



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **South Correctional Entity Facility Public Development Authority**

**(SCORE Facility PDA)**

**For the period January 1, 2021 through December 31, 2021**

*Published October 31, 2022*

Report No. 1031380



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

October 31, 2022

Administrative Board  
SCORE Facility PDA  
Des Moines, Washington

**Report on Financial Statements**

Please find attached our report on SCORE Facility PDA's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

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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*

#### **SCORE Facility PDA January 1, 2021 through December 31, 2021**

Administrative Board  
SCORE Facility PDA  
Des Moines, 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 SCORE Facility PDA, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2022.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies. 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 or significant deficiencies may exist that were not identified.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority'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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 28, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **SCORE Facility PDA January 1, 2021 through December 31, 2021**

Administrative Board  
SCORE Facility PDA  
Des Moines, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of SCORE Facility PDA, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SCORE Facility PDA, as of December 31, 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority'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

October 28, 2022



## **FINANCIAL SECTION**

### **SCORE Facility PDA January 1, 2021 through December 31, 2021**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2021

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2021

Statement of Revenues, Expenses and Changes in Net Position – 2021

Statement of Cash Flows – 2021

Notes to Financial Statements – 2021

### **Management's Discussion and Analysis**

South Correctional Entity (SCORE) Facility Public Development Authority (SCORE Public Development Authority) management discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of SCORE Public Development Authority's financial activity
- Identify changes in SCORE Public Development Authority's financial position
- Identify any material deviations from the approved budget

The Management Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the SCORE Public Development Authority's financial statements.

#### **Financial Highlights**

- This is the thirteenth year's financial statements for SCORE Public Development Authority and the tenth full year of operation for the SCORE facility.
- The assets of SCORE Public Development Authority equal its liabilities at the close of 2021 because the receivable from SCORE is limited to the amount needed by the SCORE Public Development Authority to satisfy its liabilities.
- SCORE Public Development Authority activity for 2021 was attributable to the continuing debt service and related administrative costs of the new 2019 Bond debt. These bonds were issued with lower interest rates that will save millions of dollars over their life and allowed the Authority to pay off the old bonds that were used to construct the South Correctional Entity (SCORE) facility.

#### **Using This Annual Report**

This annual report consists of a series of financial statements; The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. Management's Discussion and Analysis provides information about the activities of SCORE Public Development Authority as a whole and present a longer-term view of SCORE Public Development Authority's finances.

#### **Reporting SCORE Public Development Authority as a Whole**

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows report information about SCORE Public Development Authority as a whole and about its activities in a way that helps communicate the financial condition of SCORE Public Development Authority. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report SCORE Public Development Authority's net position, and changes in it, as well as how cash was generated and used during the year. SCORE Public Development Authority's net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows.

As a result of the bond refunding, SCORE Public Development Authority reports a deferred outflow of resources to recognize the accounting loss on the transaction. This deferred outflow is amortized into interest expense over the life of the new bonds. Due to the fact that SCORE supports SCORE Public Development Authority's debt service, an equal amount is reported on the Statement of Net Position as a deferred inflow of resources to recognize future contributions from SCORE, also over the life of the new bonds. This accounting entry will occur until the bond matures on December 1, 2038.

This is one way to measure SCORE Public Development Authority's financial position. However, as indicated above, the assets of SCORE Public Development Authority equal its liabilities at the close of 2021 because the receivable from SCORE is limited to the amount needed by the SCORE Public Development Authority to satisfy its liabilities. As such, there are no expected future increases or decreases in SCORE Public Development Authority's net position.

SCORE Public Development Authority's financial statements are presented in three parts:

1. This Management's Discussion and Analysis as required supplementary information
2. Financial statements
3. Notes to the financial statements

## **Financial Statements**

The Financial Statements are presented in conformity with the Governmental Accounting Standards Board (GASB) Statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. SCORE Public Development Authority only has one fund type; proprietary funds.

