



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

King County Directors Association

For the period January 1, 2020 through December 31, 2020

Published February 22, 2022

Report No. 1029935



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

February 22, 2022

Board of Directors
King County Directors Association
Kent, Washington

Report on Financial Statements

Please find attached our report on the King County Directors Association's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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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*

King County Directors Association January 1, 2020 through December 31, 2020

Board of Directors
King County Directors Association
Kent, 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 King County Directors Association, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated February 14, 2022.

As discussed in note 9 of the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect impact on the Association is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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.

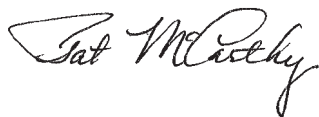
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of the Association'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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

February 14, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

King County Directors Association January 1, 2020 through December 31, 2020

Board of Directors
King County Directors Association
Kent, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the King County Directors Association, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed on page 9.

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 Association'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 Association'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 King County Directors Association, as of December 31, 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 9 of the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect impact on the Association is unknown. 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 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022 on our consideration of the Association'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 Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

February 14, 2022

FINANCIAL SECTION

King County Directors Association January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, – 2020

KING COUNTY DIRECTORS' ASSOCIATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR YEAR ENDED DECEMBER 31, 2020

The King County Directors' Association (KCDA) presents this Management Discussion and Analysis (MD&A) as a narrative overview and analysis of KCDA's operational results and financial condition and highlights material changes in our financial condition and results of operations as of and for the year ended December 31, 2020. We encourage readers to consider this information in conjunction with additional information that we have furnished with the financial statements and accompanying notes to the financial statements.

KCDA is a public agency providing centralized procurement services to member school districts and public agencies that fulfills the legal procurement requirements and saves time and cost. We generate revenue from the service fees charged on the warehouse and direct ship orders of our members.

FINANCIAL HIGHLIGHTS

- On December 31, 2020, total billings increased by 8.1% or \$13.2 million over last year, mainly because of direct ship growth.
- At yearend 2020, net income was \$1.1 million. This is an increase of 435.9% over the prior year based on successful expense control and lower freight costs during the pandemic.
- Total outstanding debt decreased by 65.6% or \$3.1 million in 2020. The line of credit was renewed for \$12 million to cover seasonal inventory stock up and seamless operation.
- At yearend 2020, the net position was \$9.8 million, including unrestricted fund 66.0% or \$6.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to KCDA's basic financial statements which include three components: statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

The **statement of net position** presents information on KCDA's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the operation is improving or deteriorating.

The **statement of revenues, expenses and changes in net position** presents information showing how KCDA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods, such as unused vacation and sick leave.

The **statement of cash flows** presents information about cash receipts, payments, and net change in cash resulting from the operating, investing and financing activities of KCDA during the fiscal year.

The **notes to the financial statements** present additional information that is essential for a full understanding of the data provided in the accompanying financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents the required supplementary information.

COVID-19 IMPACT

A major challenge in 2020 was the COVID-19 outbreak which triggered school closures and a disruption of people's lives and the global economy. KCDA is identified as an essential business and has been continually operating throughout the pandemic. Due to the concerns around COVID-19, KCDA has implemented several new policies and

procedures based on CDC recommendations. All employees who do not have critical functions requiring them to be on-site have been working remotely to lower the number of people within the facilities. For those employees needing to work on-site, KCDA has implemented new measures, including increased distancing of workspaces, increased cleaning efforts, implemented face mask requirements, further restricted access to the premises by vendors and visitors, and other safety precautions. We expect to continue these changes for the foreseeable future. KCDA embraced these negative and dramatic changes by quickly and decisively implementing risk management strategies to minimize the financial impact on our operation and sustainability.

FINANCIAL ANALYSIS

Net position over time may serve as a useful indicator of KCDA's financial position. For KCDA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9.8 million at December 31, 2020, as compared to \$8.7 million as reported at December 31, 2019.

