



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

July 1, 2024

Council and Executive
King County
Seattle, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of King County Solid Waste Enterprise Fund for the fiscal year ended December 31, 2023. The County contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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Report of Independent Auditors
and Financial Statements
with Required Supplementary Information

King County Solid Waste Enterprise Fund
(An Enterprise Fund of King County, Washington)

January 1 – December 31, 2023



MOSSADAMS

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Report of Independent Auditors

The Metropolitan King County Council
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the King County Solid Waste Enterprise Fund (the Fund), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the King County Solid Waste Enterprise Fund as of December 31, 2023, and the changes in its financial position and its 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 Fund 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.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of King County, Washington, as of December 31, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- 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 Fund'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.

We are required to 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, the Pension Plan Information, and the Postemployment Health Care Plan schedules 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 May 17, 2024, on our consideration of the Fund'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 solely 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 Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Seattle, Washington

May 17, 2024

Management's Discussion and Analysis

King County Solid Waste Enterprise Fund Management's Discussion and Analysis

The management of King County Solid Waste Enterprise Fund (Solid Waste) presents to readers of its financial statements this narrative overview and analysis of its activities and financial performance for the fiscal year ended December 31, 2023.

The Solid Waste Management System (SWMS)

The solid waste management system has evolved from a relatively basic system of garbage collection and disposal to a much more complex network of collection, sorting, salvage, reuse, recycling, composting, and disposal managed by the county, area cities, and private-sector collection and processing companies. Initial improvements to solid waste facilities and operations have been developed further to incorporate waste prevention and recycling programs that strive to balance resource use and conservation with production and consumption. In support of the SWMS, the Solid Waste Division (SWD) of the Department of Natural Resources and Parks operates eight solid waste transfer stations, two drop box stations, two household hazardous waste facilities, one regional landfill, and recycling services for residential customers.

Operating revenues result primarily from fees for the disposal of waste (called "tipping fees") at the active solid waste disposal sites, while bond proceeds fund most new construction. Significant reserves are set aside to provide for closure and post-closure care at landfills and environmental remediation costs, and to replace capital equipment. In 2023, the solid waste system processed 835,233 tons of refuse including 17,780 tons of yard waste from approximately 2.3 million residents.

Financial Highlights

Solid Waste continued its longstanding dedication to protection of health and the environment, while funding its operations using a combination of fees for services and revenues generated by redirecting resources once considered "waste" into secondary markets for further productive use.

Solid Waste operating revenues decreased by \$3.2 million, primarily due to reduced sales of landfill gas and associated renewable energy attributes. Revenues related to disposal of waste at the enterprise's transfer stations and drop boxes ("disposal charges") increased \$5.8 million in 2023 compared to 2022, from \$143.4 million to \$149.2 million, primarily due to a rate increase of \$14.66 from 2022 to 2023, offset by decreases of approximately 29,900 tons of refuse and 5,800 tons of yard waste. Revenues from the sales of natural gas decreased \$6.9 million to \$2.4 million from \$9.3 million in 2022, due to decreased landfill gas processing and sales for the first two quarters of 2023 and the complete stoppage of landfill gas processing as of August 2023. Landfill gas is considered renewable in some markets, normally allowing Solid Waste to generate RINs, or Renewable Identification Numbers, which may be resold. However, the stoppage of landfill gas processing has prevented Solid Waste generating RINs for resale. Construction and Demolition Waste Revenues remain consistent with the prior year. Decreases in Sales of Recyclable Material and Other Operating Revenue account comprise the remaining decrease of \$2.0 million.

In 2023, operating expenses increased \$27.9 million, from \$158.1 million in 2022 to \$186.0 million. Operating expenses have increased beyond pre-pandemic levels, with growth based on the increased costs of goods and services industry wide.

King County Solid Waste Enterprise Fund Management's Discussion and Analysis

Substantially all of Solid Waste's full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS) Plans 2 and 3. PERS Plans 2 and 3 are administered by the Washington State Department of Retirement Systems. In 2023, PERS 2 and 3 pension plans resulted in a net pension asset due to favorable market movements. A net pension asset occurs when the net position of a plan exceeds total pension liability. Solid Waste's proportional share of the net pension asset was \$12.8 million as of December 31, 2023. A net pension asset of \$11.9 million was reported in 2022.

For more detailed information on pension plans, refer to Note 11 in the financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Solid Waste's basic financial statements. The basic financial statements are comprised of the statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and the notes to the financial statements, which explain certain elements of the financial statements in greater detail.

Solid Waste's financial statements provide information regarding all of its activities using accounting methods similar to those used by private-sector companies. The statements provide both long-term and short-term information about Solid Waste's financial status.

The statement of net position presents information on all of Solid Waste's assets, liabilities and deferred inflows/outflows of resources, with the difference presented as net position. Over time, the statement demonstrates Solid Waste's financial health by providing a basis for the reader to evaluate capital structure, liquidity, and financial flexibility.

Solid Waste's operating and non-operating revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. The statement illustrates the results of operation and recovery of costs by receipt of fees and is instrumental in demonstrating why the statement of net position changed in the last year. All changes in net position are reported as soon as the underlying event occurs, irrespective of the timing of related cash flows. The receipt of waste disposal fees provides the principal support for Solid Waste's activities. Waste disposal fees of \$149.2 million provided 95.6 percent of the operating revenues in 2023.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash derived from operations, financing, and investing activities. From the statement, the reader can discern Solid Waste's sources and applications of cash during 2023, reasons for differences between operating cash flows and operating income, and the effect on the statement of net position from investing, capital, and financing activities.

The notes to financial statements provide additional information essential to obtain a full understanding of the data provided in the basic statements.

In the following comparative analysis of the financial statements, percentages and ratios were calculated and rounded using the actual detail from the financial statements.

King County Solid Waste Enterprise Fund

Management's Discussion and Analysis

Financial Analysis of the Statement of Net Position

Comparative data, stated in millions of dollars:

	2023	2022
Current assets	\$ 172.4	\$ 169.8
Noncurrent assets	75.7	35.9
Capital assets	314.7	290.7
	<hr/>	<hr/>
Total assets	562.8	496.4
Deferred outflows of resources	12.0	13.4
	<hr/>	<hr/>
Total assets and deferred outflows of resources	574.8	509.8
	<hr/>	<hr/>
Current liabilities	44.8	39.3
Noncurrent liabilities	510.3	420.1
	<hr/>	<hr/>
Total liabilities	555.1	459.4
Deferred inflows of resources	12.0	18.3
	<hr/>	<hr/>
Total liabilities and deferred inflows of resources	567.1	477.7
	<hr/>	<hr/>
Net position - net investment in capital assets	113.4	122.2
Net position - restricted	16.2	12.3
Net position - unrestricted	(121.9)	(102.4)
	<hr/>	<hr/>
Total net position	\$ 7.7	\$ 32.1
	<hr/>	<hr/>

Net position serves as a useful indicator of Solid Waste's financial position. As of December 31, 2023, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.7 million, of which \$113.4 million was invested in capital assets net of the related debt, \$16.2 million was restricted for pension related assets, and a deficit of \$(121.9) million was unrestricted, an increase of \$19.5 million from 2022. A negative unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources. Total net position decreased by \$24.4 million or 76.0% percent over the prior year.

In addition to the Cedar Hills Regional Landfill (CHRLF), Solid Waste maintains and monitors nine closed landfills, which have not been used since at least 2002, and some from the 1960s; two have been excavated and no longer contain a sufficient quantity of waste to require monitoring while seven have active monitoring programs. Under Governmental Accounting Standards Board (GASB) Statement No. 18: *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, postclosure care liabilities are recognized over the period when the landfill accepts solid waste. Accordingly, any change in the liability estimate for a landfill after closure is recognized in the period in which the change in estimate occurs.

King County Solid Waste Enterprise Fund Management's Discussion and Analysis

Solid Waste has spent the last decade revitalizing its aging transfer station system, replacing the Shoreline (2008), Bow Lake (2013), and Factoria (2017) transfer stations with new, modern, energy efficient recycling and transfer stations. Initially authorized by the 2001 Comprehensive Solid Waste Management Plan and reaffirmed in the 2019 Comprehensive Solid Waste Management Plan, one additional project remains in the planning stages to serve the northeast service area and the replacement of the Algona transfer station in the south moved to the implementation phase. These essential public facility construction projects have been largely funded by debt, which is why Solid Waste's noncurrent liabilities comprise 91.9 percent of total liabilities at December 31, 2023, a slight increase over 91.4 percent in 2022.

Financial Analysis of the Statement of Revenues, Expenses, and Changes in Net Position

Comparative data, stated in millions of dollars:

	Years Ended December 31,	
	2023	2022
Municipal solid waste handling and disposal	\$ 149.2	\$ 143.4
Sales of natural gas and associated renewable energy attributes	2.4	9.3
Construction and demolition waste permits	0.8	0.9
Other operating revenues	3.6	5.6
Operating revenues	156.0	159.2
Operating expenses	(186.0)	(158.1)
Operating (loss) income	(30.0)	1.1
Nonoperating revenues (expenses) - net	5.6	(3.2)
Change in net position	(24.4)	(2.1)
Net position beginning of year	32.1	34.2
Net position end of year	\$ 7.7	\$ 32.1

While the statement of net position shows changes in assets, liabilities, deferred inflows/outflows of resources and net position, the statement of revenues, expenses and changes in net position provides insight into the source of these changes.

