFLOWS AND INFLOWS
As of June 30, 2020 and 2019
(In whole dollars)

	2020	2019	Change
DEFERRED OUTFLOWS			
Deferred Outflows - Pensions	999,543	930,316	69,227
Deferred Outflows - Other Post Employment Benefits	-	60,392	(60,392)
Total - Deferred Outflows	999,543	990,708	8,835
DEFERRED INFLOWS			
Deferred Inflows - Pensions	1,616,970	1,535,282	81,688
Deferred Inflows - Other Post Employment Benefits	-	595,389	(595,389)
Total - Deferred Inflows	1,616,970	2,130,671	(513,701)

1. Amounts may not add due to rounding

Net Position

The key elements of the Agency's net position are shown in Table 5 at the end of this section. Net position is the overall excess of assets over liabilities. In 2020, the Agency's overall net position of $5.5 million increased by $2.1 million from the prior year. The main factors contributing to the net increase were:

- The restricted portion of net position includes reserves which are restricted by external parties (e.g. grantors) or by state or federal law. This includes grants and contracts from federal, state, and local governments, compliance fee program reserves governed by state statutes, and contracts that provide restricted funds to the Agency. The restricted portion of net position decreased $12,726 due, for the most part, to spending from the state diesel grant (staff working on pollution reduction programs) and reductions in other restricted reserves. These were offset by an increase in the Registration fee program reserves (transfers of civil penalties to fund additional costs of enforcement cases).

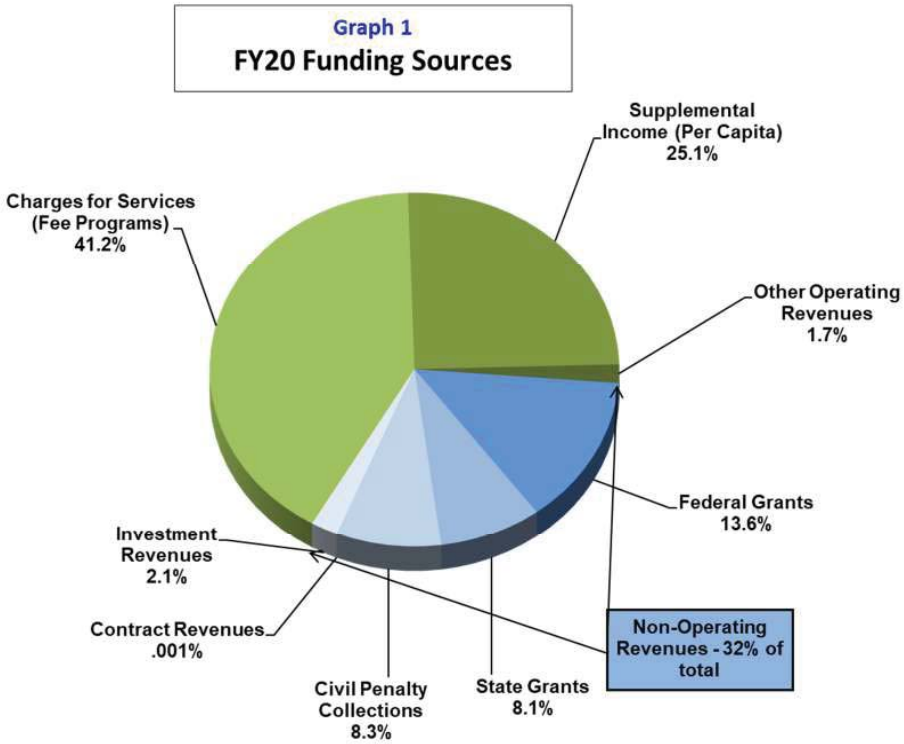
- The unrestricted portion of net position comprises reserves whose use is not externally restricted, but which may be reserved for specific uses through the Agency's financial policies and budget (both approved the Agency's Board). Unrestricted net assets improved by $2.1 million mainly due to the reduction in the pension liability, the collection of civil penalties (a portion of this was transferred to the legal reserve), and cost savings steps taken that increased the supplemental income (per capita) reserve.

TABLE 5			
NET POSITION - RESTRICTED AND UNRESTRICTED			
As of June 30, 2020 and 2019			
(In whole dollars)			
	2020	**2019**	**Change**
Net Investment in Capital Assets	**$ 658,594**	**$ 647,669**	**$ 10,925**
Fee Program Reserves	4,430,749	4,320,100	$ 110,649
State Diesel Grant	82,950	145,365	$ (62,415)
Other Restricted Reserves	203,038	263,998	$ (60,960)
Restricted	**4,716,737**	**4,729,463**	**$ (12,726)**
Supplemental Income Reserve	3,098,101	2,683,969	414,132
Civil Penalty Reserve	1,292,827	1,233,064	59,763
Equipment Reserve	180,917	180,206	711
Employer Retirement Reserve	265,122	265,122	-
General Reserve	494,808	494,808	-
General Legal Reserve	759,669	161,313	598,356
Unemployment Reserve	183,294	183,558	(264)
Other Post Employment Benefits Reserve	(4,195,626)	(4,278,646)	83,020
Pension Reserve	(2,905,755)	(3,740,024)	834,269
Other Unrestricted	930,034	843,819	86,216
Unrestricted	**103,391**	**(1,972,811)**	**2,076,202**
Net Position	**$ 5,478,721**	**$ 3,404,321**	**$ 2,074,400**

1. Amounts may not add due to rounding

Statement of Revenues, Expenses and Changes in Fund Net Position

Graph 1 below shows the Agency's total revenues of $13.7 million from all sources of funding ($9.3 million in operating revenues and $4.4 million included in net non-operating revenues). Charges for Services are the largest source of funding (41.2%) and include permitting fees charged to pollution sources. Supplemental income (per capita) is 25.1% of the agency's funding and is from annual assessments charged to the four-county jurisdictions to support pollution reduction programs. Non-operating revenues (grants, contracts, civil penalty collections, and interest income) comprise about 32% of total funding. While the Agency has bi-annually renewing federal and state grants of about $1.8 million, non-recurring state and federal grants that support specific pollution reduction projects can vary from year to year.



In Table 6, we compare the 2020 operating and non-operating revenues and expenses to the prior year. On an overall basis, the net position of the Agency increased by $2.1 million. Total operating revenues increased $.1 million mainly due the transfer of civil penalty revenues to the Registration fee program to offset higher-than-usual staff costs related to several enforcement cases. Total operating expenses increased $.2 million due to increased personnel expenses (filling open positions in 2020), increased leave liability, and increased expenses related to post-employment benefit liabilities. Non-operating revenues (net of non-operating expenses) increased by $.7 million as the result of higher federal grants and civil penalty collections (from several enforcement cases) - see Table 8 for more information.

TABLE 6 COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION As of June 30, 2020 and 2019 (In whole dollars)	2020	2019	Change
OPERATING REVENUES			
Charges for Services	$ 5,635,515	$ 5,772,016	$ (136,500)
Supplemental Income (Per Capita)	3,431,768	3,375,444	56,324
Other Operating Revenues	229,200	37,200	192,000
Miscellaneous Operating Revenues	1,103	1,597	(494)
Total Operating Revenues	9,297,587	9,186,257	111,330
OPERATING EXPENSES			
Personnel Expenses	7,243,367	6,650,703	592,664
Other Operating Expenses	2,005,252	2,354,936	(349,684)
Total Operating Expenses	9,248,619	9,005,639	242,979
NON-OPERATING REVENUES (EXPENSES)	1,410,772	692,652	718,120
Surplus (Deficit)	1,459,739	873,269	586,470
Effect of OPEB and Pension Liabilities	614,661	55,067	559,594
CHANGE IN NET POSITION	2,074,400	928,336	1,146,064
NET POSITION			
TOTAL NET POSITION, Beginning	$ 3,404,321	2,475,985	$ 928,336
TOTAL NET POSITION, Ending	5,478,721	$ 3,404,321	2,074,400
1. Amounts may not add due to rounding			

Charges for Services (Operating Revenues)

Charges for services include compliance fee programs for regulated pollution sources. With the exception of the asbestos program, these are regulated by the Revised Code of Washington (RCW) and their fees are restricted for use in funding the costs of their respective programs. The Agency's financial policies reserve the use of each of these fee programs' revenues for the costs of that program. In Table 7, we compare charges for services for 2020 and 2019. While there were no changes in the fee structures for these programs, overall charges for services decreased $136,500 during 2020 due to lower asbestos removal and notice of construction permitting in the second half of the year. In addition, bad debt expense related to the current year billings increased due to slightly lower collections of past due fees in 2020.