KING COUNTY DIRECTORS' ASSOCIATION

Net Position

	2020	2019
Assets		
Current and other assets	\$ 22,060,691	\$ 22,990,978
Capital assets	3,322,786	3,648,453
Total assets	25,383,477	26,639,431
Deferred Outflows of Resources	324,829	293,974
Liabilities		
Current and other liabilities	14,540,543	16,482,767
Long-term liabilities	1,039,006	1,113,279
Total liabilities	15,579,549	17,596,046
Deferred Inflows of Resources	346,481	637,655
Net Position		
Net investment in capital assets	3,322,786	3,648,453
Unrestricted	6,459,490	5,051,252
Total Net Position	\$ 9,782,276	\$ 8,699,704

At the end of 2020, KCDA had total assets with an ending balance of \$25.4 million, a decrease of 4.7% from the fiscal year 2019. The major components were accounts receivable, inventory, and fixed assets. The largest portion of total assets was accounts receivable with an ending balance of \$13.2 million as of December 31, 2020. Accounts receivable decreased 4.4% or \$0.6 million as compared to the fiscal year 2019, reflecting proactive collection efforts. The second was inventory with an ending balance of \$8.3 million, which decreased 5.5% or \$0.5 million as compared to the year 2019, reflecting the decreased warehouse items caused by the pandemic. During the current fiscal year, the cash balance was \$0.3 million, which increased by 89.6% or \$0.1 million, reflecting the effort to minimize the interest-bearing debt on the balance sheet.

Total liabilities at the end of 2020 were valued at \$15.6 million, a decrease of 11.5%, or \$2.0 million from the year-end 2019. The most substantial portion of total liabilities was accounts payable with an ending balance of \$12.9 million, an increase of 10.3% or \$1.2 million as compared to year-end 2019 reflecting payment timing differences and lower borrowing activities. Accordingly, the line of credit at the end of 2020 was \$1.2 million, a decrease of 75% or \$3.6 million, as compared to \$4.8 million, as reported at the end of 2019.

KING COUNTY DIRECTORS' ASSOCIATION

Changes in Net Position

	2020	2019
Revenue		
Merchandise billings	\$ 175,945,131	\$ 162,764,016
Service fees - contract billings	444,240	495,513
Nonoperating revenue	-	12,825
Total revenue	176,389,370	163,272,354
Operating Expenses		
Cost of merchandise billed	168,492,775	154,423,098
Operating expenses	6,753,170	8,362,527
Interest expense	60,854	284,715
Total expenses	175,306,798	163,070,340
Change in Net Position	1,082,572	202,014
Beginning Net Position	8,699,704	8,497,690
Ending Net Position	\$ 9,782,276	\$ 8,699,704

The total net billings increased by \$13.2 million in the fiscal year 2020 compared to the fiscal year 2019, reflecting strong growth in capital projects of the members. Operating expenses in the fiscal year 2020 were \$6.8 million, a significant decrease from the prior year. The notable portion of the operating expenses were employees' salaries and benefits; these lowered \$0.4 million or 8.8% compared to the fiscal year 2019, based on strategic cost reduction in employee salary and benefits at the beginning of the pandemic. Operating expenses except the salary and benefits were \$2.9 million, which decreased significantly from the fiscal year 2019 due to mainly decreased freight expenses and limited business activities caused by the pandemic.

KCDA's overall net position increased \$1.1 million or 12.4% from the prior fiscal year. The key factor contributing to the revenue increases was the positive and consistent growth of direct ship billings and efficient cost control during the pandemic.

CAPITAL ASSET AND DEBT ADMINISTRATION

KCDA's capital assets for its business activities as of December 31, 2020, amounted to \$3.3 million, net of depreciation. Capital assets include land, warehouse and office building, improvements other than buildings, warehouse fixtures, computers, software, and other equipment. The total decrease in capital assets over the previous year was \$0.3 million, mainly from fixed asset disposal.

A summary of 2020 capital assets activities is shown below.

Capital Assets

	2020	2019
Land	\$ 285,108	\$ 285,108
Warehouse/Office building	790,356	870,620
Office equipment and systems	1,883,568	2,121,958
Warehouse fixture and equipment	363,754	370,767
Total	\$ 3,322,786	\$ 3,648,453

* Net of depreciation

At the end of 2020, KCDA had a total of \$1.2 million in debt outstanding on the line of credit. The line of credit is classified as a tax-exempt revolving note series 20, and the maximum available amount is \$12 million. KCDA requires short term loans to fulfill certain purchase obligations pending receipt of accounts receivable from the members. Total debt decreased over the previous year by 75% or \$3.6 million based on the effort to minimize the debt cost and the seasonal impact of accounts payable, mentioned above.