King County Solid Waste Enterprise Fund

Management's Discussion and Analysis

Operating Revenues

In 2023, operating revenues decreased by \$3.2 million to \$156.0 million from \$159.2 million in 2022. Solid waste disposal fee revenue increased by \$5.8 million to \$149.2 million in 2022 from \$143.4 million in 2022. In 2023, Solid Waste had a rate increase from the 2022 rate of \$154.02 per ton to \$168.68. The other revenue sources, comprised of sale of natural gas and associated renewable energy, construction and demolition waste permits, and all other revenues, decreased by \$9.0 million in 2023 due to decreased landfill gas processing and sales for the first two quarters of 2023 and the complete stoppage of landfill gas processing as of August 2023. This negatively impacted the sale of environmental attributes associated with the landfill gas processing.

Operating Expenses

In 2023, operating expenses increased \$27.9 million, from \$158.1 million in 2022 to \$186.0 million. There was an increase of \$14.1 million in salaries. In addition, there were increases in the amount of \$18.6 million in contract services and internal services, offset by a \$1.7 million decrease in landfill closure and post-closure care costs. Though operating expenses remained consistent with pre-pandemic levels, due to volatility of the markets there was inflationary pressures and expenditure increases.

Non-operating Revenues and Expenses

Non-operating revenues and expenses increased by \$8.8 million to \$5.6 million from a deficit of \$(3.2) million in 2022. Primary source of non-operating revenues and expenses in 2023 included investment earnings of \$9.7 million. The increase was offset by the interest expense of \$6.4 million.

Solid Waste participates in the cash investment pool managed by the King County Treasury Operations group. Investment earnings were \$9.7 million in 2023 comparing to \$2.0 million investment loss in 2022. This significant change between 2022 and 2023 was primarily due to favorable market conditions. For more information about the pool and its investments, please see Note 2 to the financial statements.

Solid Waste leases the surface of the Hobart closed landfill to local model airplane enthusiasts for use as a runway, and part of the Duvall closed landfill to the Puget Sound Emergency Radio Network to support first responder communications.

In addition, Solid Waste leases a portion of the rail yard and office space in Harbor Island commonly known as the Fisher Flour Mill for transloading containers, trucking, logistics, ocean freight, and warehousing to Ray-Mont Logistics America for the next 4 years, grossing about \$214 thousand in monthly rent revenues with incremental increases each year. See additional details in the Note 5 for additional information.

Capital Assets

At December 31, 2023, Solid Waste's investment in capital assets, net of accumulated depreciation and amortization, increased \$24.0 million to \$314.7 million from \$290.7 million primarily due to increase in work in progress for South County Recycling and Transfer Station offset by the depreciation and amortization of existing assets in the amount of \$17.2 million.

King County Solid Waste Enterprise Fund Management's Discussion and Analysis

Large 2023 capital expenditures include:

- \$3.5 million for heavy machinery at the Cedar Hills Landfill
- \$700 thousand for truck purchases to supplement container hauling fleet
- \$3 million for construction equipment used at transfer stations

2023 Land purchases:

- \$4.2 million buffer property purchases around the Cedar Hills Landfill

Solid Waste has completed 100 percent of the design work for the South County Recycling and Transfer Station (SCRTS) and is beginning the implementation phase. The purpose of this transfer station is to replace the 1960's era Algona Transfer Station and offer new recycling and hazardous waste disposal services to the community. Project construction began first quarter of 2023 and is estimated to last about 3 years, with the new transfer station expected to open to the public in spring of 2026. Total cost of the new transfer station is estimated at \$132.0 million.

In 2023, the balance of the leased assets, net of accumulated amortization, was \$2.2 million.

For more detailed information on capital assets including leased assets, refer to Note 8 – Changes in Capital Assets and Note 5 - Leases in the financial statements.

Debt Administration

Solid Waste has \$223.5 million of general obligation bonds and \$3.9 million of loans from the State of Washington Public Works Board outstanding at the end of 2023. Although repaid from solid waste revenues, the full faith and credit of King County guarantees repayment of principal and interest on general obligation bonds.

Solid Waste drew an additional \$1.1 million for a pump station from the Washington State Department of Commerce under the Washington Public Works Board in 2023. Solid Waste completed both the pump station and the flare station work by the end of 2023, and all loan funds were drawn and finalized by December 2023.

On April 20, 2023, the County issued \$49.9 million in Limited Tax General Obligation Refunding Bonds, 2023 Series A. Of this issuance, \$7.9 million of the bonds with an effective interest cost of 2.5 percent was used to refund \$8.0 million of outstanding limited tax general obligation bonds, 2013 Solid Waste project. This current refunding was undertaken to reduce total debt service payments and the remainder was used to fund landfill and transfer station projects.

On December 6, 2023, King County issued Limited Tax General Obligation Bonds, 2023 Series B. Of this issuance, \$26.9 million of the bonds with an interest rate of 5.0 percent were allocated to provide funding for landfill and transfer station projects.

King County Solid Waste Enterprise Fund Management's Discussion and Analysis

Additional information on Solid Waste's long-term debt can be found in Note 6 – Long-Term Liabilities and Notes Payable.

Requests for Information

This financial report is designed to provide an overview of Solid Waste's financial condition as of December 31, 2023. Questions concerning this report or requests for additional information should be addressed to:

Eben Sutton, Chief Accountant
King County Finance and Business Operations
201 S Jackson St, Ste 0714
Seattle, WA 98104-3854

Financial Statements

King County Solid Waste Enterprise Fund
Statement of Net Position (in thousands)
December 31, 2023

	<u>2023</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 139,731
Restricted cash and cash equivalents	3,164
Accounts receivable, net	18,149
Lease receivable, current	2,390
Interest receivable	32
Due from other funds	3,374
Due from other governments	1,325
Inventory of supplies	1,887
Prepayments	<u>2,376</u>
Total current assets	<u>172,428</u>
NONCURRENT ASSETS	
Restricted assets	
Cash and cash equivalents	60,587
Net pension asset	<u>12,825</u>
	<u>73,412</u>
Lease receivable	<u>2,253</u>
Capital assets	
Nondepreciable assets	95,569
Depreciable assets, net of accumulated depreciation and amortization	<u>219,097</u>
	<u>314,666</u>
Total noncurrent assets	<u>390,331</u>
Total assets	<u>562,759</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on refunding	893
Deferred outflows on other postemployment benefits	191
Deferred outflows on pension	10,612
Deferred outflows on asset retirement obligations	<u>341</u>
Total deferred outflows of resources	<u>12,037</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 574,796</u></u>

See accompanying notes.

King County Solid Waste Enterprise Fund
Statement of Net Position (in thousands)
December 31, 2023

	<u>2023</u>
CURRENT LIABILITIES	
Accounts payable	\$ 21,080
Retainage payable	121
Interest payable	850
Wages and benefits payable	3,659
Compensated absences	162
Other postemployment benefits	122
Taxes payable	2
Unearned revenue	44
Leases payable, current portion	988
State loans payable	257
General obligation bonds payable	9,365
Landfill closure and postclosure care	<u>8,088</u>
Total current liabilities	<u>44,738</u>
NONCURRENT LIABILITIES	
Compensated absences	5,145
Other postemployment benefits	1,599
Net pension liability	5,758
Asset retirement obligations	850
Leases payable	1,286
State loans payable	3,602
General obligation bonds payable, net	237,402
Environmental remediation costs	1,126
Landfill closure and postclosure care	<u>253,523</u>
Total noncurrent liabilities	<u>510,291</u>
Total liabilities	<u>555,029</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on refunding	151
Deferred inflows on other postemployment benefits	433
Deferred inflows on pension	7,098
Deferred inflows on leases	<u>4,344</u>
Total deferred inflows of resources	<u>12,026</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>567,055</u>
NET POSITION	
Net investments in capital assets	113,391
Restricted - pensions	16,242
Unrestricted	<u>(121,892)</u>
Total net position	<u>\$ 7,741</u>

See accompanying notes.

King County Solid Waste Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position (in thousands)
Year Ended December 31, 2023

	<u>2023</u>
OPERATING REVENUES	
Municipal solid waste handling and disposal	\$ 149,199
Sales of natural gas and associated renewable energy attributes	2,434
Construction and demolition waste permits	832
Sales of recyclable materials	541
Other operating revenues	<u>3,000</u>
Total operating revenues	<u>156,006</u>
OPERATING EXPENSES	
Personnel services	66,036
Materials and supplies	11,002
Contract services and other charges	49,164
Utilities	1,651
Internal services	26,142
Landfill closure and postclosure care	13,661
Depreciation and amortization	18,178
Other operating expenses	<u>105</u>
Total operating expenses	<u>185,939</u>
OPERATING LOSS	<u>(29,933)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	9,712
Interest expense	(6,443)
Gain on disposal of capital assets	109
Other	<u>2,174</u>
Total nonoperating revenues (expenses) - net	<u>5,552</u>
CHANGE IN NET POSITION	(24,381)
NET POSITION	
Beginning of year	<u>32,122</u>
End of year	<u><u>\$ 7,741</u></u>

See accompanying notes.

