Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

South Correctional Entity

(SCORE)

For the period January 1, 2022 through December 31, 2022

Published January 30, 2025

Report No. 1036523

Office of the Washington State Auditor
Pat McCarthy

January 30, 2025

Board of Directors
SCORE
Des Moines, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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SCORE
January 1, 2022 through December 31, 2022

Board of Directors
SCORE
Des Moines, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of SCORE, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated January 22, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Entity'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 Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity'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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Entity'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. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

January 22, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

SCORE
January 1, 2022 through December 31, 2022

Board of Directors
SCORE
Des Moines, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of SCORE, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SCORE, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report 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 January 22, 2025 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity'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 Entity's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

January 22, 2025

FINANCIAL SECTION

SCORE
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022
Statement of Revenues, Expenses and Changes in Net Position – 2022
Statement of Cash Flows – 2022
Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, PSERS 2 – 2022
Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS 2 – 2022

Management's Discussion and Analysis

South Correctional Entity (SCORE) is determined to be a joint venture of the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila. Shares of equity are included in the financial statements of said cities. South Correctional Entity (SCORE) Management Discussion and Analysis is designed to:

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

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

Financial Highlights

- This is the thirteenth year's financial statements for SCORE and the eleventh full year of operations for the facility.
- The assets and deferred outflow of resources of SCORE exceeded its liabilities and deferred inflows of resources at the close of 2022 by $33,989,142.
- SCORE's net position from the Statement of Revenues, Expenses and Changes in Net Position increased by $1,252,598.
- SCORE's increase in revenue activity for 2022 was attributable to additional grants and increases in operations of the SCORE facility mainly due to rate increases in charging for specialty services.
- SCORE's substantial increase in 2022 administration, general, operations, and maintenance expenditures stemmed from the large increase in overall operations at the facility. This also corresponds to the increase in contract agencies, average daily population, and total length of stay.

Using This Annual Report

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

Reporting SCORE as a Whole

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

These statements report SCORE's net position, and changes in it, as well as how cash was generated and used during the year. SCORE's net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. It is one way to measure SCORE's financial position. Over time, increases or decreases in SCORE's net position are one indicator of whether its financial condition is improving or deteriorating. Also important to consider are other non-financial factors, such as the physical condition of the operating facility, changes in laws, and legislative and judicial rules that all impact various components of the greater criminal justice system and are necessary to assess the overall financial health of SCORE.

In response to COVID-19 the Executive Director of SCORE declared a state of emergency on March 13, 2020, that limited inmate population to 400. The reduction of inmates resulted in the need to implement cost reductions to offset reduction in revenue. This included use of contingency reserves, purchasing restrictions, 90 day furloughs, staff reductions, and the implementation of a temporary salary reduction for management staff in April 2020 and an agency wide temporary salary reduction in August 2020, which ended in October 2021. The 2021-22 SCORE Biennial Budget was being built as a second wave of COVID-19 hit the State, so the budget has the expectation of a delayed recovery. While the impact of the pandemic will linger over the next few years, the overall financial forecast for SCORE remains positive.

SCORE's annual financial report is presented in four parts:

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

Financial Statements

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

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

SCORE has one type of proprietary fund; Enterprise funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services, and that fee is set to recover the costs of operations, including depreciation. SCORE currently has only one enterprise fund.

Notes to the Financial Statements

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

Financial Analysis

The statement of net position can serve as a useful indicator of SCORE's financial position. SCORE's net position (assets plus deferred outflows in excess of liabilities plus deferred inflows) at December 31, 2022 totaled $33,989,142. Following is a condensed version of the statement of net position.