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

SCORE Public Development Authority has one type of proprietary fund; Enterprise funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. SCORE Public Development Authority currently has only one enterprise fund.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

## Financial Analysis

The statement of net position can serve as a useful indicator of SCORE Public Development Authority's financial position. SCORE Public Development Authority net position (assets in excess of liabilities) at December 31, 2021 totaled \$0. Following is a condensed version of the statement of net position.

### SOUTH CORRECTIONAL ENTITY (SCORE) DEVELOPMENT AUTHORITY Condensed Statement of Net Position

	2021	2020
Current assets	\$ 2,086,421	\$ 2,018,942
Noncurrent assets	51,614,877	53,887,000
TOTAL ASSETS	53,701,298	55,905,942
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 2,206,190	 2,206,190
Accumulated Amortization - Deferred Outflows	(232,231)	(116,115)
 Long-term liabilities	 51,616,081	 53,893,467
Other liabilities	2,085,217	2,012,475
TOTAL LIABILITIES	53,701,298	55,905,942
 TOTAL DEFERRED INFLOWS OF RESOURCES	 2,206,190	 2,206,190
Accumulated Amortization - Deferred Inflows	(232,231)	(116,115)
 NET POSITION:		
Investment in capital assets	-	-
Restricted	-	-
Unrestricted	-	-
TOTAL NET POSITION	\$ -	\$ -

SCORE Public Development Authority's net position did not change from 2020 to 2021 because the receivable from SCORE is limited to the amount needed by the SCORE Public Development Authority to satisfy its liabilities.

## Changes in Net Position

The condensed summary of activities, which follows, shows again that net position did not change during the year. Activity for the SCORE Public Development Authority is limited to debt service and related administrative costs of the debt issued to construct the South Correctional Entity (SCORE) facility. The decrease in total revenues from 2020 to 2021 corresponds to the slight increase in interest expense relative

to the bond refunding in 2019 and a nominal increase in administrative costs. Other than administrative and general expenses, all revenues and costs are considered to be non-operating.

**SOUTH CORRECTIONAL ENTITY (SCORE) DEVELOPMENT AUTHORITY**

**Changes in Net Position**

	2021	2020
REVENUES:		
Intergovernmental revenues	\$ 3,552,577	\$ 3,555,328
Interest income	116,115	116,115
TOTAL REVENUES	3,668,692	3,671,443
EXPENSES:		
Administrative and general	5,263	4,547
Interest expense	3,663,429	3,661,909
Debt issue costs	-	4,987
TOTAL EXPENSES	3,668,692	3,671,443
Increase in net position	-	-
Net position-beginning	-	-
Net position-ending	\$ -	\$ -

**Capital Assets**

SCORE Public Development Authority does not report capital assets, as those assets are reported in SCORE's financial statements.

**Long-term Liabilities**

At year-end, SCORE Public Development Authority's total outstanding debt principal was \$47,390,000. There is a current principal payment amount due of \$1,915,000 scheduled for December 1, 2022. These refunding bonds were issued on December 11, 2019 to replace the 2009 bonds, which financed the acquisition, construction, and equipping of the SCORE facility. Additional information on long-term liabilities is provided in Note 4 to the financial statements.

**Budgetary Highlights**

The SCORE Public Development Authority adopted the 2021 budget of \$3.92 million to fund the debt service and related administration costs. The 2021 PDA budget did not require any amendments.

**Requests for Information**

This financial report is designed to provide a general overview of SCORE Public Development Authority's finances. Questions concerning this report, or requests for additional information, may be addressed to the Finance Director of SCORE at 20817 17<sup>th</sup> Avenue South, Des Moines, WA 98198.