As a result of the pandemic, KCDA has experienced lower warehouse sales and services fees. Due to the change in sales and uncertainties, KCDA applied for a loan under the Paycheck Protection Program (PPP) of the 2020 Coronavirus Aid, Relief and Economic Security Act (CARES Act) administered by the SBA. On May 5, 2020, KCDA received \$0.5M in PPP funds from Key Bank and accounted it as a short-term loan considering the intended borrowing period. KCDA utilized the funds only for the purposes included in the PPP, including payroll, employee benefits, and utilities.

ECONOMIC OUTLOOK

KCDA is well-positioned for business growth based on economic and population expansion in Washington State. We have seen consistent and growing capital investment on capital projects by school districts. KCDA has also increased our new members beyond Washington's territory and from various governmental sectors, which has a positive effect on revenue growth.

KCDA will continue to face numerous challenges, including pandemic triggered local and global economic uncertainty, the trend of warehouse sales, freight cost, demand for improved technology, nationwide competitors in purchasing cooperation, and the need to raise self-sufficient revenues to provide high quality procurement services.

Requests for Information

The financial report is designed to provide an overview of KCDA's financial activities for all those with interest. Questions concerning any of the information contained in this report, or requests for additional financial information, should be addressed as below.

KCDA
18639 80th Ave S
Kent, WA 98032

KING COUNTY DIRECTORS' ASSOCIATION
STATEMENT OF NET POSITION
As of December 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 271,629
Total Accounts Receivable	13,246,050
Inventory	8,282,721
Prepaid Expenses	260,291
Total Current Assets	<u>22,060,691</u>

Capital Assets

Nondepreciable Capital Assets	315,303
Depreciable Capital Assets, Net	3,007,483

Total Assets	<u><u>25,383,477</u></u>
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DEFERRED OUTFLOW OF RESOURCES

Deferred Outflows - Pensions	324,829
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Total Deferred Outflow of Resources	<u>324,829</u>
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Total Assets and Deferred Outflow of Resources	<u><u>\$ 25,708,306</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 12,888,392
Note Payable (Net)	1,652,151
Total Current Liabilities	<u>14,540,543</u>

OTHER LIABILITIES

Net Pension Liability	1,039,006
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Total Liabilities	<u>15,579,549</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Pensions	346,481
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Total Deferred Inflow of Resources	<u>346,481</u>
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NET POSITION

Net Investment in Capital Assets	3,322,786
Unrestricted	6,459,490

Total Net Position	<u>9,782,276</u>
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Total Liabilities, Deferred Inflow of Resources and Net Position	<u><u>\$ 25,708,306</u></u>
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KING COUNTY DIRECTORS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

OPERATING REVENUES

Merchandise Billings - net of discounts	\$ 175,945,131
Service Fees - Contract Billings	444,240
Total Operating Revenue	<u>176,389,370</u>

OPERATING EXPENSES

Cost of Merchandise Billed	168,492,775
Salaries	2,508,575
Freight	1,592,935
General Office Expense	27,754
Data Processing: Supplies & Services	266,451
Postage/Mailing Services	25,984
Telephone Expense	60,233
Warehouse Labor Expense	631,401
Warehouse Supplies & Equip. Repair	156,414
Building Maintenance	74,349
Utilities	109,126
Payroll taxes	274,982
Insurance Expense: Fire/Liability	83,961
Advertisement for Bids	18,086
Professional Fees	11,558
Other Taxes	19,709
Auditing Expense	22,514
State Retirement & Pension	8,744
Employee Medical Insurance	454,490
Depreciation	375,341
Employee Travel Expense	12,947
Promotion & Training Expense	17,616
Total Operating Expenses	<u>175,245,945</u>

Operating Income	1,143,426
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Nonoperating Revenue (Expenses)