SOUTH CORRECTIONAL ENTITY (SCORE)

Condensed Statement of Net Position

	2022	2021
Current assets	$ 24,698,350	$ 23,550,828
Capital assets, net	64,406,885	66,151,385
Pension Assets	1,529,964	4,779,761
TOTAL ASSETS	90,635,199	94,481,974
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,453,367	1,121,275
Long-term liabilities	52,178,029	53,597,672
Other liabilities	4,399,164	3,983,327
TOTAL LIABILITIES	56,577,193	57,580,999
TOTAL DEFERRED INFLOWS OF RESOURCES	2,522,231	5,285,706
NET POSITION:		
Investment in capital assets	13,000,732	12,455,166
Restricted	1,544,903	1,429,418
Unrestricted	19,443,507	18,851,960
TOTAL NET POSITION	$ 33,989,142	$ 32,736,544

SCORE's net position increased as the entity ended its eleventh year of full operations. The increase in Net Position from the Statement of Revenues, Expenses and Changes in Net Position is reported as $1,252,598. Net investment in capital assets is $13,000,732 due to the cumulative debt principal payments exceeding the accumulated depreciation on the facility. Due to the bond refunding that occurred near the end of 2019, capital-related debt decreased significantly. This resulted in an increase to the portion of Net Position related to the Net investment in capital assets. There are no significant restrictions on resources as future financing costs will be funded from future financing assessments. SCORE's net position is also a reflection of financial policies the Administrative Board adopted which includes a 12% contingency reserve, a fully funded equipment replacement reserve, and a policy to use current non-guaranteed contract revenues in the following year to reduce Member and Host-cities' contributions. These Board-designated reserves are not considered to be restricted under governmental generally accepted accounting principles.

Changes in Net Position

The condensed version of the statement of revenues, expenses and changes in net position, which follows, shows again that net position increased by $1,252,598 during the year. This was due to a significant increase in operating activity, which resulted from a combination of an increase in rates charged for specialty services, along with an increase in grants received. In addition to that, there was an increase in total contract agencies, average daily population, and average length of stay.

At the end of 2021 SCORE had 38 contract agencies and was housing an average of 279 contract inmates daily. By the end of 2022 SCORE had 39 contract agencies and was housing an average of 257 contract inmates daily. SCORE was housing an average daily population of 378 in 2021, and it increased to an average daily population of 380 in 2022. The average length of stay for inmates staying at SCORE increased from 9.6 days in 2021 to 10.6 days in 2022.

SOUTH CORRECTIONAL ENTITY (SCORE)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022	2021
REVENUES:		
Operating:		
Charges for services	$ 28,959,733	$ 27,893,650
Other services	14,386	9,188
Non-operating:		
Intergovernmental revenues	1,782,566	863,240
Interest revenues	201,275	14,191
Gain on capital asset disposition	-	21,481
Capital Contributions	2,096	-
TOTAL REVENUES	30,960,056	28,801,750
EXPENSES:		
Operating:		
Administrative and general	4,433,802	3,249,882
Operations and maintenance	21,478,288	18,833,150
Depreciation expense	2,160,605	2,395,393
Non-operating:		
SCORE PDA financing expenses	1,634,763	1,706,444
TOTAL EXPENSES	29,707,458	26,184,869
Increase (Decrease) in net position	1,252,598	2,616,881
NET POSITION, JANUARY 1	32,736,544	30,119,663
NET POSITION, DECEMBER 31	$ 33,989,142	$ 32,736,544

Capital Assets

At the end of 2022, SCORE had $64,406,885 recorded in capital assets, including land, buildings, other improvements, machinery and equipment, and intangible assets for the SCORE facility. The SCORE facility was substantially complete and operation of the new facility began in September 2011. During 2022 SCORE added $416,104 in capital assets. There were no capital asset disposals in 2022, but $75,823 of machinery and equipment assets were reclassified to intangibles. This included $57,242 of installation costs that had previously been put into construction in progress (CIP), and then transferred into machinery and equipment and amortized. In addition, we capitalized $18,581 of new care contracts and subscriptions. The net decrease in capital assets was approximately $1.7 million, attributable to depreciation.

Additional detailed information on capital assets is provided in Note 4 to the financial statements.