TABLE 7 CHARGES FOR SERVICES As of June 30, 2020 and 2019 (In whole dollars)	2020	2019	Change
CHARGES FOR SERVICES			
Registration Fees	$ 2,974,255	$ 2,935,030	$ 39,225
Bad Debt - Registration Fees	(21,043)	(12,625)	(8,417)
Operating Permit Fees	1,599,048	1,591,662	7,386
Notice of Construction Fees	435,150	567,039	(131,889)
Asbestos Fees	648,105	690,910	(42,805)
Total Charges for Services	**$ 5,635,515**	**$ 5,772,016**	**(136,500)**
1. Amounts may not add due to rounding			

Supplemental Income (Operating Revenues)

Through the Washington State Clean Air Act, the Agency can charge the four-county jurisdictions a per capita fee which supplements funding from the Environmental Protection Agency (EPA) and the State Department of Ecology (the biennial state and federal core grants) for monitoring, public education, program support, technical and business assistance, and administration. In 2020, the per capita fee was $.83 (no change from the prior year) and the four-county population increased 1.7%. This resulted in total supplemental income (per capita) of $3.4 million, a 1.7% increase from the prior year (Table 6). As approved by the Agency's Board of Directors, the total assessment was apportioned to the four-county jurisdictions based 50% on population and 50% on property tax valuations.

Miscellaneous (Operating Revenues)

Miscellaneous Operating Revenues (Table 6) of $1,103 in 2020 included reimbursements, public disclosure fees, and jury duty fees. This was slightly lower than 2019.

Operating Expenses

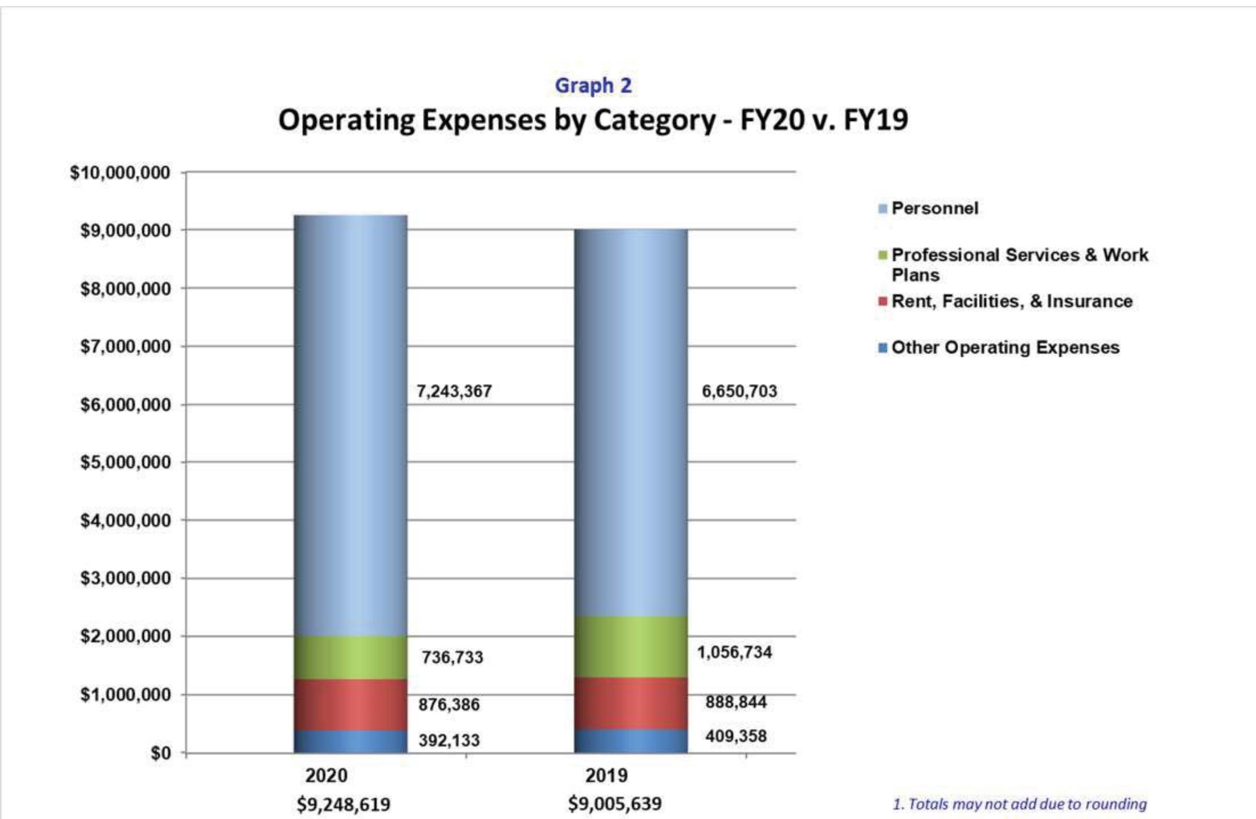
Graph 2 displays the expense components of operating expenses in 2020 relative to 2019. Total operating expenses in 2020 were $9.2 million, a $.2 million increase from the prior year.

Personnel expenses, consisting of wages and benefits, increased $.6 million. Wages expenses increased $.1 million as the result of filling open positions (operating expenses) and cost-of-living adjustments in the range of 2.5% to 2.7%. Benefits expense (that include adjustments to pension expense and leave liability) increased $.5 million due to increased OPEB expense and increased leave liability (employees used less of their accrued paid leave than in the prior year, mainly due to Covid).

Professional services and work plans (primarily grant pass-through expenditures) decreased $.3 million - this was due mainly to a $.2 million decrease in temporary help services and a $.2 million decrease in consulting services. This was offset by a $.1 million increase in legal professional fees (to address several litigation cases).

The rent, facilities, and insurance expenses decreased $12,458 million due to fewer purchases of non-capital equipment in the last two quarters of 2020.

Other operating expenses decreased $17,225 mainly due to reduced travel, training, and meetings in the latter half of 2020.



Non-Operating Revenues (Expenses)
In Table 8, we compare non-operating revenues (expenses) – these are comprised of state and federal grants, contract revenues, civil penalty collections, and investment revenues along with their related expenses.

TABLE 8
NON-OPERATING REVENUES (EXPENSES)
As of June 30, 2020 and 2019
(In whole dollars)

	2020	2019	Change
NON-OPERATING REVENUES (EXPENSES)			
Federal and State Grant Revenues	$ 2,963,710	$ 2,355,922	607,788
Contract Revenues	132	85,016	(84,883)
Civil Penalty Collections	1,135,422	392,145	743,277
Investment Revenues, net of unrealized/realized gains/losses	292,391	326,172	(33,782)
Subtotal - Non-Operating Revenues	**4,391,655**	**3,159,255**	**1,232,400**
Personnel Expenses	(1,617,890)	(1,492,744)	(125,145)
Workplan Expenses	(1,017,713)	(656,584)	(361,129)
Other Non-Operating Expenses	(345,280)	(317,274)	(28,006)
Subtotal - Non-Operating Expenses	**(2,980,883)**	**(2,466,603)**	**(514,280)**
Total Non-Operating Revenues (Expenses)	**$ 1,410,772**	**$ 692,652**	**$ 718,120**
1. Amounts may not add due to rounding			

Total non-operating revenues increased by $1.2 million due mainly to the increase in one-time federal grant funding for specific emissions reductions projects and to the increased civil penalty collections.