King County Solid Waste Enterprise Fund
Statement of Cash Flows (in thousands)
Year Ended December 31, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 153,814
Cash received from other funds - interfund services	2,495
Cash payments to suppliers for goods and services	(56,895)
Cash payments to other funds - interfund services	(26,142)
Cash payments for employee services	(63,649)
Other receipts	2,054
Other payments	<u>(1,894)</u>
Net cash provided by operating activities	<u>9,783</u>
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(1,205)
Operating grants and other receipts	<u>359</u>
Net cash used in noncapital financing activities	<u>(846)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital and other utility assets	(40,969)
Proceeds from disposal of capital assets	329
Principal paid on capital financing	(10,301)
Interest paid on capital financing	(8,283)
Proceeds from capital financing	<u>81,435</u>
Net cash provided by capital and related financing activities	<u>22,211</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Gain on investments	<u>9,294</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	40,442
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>163,040</u>
End of year	<u><u>\$ 203,482</u></u>

See accompanying notes.

King County Solid Waste Enterprise Fund
Statement of Cash Flows (in thousands)
Year Ended December 31, 2023

	<u>2023</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	<u>\$ (29,933)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	18,178
Other nonoperating revenue and expense - net	1,656
Changes in assets	
Accounts receivable, net	2,485
Due from other funds	(941)
Due from other governments	(429)
Inventory of supplies	(164)
Prepayments	(1,805)
Net pension asset	(904)
Changes in deferred outflows of resources	
Deferred outflows on other postemployment benefits	(10)
Deferred outflows on pension	957
Deferred outflows on asset retirement obligations	105
Changes in liabilities	
Accounts payable	7,087
Retainage payable	(131)
Wages and benefits payable	355
Compensated absences	196
Other postemployment benefits	134
Taxes payable	2
Landfill closure and postclosure care	13,661
Customer deposits and other liabilities	(68)
Net pension liability	5,758
Changes in deferred inflows of resources	
Deferred inflows on other postemployment benefits	(47)
Deferred inflows on pension	(4,052)
Deferred inflows on leases	<u>(2,307)</u>
Total adjustments	<u>39,716</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 9,783</u></u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

On April 20, 2023, Solid Waste partially refunded 2013 LTGO bonds with 2023A LTGO bonds. Par value of the refunded bonds was \$8.0 million. The 2023A LTGO proceeds were deposited into an escrow account to pay future debt service of the defeased bonds.

See accompanying notes.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Note 1 – Operations and Accounting Policies

Summary of operations – The King County Solid Waste Enterprise Fund (Solid Waste) is an enterprise fund operated by the King County Department of Natural Resources and Parks in accordance with Chapter 36.58 of the Revised Code of Washington (RCW) to provide solid waste disposal services to the residents of King County, Washington (the County).

As an enterprise fund, Solid Waste is funded and operated separately from other operations of the County. Revenues are restricted by purpose. Accordingly, Solid Waste maintains separate accounting records and issues stand-alone financial statements.

Solid Waste operates eight transfer stations, two drop boxes, two household hazardous waste facilities, one regional landfill and recycling services for residential customers at its transfer stations. As a regulator, Solid Waste oversees the private-sector construction and demolition waste program operated under section 10.30 King County Code (KCC). Operating revenues result primarily from tipping fees at the active solid waste disposal sites while bond proceeds fund most new construction.

Solid Waste purchases goods and services from other County agencies, including reimbursement of the County's general fund for a share of general government administrative costs and as rent for the portions of the Cedar Hills Regional Landfill which are owned by the County's General Fund. Expenses incurred in doing business with other County agencies amounted to \$26.1 million and \$3.3 million for administrative costs and rent, respectively in 2023. Solid Waste received \$2.5 million from the County for services in 2023.

Significant accounting policies – Solid Waste is accounted for using the flow of economic resources measurement focus similar to that of a private enterprise organized for profit. Solid Waste's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Solid Waste applies all applicable GASB pronouncements.

- **Cash and cash equivalents** – Solid Waste considers as cash and cash equivalents surplus balances held with the King County Treasurer in the King County Investment Pool (the Pool) and the amounts held in change funds.
- **Receivables and allowance for doubtful accounts** – Receivables include charges for services rendered by Solid Waste. All unbilled service receivables are recorded at year-end. The provisions for estimated uncollectible receivables are reviewed and updated at year-end. These provisions are estimated based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2023, Solid Waste's allowance for doubtful accounts was \$698 thousand.
- **Due from other funds** – Due from other funds consists of current receivables from other funds within the County. They typically arise from interfund goods and service transactions and reimbursements.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

- **Inventory of supplies** – Inventory is recorded at the lower of cost or market using the weighted-average cost method. Materials and supplies are expensed as consumed. Inventory is written off in the year that it is determined obsolete.
- **Restricted assets** – In accordance with Solid Waste’s bond resolutions, state law, King County codes, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes, including bond and landfill closure and postclosure care reserves.
- **Capital assets** – Capital assets are stated at cost, less accumulated depreciation and amortization. Solid Waste’s capitalization threshold is: equipment at \$5 thousand; software at \$500 thousand, and buildings and improvements at \$100 thousand. Provision for depreciation and amortization is made on a straight-line basis over the estimated useful lives of Solid Waste’s capital assets as follows:

Description	Estimated Useful Life
Buildings and improvements other than building	10–50 years
Cars, vans, and trucks	5–10 years
Data processing equipment	3–10 years
Heavy equipment	5–28 years
Landfill development	20 years
Shop equipment	5–20 years
Software	3–10 years

- ♦ Repairs and maintenance are expensed as incurred; major renewals, replacements, and betterments are capitalized.
 - ♦ Solid Waste annually reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2023.
- **Leases** –
 - ♦ Lessee: Solid Waste is a lessee for noncancelable leases. Solid Waste recognizes a lease liability and an intangible right-to-use lease asset. At the commencement of a lease, Solid Waste initially measures the lease liability at the present value of payments expected to be made during the lease term. The future lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, Solid Waste generally uses the County’s incremental borrowing rate for lease terms (including options to extend which are likely to be exercised) of less than 15 years and the US Treasury Securities-State and Local Government Series (SLGS) rate for leases with terms of 15 years or more. The lease liability is subsequently reduced by the principal portion of lease payments made.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is subsequently amortized using the straight-line basis over the term of the lease.

Key estimates and judgments related to leases include how Solid Waste determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that Solid Waste is reasonably certain to exercise. Solid Waste monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

- ◆ **Lessor:** Solid Waste is a lessor for noncancelable leases. Solid Waste recognizes a lease receivable and a deferred inflow of resources. At the commencement of a lease, Solid Waste initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the effective interest method. Key estimates and judgments related to leases include how Solid Waste determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. Solid Waste uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee. Solid Waste monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.
- **Compensated absences** – Employees earn vacation based upon their date of hire and years of service. Employees hired prior to January 1, 2018 have a maximum vacation accrual of 480 hours, while those hired January 1, 2018 or after have a maximum vacation accrual of 320 hours unless the employee's collective bargaining unit agreement specifies a different maximum. Unused vacation at retirement or normal termination is considered vested and payable to the employee, up to the employee's maximum accrual. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. If the employee is leaving their employment due to death or retirement, they are paid for 35 percent of the value of unused sick leave with no maximum. Vacation pay and a portion of sick leave liabilities, including payroll taxes, are accrued.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

- ◆ Solid Waste accrues estimated excess compensation liabilities to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cash-out of unused annual leave in excess of 240 hours and a cash-out of any other form of leave.
- **Rebatable arbitrage** – Solid Waste's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government except when spending exception rules are met. The liability is recognized during the period the excess interest is earned. Solid Waste has no liability as of December 31, 2023.
- **Deferred outflows and inflows of resources** – Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods and deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods. Deferred outflows of resources include deferred losses on the refunding of bonds, certain amounts related to pension, postemployment benefits other than pensions (OPEB) accounting, and asset retirement obligations. Deferred inflows of resources include certain amounts related to pension, OPEB, and leases.
- **Operating and nonoperating revenues and expenses** – Operating revenues result from exchange transactions in Solid Waste's activities. Examples include the acceptance of solid waste at Solid Waste's facilities, the fees charged to operators of the construction and demolition waste program, revenues earned from the sale of recyclable materials into secondary markets, and the proceeds from the sale of landfill gas generated at the Cedar Hills Regional Landfill. Expenses associated with providing disposal services in operating Solid Waste's landfill facility and transfer stations are considered operating, along with recycling education and expenses associated with regulation of the construction and demolition waste program. Nonoperating revenues include rent collected from secondary uses of closed landfills and properties owned by Solid Waste but excess to current operating needs, grants (non-exchange transactions), and gain (loss) on investment.
 - ◆ Solid Waste provides garbage transfer, disposal and recycling services for approximately 2 million people who live in King County and the 0.8 million people who work here. The County solid waste system serves a large unincorporated area and 37 of the 39 cities in King County, all except the cities of Seattle and Milton. RCW 81.77.020 and 36.58.040 prohibit the County from offering curbside garbage collection services. Rather, Solid Waste accepts municipal solid waste from individuals hauling their own refuse and curbside collection vehicles at its transfer stations, transports it to, and disposes of it in the Cedar Hills Regional Landfill in Maple Valley, Washington. To the extent possible, Solid Waste also separates and collects pre-separated recyclable material at the transfer stations; these commodities are redirected into secondary markets, generating revenue and preserving landfill capacity.
- **Debt-related amortization** – Bond premiums, discounts and refunding losses and gains are amortized over the life of the bonds using the outstanding principal balance method.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