Misc. Income	0
Interest Expense, Note Payable	<u>(60,854)</u>
Total Nonoperating Income	<u>(60,854)</u>

Change in Net Position	<u>1,082,572</u>
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<u>Net Position - Beginning of Year</u>	8,699,704
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Less: Withdrawal of Ownership Equity	0
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<u>Net Position, End of Year</u>	<u>\$ 9,782,276</u>
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KING COUNTY DIRECTORS' ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Cash Flows from Operating Activities

Cash received from customers and other parties	\$ 176,997,041
Cash paid to suppliers and employees	<u>(173,214,012)</u>
Net cash flows from operating activities	<u>3,783,029</u>

Cash Flows from Non-Capital and Related Financing Activities

Interest expense	(60,854)
Repayment of Note Payable (net)	(4,800,000)
Borrowings on Note Payable (net)	1,652,151
Net Change in Pension Obligations	<u>(396,301)</u>
Net cash flows, non-capital and related financing activities	<u>(3,605,004)</u>

Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	<u>(49,674)</u>
Net cash flows, capital and related financing activities	<u>(49,674)</u>

Net change in cash	<u><u>\$ 128,350</u></u>
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Reconciliation of Net change in cash

Cash and cash equivalents, beginning of year	143,279
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Cash and cash equivalents, end of year	271,629
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128,350

Reconciliation of Operating Income to Net Cash Flows from Operating Activities

Operating income	1,143,426
Adjustments to reconcile operating income to net cash flow from operating activities	
Depreciation	375,341
Change in operating assets & liabilities	
Accounts receivable	607,671
Inventory	483,040
Prepaid expense	(32,072)
Accounts payable	1,205,625
Cash flows from operating activities	<u><u>\$ 3,783,029</u></u>

**KING COUNTY DIRECTORS' ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2020**

NOTE 1 - SCOPE OF REPORTING ENTITY

The King County Directors' Association Purchasing Department (KCDA) was formed by the Washington State public school districts, in accordance with RCW 28A.320.080, and generates all revenues by the billing for goods and services provided to its members. This report covers the source of all revenues, the record of all expenditures and the distribution of surplus.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

KCDA maintains its records in accordance with generally accepted accounting principles. In 2003 KCDA implemented GASB 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local governments*. In addition, during 2012 KCDA implemented the provisions of GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and its impact on basic financial statements. Also, during 2013, all applicable provisions of GASB 65, *Items Previously Reported as Assets and Liabilities*, were implemented. During 2016 and 2017 all current promulgations of the GASB, including the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, and the attendant GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were reviewed and applicable provisions were implemented as appropriate. In 2019 KCDA adopted GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Significant policies are described in the various notes below.

Since comparative statements are not required by GAAP to be presented, King County Directors Association has elected to present a single year for the year ended December 31, 2020. This is the same as was done for the year ended December 31, 2017, 2018 and 2019. This represents a departure from financial statement presentations prior to 2015.

A. Cash

Cash balances are summarized into one total for each year presented in the balance sheet and the statement of cash flow. Cash includes demand deposits in banks and investments in marketable securities. See "Note 5" regarding investments and deposits.

B. Accounts Receivable

Includes all unpaid billings to members. Payment terms for Class 1 Washington public school districts and other types of Washington government agencies were net 40 days. Private school members who have bonds receive those same terms. Class 2 Washington public school districts were net 45 days. Private schools without bonds receive no discounts and must pay invoices before delivery of merchandise. Out-of-state public schools and public agencies have terms of net 40 days. Due to the rare occurrence of bad debts, KCDA considers all accounts receivable to be collectible and therefore does not include an allowance for doubtful accounts in accounts receivable.

C. Inventory

Inventory consists of merchandise held for future sale to members and is valued at the lower of cost or market. Cost is determined by the weighted average cost method.

D. Capital Assets and Depreciation

Capital assets are stated at cost. Depreciable assets are depreciated on a straight-line basis. The cost of capital assets sold or retired is credited to the asset account and the related depreciation is charged to the accumulated depreciation account. Profit or loss resulting from the sale or retirement is included in income.