A small amount of contract revenues carried over from 2019; however, we did not add any new revenue contracts in 2020.

Civil penalty collections increased $.7 million in 2020 due to several enforcement cases within two business sectors. These collections are not planned or budgeted and the Agency's financial policies govern how these funds are spent. As per our financial policies, civil penalty expenditures are funded by collections from prior fiscal years.

Net investment revenues decreased slightly from 2019, mostly due to a decrease in the unrealized market value of reserves managed in the King County Investment Pool. the investment yield for the King County Investment Pool as well as the balances invested in the pool increased resulting in increased interest income.

Total non-operating expenses increased $.5 million as a result of the increase in federal grants and their related work plan pass-through expenditures.

Financial Contact
The Agency's financial statements are designed to provide users with a general overview of the Agency's financial performance as well as to be accountable to the public, funders, and partners. If you have a question about the report, please contact the Puget Sound Clean Air Agency, Attention: Finance, 1904 Third Avenue, Suite 105, Seattle, WA 98101 or email (finance@pscleanair.org).

PUGET SOUND CLEAN AIR AGENCY
STATEMENT OF NET POSITION
As of June 30, 2020
(In whole dollars)

		2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	11,631,195
Accounts Receivable (net of allowance for doubtful accounts))		1,330,463
Prepaids		116,720
Total Current Assets		**13,078,378**
Non-Current Assets:		
Deposits (Office Lease)		42,654
Capital Assets being Depreciated:		
Equipment & Leasehold Improvements		1,522,167
Less Accumulated Depreciation		(863,573)
Total Capital Assets (Net)		658,594
Total Non-Current Assets		**701,248**
TOTAL ASSETS		**13,779,626**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows related to Pensions		999,543
TOTAL DEFERRED OUTFLOWS OF RESOURCES		**999,543**
LIABILITIES		
Current Liabilities:		
Accounts Payable		373,413
Accrued Payroll Liabilities		(1,926)
Compensated Absences and Excess Compensation		750,369
Total OPEB Liability		70,932
Other Current Liabilities		14
Total Current Liabilities		**1,192,802**
Non-Current Liabilities:		
Compensated Absences		77,653
Total OPEB Liability		4,124,694
Net Pension Liability		2,288,328
Total Non-Current Liabilities		**6,490,674**
TOTAL LIABILITIES		**7,683,477**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows related to Pensions		1,616,970
TOTAL DEFERRED INFLOWS OF RESOURCES		**1,616,970**
NET POSITION		
Investment in Capital Assets		658,594
Restricted (grant, legal, and contract requirements)		4,716,737
Unrestricted		103,391
TOTAL NET POSITION	**$**	**5,478,721**

Totals may not add due to rounding

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

MCAG No. 1024

PUGET SOUND CLEAN AIR AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the period July 1, 2019 - June 30, 2020
(In whole dollars)

	2020
OPERATING REVENUE	
Charges for Services, net of bad debt expense	5,635,515
Supplemental Income (Per Capita)	3,431,768
Other Operating Revenues	229,200
Miscellaneous Revenues	1,103
Total Operating Revenues	**9,297,587**
OPERATING EXPENSES	
Salaries and Wages	5,284,432
Employee Benefits	1,958,934
Work Plans	118,892
Professional Services	617,841
Software Purchases & Maintenance	67,457
Repairs and Maintenance	38,418
Operating Expenses, Supplies and Printing	56,295
Rent, Utilities and Insurance	677,094
Travel, Training and Meeting Expenses	113,572
Telephone and Postage	66,101
Legal Expenses	14,201
Taxes and Bank Charges	74,507
Non-Capitalized Assets (under $5,000)	44,637
(Gain)/Loss on Asset Disposal	(5,406)
Depreciation	121,644
Total Operating Expenses	**9,248,619**
Operating Surplus (Deficit)	**48,968**
NON-OPERATING REVENUES (EXPENSES)	
Federal and State Grant Revenues	2,963,710
Contract Revenues	132
Civil Penalty Collections	1,135,422
Investment Revenues, net of Unrealized and Realized Gains/Losses	292,391
Salaries and Wages	(1,214,785)
Employee Benefits	(403,105)
Workplan Expenses	(1,017,713)
Other Non-Operating Expenses	(345,280)
Total Non-Operating Revenues (Expenses)	**1,410,772**

Total Surplus (Deficit)	**1,459,739**
Change in the application of an accounting principle in the reporting of OPEB	614,661
Change in Net Position	**2,074,400**
Total Net Position - Beginning	**3,404,321**
Total Net Position - Ending	**5,478,721**

Totals may not add due to rounding

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

PUGET SOUND CLEAN AIR AGENCY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the period July 1, 2019 through June 30, 2020
(In whole dollars)

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	9,524,891
Payment to suppliers	(1,927,076)
Payment to employees	(7,441,784)
Net cash provided (used) by operating activities	**156,031**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating revenues (expenses), net of non-cash adjustments	971,159
Net cash provided (used) by noncapital financing activities	**971,159**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	142,546
Net cash provided (used) by capital and related financing activities	**142,546**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	
Interest and dividends	210,604
Net cash provided by investing activities	**210,604**
Net Increase (Decrease) in cash and cash equivalents	**1,480,340**
Balances - beginning of the year	**10,150,855**
Balances - end of year	**11,631,195**

The notes to the financials are an integral part of this statement

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Puget Sound Clean Air Agency (the agency) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The agency uses the revenue and expenditure classifications contained in the *Budgeting Accounting and Reporting System* (BARS) manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. The significant accounting policies are described below.

A. Reporting Entity

The Agency was incorporated on June 23, 1967 and operates under the laws of the State of Washington applicable to a municipal corporation. The Agency is a special purpose district and provides pollution control services. There are no component units included in the Agency's financial reporting.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency complies with GASB guidance as the basis for accounting. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency reports the financial activities of the Agency as one proprietary fund. This election was made after reviewing materials from the Washington state auditor and after considering the financial reporting options for special purpose districts.

Proprietary Fund
Generally Accepted Accounting Principles (GAAP) requires that proprietary funds distinguish between operating and non-operating revenues and expenses. Revenues are classified as either "operating", those revenues which support specific programs and are fee-for-service, or as "non-operating", those revenues that are grants, membership dues or miscellaneous minor revenues that do not specifically support a program

- Operating - These incomes, expenses and cash flows are fees for services, supplemental income related to the state Clean Air Act, contracts for services, and payments to support specific activities or programs considered to be operating activities of the Agency. This category includes revenues and expenses for the fee programs (asbestos, notice of construction, registration and operating permits), supplemental income (per capita) assessments, Western Washington Clean Cities Coalition and miscellaneous operating activities.
- Non-operating – This category includes revenues and expenses for state and federal grants, grant-related contracts, interest income net of investment management fees, realized gains/losses, and market value adjustments, and civil penalty collections net of related expenses.

C. Budgetary Information
Annual appropriated budgets for the new fiscal year are adopted by the Agency's Board of Directors for the proprietary fund before the end of the current fiscal year. The budget process also includes a Board review and approval of Agency financial policies, any fee program changes, the annual per capita rate

charged and the apportionment of supplemental income assessments to the four-county jurisdictions. Budget amendments throughout the fiscal year are approved by the Board as deemed appropriate and are enacted through a Board resolution.

D. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents
Agency policy is to invest all temporary cash surpluses and reserves. Cash and Cash Equivalents consist of the Agency's cash and investments held in the King County Investment Pool (Pool) and a small amount of petty cash. King County acts as the Agency's treasurer and invests all temporary cash surpluses. At June 30, 2020, the treasurer was holding a fair value amount of $11,802,406 in investments of reserves. The amount included as Cash and Cash Equivalents on the Statement of Net Position, and as Net Cash on the Statement of Cash Flows, is the booked amount of $11,631,195 – the difference is due mainly to outstanding uncleared checks and the timing of interest earned/received. See Note 2 for the detail of investments and the reconciliation between the fair value of investments held and the booked amounts.