- **Net position** – Net investments in capital assets are reported as a separate component of net position and consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. For pension plans that have a net pension asset, the restricted net position is calculated with the net pension asset adjusted for related deferred outflows/inflows of resources.
- **Use of estimates** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Specific estimates have been made in the areas of allowance for uncollectible accounts, environmental remediation costs, useful lives of capital assets, pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources, landfill closure and postclosure care, and future interest rates. Actual results could differ from these estimates.

New accounting standards – The following GASB pronouncements were implemented during the current year.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. This statement establishes accounting and financial reporting guidance for arrangements between governments and an external entity. PPP arrangements generally result in the government conveying control of the right to operate or use a capital asset to an external entity for a period of time in an exchange or exchange-like transaction. APAs are agreements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. Solid Waste implemented the Statement in 2023; it did not have a material impact on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement establishes accounting and financial reporting guidance for SBITAs. A SBITA is defined as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible underlying IT assets, in an exchange or exchange-like transaction. The government is required to recognize a subscription liability and an intangible right-to-use subscription asset. Cash outlays necessary to place the subscription asset in service can be capitalized during the initial project implementation stage. Solid Waste implemented the Statement in 2023; it did not have a material impact on the financial statements.

GASB Statement No. 99, *Omnibus 2022 (paragraphs 11-25)*. This statement improves consistency by addressing practice issues identified during implementation and application of certain GASB statements and addressing accounting and financial reporting for financial guarantees. Solid Waste implemented the paragraphs of the Statement in 2022; additional requirements in this Statement were implemented in the Solid Waste financial statements in 2023. It did not have a material impact on the financial statements.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Note 2 – Deposits and Investments in King County Investment Pool

The King County Treasurer is the custodian of Solid Waste's cash. Solid Waste's cash on deposit with the King County Treasurer is pooled with cash from other County funds and other jurisdictions and are either deposited in the County's bank account or invested by the County. The King County Investment Pool (the Pool) functions essentially as a demand deposit account where Solid Waste receives an allocation of its proportionate share of pooled earnings as interest. In 2023, Solid Waste reported a net investment gain, which resulted from its proportionate share of unrealized gain due to a net increase in the fair value of the Pool's investments.

The Pool is administered by the King County Treasury Operations Section and is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County Finance Committee as defined in RCW 36.48.070.

The County has deposit and investment policies addressing risks that have the potential to result in losses of deposits and investments. The deposits that are not covered by the Federal Deposit Insurance Corporation (FDIC) are collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC) at no less than fifty percent. Effective June 7, 2018, resolution 2018-1 adopted by Commission on June 1, 2018, allowed "all well capitalized public depositaries may collateralize uninsured public deposits at no less than fifty percent." The PDPC is a statutory authority established under Chapter 39.58 RCW that governs public depositaries and provides that "all public funds deposited in public depositaries, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." It constitutes a multiple financial institution collateral pool that can make pro rata assessments to all public depositaries within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

The custodial credit risk for deposits is the risk that Solid Waste's deposits may not be returned to it in the event of a bank failure.

Assessing Solid Waste's risk exposure, Solid Waste's cash and cash equivalents balance of \$203.5 million were fully invested in the Pool as of December 31, 2023. The County had demand deposits of \$11.7 million as of December 31, 2023, of which \$8.3 million was exposed to custodial credit risk as uninsured and uncollateralized.

Credit risk – investments – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2023, 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. Federal agency securities and mortgage-backed securities, municipal securities and corporate notes (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

The Pool's policies limit the maximum amount that can be invested in various securities. At 2023 year-end, the Pool was in compliance with these policies. The Pool's actual composition, as of December 31, 2023, is as follows (in thousands):

Investment type	Total	Allocation Percentage
Repurchase Agreements	\$ 347,000	3.63%
Commercial Paper	1,146,816	12.00%
Corporate Notes	527,265	5.52%
U.S. Treasury Notes	2,415,126	25.27%
GNMA Collateralized Mortgage Obligations	856,915	8.97%
U.S. Agency Notes	1,099,499	11.51%
U.S. Agency Collateralized Mortgage Obligations	45,778	0.48%
Supranational Coupon Notes	1,394,596	14.59%
State Treasurer's Investment Pool (LGIP)	1,723,538	18.04%
	<u>\$ 9,556,533</u>	<u>100.00%</u>

Custodial credit risk – investments – Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled “delivery versus payment (DVP).” This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County’s safekeeping bank or its tri-party custodian banks. Exempt from the DVP policy are Certificates of Deposits (CDs) and funds placed with the Local Government Investment Pool.

Concentration of credit risk – investments – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year-end, the King County Investment Pool had concentrations greater than 5.0 percent in the following issuers: Federal Home Loan Banks, 6.5 percent, and Inter-American Development Bank, 5.1 percent.

Interest rate risk – investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the King County Investment Pool. The policy limit for the KCIP’s maximum effective duration is 1.5 years or less, and 40 percent of the KCIP’s total value in securities must have a maturity of 12 months or less. Securities in the portfolio cannot have an average life greater than five years at purchase. As of December 31, 2023, the effective duration of the main Pool was 0.788 years.

All securities are reported at fair value. Fair value reports are prepared monthly and distributed to all Pool participants. The Pool values participants’ shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Fair value hierarchy – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of inputs in valuing the County's investments as of December 31, 2023 (in thousands):

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments by Fair Value Level	Fair Value 12/31/2023			
Commercial Paper	\$ 1,146,816	\$ -	\$ 1,146,816	\$ -
Corporate Notes	527,265	-	527,265	-
U.S. Treasury notes	2,415,126	2,415,126	-	-
GNMA Collateralized Mortgage Obligations	856,915	-	856,915	-
U.S. Agency Notes	1,099,499	-	1,099,499	-
U.S. Agency Collateralized Mortgage Obligations	45,778	-	45,778	-
Supranational coupon notes	1,394,596	-	1,394,596	-
Subtotal	<u>\$ 7,485,995</u>	<u>\$ 2,415,126</u>	<u>\$ 5,070,869</u>	<u>\$ -</u>
Investments Measured at Amortized Cost (Not Subject to Fair Value Hierarchy)				
Repurchase Agreements	\$ 347,000			
State Treasurer's Investment Pool	<u>1,723,538</u>			
Subtotal	<u>2,070,538</u>			
Total investment in Investment Pool	<u>\$ 9,556,533</u>			

U.S. Treasury and U.S. Agency discount notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

Commercial Paper, Corporate Notes, GNMA Collateralized Mortgage Obligations, U.S. Agency Notes, U.S. Agency Collateralized Mortgage Obligations and Supranational Coupon Notes are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Interactive Data also monitors market indicators, industry and economic events and corroborating market data and are classified in Level 2 of the fair value hierarchy.

State Treasurer's Investment Pool and Repurchase Agreement are overnight securities and are recorded at amortized cost.

Note 3 – Restricted Assets

A portion of Solid Waste's assets are restricted as to use by legal and contractual provisions and by fiscal management policy. Restricted assets are comprised of cash and cash equivalents of \$63.8 million and net pension asset of \$12.8 million at December 31, 2023.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Liability amounts payable from restricted assets primarily consist of escrow and in-house retainage payables. These amounted to \$121 thousand at December 31, 2023. The details of cash and cash equivalents and restricted assets as of December 31, 2023 are as follows (in thousands):

Unrestricted cash and cash equivalents	
Operating funds	\$ 52,707
Environmental reserve	1,051
Construction funds	5,637
Landfill management and replacement	57,037
Capital equipment replacement	23,299
	<hr/>
Total unrestricted cash and cash equivalents	139,731
	<hr/>
Restricted cash and cash equivalents	
Landfill closure and postclosure care	3,043
Bond proceeds committed to construction	60,587
Retainage	121
	<hr/>
Total restricted cash and cash equivalents	63,751
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Total cash and cash equivalents	203,482
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Restricted asset	
Net pension asset	12,825
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Total restricted assets - cash and cash equivalents and net pension asset	\$ 76,576
	<hr/> <hr/>

Note 4 – Risk Management

Solid Waste is exposed to a wide range of risks of loss, including those related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Solid Waste participates in three County internal service funds to account for and finance its (1) property/casualty, (2) workers' compensation, and (3) employee medical and dental benefits, through self-insurance programs. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the King County Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

During 2023, Solid Waste claims paid by the Insurance Fund of King County were \$938 thousand. In the past three years, there was no occurrence that resulted in payment in excess of the self-insured retention of \$6.5 million.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements, and for purchasing certain policies. The County's internal service funds assess premiums attributable to Solid Waste on the basis of claims experience, actuarial evaluation of future claims risk, and adequacy of available reserves. Premiums are recorded as an expense in the year paid or accrued.