**South Correctional Entity (SCORE) Development Authority**  
**Statement of Net Position**  
**December 31, 2021**

**ASSETS**

Current assets:

Cash	\$	5,079
Due from other governmental units		2,081,342
Total current assets		2,086,421

Noncurrent assets:

Due from other governmental units		51,614,877
Total noncurrent assets		51,614,877

TOTAL ASSETS		53,701,298
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DEFERRED OUTFLOWS OF RESOURCES		2,206,190
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Accumulated Amortization - Deferred Outflows		(232,231)
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**LIABILITIES**

Current liabilities:

Accounts payable		3,875
Accrued interest payable		166,342
Special obligation bonds payable -Current		1,915,000

Total current liabilities		2,085,217
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Long-term liabilities

Special obligation bonds payable		45,475,000
Unamortized premium on special obligation bonds		6,141,081

Total long-term liabilities		51,616,081
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TOTAL LIABILITIES		53,701,298
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DEFERRED INFLOWS OF RESOURCES		2,206,190
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Accumulated Amortization - Deferred Inflows		(232,231)
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**NET POSITION**

Investment in capital assets		-
Restricted		-
Unrestricted		-
TOTAL NET POSITION	\$	-

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

**South Correctional Entity (SCORE) Development Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2021**

OPERATING REVENUES:	
Charges for services	\$ -
TOTAL OPERATING REVENUES	-
OPERATING EXPENSES:	
Administrative and general	5,263
TOTAL OPERATING EXPENSES	5,263
OPERATING INCOME (LOSS)	(5,263)
NON-OPERATING REVENUES (EXPENSES):	
Intergovernmental revenues	3,552,577
Interest income	116,115
Interest expense	(3,663,429)
NON-OPERATING REVENUE NET OF EXPENSE	5,263
INCOME (LOSS) BEFORE CONTRIBUTIONS	-
Transfers in (out)	-
CHANGE IN NET POSITION	-
NET POSITION, JANUARY 1	-
NET POSITION, DECEMBER 31	\$ -

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



<b>South Correctional Entity Public Development Authority</b> <b>Financial Report</b>	<b>2021</b>
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**South Correctional Entity (SCORE) Development Authority**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash paid to suppliers for goods & services	\$ (1,388)
<b>NET CASH PROVIDED (USED) BY</b>	
<b>OPERATING ACTIVITIES</b>	(1,388)
 <b>CASH FLOWS FROM CAPITAL</b>	
<b>FINANCING ACTIVITIES:</b>	
Interest paid on capital debt	(4,025,815)
Principal paid on capital debt	(1,840,000)
Intergovernmental revenues	5,865,815
<b>NET CASH PROVIDED (USED) BY</b>	
<b>CAPITAL FINANCING ACTIVITIES</b>	-
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on investments	-
<b>NET CASH PROVIDED (USED) BY</b>	
<b>INVESTING ACTIVITIES</b>	-
 <b>NET INCREASE (DECREASE) IN CASH &amp;</b>	
<b>CASH EQUIVALENTS</b>	(1,388)
 <b>CASH &amp; CASH EQUIVALENTS, JANUARY 1</b>	6,467
<b>CASH &amp; CASH EQUIVALENTS, DECEMBER 31</b>	\$ 5,079
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO</b>	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (5,263)
Adjustments to reconcile operating income (loss) to	
net cash provided (used) by operating activities:	-
<b>NET CASH PROVIDED (USED) BY</b>	
<b>OPERATING ACTIVITIES</b>	\$ (5,263)
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Amortization of bond premium	\$ (362,386)
Amortization of deferred inflows - 2019 Bond	(116,115)
Amortization of deferred outflows - 2019 Bond	116,115
<b>TOTAL NONCASH INVESTING, CAPITAL AND</b>	
<b>FINANCING ACTIVITIES</b>	\$ (362,386)

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

**SOUTH CORRECTIONAL ENTITY (SCORE)  
PUBLIC DEVELOPMENT AUTHORITY  
Notes to the Financial Statements  
December 31, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The SCORE Public Development Authority, hereafter referred to as the “Authority”, was chartered by the City of Renton, pursuant to RCW 35.21.730 through 35.21.757 and Ordinance No. 5444 of the City of Renton. The Authority was formed to provide an independent legal entity to finance a portion of the costs of acquiring, constructing, improving and equipping a consolidated correctional facility to be known as the South Correctional Entity (SCORE) facility through the issuance and servicing of its Bonds, Series 2009A and its Bonds, Series 2009B (Taxable Build America Bonds) (together, the “Bonds”) issued in the aggregate principal amount of \$86,235,000, and to perform other functions specified in its charter.