In 2020, interest earnings and investment loss recaptures were allocated to the interest income reserve – the excess over a balance of $28k (reserved for investment losses) can be used, with Board approval, for unforeseen one-time non-personnel expenditure needs.

2. Receivables
Accounts receivable consist of amounts owed from private individuals, companies, governments or other organizations for goods or services, including amounts owed for which billings have been prepared but the cash has not been received. Receivables related to the Registration Fee program are reported net of an allowance for uncollectible accounts that is adjusted at each fiscal year-end (based on collection trends). (See Note 3).

3. Capital Assets
The Agency uses GAAP accounting and capitalizes all long-lived assets valued at greater than $5,000 with a useful life greater than one year. Capital assets are depreciated on a straight-line basis over their applicable useful lives. (See Note 4).

4. Deferred Outflows/Inflows of Resources
The Agency reported deferred outflows and inflows related to the implementation of GASB 68 for pension liabilities. These are reported separately on the financial statements (see Notes 6 and 7 for additional information).

5. Accounts Payable
Accounts Payable represents goods and services received as of June 30, 2020, for which payments have not yet been made. (See Note 5).

6. Compensated Absences and Excess Compensation Liabilities
Compensated absences are earned and untaken absences for which employees may be paid, such as vacation, compensatory leave, and sick leave.

Excess compensation, for members of the Public Employees Retirement System (PERS) Plan 1, is a portion of compensation used for pension benefit calculation for which the extra benefit derived must be paid by the Agency rather than by the retirement system.

Vacation leave may be accumulated up to twice the employee's annual accrual days. Vacation accrual in excess of twice the employee's annual accrual is paid out in cash after the end of each fiscal year. Upon separation from employment, the employee receives payment for any unused vacation. Sick leave may be accumulated indefinitely. An employee separated from service with the Agency due to death, retirement, or disability is compensated in an amount equal to thirty-three and one-third percent of any unused sick leave but not to exceed four hundred hours.

Vacation, sick leave, and compensatory time are accrued at 100% of the total estimated liability as of the fiscal year end. The accrued liability is reviewed and adjusted monthly. At the end of fiscal year

2020, the total current and non-current Compensated Absences and Excess Compensation Liability was $828,022 (see Note 11 for additional information).

7. Other Accrued Liabilities
   These accounts consist of accrued wages and accrued employee benefits.

8. Short- and Long-Term Debt
   The Agency has no general, revenue, or assessment short or long-term debt.

9. Pensions
   For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net positions 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 (see Note 6).

10. Other Post-employment Benefit (OPEB) Plans
    The Governmental Accounting Standards Board (GASB) released accounting standards for public postemployment benefit plans other than pension (OPEB) under GASB 75. The OPEB liability and the OPEB expense are reflected in the financial statements (see Note 7).

11. Restricted and Unrestricted Net Position
    The restricted portion of net position represents amounts restricted by external entities such as state legislation, state or federal grantor agreements, and contracts between the Agency and other external entities. Unrestricted net position includes reserves that are set aside per the Agency's financial policies (see Note13).

12. Prior Period Adjustments
    There are no adjustments related to prior periods.

NOTE 2 – CASH AND INVESTMENTS

Under the requirements of the Washington State Clean Air Act, one county within our four-county jurisdiction (King, Pierce, Kitsap and Snohomish Counties) is to act as the Agency's treasurer. The Agency has entered into a formal interlocal agreement with the Agency to have all of its funds, not required for immediate expenditure, to be invested in the King County Investment Pool ("Pool"). The Pool is guided by the following principles:

1. The primary objective of the Pool's investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements.
3. The third consideration is to achieve a reasonable yield consistent with these objectives.

The Pool is administered by the King County Treasury Operations Section as an external investment pool. For investment purposes, the county pools the cash balances of county funds and participating component units, and allows for participation by other legally separate entities such as special districts, for which the county is the ex officio treasurer, and public authorities. The external portion of the KCIP (the portion that belongs to special districts and public authorities other than component units) is reported in an Investment Trust Fund. It is the county policy to invest all county funds in the Pool.

All securities are reported at fair value and reports are prepared monthly and distributed to all Pool participants. The Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on realized investment gains and losses, interest income based on stated rates (both paid and accrued), and the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon fees. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses due to changes in the fair values. The net change in fair values of the investments is reported as an increase or decrease in cash and cash equivalents in the statement of net position.

As of June 30, 2020, the Agency investments (amount held in the Pool and fair value) were the following:

Investment Type	Investments Held in King County Investment Pool	Fair Value	Effective Duration
King County Investment Pool	$ 11,677,880	$ 11,802,406	.99 Years

Table 1 below shows investments (holding amount) in the King County Investment Pool ("Pool") by type of investment for fiscal year-end 2020 and 2019. While holdings in U.S. Agency Mortgage -backed Securities, Treasury Securities and Corporate Notes decreased, investments in U.S. Agency Securities, Commercial Paper, Repurchase Agreements and the Local Government Investment Pool (Washington State) increased. All investments are compliant with Pool requirements. Impaired investments, set aside since 2008, are declining each year as payouts are received and/or settlements received.

Table 1- Note 2	June 30, 2020			June 30, 2019	
Portfolio - Distribution	**%**	**Holdings**		**%**	**Holdings**
U.S. Agency Securities	47.14%	5,501,348		36.40%	2,579,967
Commercial Paper	4.82%	562,606		4.00%	409,029
U.S. Agency Mortgage-backed Securities	0.03%	3,501		0.10%	4,944
Repurchase Agreements	2.67%	311,067		2.20%	151,851
Treasury Securities	20.08%	2,343,277		36.60%	3,917,584
Corporate Notes	7.08%	826,592		14.20%	1,604,024
Local Government Investment Pool	18.19%	2,122,556		6.50%	1,549,376
Subtotal - Unimpaired Investments	100.00%	11,670,946		100.00%	10,216,776
Impaired Investments (Commercial Paper)		6,933			8,503
Total Investments Held in the King County Pool		**$ 11,677,880**			**$ 10,225,278**
1. Amounts may not add due to rounding					

At June 30, 2020 total investments held in the Pool were $11,677,880, a 14.0% increase from the prior year. This was due to the combination of cost reductions steps taken by Agency management in the last half of 2020, increased civil penalty collections due to several enforcement cases, and interest income earned in 2020.

At the end of the fiscal year, the Agency also recorded unrealized gains and losses in the unimpaired and impaired investments based on investment fair value data provided by the Treasurer (King County). Table 2 shows the change in the fair value of investments as of June 30, 2020 compared to the prior year:

Table 2 - Note 2	FY20				FY19		
Fair Value of Investments	**Investments Held in King County Investment Pool**	**Fair Value Ratio**	**Fair Value**		**Investments Held in King County Investment Pool**	**Fair Value Ratio**	**Fair Value**
Unimpaired Investments	$ 11,670,946	*101.09%*	$ 11,798,160		$ 10,216,776	*100.42%*	$ 10,259,686
Impaired Investments	6,933	*61.25%*	4,247		8,503	*67.75%*	5,761
Total Investments	**$ 11,677,880**		**$ 11,802,406**		**$ 10,225,278**		**$ 10,265,446**
1. Amounts may not add due to rounding							

The total fair value of investments increased 15% from the prior year due to a combination of increased investments, increased market value of the unimpaired investments and decreased fair value for the impaired portion of investments. The increases/decreases in fair value combined with the increase in investments resulted in the recognition of a net unrealized gain of $82,511. This was mainly due to the increase in the fair value ratio for unimpaired investments from 100.42% to 101.09%.

Impaired Investments
At fiscal year-end, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool held one commercial paper asset where the impaired pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The impaired pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the impaired pool accepted the cash-out option. At the end of FY20, the Agency's share of the impaired investment pool principal was $6,933 (maximum risk of loss) and the Agency's fair value of these investments at fiscal year-end was $4,247. Per the Agency's financial policy, we maintain an interest income reserve in the event there are unplanned investment losses.