Solid Waste has an environmental legal liability policy solely for its Cedar Hills Regional Landfill operations. The policy runs from June 30, 2022, until June 30, 2027, with limits of \$50 million per incident and in the aggregate. The deductible on this policy is \$250 thousand per incident.

Note 5 – Leases

County as lessee – Solid Waste has entered into various lease agreements as lessee for equipment, building and grounds. Most leases have initial terms of up to 5 years, and may contain one or more renewals at the Solid Waste's option, generally for three or five-year periods. Solid Waste has generally included these renewal periods in the lease term when it is reasonably certain that the Solid Waste will exercise the renewal option. Solid Waste's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes, and insurance, which are expensed as incurred as variable lease payments. Solid Waste's lease arrangements do not contain any material residual value guarantees. The expected lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, Solid Waste generally uses the County's incremental borrowing rate for lease terms (including options to extend which are likely to be exercised) of less than 15 years and the SLGS rate for leases with terms of 15 years or more.

Right-to-use assets relating to lease agreement contracts as of December 31, 2023 (in thousands), is as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Land	\$ 1,055	\$ -	\$ -	\$ 1,055
Buildings	3,002	-	-	3,002
Equipment	97	-	-	97
Total right-to-use assets	<u>4,154</u>	<u>-</u>	<u>-</u>	<u>4,154</u>
Accumulated amortization				
Land	(248)	(249)	-	(497)
Buildings	(707)	(706)	-	(1,413)
Equipment	(15)	(21)	-	(36)
Total accumulated amortization	<u>(970)</u>	<u>(976)</u>	<u>-</u>	<u>(1,946)</u>
Total right-to-use assets - net	<u>\$ 3,184</u>	<u>\$ (976)</u>	<u>\$ -</u>	<u>\$ 2,208</u>

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Future minimum lease payments under lease agreements and the present value of the net minimum lease payments are shown below as of December 31, 2023 (in thousands):

Year	Principal	Interest	Total
2024	\$ 988	\$ 11	\$ 999
2025	1,023	5	1,028
2026	257	1	258
2027	6	-	6
	\$ 2,274	\$ 17	\$ 2,291

County as lessor – Solid Waste leases land, buildings, and equipment. Solid Waste records lease receivable and deferred inflows of resources based on the present value of expected receipts over the term of the lease. The expected receipts are discounted using the County's incremental borrowing rate.

During 2023, the amount recognized as lease revenue and lease interest was \$2.3 million and \$299 thousand, respectively

Note 6 – Long-Term Liabilities

General obligation bonds – As of December 31, 2023, bonds outstanding include \$223.5 million of serial and term bonds maturing December 1, 2025 through 2040, bearing interest at stated rates of 0.4 percent to 5.0 percent per annum.

On April 20, 2023, the County issued \$49.9 million in Limited Tax General Obligation Refunding Bonds, 2023 Series A. Of this issuance, \$7.9 million of the bonds with an effective interest cost of 2.5 percent was used to refund \$8.0 million of outstanding limited tax general obligation bonds, 2013 Solid Waste project. The net carrying amount of the old debt exceeded the reacquisition price by \$446 thousand. This current refunding was undertaken to reduce total debt service payments by \$288 thousand over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$278 thousand. The remainder of the issuance, \$42.1 million with an effective interest cost of 3.1 percent were used to fund landfill and transfer station projects.

On December 6, 2023, King County issued Limited Tax General Obligation Bonds, 2023 Series B. Of this issuance, \$26.9 million of the bonds with an interest rate of 5.0 percent were allocated to provide funding for landfill and transfer station projects.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

The following table summarizes Solid Waste's general obligation bonds (in thousands):

	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at December 31, 2023
2013 LTGO Bonds	12/01/2040	3.10-5.00%	\$ 77,100	\$ 31,600
2014C LTGO & Refunding 2007E Bonds	12/01/2034	2.00-5.00%	25,515	12,580
2015B LTGO (FED Tax Exempt) Bonds	12/01/2025	5.00%	60	20
2015D LTGO	12/01/2040	3.00-5.00%	36,385	28,815
2015D LTGO Refunding 2007E Bonds	12/01/2040	3.00-5.00%	14,210	8,340
2017A LTGO Bonds	06/01/2040	3.25-5.00%	31,230	26,100
2017B LTGO Fred Bow Lake	06/01/2027	4.00-5.00%	135	65
2020B LTGO Refunding 2013	12/31/2031	0.35%-1.70%	19,975	18,930
2021A LTGO Bonds	12/01/2040	4.00-5.00%	24,475	22,800
2023A LTGO Bonds	12/01/2040	5.00%	42,070	42,070
2023A LTGO Bonds ref 2013	12/01/2025	5.00%	7,865	5,245
2023B LTGO Bonds	12/01/2040	5.00%	26,930	26,930
			<u>\$ 305,950</u>	<u>\$ 223,495</u>

Prior year defeasance of debt – Solid waste defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust (refunding escrow) to provide for all future debt service payments on the refunded bonds until called. The trust account assets and the liability for the defeased bonds are not included in the Solid Waste financial statements. As of December 31, 2023, \$5.5 million of defeased bonds were outstanding.

State loans – Solid Waste has received loans from the Washington State Department of Commerce under the Washington Public Works Board. The loans require annual payments of principal and interest through 2038 and bear interest at the stated rate of 1.66 percent. As of December 31, 2023, the balance due on all state loans is \$3.9 million. The borrowing under the loans was finalized in 2023, so there will be no additional draws in the future.

At December 31, 2023, the required principal and interest payments for all classes of long-term debt are as follows (in thousands):

Year(s) Beginning	General Obligation Bonds		State Loans		Total
	Principal	Interest	Principal	Interest	
January 1, 2024	\$ 9,365	\$ 9,222	\$ 257	\$ 59	\$ 18,903
January 1, 2025	9,790	8,786	257	57	18,890
January 1, 2026	10,320	8,310	257	53	18,940
January 1, 2027	10,670	7,966	257	49	18,942
January 1, 2028	10,965	7,612	257	45	18,879
January 1, 2029-2033	61,670	31,204	1,288	163	94,325
January 1, 2034-2038	75,730	17,145	1,287	61	94,223
January 1, 2039-2040	34,985	2,166	-	-	37,151
	<u>\$ 223,495</u>	<u>\$ 92,411</u>	<u>\$ 3,860</u>	<u>\$ 487</u>	<u>\$ 320,253</u>

Compliance with bond resolutions – With respect to the year ended December 31, 2023, Solid Waste complied with all financial covenants stipulated by its bond resolutions.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Changes in long-term liabilities – Long-term liability activity for the year ended December 31, 2023, is as follows (in thousands):

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Bonds payable	\$ 163,720	\$ 76,865	\$ (17,090)	\$ 223,495	\$ 9,365
Bond premiums and discounts	14,041	11,699	(2,468)	23,272	-
Total bonds payable	177,761	88,564	(19,558)	246,767	9,365
Leases payable	3,228	-	(954)	2,274	988
State loans payable	3,593	1,057	(791)	3,859	257
Compensated absences	5,112	6,540	(6,345)	5,307	162
Other postemployment benefits	1,587	1,721	(1,587)	1,721	122
Asset retirement obligation	850	-	-	850	-
Environmental remediation costs	1,194	-	(68)	1,126	-
Landfill closure and postclosure care	247,949	13,662	-	261,611	8,088
Total long-term liabilities	<u>\$ 441,274</u>	<u>\$ 111,544</u>	<u>\$ (29,303)</u>	<u>\$ 523,515</u>	<u>\$ 18,982</u>

Note 7 – Asset Retirement Obligations

Solid Waste reported asset retirement obligations (ARO) in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*. The liability is measured at its current value and based on professional judgment, experience, and historical cost data. As of December 31, 2023, Solid Waste reports \$850 thousand in ARO.