The Authority is an independent legal entity exclusively responsible for its own debts, obligations and liabilities. All liabilities incurred by the Authority shall be satisfied exclusively from the assets and credit of the Authority. Unless otherwise agreed to by the Member Cities (defined below), no creditor or other persons shall have any recourse to the assets, credit or services of the Member Cities on account of any debts, obligations, liabilities, acts or omissions of the Authority.

In accordance with the Amended and Restated Interlocal Agreement dated October 1, 2009 (the “SCORE Formation Interlocal Agreement”), among the cities of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila (the “Member Cities”), under the authority of the “Interlocal Cooperation Act” (chapter 39.34 RCW) and ordinances passed by the cities of Auburn, Burien, Federal Way, Renton, SeaTac and Tukwila (the “Owner Cities”), each Owner City is obligated to pay its allocable portion of debt service on the Bonds, as the same shall become due and payable, and to pay administrative expenses with respect to the Bonds. Each Owner City is obligated to pay its share of the debt service on the Bonds, and its obligation is limited to its allocable share, without regard to payment or lack thereof by any other jurisdiction. The obligation of each Owner City to pay its allocable portion is an irrevocable full faith and credit obligation of such Owner City, payable from property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor. All payments with respect to the Bonds will be made to SCORE in its capacity as administrator and servicer of the bonds issued by the Authority.

Pursuant to the 2009 Interlocal Agreement, on September 5, 2018, the City of Federal Way gave its notice of intent to withdraw from SCORE effective December 31, 2019. The remaining Member Cities (including the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila) entered into an Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement), which amended and restated the 2009 Interlocal Agreement in its entirety, removed Federal Way as a Member City (effective December 31, 2019) and an Owner City (effective immediately), added the City of Des Moines as an Owner City, terminated the Host City Agreement, and made other revisions to provide for the issuance of new bonds to refund the old 2009 Bonds.

On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of \$51,055,000 (2019 Bonds). The 2019 Interlocal Agreement became effective on the date of issuance of the 2019 Bonds. Proceeds of the 2019 Bonds were used, together with a contribution from

Federal Way to fully pay its 2009 Capital Contribution, to defease and refund all of the outstanding 2009 Bonds.

As a result, Federal Way has satisfied its 2009 Capital Contribution and as of December 31, 2019, is no longer considered a Member City of SCORE.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each remaining Owner City (including the Cities of Auburn, Burien, Des Moines, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2019 Bonds as the same become due and payable (referred to as each Owner City's 2019 Capital Contribution). Each Owner City's obligation to pay its 2019 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor. The City of Federal Way is not obligated, under the 2019 Interlocal Agreement or otherwise, to pay debt service on the 2019 Bonds or other debt of the Authority.

For the purpose of securing the exemption from federal income taxation for interest on obligations of the Authority, the Authority constitutes an authority and instrumentality of the Owner Cities (within the meaning of those terms in regulations of the United States treasury and rulings of the Internal Revenue Service prescribed pursuant to Section 103 and Section 115 of the Internal Revenue Code of 1986 as amended.) For purposes of Section 265(b)(3)(C)(iii) of the Internal Revenue Code of 1986, as amended, the amount of each issue of obligations of the Authority shall be allocated among each of the Owner Cities.

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

**A. Reporting Entity**

The Authority is a public corporation organized pursuant to RCW 35.21.730 through 35.21.757 and Ordinance No. 5444 of the City of Renton. The Authority was formed to provide an independent legal entity to finance a portion of the acquisition, construction, and equipping of the South Correctional Entity (SCORE) facility through the initial issuance and servicing of the refunded \$86,235,000 of Bonds, the subsequent issuance and servicing of \$51,055,000 of refunding Bonds, and to perform other functions specified in its charter.