Interest Rate Risk
As of June 30, 2020, the Pool's average duration was .99 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk
As of June 30, 2020, the Agency's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Reconciliation to Financial Statements
Table 3, below, lays out the reconciliation between the total investments held in the Pool shown above in Table 2 and the amount of Cash and Cash Equivalents reported on the financial statements:

Table 3 - Note 2

Reconciliation to Financial Statements	**June 30, 2020**
Investments Held in King County Investment Pool	$ 11,677,880
Fair Value Adjustment at June 30th	124,527
Fair Value of Investments	$ 11,802,406
Addback: Interest Earned but not received	13,928
Reconciliation items - timing & adjustments	(70,854)
Outstanding Checks - not cleared	(114,385)
Petty Cash	99
Cash and Cash Equivalents - Financial Statements (Book Value)	**$ 11,631,195**

1. Amounts may not add due to rounding

The book value (financial statement amount) increased from 2019 to 2020 for the same reasons highlighted earlier in this note.

NOTE 3 – ACCOUNTS RECEIVABLE
Total receivables (net of the allowance for doubtful accounts) at June 30, 2020 were $1.3 million, a 15% decrease from the prior year as the result of several factors. Supplemental income (per capita) receivables decreased due to earlier quarterly payments by several jurisdictions, grants and contracts receivables decreased due to more timely payments (even though grant revenues increased in 2020), and other

receivables (modifications to several sources' operating permits) decreased. The decreases were offset by an increase in net Registration receivables (lower collection experience for the calendar year 2020 fee billings).

Table 1- Note 3			
Accounts Receivable	**June 30, 2020**	**June 30, 2019**	**Change**
Registration Program Fees Receivable	$ 227,220	$ 169,150	$ 58,070
Allowance for Doubtful Accounts	(119,920)	(106,752)	(13,168)
Net Registration Program Receivables	107,300	62,398	44,902
State/Federal Grants and Contracts Receivable	544,794	608,678	(63,884)
Supplemental Income (Per Capita) Fees Receivable	675,384	884,466	(209,083)
Other Receivables	2,985	11,251	(8,265)
Total Receivables (Net)	**$ 1,330,463**	**$ 1,566,793**	**$ (236,329)**
Totals may not add due to rounding			

NOTE 4– CAPITAL ASSETS

Major expenses for capital assets, including major repairs that increase useful lives, are capitalized if they are greater than $5,000. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred while all capital assets are valued at historical cost. The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives ranging from three to ten years.

Capital assets are classified in the following categories and have useful lives as shown below:

Category	Life (months)
Vehicles	120
Computers (48 month life)	48
Computers (36 month life)	36
Leasehold Improvements	Term of Leases
Monitoring, Lab, Shop and Field Equipment	120

In fiscal year 2020, the Agency acquired $142,546 in capital assets. These purchases included vehicles, capitalized computer equipment, and air monitoring equipment. At year-end 2020, total capital assets were $1,522,167 and net capital assets, after accumulated depreciation of $863,573, were $658,594, a 2% increase from the prior year. Decreases in capital assets and accumulated depreciation of $50,371 reflect write-offs of disposed assets (vehicles, EV batteries). Total depreciation expense for FY20 was $131,621 – of this total, $121,644 related to operating expenses and $9,977 was included in non-operating expenses.

The schedule of assets and accumulated depreciation is shown below:

Table 1- Note 4				
FY20 Capital Asset Rollforward	**Balance at June 30, 2019**	**Increases**	**Decreases**	**Balance at June 30, 2020**
Capital Assets, Being Depreciated:				
Vehicles	$ 338,565	$ 97,657	$ (50,371)	$ 385,851
Computers	178,707	13,447	-	192,153
Leasehold Improvements	111,551	-	-	111,551
Monitoring Equipment	801,170	31,442	-	832,612
Total Capital Assets Being Depreciated	1,429,992	142,546	(50,371)	1,522,167
Less accumulated depreciation for:				
Vehicles	184,420	34,355	(50,371)	168,404
Computers	124,957	27,618	-	152,575
Leasehold Improvements	65,902	7,026	-	72,928
Monitoring Equipment	407,045	62,622	-	469,666
Total Accumulated Depreciation	782,323	131,621	(50,371)	863,573
Total Capital Assets Being Depreciated, Net	**$ 647,669**	**$ 10,925**	**$ -**	**$ 658,594**
1. Totals may not add due to rounding				

NOTE 5 – ACCOUNTS PAYABLE

The accounts payable balance at fiscal year-end 2020 was $373,413, a 24% increase from the prior year. The overall increase was primarily due to increased legal expense payables at the end of 2020. This is also the reason that the percentage of current payables increased from FY19 to FY20.

Table 1- Note 5	**Accounts Payable Rollforward (July 1, 2019 to June 30, 2020)**				
	Beginning Balance July 1, 2019	**Additions**	**Modifications**	**Payments**	**Ending Balance June 30, 2020**
Accounts Payable	$ 299,994	4,820,337	12,761	(4,759,679)	$ 373,413

	Accounts Payable Aging	
	FY20	**FY19**
Current	$ 319,451	$ 253,411
1 to 30 Days Past Due	53,962	46,583
Over 30 Days Past Due	-	-
Total Accounts Payable	$ 373,413	$ 299,994
% Current	86%	84%
Totals may not add due to rounding		

NOTE 6 - PENSION PLANS

For purposes of measuring the net pension liability or asset, 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.

The following table represents the Agency's aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2020:

Agency Pension Amounts - All Plans June 30, 2020	
Pension Liabilities	$ 2,288,328
Deferred outflow of resources	$ 999,543
Deferred inflows of resources	$ 1,616,970
Pension expense/expenditures	$ (10,274)

State Sponsored Pension Plans

Substantially all Agency 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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**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.

<u>Contributions</u>

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 payrolls) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.41%**
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**

The Agency's actual PERS plan contributions were $309,346 to PERS Plan 1 and $514,650 to PERS Plan 2/3 for the year ended 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-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 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 Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/Asset

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

Sensitivity to Changes	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 2,161,342	$ 1,725,872	$ 1,348,045
PERS 2/3	$ 4,313,802	$ 562,454	$ (2,515,774)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Agency reported a total pension liability of $2,288,328 for its proportionate share of the net pension liabilities as follows:

Agency Net Pension Liability June 30, 2020	
PERS 1	$ 1,725,873
PERS 2/3	562,455
Total	$ 2,288,328

At June 30, the Agency's proportionate share of the collective net pension liabilities was as follows (only report applicable plans):

Agency Proportionate Share of Washington State Pension Liability	Proportionate Share 6/30/18[1]	Proportionate Share 6/30/19[2]	Change in Proportion
PERS 1	0.047591%	0.044882%	-0.002709%
PERS 2/3	0.059132%	0.057905%	-0.001227%
1. Used for the Agency's FY19 financial reports			
2. Used for the Agency's FY20 financial reports			

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

Pension Expense

For the year ended June 30, 2020, the Agency recognized pension expense as follows:

Agency Pension Expense July 1, 2018 through June 30, 2019	
PERS 1	$ (46,896)
PERS 2/3	36,623
Total	$ (10,274)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	July 1, 2019 through June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(115,303)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	309,346	
Total	**$ 309,346**	**$ (115,303)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 161,145	$ (120,925)
Net difference between projected and actual investment earnings on pension plan investments	-	(818,706)
Changes of assumptions	14,403	(235,987)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(326,050)
Contributions subsequent to the measurement date	514,650	
Total	**$ 690,197**	**$ (1,501,667)**

Total Plans 1,2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 161,145	$ (120,925)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (934,008)
Changes of assumptions	$ 14,403	$ (235,987)
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ (326,050)
Contributions subsequent to the measurement date	$ 823,996	$ -
Total	**$ 999,543**	**$ (1,616,970)**

Deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	PERS 1
2020	$ (25,454)
2021	(60,293)
2022	(21,516)
2023	(8,041)
2024	-
Thereafter	$ -

Year ended June 30:	PERS 2/3
2020	$ (321,142)
2021	(482,774)
2022	(248,934)
2023	(162,318)
2024	(99,704)
Thereafter	$ (11,247)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Under GASB 75, the Governmental Accounting Standards Board (GASB) released accounting standards for public postemployment benefit plans other than pension (OPEB). The Agency's plan, Washington State Public Employees Benefit Board (PEBB), is not administered through a qualifying trust and there is no special funding situation (medical and dental benefits are not pre-funded). GASB 75 requires a liability for OPEB obligations, known as the total OPEB liability, to be recognized in the financial statements of participating employers.