E. Vacation and Sick Leave Benefits

Earned, but unused, vacation and sick leave are accrued at 100% and 25% respectively of current pay rates. As of December 31, 2020 the balance of accrued vacation and sick leave was \$258,507.

F. 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 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.

G. Revenues

Operating revenues are derived primarily from billings to members for goods and services, and from rebates for use of KCDA contracts. Included in each billing is the cost of the product, Washington State sales tax and a service fee to cover the cost of the Association's operation. Additional non-operating revenues are generally received from interest income on investments, short term rental of warehouse space, and gain on sale of capital assets. Revenues are classified as operating and non-operating in the statement of revenues, expenses, and changes in net position.

H. Interest Income and Expense

KCDA earns interest income by investing cash balances in the King County investment pool (see Note 5). Normally there are cash balances to invest during its non-peak operating months, October through April. However during the other months, short-term borrowing is needed to fund a cash flow deficit created by the purchase of large quantities of school supplies for summer annual orders. Either commercial paper (CP) is sold or a bank line of credit (LOC) is utilized to borrow these funds (see Note 4). Funds received from accounts receivable collections are deposited daily in the County investment pool. During the non-peak months, KCDA sometimes elects to keep the LOC extended (or CP issued) to re-invest the proceeds at higher interest rates being paid by the County, in a manner that does not trigger the arbitrage rebate requirements of the Internal Revenue Code. Therefore, KCDA, at times, is borrowing and investing simultaneously. KCDA accounts for interest income and expense by offsetting them. The net amount is classified in the financial statements as operating interest expense in the peak months when the LOC (or CP) interest expense is greater than the interest income, when our operations are being financed by the borrowing. In non-peak months when interest income exceeds LOC (or CP) interest expense, the net amount is classified in the financial statements as other income in the investment interest income account.

I. Reserve Ownership – Net Position

Net position represents the sum of the reserve ownership balances. The reserve ownership is allocated among participating members (Washington public school districts) each year by dividing the year's net income in proportion to the total service fees billed to each district. For 2002 and years thereafter a change was made in that method so as to include rebates earned by each district's purchases in that district's total service fees for the year. The rebates, for goods purchased through KCDA contracts but not billed through KCDA, were not formerly included in each district's annual service fee total. These districts may withdraw from KCDA and receive a refund of their ownership balance in merchandise over 10 years, or in cash over 15 years.

NOTE 3 – CAPITAL ASSETS

The following is a summary of property and equipment at cost:

Non-depreciable Capital Assets:

Description	12/31/2019 Balance	Additions	Retirement s	12/31/2020 Balance
Land	\$ 285,108	-	-	\$ 285,108
Projects under Development	-	30,195	-	30,195
Subtotal	285,108	30,195	-	315,303

Depreciable Capital Assets:

Building	3,249,430	-	-	3,249,430
Office Equipment	4,243,789	1,059	152,921	4,091,927
Warehouse Equipment	1,849,959	18,420	19,168	1,849,211
Subtotal	9,343,177	19,479	172,089	9,190,568

Accumulated Depreciation

Building	2,378,810	84,334	-	2,463,144
Office Equipment	2,121,831	239,449	152,921	2,208,359
Warehouse Equipment	1,479,192	51,557	19,168	1,511,581
Subtotal	5,979,833	375,341	172,089	6,183,084
Net Capital Assets	3,648,452	(325,666)	-	\$3,322,786

NOTE 4 – SHORT-TERM BORROWING PROGRAM

In April of 2005, KCDA initiated a \$10 million bank line of credit through Key Bank. Washington State law provides the authority for this program. In subsequent years the amount of that line was increased to \$12 million. That same program was renewed in 2020, again for an amount of \$12 million. The balance of the bank line of credit outstanding at 12/31/20 was \$1,200,000. The agreement contains 1) a provision that the bank has a security interest in all of KCDA's accounts, inventory, and equipment in the first and prior lien and 2) a provision that in the event of a default, the bank may exercise all remedies as cash collateral under the UCC.

KCDA received a loan from Key Bank in the amount of \$449,000 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 4, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether KCDA will be eligible for forgiveness, in whole or in part, as of December 31, 2020. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.