The ARO of Solid Waste relates to the disposition of underground storage tanks (USTs) and stormwater ponds due to applicable regulations and requirements. The USTs have an estimated remaining useful life ranging from four to seven years while the stormwater ponds have a remaining useful life of 23 years.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to dispose of the USTs and the stormwater ponds.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Note 8 – Changes in Capital Assets

Changes in capital assets for the years ended December 31, 2023, are shown in the following table (in thousands):

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Land and easements	\$ 39,892	\$ 1,372	\$ -	\$ 41,264
Artwork	1,542	-	-	1,542
Construction work in progress	26,975	25,788	-	52,763
Total nondepreciable assets	68,409	27,160	-	95,569
Buildings	200,634	2,674	-	203,308
Improvements other than building	76,566	-	-	76,566
Infrastructure	5,892	-	-	5,892
Equipment	104,623	12,522	(15,881)	101,264
Software development	732	-	-	732
Landfill development	70,750	-	-	70,750
Total depreciable assets	459,197	15,196	(15,881)	458,512
Accumulated depreciation and amortization				
Buildings	(76,754)	(5,575)	-	(82,329)
Improvements other than building	(46,792)	(2,103)	-	(48,895)
Infrastructure	(1,539)	(264)	-	(1,803)
Equipment	(70,806)	(5,882)	15,637	(61,051)
Software development	(732)	-	-	(732)
Landfill development	(43,434)	(3,379)	-	(46,813)
Total accumulated depreciation and amortization	(240,057)	(17,203)	15,637	(241,623)
Depreciable assets - net	219,140	(2,007)	(244)	216,889
Right-to-use leased assets - net (see Note 5)	3,184	-	(976)	2,208
Total capital assets - net	\$ 290,733	\$ 25,153	\$ (1,220)	\$ 314,666

Note 9 – Environmental Remediation

Solid Waste operations are subject to rules and regulations enacted by the Washington State Department of Ecology (DOE) and the U.S. Environmental Protection Agency (EPA).

Solid Waste follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49), which mandates the disclosure of “obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.” GASB 49 establishes five events, any one of which obligates Solid Waste to record a liability for pollution remediation expenditures. The liability is related to East Perched Zone.

The East Perched Zone Project was obligated when the Washington State Department of Ecology (Ecology), on behalf of Public Health – Seattle and King County, requested that Solid Waste engage in a voluntary cleanup under the Model Toxics Control Act (MTCA).

King County Solid Waste Enterprise Fund

Notes to Financial Statements

This project may result in additional cleanup efforts as a result of future regulatory orders. These potential cleanup liabilities cannot be currently estimated.

There are no estimated recoveries at this time that will reduce the amount of Solid Waste's pollution remediation obligations. The total environmental remediation liability at December 31, 2023, stands at \$1.1 million.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

The methodology for estimating liabilities continues to be based on Solid Waste engineering analysis, program experience and cost estimates for remediation investigation and a feasibility study scheduled to be undertaken in future years. Costs were estimated using the expected cash flow method set out by GASB 49. The cost recognized was based on the portion of the remediation work that Solid Waste has reached agreement with Ecology and is legally required to complete. The cost estimates continue to be remeasured as succeeding benchmarks are reached or when cost assumptions are modified.

Note 10 – Landfill Closure and Postclosure Care

State and federal laws require closure activities at Cedar Hills Regional Landfill site when the landfill stops accepting waste. Certain maintenance and monitoring functions are also required at the closed sites for minimum of 30 years, or until the landfill has reached functional stability, whichever is longer. Solid Waste has estimated it will take 42 years following closure for the Cedar Hills Regional Landfill to reach functional stability. Enumclaw, Hobart, Vashon and Cedar Falls landfills have been closed and are under postclosure care. Duvall, Puyallup, Houghton, Bow Lake and First Northeast are custodial landfills, which were closed 30 or more years ago and are subject to less prescriptive laws and regulations.

At December 31, 2023, estimated landfill closure and postclosure care liability represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows:

Landfill	Percent Filled	Estimated Liability	Estimated Remaining Liability	Estimated Year of Closure
Cedar Hills	88.27%	\$ 197,469	\$ 46,395	2040
Closed	100%	45,604	-	Closed
Custodial	100%	18,538	-	Closed

Solid Waste is required by state and federal laws and regulations to make annual contributions to a reserve fund to finance closure and postclosure care. Solid Waste is in compliance with these requirements. As of December 31, 2023, cash and cash equivalents of \$3.0 million were held in the Landfill Postclosure Maintenance Fund. In addition, \$57.0 million were held in the Landfill Reserve Fund designated for the management and development of the landfill.

Solid Waste expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. However, if interest earnings are inadequate, or additional postclosure care requirements are determined due to changes in technology or regulations, Solid Waste may need to increase future user fees or tax revenues.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Note 11 – Employee Benefit Plans

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County elected to use June 30, 2023, as the measurement date for reporting net pension liability at 2023.

The following table represents the aggregate pension amounts allocated to Solid Waste for all pension plans subject to the requirements of GASB Statement No. 68 (in thousands):

	Aggregate Pension Amounts All Plans
Pension asset	\$ 12,825
Pension liability	5,758
Deferred outflows of resources	10,612
Deferred inflows of resources	7,098
Pension expense/(benefit)	1,759

Pension plans – Substantially all full-time and qualifying part-time employees of Solid Waste participate in one of the following retirement plans: Public Employees’ Retirement System (PERS) Plan 1, 2, and 3.

PERS is administered by the Washington State Department of Retirement Systems (DRS) 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 statewide public retirement systems.

The DRS, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for each plan.

The DRS annual comprehensive financial report may be obtained by writing to:

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

Or the DRS annual comprehensive financial report may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees Retirement System – 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.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

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.

The PERS Plan 1 member contribution rate is established by State statute at 6.00 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that was set at 0.18 percent January through August 2023, and 0.20 percent September through December 2023. 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 2023 were as follows:

PERS Plan 1		
	Employer	Employee
Actual contribution rates		
January through June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
August through September 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
September through December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	6.00%

Solid Waste's actual contributions to the PERS plan 1 were \$1.5 million for the year ended December 31, 2023.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

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.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) 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 2023 were as follows:

PERS Plan 2/3			
	Employer 2/3	Employee 2	Employee 3
Actual contribution rates			
January through June 2023			
PERS Plan 2/3	6.36%	6.00%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	10.39%	6.00%	Varies
August through September 2023	6.36%	6.00%	Varies
PERS Plan 2/3	2.85%		
PERS Plan 1 UAAL	0.18%		
Administrative Fee			
Total	9.39%	6.00%	Varies
September through December 2023			
PERS Plan 2/3	6.36%	6.00%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	9.53%	6.00%	Varies

Solid Waste's actual contributions to the PERS plan 2/3 were \$2.9 million for the year ended December 31, 2023.

Actuarial assumptions – The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the OSA's *2013-2018 Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75 percent total economic inflation; 3.25 percent salary inflation.
- Salary increases: In addition to the base 3.25 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.0 percent.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. 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 no changes in methods since the last valuation. There were changes in assumptions since the last valuation.

- The Joint-and-Survivor Factors and Early Retirement Factors were updated in the model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- The economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board were updated. The investment return assumption was reduced from 7.50 (7.40 for LEOFF 2) to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent. This action is a result of recommendations from our biennial economic experience study.

Discount rate – The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of 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 7.0 percent was used to determine the liability.

Long-term expected rate of return – The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Major asset class included in the pension plan's target asset allocation as of June 30, 2023, 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	20.00%	1.50%
Tangible assets	7.00%	4.70%
Real estate	18.00%	5.40%
Global equity	32.00%	5.90%
Private equity	23.00%	8.90%
	<u>100.00%</u>	

Sensitivity of net pension liability (asset) – The table below presents Solid Waste's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what Solid Waste's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate (in thousands).

Pension Plan	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$ 8,044	\$ 5,758	\$ 3,762
PERS 2/3	13,949	(12,825)	(34,822)

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 liability (asset), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2023, Solid Waste reported \$12.8 million for its proportionate share of the net pension asset of PERS Plan 2/3, and \$5.8 million for its proportional share of the net pension liability of PERS Plan 1.

Solid Waste's proportionate share of the collective net pension asset was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	-	0.25%	0.25%
PERS 2/3	0.32%	0.31%	(0.01%)

Employer contribution transmittals received and processed by the DRS for its 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.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

The collective net pension liability (asset) was measured as of June 30, 2023, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

Pension expense (benefit) – For the year ended December 31, 2023, Solid Waste recognized pension expense in the amount of \$1.8 million.