Plan Description

Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through the Public Employee Benefits Board (PEBB). The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees. Puget Sound Clean Air Agency provides medical, dental, and voluntary long-term disability insurance to its employees through the Washington State Public Employees Benefit Board (PEBB), a single employer defined benefit plan. Agency employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504-0914 or it may be downloaded from the Office of the State Actuary website at http://leg.wa.gov/osa.

The subsidies provided by PEBB and valued in this report include the following:

-Explicit medical subsidy for post-65 retirees and spouses
-Implicit medical subsidy
-Implicit dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $183 or 50% of the monthly premiums. The retirees and spouses currently pay the premium minus $183 when the premium is over $300 per month and pay half the premium when the premium is lower than $300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

GASB 75 requires the projection of the total cost of benefit payments to be based on claims costs or age-adjusted premiums approximating claims costs. Because claims costs are expected to vary by age and sex, we have used claims costs that vary by age and sex. The projection of retiree premiums is based on current amounts for the retirees' share of the premium, projected with the medical trend assumption.

Pay-as-you-go funding occurs when an employer chooses to contribute (pay) for benefits only when they occur or become due (after retirement). Before 2017, this cost was expensed as the Agency paid the current year's subsidies. However, the unfunded liability, which is the difference between what the Agency accrues (assuming on-going future payments) and what the Agency currently pays, was growing and was not accounted for under the pay-as-you-go method. The Agency funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that the Agency pays these costs as they occur or become due. There are no assets accumulating in a qualifying trust.

<u>Annual OPEB Expense and Total OPEB Liability</u>

For the 2020 expense and OPEB liability reporting, the valuation date is July 1, 2020. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date is June 30, 2020. This is the date as of which the total OPEB liability is determined. GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is June 30, 2020 or the Agency's fiscal year end. The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the reporting year FY2020:

Aggregate OPEB Amounts - All Plans	Reporting Period July 1, 2019 - June 30, 2020
OPEB Liabilities	$ 4,195,626
OPEB Assets	$ -
Deferred outflows of resouces	$ -
Deferred inflows of resource	$ -
OPEB Expense	$ 531,233

The total OPEB liability is also reported as of the beginning of the measurement period. Total OPEB expense for the year is made up of service cost, or the portion of the actuarial present value of expected benefit payments that is attributed to the valuation year, interest on the total liability, the effects of plan changes, the recognition of economic/demographic gains or losses and the recognition of assumption changes or inputs. The components of OPEB expense for FY20 are shown below:

OPEB Expense		
Measurement Period (July 1, 2019 to June 30, 2020)	**Reporting Period July 1, 2019 - June 30, 2020**	
Service cost	$	159,266
Interest on total OPEB liability	$	135,227
Effect of plan changes		-
Recognition of Deferred Inflows/Outflows of Resources		-
Recognition of economic/demographic gains or losses Recognition of assumption changes or inputs		236,740
OPEB Expense	**$**	**531,233**

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates.

Total OPEB Liability		
Measurement Period (July 1, 2019 to June 30, 2020)	**Reporting Period July 1, 2019 - June 30, 2020**	
Total OPEB liability	$	4,195,626
Covered employee payroll		6,498,489
Total OPEB liability as a % of covered employee payroll		64.56%

Valuation date June 30, 2020
Measurement date June 30, 2020

Discount Rate – Beginning of Measurement Year 3.50%
Discount Rate – End of Measurement Year 2.21%

Healthcare Cost Trend Assumptions Initial rate is about 7%, trends down to around 5% in 2020.
Projected Salary Change 3.5% + Service-Based Increases

The changes in the total OPEB liability are shown in the table below. The main reason for the increase in the liability from the prior year is combination of service cost, interest expense, and the changes in assumptions or inputs.

Changes in Total OPEB Liability	
	Reporting Period July 1, 2019 - June 30, 2020
Balance at June 30, 2019	**$ 3,743,649**
Service cost	159,266
Interest on total OPEB liability	135,227
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumption changes or inputs	236,740
Expected benefit payments	(79,256)
Balance at June 30, 2020	**$ 4,195,626**

Employees Covered by Benefit Terms
At the census date of July 1, 2020 (reporting date of June 30, 2020), the following employees and retirees were covered by the benefit terms:

Employees Covered by Benefit Terms	
Active employees	67
Retirees	21
Total	**88**

Sensitivity Analysis
The following presents the total OPEB liability of the agency after a 1% decrease, no decrease, and a 1% increase in the discount rate and healthcare costs.

Sensitivity Analysis	1% Decrease	Current	1% Increase
Discount Rate	$ 5,064,951	$ 4,195,626	$ 3,515,773
Healthcare Trend	$ 3,438,749	$ 4,195,626	$ 5,197,339

Funded Status and Funding Progress

In order to fund the OPEB plan, the Agency would have to establish an irrevocable trust, which means that the Agency would no longer have control of the money put into the trust. Even if the Agency left the PEBB program, the Agency would not be able to get the money out of the trust. As of June 30, 2020, the plan was 0% funded. See the Required Supplementary Information – OPEB after the Notes section.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required payments of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions

We utilized the Washington State Actuary PEBB-AMM online tool for estimating the OPEB expense and liability. Additional assumptions include:

- Assumed 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 (UMP).
  - The KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value.
  - The KP post-Medicare costs and premiums are equal to KP Medicare.

- Estimated retirement service for each active cohort based on the average entry age of 35, with a minimum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

- Assumptions for retirement, disability, termination, and mortality are based on the *2018 PEBB OPEB AVR*.

  - Assumed all employees are retirement eligible at age 55. Relied on our retirement rates for members with <30 years of service. Assumed a 100% rate of retirement at the age of 70.

- Each cohort is assumed to be a 50/50 male/female split and further assumed that eligible spouses are the same age as the primary member.

- Selected the age-based cohorts for this AMM Online Tool based upon the overall distribution of State employees and retirees that participate in PEBB.

- Did not include dental benefits when calculating the Total OPEB Liability. Dental benefits represent less than 3 percent of the accrued benefit obligations under the *2018 PEBB OPEB AVR*. We will continue to monitor the impact and may consider including dental benefits in future updates of the tool.

NOTE 8 – RISK MANAGEMENT

The Agency self-insures unemployment compensation for all of its employees. Actual employee claims are paid by the State Department of Employment Security and then reimbursed by the Agency. The agency reserve for potential unemployment compensation payments was $183,294 as of June 30, 2020. For FY20, the Agency paid out two claims for unemployment totaling $989.

In addition, the Agency self-insures for short-term disability for its employees and uses a third-party administrator to manage the program. In 2020, there were no short-term disability claims paid. The Agency does not have a specific reserve set aside for short-term disability; however, the Agency's budget includes full salary and benefits for employees on short-term disability (short-term disability is 100% of an employee's wages).

For property and risk liability coverage, the Agency is a member of Enduris, a risk pool of local governments. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW.

As of June 30, 2019, there were 550 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- $1,000,000 deductible on liability loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 deductible on property loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss.
- Enduris is responsible for the $4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is $10 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members. The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement. Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house. In the past year, claims have not exceeded insurance coverage. A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

In FY20, there were $16,150 in insurance claims paid out or filed (Table 1). Risk and property insurance premiums paid in FY20 were $90,818. Insurance settlements have been less than insurance premiums in each of the last three years.