NOTE 5 – INVESTMENTS AND DEPOSITS

On October 1, 1995, KCDA joined the King County Investment Pool, which includes the County's own funds as well as those of approximately 100 independent government agencies. Those funds are co-mingled and then invested by the County's cash management department in accordance with Washington State law which regulates the types of investment vehicles that government entities may own. As of December 31, 2020 the Pool's holdings totaled approximately \$8.1 billion with an average portfolio maturity of 1.20 years. KCDA's investments in the Pool as of December 31, 2020 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
King County Investment Pool	\$292,503	1.20 Years

Interest Rate Risk. As of December 31, 2020, the Pool's average duration was 1.20 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 December 31, 2020, the district'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 depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Impaired Investments. As of December 31, 2020, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired 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; and the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash out option. KCDA's share of the impaired investment pool principle is \$ 3,449 and its fair value of these investments is \$2,151.

As of September 1, 2008, impaired commercial paper assets were removed from the main King County Investment Pool and placed into an impaired investment pool. As of December 31, 2008, the King County impaired investment pool held one commercial paper asset that is impaired and part of an enforcement event where a trustee or receiver is appointed to determine the best options for selling assets and/or restructuring the portfolio; and the residual investments in four commercial paper assets that were part of completed enforcement events. KCDA's share of the impaired investment pool is \$44,585 (Maximum Loss Exposure) and KCDA's unrealized loss exposure for these investments is \$38,459 as of 12/31/08. During 2008, KCDA's share of realized losses from previously impaired investments was \$31,700. This amount plus the estimated future unrealized loss exposure of \$38,459, totals a combine realized/unrealized loss of \$70,158. In 2007 KCDA reflected a Generally Accepted Accounting Principles (GAAP) adjustment to its year-end financial statements of \$46,569, to reflect the fair value of investments at year end. In 2008, KCDA made an additional adjustment of \$23,589 (to bring the total to \$70,158), which resulted in a further decrease in cash on the balance sheet and a corresponding decrease in interest income on the income statement. Due to the positive cash flows from and overall assessment of the final impaired asset (Victoria), no adjustments were made in 2020.

All temporary investments are stated at cost, which approximates market value. Other property and investments are shown on the balance sheet at cost, net of amortized premium or discount.

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$1,039,006
Pension assets	-
Deferred outflows of resources	324,829
Deferred inflows of resources	346,478
Pension expense/expenditures	\$15,710

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

* For employees participating in JBM, the contribution rate was 12.26%.

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.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 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%	7.90%
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%

*For employees participating in JBM, the contribution rate was 19.75%.

KCDA's actual PERS plan contributions were \$143,519 to PERS Plan 1 and \$237,072 to PERS Plan 2/3 for the year ended December 31, 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 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 KCDA's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what KCDA'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.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$883,114	\$705,049	\$549,758
PERS 2/3	2,077,974	333,958	(1,102,241)

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

As of June 30, 2020, KCDA reported a total pension liability of \$1,039,006 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$705,049
PERS 2/3	333,958

As of June 30, KCDA's proportionate share of the collective net pension liabilities were as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.019970%	0.021835%	0.001865%
PERS 2/3	0.026112%	0.028172%	0.002060%

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.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the King County Directors Association recognized pension expense as follows:

	Pension Expense
PERS 1	(\$42,025)
PERS 2/3	\$26,315

Deferred Outflows of Resources and Deferred Inflows of Resources

As of December 31, 2020, the King County Directors Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan Name PERS 1	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	-	(3,925)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	70,105	-
TOTAL	\$70,105	(\$3,925)

Plan Name PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$119,552	(\$41,853)
Net difference between projected and actual investment earnings on pension plan investments	-	(16,960)
Changes of assumptions	4,756	(228,122)
Changes in proportion and differences between contributions and proportionate share of contributions	15,496	(55,617)
Contributions subsequent to the measurement date	114,921	-
TOTAL	\$254,725	(\$342,552)

Plan Name ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$119,552	(\$41,853)
Net difference between projected and actual investment earnings on pension plan investments	-	(20,886)
Changes of assumptions	4,756	(228,122)
Changes in proportion and differences between contributions and proportionate share of contributions	15,496	(55,617)
Contributions subsequent to the measurement date	185,025	-
TOTAL	\$324,829	(\$346,478)