Deferred outflows of resources and deferred inflows of resources – At December 31, 2023, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience.	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments.	-	-
Changes of assumptions	-	(649)
Changes in proportion and differences between contributions and proportionate share of contributions.	-	-
Contributions subsequent to the measurement date.	747	-
Total	<u>\$ 747</u>	<u>\$ (649)</u>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience.	\$ 2,612	\$ (143)
Net difference between projected and actual investment earnings on pension plan investments.	-	(4,833)
Changes of assumptions	5,384	(1,174)
Changes in proportion and differences between contributions and proportionate share of contributions.	375	(299)
Contributions subsequent to the measurement date.	1,494	-
Total	<u>\$ 9,865</u>	<u>\$ (6,449)</u>

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Deferred outflows of resources related to pensions resulting from Solid Waste's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending December 31,	PERS 1
2024	\$ (442)
2025	(555)
2026	343
2027	5
2028	-
Thereafter	-

Year Ending December 31,	PERS 2/3
2024	\$ (2,257)
2025	(2,763)
2026	4,050
2027	1,437
2028	1,415
Thereafter	40

Note 12 – Other Postemployment Benefits

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes standards for recognizing and measuring other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The following table represents Solid Waste's allocated OPEB amounts subject to the requirements of GASB Statement No. 75 for the year 2023 (in thousands):

	<u>OPEB Amounts</u>
OPEB liabilities	\$ 1,721
Deferred outflows of resources	191
Deferred inflows of resources	433
OPEB expense	77

Plan description – The County administers a single-employer defined-benefit postemployment healthcare plan (the Plan). The Plan provides healthcare insurance for eligible retirees and their spouses and children through the County's health insurance plan, which covers retired members. The plan provides healthcare insurance benefits and prescription coverage. The plan offers dental and vision benefits, but the retiree premiums are assumed to cover the full cost of those benefits.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

As a self-insurer, the County establishes a monthly premium rate for insurance benefits each budget year. Eligible retirees may continue to receive insurance benefits by contributing 100% of the Consolidated Omnibus Budget Reconciliation Act or COBRA rate for these benefits. The program provides the same level of healthcare benefits to retirees as the active group plan.

Employees covered by benefit terms – At December 31, 2023 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	510
Active employees	14,525
Total	15,035

Total OPEB liability – The County's total OPEB liability was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2023.

Actuarial assumptions – The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation: 2.75%.
- Salary increases: 3.25%. Additional merit-based increases based on State of Washington merit salary increase tables.
- Healthcare cost trend rates: Pre-Medicare of 6.80% and Medicare 4.17%, trending down to 4.14% over 51 years.
- Mortality rates were based on the Society of Actuaries' Public Employer Mortality Tables.
- Discount rate: The discount rate used to measure the total OPEB liability is 3.77%. The County's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Changes in total OPEB liability – Solid Waste’s allocated changes in the total OPEB liability for the year ended December 31, 2023, was as follows (in thousands):

Total OPEB liability - 1/1/2023	\$ 1,587
Changes for the year	
Service cost	54
Interest	68
Difference between expected and actual experience	(1)
Change of assumptions	32
Benefit payments	(64)
Implicit rate subsidy fulfilled	(53)
Other changes	98
Net changes	134
Total OPEB liability - 12/31/2023	\$ 1,721

Sensitivity of the total OPEB liability to changes in the discount rate – The table below presents Solid Waste’s proportionate share of the total OPEB liability as well as what Solid Waste’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.77 percent) or one percentage point higher (4.77 percent) than the current rate (in thousands).

Year	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB liability	\$ 1,838	\$ 1,721	\$ 1,610
Increase (Decrease)	117		(111)
% Change	6.80%		-6.45%

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The table below presents Solid Waste’s proportionate share of the total OPEB liability as well as what Solid Waste’s proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.80 percent) or one percentage point higher (7.80 percent) than current healthcare cost trend rates rate (in thousands).

Year	1% Increase (5.80%)	Trend Rate (6.80%)	1% Increase (7.80%)
Total OPEB liability	\$ 1,561	\$ 1,721	\$ 1,903
Increase (Decrease)	(160)		182
% Change	-9.30%		10.58%

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Deferred outflows of resources and deferred inflows of resources – At December 31, 2023, Solid Waste reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 115	\$ (87)
Changes of assumptions	<u>76</u>	<u>(346)</u>
Total	<u><u>\$ 191</u></u>	<u><u>\$ (433)</u></u>

Expected average remaining service lives (EARSL) – The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The EARSL for the current period is 8.9 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

Year Ending December 31,	Amount
2024	\$ (45)
2025	(45)
2026	(45)
2027	(37)
2028	(30)
Thereafter	(40)

Note 13 – Interfund Balances and Transfers

Solid Waste is an enterprise fund of the County and reports in its financial statements interfund balances and transfers as a result of intracounty activity with other County agencies.

Interfund balances – The balances result from the time lag between the dates when interfund goods and services were provided or reimbursable expenditures incurred and when interfund payments were made, Solid Waste reported total due from other funds of \$3.4 million at December 31, 2023.

Interfund transfers – The King County Council approves ordinances and/or motions authorizing Solid Waste to contribute and receive amounts to and from various County funds. During 2023, the transfers from Solid Waste to other funds were \$1.2 million.

King County Solid Waste Enterprise Fund

Notes to Financial Statements

Note 14 – Commitments and Contingencies

Construction and maintenance programs – To ensure the continued operation, reliability, and compliance with regulatory standards of existing solid waste facilities, Solid Waste is committed to expending approximately \$35.7 million on active construction contracts as of December 31, 2023.

Commitment – Solid Waste paid the County General Fund \$3.3 million for rent on the Cedar Hills Regional Landfill site in 2023. Solid Waste is committed to paying rent to the General Fund as long as the Cedar Hills Regional Landfill site continues to accept waste.

Note 15 – Legal Matters

Bio Energy Washington (BEW), by contract with Solid Waste, operates a plant at the Cedar Hills Landfill that scrubs and sells landfill gas to Puget Sound Energy (PSE). BEW has invoked the dispute resolution clause of the contract, alleging that Solid Waste has not been employing “good engineering practices” standard to collect the landfill gas, and, as a result, is delivering a sub-standard quality of gas to BEW. In April of 2022, the County initiated the dispute resolution process with BEW as the recent testing showed that the County cannot accept the BEW condensate under its wastewater permit.

BEW has now filed suit alleging breach of contract and seeking a declaratory judgment that the County should be responsible for all the BEW condensate. BEW seeks past damages for lost revenue in excess of approximately \$10 million plus additional claimed damages every month of approximately \$300,000, specific performance of certain landfill gas improvements, and for County management of the condensate. As of August 2023, BEW stopped all processing of landfill gas for Solid Waste, impacting revenues from landfill gas sales and the sales of environmental attributes associated with the landfill gas sales. In addition, BEW is seeking a 50 percent reduction in its payments due to the County until the County completes all the landfill gas improvements. The County and BEW are currently in the mediation process to resolve these issues.

Note 16 – Subsequent Event

On April 24, 2024, the County issued \$ 87.2 million in Limited Tax General Obligation Bonds, 2024A, at a premium of \$11.0 million. Solid Waste Portion of the debt is \$16.4 million. The proceeds will be used for Cedar Hills landfill facilities relocation and construction of landfill and transfer station projects.

Required Supplementary Information

King County Solid Waste Enterprise Fund

Required Supplementary Information

Pension Plan Information

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*
(dollars in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
County's proportion of the net pension liability	8.44%	8.27%	8.61%	8.85%	8.25%
County's proportionate share of the net pension liability	\$ 192,692	\$ 230,262	\$ 105,126	\$ 312,368	\$ 317,333
County's covered payroll	\$ 1,490,885	\$ 1,302,359	\$ 1,266,269	\$ 1,283,745	\$ 1,196,465
County's proportionate share of the net pension liability as a percentage of covered payroll	12.92%	17.68%	8.30%	24.33%	26.52%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
County's proportion of the net pension liability	8.56%	8.45%	8.90%	8.76%	
County's proportionate share of the net pension liability	\$ 382,129	\$ 400,803	\$ 477,872	\$ 458,477	
County's covered payroll	\$ 1,124,434	\$ 1,031,025	\$ 1,007,624	\$ 1,000,211	
County's proportionate share of the net pension liability as a percentage of covered payroll	33.98%	38.87%	47.43%	45.84%	
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	

* This schedule is to be built until it contains ten years of data.

See report of independent auditors.

King County Solid Waste Enterprise Fund

Required Supplementary Information

Pension Plan Information

Schedule of the County's Proportionate Share of the Net Pension (Asset) Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*
(dollars in thousands)

	2023	2022	2021	2020	2019
County's proportion of the net pension asset/liability	10.44%	10.31%	10.53%	10.85%	10.06%
County's proportionate share of the net pension (asset) liability	\$ (427,975)	\$ (382,490)	\$ (1,049,145)	\$ 138,736	\$ 97,735
County's covered payroll	\$ 1,443,510	\$ 1,298,630	\$ 1,036,103	\$ 1,219,052	\$ 1,144,724
County's proportionate share of the net pension (asset) liability as a percentage of covered payroll	(29.65%)	(29.45%)	(101.26%)	11.38%	8.54%
Plan fiduciary net position as a percentage of the total pension liability	101.54%	106.73%	120.29%	97.22%	97.77%
	2018	2017	2016	2015	
County's proportion of the net pension asset/liability	10.29%	10.14%	10.52%	10.36%	
County's proportionate share of the net pension (asset) liability	\$ 175,728	\$ 352,361	\$ 529,855	\$ 370,294	
Covered payroll	\$ 1,072,968	\$ 995,800	\$ 953,254	\$ 949,860	
County's proportionate share of the net pension (asset) liability as a percentage of covered payroll	16.38%	35.38%	55.58%	38.98%	
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	

* This schedule is to be built until it contains ten years of data.

See report of independent auditors.