Table 1- Note 8	Insurance Claims Paid Out		
FY20 Insurance Claims	**Claims Paid to Agency**	**Claims Paid to Third Parties**	**Total**
Auto Physical Damage	$ 16,150	-	$ 16,150
General Liability	-	-	-
Total	$ 16,150	-	$ 16,150

NOTE 9 - COMPLIANCE AND ENFORCEMENT AGENCY

The Agency is a compliance and enforcement agency with various cases pending before an administrative tribunal, entitled the Pollution Control Hearings Board ("PCHB"), involving the enforcement of the Washington State Clean Air Act and the regulations of the Agency. These cases are not causes of action against the Agency, but are enforcement actions. Appeals of decisions by the PCHB can proceed, if filed, in superior court, with subsequent appeals to the appellate courts in the State of Washington. The Agency also sometimes seeks the payment of unpaid civil penalties in superior court. A listing of the open and closed cases is available from the Agency's legal department.

NOTE 10 – LEASES

The Agency is committed under various leases for a total of $4,452,917 beyond June 30, 2020. All of these leases are considered operating leases for accounting purposes. Total lease expenses for the year ended June 30, 2020 amounted to $727,993.

Property Leases

The Agency has one office location (1904 Third Avenue, Suite 105, Seattle, WA 98101) which it leases under a non-cancellable operating lease. In addition to the scheduled lease obligations shown in the table below, the lease includes escalation provisions for additional rent adjustments based on the janitorial hourly labor rates, the Consumer Price Index, the cost of electricity and annual increases in property taxes. The rent adjustments are revised once per year based on the change in this data from the base year of 2017 for the period up through January 31, 2027. Future minimum rental commitments, excluding escalation provisions, are as follows:

Lessor	Time Period	Amount
Clise Properties, Inc. - Main office lease	7/1/2018 - 1/31/2027	4,197,975
	Total	**$ 4,197,975**

In addition to the office space, the Agency leases storage space in the same building location and from the same lessor. The remaining amount on this portion of the lease is $110,995 for the period from July 1, 2020 through January 31, 2027.

Lessor	Time Period	Amount
Clise Properties, Inc. - Storage Spaces	7/1/2018 - 1/31/2027	$ 110,995
	Total	**$ 110,995**

The Agency leases additional property within its four-county jurisdiction for its air quality data-collection monitoring sites and the components of the future commitments of $32,566 are shown below:

Lessor	Time Period	Amount
Auburn School District	7/1/2019 - 11/30/2023	$ 4,100
City of Lake Forest Park - Monitoring Site	7/1/2018 - 6/30/2022	900
Marysville School District - Monitoring Site	7/1/2018 - 6/30/2020	3,000
General Services Administration - Monitoring Site	7/1/2018 - 11/30/2018	14,431
Puget Sound Energy - Monitoring Site	7/1/2018 - 11/30/2020	935
Tacoma Cambodian Evangelical Church - Monitoring Site	7/1/2018 - 4/30/2024	9,200
Total		**$ 32,566**

Equipment Leases

The Agency leases office equipment (copiers, postage machine) under the operating leases. Future commitments are listed below:

Lessor/Equipment	Time Period	Amount
Pacific Automation/US Bank	7/1/2018 - 4/30/2019	107,445
Neopost/MailFinance	7/1/2018 - 4/30/2020	3,936
Total		**$ 111,381**

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

At June 30, 2020 long-term liabilities decreased $398,989 from the prior year primarily due to the reduction in the net pension liability as a result of the decrease in the state estimated net pension liability combined with a reduction in the Agency's portion of that liability.

At the end of each fiscal year, the Agency allocates the total compensated absences liability between current and non-current liabilities based on a review of the average employee usage and cash out of vacation, sick and compensatory time using a three-year rolling average. The non-current portion of compensated absences increased $5,764 as a result of the increase in earned unused paid leave (employees used less paid leave than earned).

Table 1- Note 11	Long-Term Liability Rollforward				
	Beginning Balance 7/1/2019	**Additions**	**Reductions**	***Ending Balance 6/30/2020***	***Current Portion Due Within One Year***
Compensated Absences	$ 71,889	5,764		77,653	700,391
Net Pension Liability	3,135,057		(846,730)	2,288,328	
Other Post Employment Benefits	3,682,717	441,977		4,124,694	70,932
Total Long Term Liabilities	$ 6,889,664	447,741	(846,730)	6,490,674	771,323
Totals may not add due to rounding.					

NOTE 12 – CONTINGENCIES AND LITIGATIONS

The Agency has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Agency will have to make payment. In the opinion of management, the Agency's self-insurance reserves and insurance policies are adequate to pay for all known or pending claims.

The Agency participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Agency management believes that such disallowances, if any, will be immaterial.

NOTE 13 – RESTRICTED COMPONENT OF NET POSITION

The Restricted component of Net Position consists of funds whose use is restricted by state law (certain fee programs), federal and state grant regulations, and contracts with external entities. At June 30, 2020, the Agency's restricted net position was $4,716,737, a decrease of $12,726 due mainly to spending from the state retrofit grant reserves.

NOTE 14 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The Agency took steps to reduce current spending and increased reserves in the event that this would result in economic impacts to the Agency's funding.

Puget Sound Clean Air Agency
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of June 30, 2020 (reporting date)
Last 10 Fiscal Years*

Reporting Date		**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**20XX**	**20XX**	**20XX**	**20XX**	**20XX**
Measurement Date		6/30/2019	6/30/2018	6/30/2017	6/31/2016	6/30/2015	6/31/2014	6/31/2013					
Employer's proportion of the net pension liability (asset)	%	0.044882%	0.475910%	0.053544%	0.055300%	0.056507%	0.056744%	0.055534%					
Employer's proportionate share of the net pension liability	$	1,725,872	2,125,430	2,540,705	2,982,223	2,955,841	2,858,505	3,244,993					
TOTAL	$	1,725,872	2,125,430	2,540,705	2,982,223	2,955,841	2,858,505	3,244,993					
Covered payroll (at measurement date)*	$	6,292,958	6,185,736	6,635,087	6,496,674	6,370,814	6,101,162	6,021,351					
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	27.43%	34.36%	38.29%	45.90%	46.40%	46.85%	53.89%					
Plan fiduciary net position as a percentage of the total pension liability	%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%	61.19%					

Notes to Schedule:

** As of measurement date; until a full 10-year trend is compiled, we are presenting information only for those years for which information is available*

Puget Sound Clean Air Agency
Schedule of Proportionate Share of the Net Pension Liability
PERS Plans 2 & 3
As of June 30, 2020 (reporting date)
Last 10 Fiscal Years*

Reporting Date		**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**20XX**	**20XX**	**20XX**	**20XX**	**20XX**
Measurement Date		6/30/2019	6/30/2018	6/30/2017	6/31/2016	6/30/2015	6/31/2014	6/31/2013					
Employer's proportion of the net pension liability (asset)	%	0.057905%	0.059132%	0.066762%	0.069004%	0.070816%	0.070962%	0.071028%					
Employer's proportionate share of the net pension liability	$	562,454	1,009,626	2,319,660	3,474,297	2,530,296	1,434,398	3,032,906					
TOTAL	$	562,454	1,009,626	2,319,660	3,474,297	2,530,296	1,434,398	3,032,906					
Covered payroll (at measurement date)*	$	6,292,958	6,185,736	6,635,087	6,496,674	6,370,814	6,101,162	6,021,351					
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	8.94%	16.32%	34.96%	53.48%	39.72%	23.51%	50.37%					
Plan fiduciary net position as a percentage of the total pension liability	%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%	93.29%					

Notes to Schedule:

** As of measurement date; until a full 10-year trend is compiled, we are presenting information only for those years for which information is available*

Puget Sound Clean Air Agency
Schedule of Employer Contributions
PERS Plan 1
For the year ended June 30, 2020 (reporting date)
Last 10 Fiscal Years*