A Board of Directors serves the Authority. The Administrative Board of SCORE, established pursuant to Section 5 of the SCORE Formation Interlocal Agreement, including all amendments acts ex officio as the Board of Directors of the Authority. Board members shall have terms coextensive with their terms as members of the Administrative Board of SCORE.

The Authority is determined to be a joint venture of the Owner Cities, and therefore, is not considered a component unit of either SCORE or the Owner Cities.

**B. Basis of Presentation – Fund Accounting**

The accounts of the Authority are organized on the fund basis, with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Authority's resources are allocated to and accounted for in a fund as summarized in the financial statements, for the year 2021, included in this Annual Report.

The Authority is a proprietary fund whose operations consist of payment of principal and interest for the refunding bonds that it issued in 2019. For 2021, the Authority's revenues consist of intergovernmental revenue related to payment of the debt service. Following is a description of the proprietary fund type used by the Authority for financial reporting purposes.

**Proprietary Fund Types**

Proprietary funds are accounted for on the "flow of economic resources" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with the activity are included in the Statement of Net Position. Their reported net position are segregated into three categories: invested in capital assets, restricted, and unrestricted. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in the changes in net position. The proprietary fund measurement focus is based upon the determination of net income, financial position, and statement of cash flows. Because the Authority is a financing entity, and not an operating entity, substantially all revenues and expenses are considered non-operating.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

**Accrual Basis of Accounting**

The accrual basis of accounting is followed in Proprietary Funds. Revenues are recognized when earned and expenses are recognized when incurred.

The participating cities provide the funds necessary to amortize the bond indebtedness of the Authority. The Owner Cities will provide funds to pay the debt service on the bond issue as the amounts become due and payable and to pay administrative expenses with respect to the Bonds. No Owner City shall be obligated to pay the share of any other Owner City. All payments with respect to the bonds shall be made to SCORE in its capacity as administrator and servicer of the bonds issued by the Authority.

GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements provides a codification of private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to be followed in the financial statements of proprietary fund types. The Authority has adopted provisions of GASB Statement No. 62.

**D. Cash**

As of December 31, 2021, there was a cash surplus of \$5,079. All cash on hand will be used for current debt service requirements.

Cash and cash equivalents include all monies in checking and savings accounts.

**E. Net Position**

The net position of the Authority is zero as all liabilities are expected to be paid by the Owner Cities pursuant to the Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement) effective December 31, 2019.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Investments of funds can be in the form of federal government securities, repurchase agreements, banker's acceptances, certificates of deposit, Local Government Investment Pool (LGIP), and savings accounts. Investments are stated at market value as of the year-end. Available cash is deposited into savings accounts and/or other types of investments as cash flow allows. Interest earned is credited to the appropriate investing source.

Custodial Credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the Authority would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The Authority minimizes custodial credit risk by following the restrictions set forth in state law.

Bank deposits are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC); and by the Washington Public Depositary Protection Commission (WPDPC) (established under Chapter 39.58 of the Revised Code of Washington) for amounts over \$250,000. The deposits are not subject to additional legal or contractual provisions.

Deposits totaled \$5,079 as of December 31, 2021. As all funds were used to meet the debt service requirement, the bank balances of deposits are substantially the same as the recorded deposits.

**Deposits and Cash Equivalents**

		Fair Value
Source		December 31, 2021
Checking	\$	5,079
Total	\$	5,079

**NOTE 4 – LONG TERM DEBT**

As of December 10, 2019, the Authority's long term debt consisted of its Bonds, Series 2009A and its Bonds, Series 2009B (Taxable Build America Bonds) (together, the "Bonds"). These old Bonds were issued November 4, 2009 for an aggregate principal amount of \$86,235,000. The interest rates on the Bonds ranged from 5.0% to 6.616. The new 2019 refunding bonds are not Taxable Build America Bonds; Therefore, the Authority will not receive any future BAB subsidies.