King County Solid Waste Enterprise Fund

Required Supplementary Information

Pension Plan Information

Schedule of the County's Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended December 31*
(dollars in thousands)

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 53,584	\$ 53,488	\$ 56,706	\$ 60,884	\$ 62,259
Contributions in relation to the contractually required contribution	53,584	53,488	56,708	60,884	62,259
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2) **</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,590,944	\$ 1,388,530	\$ 1,316,507	\$ 1,306,676	\$ 1,245,598
Contributions as a percentage of covered payroll	3.37%	3.85%	4.31%	4.66%	5.00%
	2018	2017	2016	2015	
Contractually required contribution	\$ 59,366	\$ 54,111	\$ 50,154	\$ 25,283	
Contributions in relation to the contractually required contribution	59,366	54,111	50,154	25,283	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 1,154,804	\$ 1,082,715	\$ 1,028,598	\$ 507,206	
Contributions as a percentage of covered payroll	5.14%	5.00%	4.88%	4.98%	

* This schedule is to be built until it contains ten years of data.

** The excess contribution resulted from employer contributions of King County Flood Control District, a component unit of the County.

*** 2019 number is restated to reflect correction in calculation.

See report of independent auditors.

King County Solid Waste Enterprise Fund

Required Supplementary Information

Pension Plan Information

Schedule of the County's Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended December 31*
(dollars in thousands)

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 95,119	\$ 86,165	\$ 92,418	\$ 101,390	\$ 93,935
Contributions in relation to the contractually required contribution	<u>95,119</u>	<u>86,165</u>	<u>92,416</u>	<u>101,390</u>	<u>93,935</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u> **	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,495,774	\$ 1,336,109	\$ 1,264,018	\$ 1,251,724	\$ 1,188,641
Contributions as a percentage of covered payroll	6.36%	6.45%	7.31%	8.10%	7.90%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contribution	\$ 84,792	\$ 72,763	\$ 62,650	\$ 72,853	
Contributions in relation to the contractually required contribution	<u>84,792</u>	<u>72,763</u>	<u>62,650</u>	<u>72,853</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 1,103,984	\$ 1,031,418	\$ 977,342	\$ 933,304	
Contributions as a percentage of covered payroll	7.68%	7.05%	6.41%	7.81%	

* This schedule is to be built until it contains ten years of data.

** The contribution deficiency resulted from the employer contributions of King County Flood Control District, a component unit of the County.

See report of independent auditors.

King County Solid Waste Enterprise Fund

Required Supplementary Information

Pension Plan Information

Notes to Pension Required Supplementary Information

For PERS, The OSA calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 the Revised Code of Washington (RCW).

Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2019, valuation date, completed in the fall of 2020, plus any supplemental contribution rates from the preceding legislative session, determined the ADC for the period beginning July 1, 2021, and ending June 30, 2023.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

A ten-year schedule of Annual Money-Weighted Rates of Return, built prospectively from fiscal year 2014, is available in the 2022 Washington State Department of Retirement Systems Annual Comprehensive Financial Report (ACFR). The ACFR is available online at <https://www.drs.wa.gov/administration/annual-report/>.

King County Solid Waste Enterprise Fund

Required Supplementary Information

Postemployment Health Care Plan

Schedule of the County's Changes in Total OPEB Liability and Related Ratios
For the Year Ended December 31*
(dollars in thousands)

	2023	2022	2021	2020	2019
Total OPEB liability - beginning of year	\$ 92,158	\$ 106,488	\$ 106,619	\$ 111,272	\$ 111,412
Service cost	2,936	3,044	2,865	2,220	2,155
Interest	3,723	1,960	2,125	4,149	4,138
Differences between expected and actual experience	(65)	6,526	-	(8,646)	-
Changes of assumptions	1,728	(19,885)	1,300	3,310	-
Benefit payments	(3,477)	(3,863)	(4,404)	(3,922)	(4,953)
Other changes	(2,889)	(2,112)	(2,017)	(1,764)	(1,480)
Net change in total OPEB liability	1,956	(14,330)	(131)	(4,653)	(140)
Total OPEB liability - end of year	\$ 94,114	\$ 92,158	\$ 106,488	\$ 106,619	\$ 111,272
Covered-employee payroll	\$ 1,440,957	\$ 1,395,600	\$ 1,370,460	\$ 1,324,116	\$ 1,219,237
Total OPEB liability as a percentage of covered payroll	6.53%	6.60%	7.77%	8.05%	9.13%
	2018				
Total OPEB liability - beginning of year	\$ 118,120				
Service cost	2,092				
Interest	4,147				
Differences between expected and actual experience	3,332				
Changes of assumptions	(9,652)				
Benefit payments	(5,244)				
Other changes	(1,383)				
Net change in total OPEB liability	(6,708)				
Total OPEB liability - end of year	\$ 111,412				
Covered-employee payroll	\$ 1,217,867				
Total OPEB liability as a percentage of covered payroll	9.15%				

* This schedule is to be built until it contains ten years of data.

Notes to OPEB Required Supplementary Information

The plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

See report of independent auditors.

Report of Independent Auditors 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*

The Metropolitan King County Council
Seattle, Washington

We have audited, in accordance with the 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 Solid Waste Enterprise Fund (the Fund), which comprise the statement of net position as of December 31, 2023, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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*.

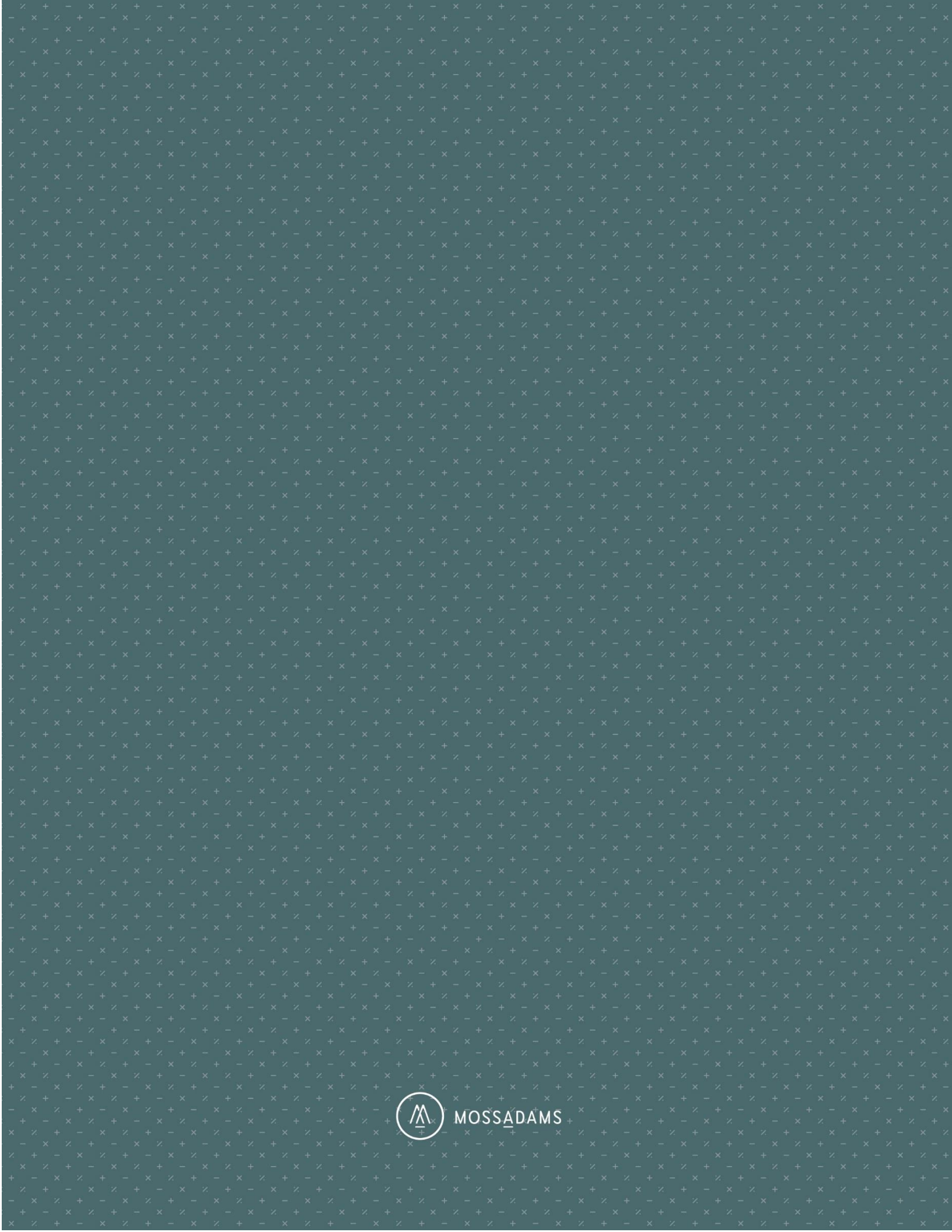
Purpose of this Report

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Seattle, Washington

May 17, 2024



MOSSADAMS