Reporting Date		**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**20XX**	**20XX**	**20XX**	**20XX**	**20XX**
Measurement Date		6/30/2019	6/30/2018	6/30/2017	6/31/2016	6/30/2015	6/31/2014	6/31/2013					
Statutorily or contractually required contributions	$	309,346	321,823	318,115	322,085	314,911	259,704	251,166					
Contributions in relation to the statutorily or contractually required contributions*	$	(309,346)	(321,823)	(318,115)	(322,085)	(314,911)	(259,704)	(251,166)	-	-	-	-	-
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-	-	-	-
Covered payroll (at measurement date)*	$	6,292,958	6,185,736	6,635,087	6,496,674	6,370,814	6,101,162	6,021,351					
Contributions as a percentage of covered payroll	%	4.92%	5.20%	4.79%	4.96%	4.94%	4.26%	4.17%					

Notes to Schedule:

** As of measurement date; until a full 10-year trend is compiled, we are presenting information only for those years for which information is available*

Puget Sound Clean Air Agency
Schedule of Employer Contributions
PERS Plans 2 & 3
For the year ended June 30, 2020 (reporting date)
Last 10 Fiscal Years*

Reporting Date		**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**20XX**	**20XX**	**20XX**	**20XX**	**20XX**
Measurement Date		6/30/2019	6/30/2018	6/30/2017	6/31/2016	6/30/2015	6/31/2014	6/31/2013					
Statutorily or contractually required contributions	$	514,650	472,928	456,272	407,775	398,356	315,450	299,770					
Contributions in relation to the statutorily or contractually required contributions*	$	(514,650)	(472,928)	(456,272)	(407,775)	(398,356)	(315,450)	(299,770)	-	-	-	-	-
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-	-	-	-
Covered payroll (at measurement date)*	$	6,292,958	6,185,736	6,635,087	6,496,674	6,370,814	6,101,162	6,021,351					
Contributions as a percentage of covered payroll	%	8.18%	7.65%	6.88%	6.28%	6.25%	5.17%	4.98%					

Notes to Schedule:

** As of measurement date; until a full 10-year trend is compiled, we are presenting information only for those years for which information is available*

RSI - OPEB

Puget Sound Clean Air Agency

Schedule of Changes in Total OPEB Liability and Related Ratios

Retiree Medical and Dental Benefits under the Public Employees Benefits Board (PEBB)

For the year ended June 30, 2019 (plan measurement date)

Last 10 Fiscal Years*

Measurement Date --- >	6/30/2020	6/30/2018	6/30/2017	6/30/2016	NA	NA	NA	NA	NA	NA
Reporting Date --->	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Service cost	$ 159,266	$ 160,930	$ 195,660	NA	NA	NA	NA	NA	NA	NA
Interest on total OPEB liability	135,227	137,364	118,630	NA	NA	NA	NA	NA	NA	NA
Changes of benefit terms	-	-	-	NA	NA	NA	NA	NA	NA	NA
Effect of Economic/demographic gains or losses	-	-	-	NA	NA	NA	NA	NA	NA	NA
Effect of assumption changes or inputs	236,740	(204,917)	(554,783)	NA	NA	NA	NA	NA	NA	NA
Expected benefit payments	(79,256)	(51,088)	(49,589)	NA	NA	NA	NA	NA	NA	NA
Change	451,977	42,289	(290,081)							
Total OPEB liability, beginning	$ 3,743,649	$ 3,701,360	$ 3,991,441	NA	NA	NA	NA	NA	NA	NA
Total OPEB liability, ending	$ 4,195,626	$ 3,743,649	$ 3,701,360	NA	NA	NA	NA	NA	NA	NA
Covered Payroll (as of measurement date)	6,498,489	6,185,736	6,635,087							
Total OPEB liability as a % of covered employee payroll	64.56%	60.52%	55.78%							

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

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

See notes to the financials - assumption changes related to the discount rate used, projected healthcare costs, significant hiring or terming of employees, and significant retirements can affect the trends in the amounts reported for OPEB.

Federal Agency (Pass Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures (whole dollars) From Pass-Through Awards	From Direct Awards	Total	Passed Through to Subrecipients	Note
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act								
Environmental Protection Agency, Office of Air and Radiation (via Washington State Department of Ecology)	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating To Clean Air Act	66.034	AQPM25-1924-PSCAA-00011	$ 91,098	$ -	$ 91,098	$ -	1 & 2
	Total Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			$ 91,098	$ -	$ 91,098	$ -	

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures (whole dollars) From Pass-Through Awards	From Direct Awards	Total	Passed Through to Subrecipients	Note
National Clean Diesel Emissions Reduction Program								
Environmental Protection Agency, Office of Air and Radiation	National Clean Diesel Emissions Reduction Program/DERA Clean Diesel Funding Assistance Program	66.039	DE-01J53801	$ -	$ 649,477	$ 649,477	$ 637,500	1,2,3 & 4
Environmental Protection Agency, Office of Air and Radiation	National Clean Diesel Emissions Reduction Program/DERA Clean Diesel Funding Assistance Program	66.039	DE-01J40801	$ -	$ 66,145	$ 66,145	$ 50,855	1,2,3 & 4
	Total National Clean Diesel Emissions Reduction Program/DERA Clean Diesel Funding Assistance Program			$ -	$ 715,622	$ 715,622	$ 688,355	
Diesel Emissions Reduction Act (DERA) State Grants								
Environmental Protection Agency, Office of the Administrator (via Washington State Department of Ecology)	Diesel Emissions Reduction Act (DERA) State Grants/Washington State Clean Diesel Grant Program	66.040	OTGP-2020-PSCAA-00024	$ 14,320	$ -	$ 14,320	$ -	1,2 & 4
	Total Diesel Emissions Reduction Act (DERA) State Grants			$ 14,320	$ -	$ 14,320	$ -	
Performance Partnership Grants								
Environmental Protection Agency, Office of the Administrator (via Washington State Department of Ecology)	Performance Partnership Grants	66.605	AQCORE-1921-PSCAA-00014	$ 941,600	$ -	$ 941,600	$ -	1 & 2
	Total Performance Partnership Grants			$ 941,600	$ -	$ 941,600	$ -	

The accompanying notes are an integral part of this schedule.

Puget Sound Clean Air Agency
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency (Pass Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures (whole dollars): From Pass-Through Awards	Expenditures (whole dollars): From Direct Awards	Expenditures (whole dollars): Total	Passed Through to Subrecipients	Note
Conservation Research and Development								
U. S. Department of Energy	Conservation Research and Development/Energy Efficiency EE	81.086	DE-EE0007402	$ -	$ 93,750	$ 93,750	$ -	1 & 2
	Total Conservation Research and Development/Energy Efficiency EE			$ -	$ 93,750	$ 93,750	$ -	
	Total Federal Expenditures			**$ 1,047,018**	**$ 809,372**	**$ 1,856,390**	**$ 688,355**	

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year 2020 (July 1, 2019 through June 30, 2020)

NOTE 1 – BASIS OF ACCOUNTING

For Federal expenditures, this schedule is prepared on the same basis of accounting as the Puget Sound Clean Air Agency's financial statements. The Agency uses the accrual basis of accounting for Proprietary funds.

NOTE 2 – PROGRAM COSTS

For Federal expenditures, the amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including matching funds from the Agency or beneficiaries, may be higher than the expenditure amounts shown on the schedule. Such expenditures are recognized following, as applicable, whether the cost principles in the OMB circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – AMOUNTS AWARDED TO SUBRECIPIENTS

The Agency Passed $688,354.69 to Subrecipients.

DE-01J53801	DERA School Bus Replacements	$637,500.00
DE-01J40801	Puget Sound Harbor Vessel Replacement	$ 50,854.69

NOTE 4 – INDIRECT COST RATE

The Agency has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance and has used the Agency's federally approved indirect rates.

The amount expended includes $15,816.01 claimed as an indirect cost recovery distributed as follows:

Grant No.	Title	Indirect Rate	Indirect Cost Recovery
DE-01J53801	DERA School Bus Replacements	61.37%	$ 4,555.03
DE-01J40801	Puget Sound Harbor Vessel Repl	61.37%	$ 5,814.83
OTGP-2020-PSCAA-00024	Harbor Vessel Engine Repl Grant 2019–Federal	61.37%	$ 5,446.15
			$15,816.01

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.

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