The original refunded Bonds were issued for the purpose of providing funds to acquire, construct, and equip a new regional jail facility (SCORE). The new refunding Bonds were issued to take advantage of lower interest rates, which will save the Authority a substantial amount of money (\$9.6M over 19 years). SCORE provides an essential governmental service to many governmental agencies in South King County.

Pursuant to an Amended and Restated Interlocal Agreement among the Cities of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila effective October 1, 2009 (the "SCORE Formation Interlocal Agreement), the Owner Cities have agreed to finance the new SCORE facility and contribute to its capital and operational costs as provided therein. Under the SCORE Formation Interlocal Agreement and ordinances passed by the cities of Auburn, Burien, Federal Way, Renton, SeaTac and Tukwila (the "Owner Cities"), each Owner City has pledged to contribute their allocable share to pay debt service on the Bonds, as the same shall become due and payable and to pay administrative expenses with respect to the Bonds.

Each Owner City's obligation is limited to its allocable share of principal and interest on the Bonds and all such payments shall be made without regard to the payment or lack thereof by any other jurisdiction. No City is obligated to pay the share of any other City, and each City has obligated and committed itself to budget for and pay its allocable share of the financial obligations represented by the Bonds. The obligation of each Owner City to pay its allocable share of principal and interest on the Bonds is an irrevocable full faith and credit obligation, payable from property taxes levied within its constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the City and other sources of revenue available therefor. Amortization of premium and discount is not included in interest expense because it is recorded directly to due from other governmental units. Federal arbitrage rules apply to the Bonds. There are no amounts determined to be arbitrage in connection with this financing activity. As such no arbitrage liability has been reported in the financial statements for the year ended December 31, 2021. Changes in long-term liabilities during 2021 are as follows:

# South Correctional Entity Public Development Authority 2021

## Financial Report

### Long Term Debt

Debt Type	Issue Amount	Issue Date	Beginning Balance 1/1/2021	Additions 2021	Deductions 2021	Ending Balance 12/31/2021	Due Within One Year
2019 Refunding Bonds	\$51,055,000	December 11, 2019	\$ 49,230,000	\$ -	\$ 1,840,000	\$ 47,390,000	\$1,915,000
Unamortized premium	6,885,336	December 11, 2019	6,503,467	-	362,386	6,141,081	362,386
<b>Total Long Term Debt (new)</b>	<b>\$57,940,336</b>		<b>\$ 55,733,467</b>	<b>\$ -</b>	<b>\$ 2,202,386</b>	<b>\$ 53,531,081</b>	<b>\$2,277,386</b>

### Summary of Debt Service Requirements

Year	Principal	Interest	Total
2022	1,915,000	1,996,100	3,911,100
2023	1,990,000	1,919,500	3,909,500
2024	2,070,000	1,839,900	3,909,900
2025	2,155,000	1,757,100	3,912,100
2026	2,260,000	1,649,350	3,909,350
2027-2031	13,115,000	6,434,250	19,549,250
2032-2036	16,405,000	3,142,000	19,547,000
2037-2038	7,480,000	338,250	7,818,250
<b>Totals</b>	<b>\$ 47,390,000</b>	<b>\$ 19,076,450</b>	<b>\$ 66,466,450</b>

### NOTE 5 – RISK MANAGEMENT

The Authority pursuant to the Interlocal Agreement has insurance coverage through SCORE. SCORE is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

There have been no settlements exceeding insurance coverage in the last four years. Although because of the nature of its activities, SCORE is subject to certain pending legal actions that arise in the course of SCORE's operations. SCORE has tendered these claims for indemnity or coverage by insurance to the fullest extent applicable to each claim. Although certain lawsuits and claims may be significant in the amounts being sought or demanded, the final dispositions are not determinable at this time and SCORE management believes that the final outcome of these matters, taken individually or in the aggregate, are not expected to have a material impact on the operations of SCORE or on the Authority's ability to pay debt service on the Bonds. SCORE management believes its reserves, insurance, and/or contractual indemnity and additional insured protections are adequate to cover such matters.