Deferred outflows of resources related to pensions resulting from KCDA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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 December 31:	Plan Name PERS 1
2021	(17,814)
2022	(560)
2023	5,435
2024	9,013
2025	-
Thereafter	-
TOTAL	(\$3,925)

Year ended December 31:	Plan Name PERS 2/3
2021	(\$144,465)
2022	(39,017)
2023	43
2024	22,947
2025	(18,219)
Thereafter	(24,036)
TOTAL	(\$202,748)

NOTE 7 – RISK MANAGEMENT

KCDA carries insurance to protect its physical property and to insure against various types of risk. During 2020, the following insurance was in force: Building - \$13,856,000; Inventory and other personal property – \$8,800,000; general liability - \$2,000,000, commercial umbrella - \$3,000,000 and directors and officers - \$1,000,000.

In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the KCDA. There was no insurance claim in any of the past five years.

NOTE 8 – CONTINGENCIES AND LITIGATION

KCDA insurance coverage is adequate to insure against any and all known claims pending against the Association.

NOTE 9 – SUBSEQUENT EVENT

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 were ordered statewide including closing schools, colleges and universities, canceling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function.

There was significant uncertainty around the disruptions related to the COVID-19 pandemic and its impact on the regional economy. KCDA's operations have been significantly impacted and we anticipate that our future results will continue to be adversely impacted. KCDA utilized the Paycheck Protection Program established by the CARES Act to replace the service fee shortage affected by the sales decrease.

As a result of the uncertainties discussed above, KCDA cannot identify the full extent of the financial impact at this time. The length of time and specific nature of measures needed to slow the spread of the virus are also unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KING COUNTY DIRECTORS' ASSOCIATION

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.019970%	0.021835%	0.021535%	0.021830%	0.021663%	0.021619%			
Employer's proportionate share of the net pension liability	\$	705,049	839,633	961,760	1,035,851	1,163,405	1,130,875			
Covered payroll	\$	3,038,525	3,062,014	2,860,747	2,752,950	2,579,107	2,478,100			
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	23.20%	27.42%	33.62%	37.63%	45.11%	45.63%			
Plan fiduciary net position as a percentage of the total pension liability	%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%			

KING COUNTY DIRECTORS' ASSOCIATION

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.026112%	0.028172%	0.027758%	0.028080%	0.027787%	0.027930%			
Employer's proportionate share of the net pension liability	\$	333,958	273,646	473,943	975,646	1,399,053	997,995			
Covered payroll	\$	3,038,525	3,062,014	2,860,747	2,752,950	2,579,107	2,478,100			
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	10.99%	8.94%	16.57%	35.44%	54.25%	40.27%			
Plan fiduciary net position as a percentage of the total pension liability	%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%			

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

KING COUNTY DIRECTORS' ASSOCIATION
Schedule of Employer Contributions
PERS 1
As of December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 143,519	154,843	150,307	135,725	127,604	109,125				
Contributions in relation to the statutorily or contractually required contributions	\$ (143,519)	(154,843)	(150,307)	(135,725)	(127,604)	(109,125)				
Contribution deficiency (excess)	\$ 0	0	0	0	0	0				
Covered payroll	\$ 2,993,332	3,124,453	2,968,457	2,773,738	2,675,133	2,499,631				
Contributions as a percentage of covered payroll %	4.79%	4.96%	5.06%	4.89%	4.77%	4.37%				

KING COUNTY DIRECTORS' ASSOCIATION
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 237,072	240,842	222,654	189,367	166,661	139,976				
Contributions in relation to the statutorily or contractually required contributions	\$ (237,072)	(240,842)	(222,654)	(189,367)	(166,661)	(139,976)				
Contribution deficiency (excess)	\$ 0	0	0	0	0	0				
Covered payroll	\$ 2,993,332	3,124,453	2,968,457	2,773,738	2,675,133	2,499,631				
Contributions as a percentage of covered payroll %	7.92%	7.71%	7.50%	6.83%	6.23%	5.60%				

Notes to Schedule:

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

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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