#### **NOTE 6 – MATERIAL RELATED PARTY TRANSACTIONS**

The SCORE Public Development Authority was chartered by the City of Renton, pursuant to RCW 35.21.730 through 35.21.757 and Ordinance No. 5444 of the City of Renton. The Authority was formed to provide an independent legal entity to finance the acquisition, construction, and equipping of the South Correctional Entity (SCORE) facility through the issuance and servicing of \$86,235,000 of Bonds, and to perform other functions specified in its charter. Payment of principal and interest on the Bonds is secured by the full faith and credit of the Owner Cities.

Pursuant to the 2009 Interlocal Agreement, on September 5, 2018, the City of Federal Way gave its notice of intent to withdraw from SCORE effective December 31, 2019. The remaining Member Cities (including the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila) entered into an Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement), which amended and restated the 2009 Interlocal Agreement in its entirety, removed Federal Way as a Member City (effective December 31, 2019)



and an Owner City (effective immediately), added the City of Des Moines as an Owner City, terminated the Host City Agreement, and made other revisions to provide for the issuance of new bonds to refund the old 2009 Bonds

On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of \$51,055,000 (2019 Bonds). The 2019 Interlocal Agreement became effective on the date of issuance of the 2019 Bonds. Proceeds of the 2019 Bonds were used to defease and refund all of the outstanding 2009 Bonds. The City of Federal Way paid \$12.56 million to fully pay its 2009 Capital Contribution and satisfy its future bond service obligations as they are no longer an owner city. As a result, Federal Way has satisfied its 2009 Capital Contribution and as of December 31, 2019, is no longer considered a Member City of SCORE.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each remaining Owner City (including the Cities of Auburn, Burien, Des Moines, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2019 Bonds as the same become due and payable (referred to as each Owner City's 2019 Capital Contribution). Each Owner City's obligation to pay its 2019 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor. The City of Federal Way is not obligated, under the 2019 Interlocal Agreement or otherwise, to pay debt service on the 2019 Bonds or other debt of the Authority.

The Authority is an independent legal entity exclusively responsible for its own debts, obligations and liabilities. All liabilities incurred by the Authority shall be satisfied exclusively from the assets and credit of the Authority. Unless otherwise agreed to by the Member Cities, no creditor or other persons shall have any recourse to the assets, credit, or services of the SCORE Member Cities on account of any debts, obligations, liabilities, acts or omissions of the Authority. Pursuant to the SCORE Formation Interlocal Agreement, the Owner Cities are liable for their respective share of all debt issued by the Authority.

SCORE will be responsible for billing and collecting the annual debt service payments from the SCORE Owner Cities. Once SCORE has received the debt service payments from the Owner Cities, SCORE will remit funds to the Authority, and the Authority will make all semi-annual debt service payments to US Bank, the bond trustee. The carrying costs were funded from the bond proceeds during the construction period (through January 1, 2012). The interest payments totaled \$2.07 million for 2021.

#### **NOTE 7 – 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 response to COVID-19 the Executive Director of SCORE declared a state of emergency on March 13, 2020, that limited inmate population to 400. The reduction of inmates resulted in the need to implement cost reductions to offset reduction in revenue. This included use of contingency reserves, purchasing restrictions, 90 day furloughs, staff reductions, and the implementation of a temporary salary reduction for management staff in April 2020 and an agency wide temporary salary reduction in August 2020. These temporary cost reductions ended in October 2021. The 2021-22 SCORE Biennial Budget was being built as a second wave of COVID-19 hit the State, so the budget has the

expectation of a delayed recovery. While the impact of the pandemic will linger over the next few years, operations are beginning to return to normal, and the overall financial forecast for SCORE remains positive.

**END OF NOTES**

A copy of this report is available at SCORE, 20817 17<sup>th</sup> Avenue South, Des Moines, WA 98198.

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