Long-term Liabilities

At year-end, SCORE continued to have a $51.41 million obligation to the South Correctional Entity Facility Public Development Authority (SCORE PDA) related to the special obligation bonds issued to finance the acquisition, construction, and equipping of the SCORE facility. Principal payments on the original special obligations bonds began January 1, 2013. Debt decreased due to the refunding of the bonds in 2019. The first principal payment was made on December 1, 2020.

Additional information on long-term liabilities is provided in Note 6 to the financial statements.

Budgetary Highlights

The 2022 budget was adopted in the amount of $36.74 million. This budget represents 2022 operating and debt service costs. The 2022 budget required two amendments. The first amendment was to increase the 2021-2022 Biennial Budget to adjust funding based on the Collective Bargaining Agreement for Correctional Officers and Sergeants finalized in September 2022, to reflect a reduction in Contract revenue, and to increase the State Grant funding and Owner contributions. The second amendment was to adjust funding based on reduced transfers and additional expenses in Public Development Authority Fund.

Requests for Information

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

South Correctional Entity (SCORE)
Statement of Net Position
December 31, 2022

ASSETS		
Current assets:		
Cash and cash equivalents	$	19,862,413
Restricted cash:		
Inmate trust cash		97,763
Due from other governmental units		3,989,656
Other receivables		748,518
Total current assets		24,698,350
Noncurrent assets:		
Capital assets (net)		64,406,885
Pension assets		1,529,964
Total noncurrent assets		65,936,849
TOTAL ASSETS		90,635,199
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		2,453,367
LIABILITIES		
Current liabilities:		
Accounts payable		535,743
Compensated absences payable		137,964
Current portion of due to SCORE PDA		2,149,958
Accrued employee wages and benefits		1,448,895
Taxes payable		489
Custodial accounts payable		28,352
Payable from restricted assets		97,763
Total current liabilities		4,399,164
Long-term liabilities		
Compensated absences payable		923,299
Pension liabilities		1,998,535
Due to SCORE PDA		49,256,195
Total long-term liabilities		52,178,029
TOTAL LIABILITIES		56,577,193
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		2,522,231
NET POSITION		
Investment in capital assets		13,000,732
Restricted		1,544,903
Unrestricted		19,443,507
TOTAL NET POSITION	$	33,989,142

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

South Correctional Entity (SCORE)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022

OPERATING REVENUES:		
Charges for services	$	28,959,733
Other services		14,386
TOTAL OPERATING REVENUES		28,974,119
OPERATING EXPENSES:		
Administrative and general		4,433,802
Operations and maintenance		21,478,288
Depreciation expense		2,160,605
TOTAL OPERATING EXPENSES		28,072,695
OPERATING INCOME		901,424
NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental revenues		1,782,566
Interest revenues		201,275
SCORE PDA financing expenses		(1,634,763)
NON-OPERATING REVENUE NET OF EXPENSE		349,078
INCOME BEFORE CONTRIBUTIONS		1,250,502
Capital Contributions		2,096
CHANGE IN NET POSITION		1,252,598
NET POSITION, JANUARY 1		32,736,544
NET POSITION, DECEMBER 31	$	33,989,142

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

South Correctional Entity (SCORE)
Statement of Cash Flows
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	$	26,731,718
Cash received for other operating activities		14,386
Cash paid to suppliers for goods & services		(8,750,970)
Cash paid to employees for services		(16,756,895)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,238,239
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from operating grants		1,782,566
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		1,782,566
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition & construction of capital assets		(416,104)
SCORE PDA financing payments		(3,922,733)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES		(4,338,837)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments		201,275
NET CASH PROVIDED BY INVESTING ACTIVITIES		201,275
NET DECREASE IN CASH & CASH EQUIVALENTS		(1,116,757)
CASH & CASH EQUIVALENTS, JANUARY 1		21,076,933
CASH & CASH EQUIVALENTS, DECEMBER 31	$	19,960,176
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Unrestricted cash and cash equivalents		19,862,413
Restricted cash and cash equivalents		97,763
TOTAL CASH AND CASH EQUIVALENTS	$	19,960,176

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

South Correctional Entity (SCORE)
Statement of Cash Flows
For the Year Ended December 31, 2022

RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	901,424
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation expense		2,160,605
Pension expense		214,514
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(592,731)
(Increase) decrease in due from other governments		(1,671,548)
Increase (decrease) in accounts payable		246,460
Increase (decrease) in other payables		25,440
Increase (decrease) in accrued wages and employee benefits		(45,925)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	1,238,239
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	$	-

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

SOUTH CORRECTIONAL ENTITY (SCORE)

Notes to the Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the "Original Interlocal Agreement") was entered into by seven participating municipal governments, the cities of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila (the "Member Cities"), under the authority of the "Interlocal Cooperation Act" (chapter 39.34 RCW). This "Original Interlocal Agreement" was amended and restated October 1, 2009 and named the City of Des Moines as the "Host City" and the remaining Member Cities as "Owner Cities". The amended and restated interlocal agreement is referred to as the "SCORE Formation Interlocal Agreement".

On December 11, 2019 the current Member Cities (including the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila) entered into an Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement), which amended and restated the 2009 Interlocal Agreement in its entirety, added the City of Des Moines as an Owner City, terminated the Host City Agreement, and made other revisions to provide for the issuance of new bonds to refund the old 2009 Bonds.

SCORE shall have the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the "SCORE Facility" and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies who are in need of correctional facilities. Subscribing Agencies are government or tribal agencies, other than the Member Cities, that enter into a contract to use SCORE for the purpose of detaining arrestees and housing sentenced offenders. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement. The affairs of SCORE shall be governed by the Administrative Board formed pursuant to Section 5 of the SCORE Formation Interlocal Agreement. The Administrative Board shall have the authority to:

1. Recommend action to the legislative bodies of the Member Cities;
2. Approve the Budget, adopt financial policies and approve expenditures;
3. Establish policies for investing funds and incurring expenditures of Budget items for the SCORE Facility;
4. Review and adopt a personnel policy for the SCORE Facility;
5. Establish a fund, or special funds, as authorized by chapter 39.34 RCW for the operation of the SCORE Facility;
6. Conduct regular meetings as may be designated by the Administrative Board;
7. Determine what services shall be offered at the SCORE Facility pursuant to powers of SCORE and under what terms they shall be offered;

8. Enter into agreements with third parties for goods and services necessary to fully implement the purposes of the SCORE Formation Interlocal Agreement;
9. Establish rates for services provided to members, subscribers or participating agencies;
10. Direct and supervise the activities of the Operations Board and the Facility Director;
11. Enter into an agreement with a public corporation or otherwise to incur debt;
12. Make purchases or contract for services necessary to fully implement the purposes of the SCORE Formation Interlocal Agreement;
13. Enter into agreements with and receive and distribute funds from any federal, state or local agencies;
14. Receive and account for all funds allocated to the SCORE Facility from its members;
15. Purchase, take, receive, lease, take by gift, or otherwise acquire, own, hold, improve, use and otherwise deal in and with real or personal property, or any interest therein, in the name of the SCORE Facility;
16. Sell, convey, mortgage, pledge, lease, exchange, transfer and otherwise dispose of property and assets;
17. Sue and be sued, complain and defend, in all courts of competent jurisdiction in its name;
18. Make and alter bylaws for the administration and regulation of its affairs;
19. Enter into contracts with Subscribing Agencies to provide correctional services;
20. Employ employees as necessary to accomplish the terms of the SCORE Formation Interlocal Agreement;
21. Establish policies and procedures for adding new cities as parties to the SCORE Formation Interlocal Agreement; and
22. Engage in any and all other acts necessary to further the goals of the SCORE Formation Interlocal Agreement.

The duration of the initial agreement is ten (10) years, and thereafter shall automatically extend for additional five (5) year periods unless terminated as provided by the SCORE Formation Interlocal Agreement. Notwithstanding the foregoing, the SCORE Formation Interlocal Agreement shall not terminate until all Bonds (defined below) issued by the South Correctional Entity Facility Public Development Authority (the "SCORE PDA") as provided in the SCORE Formation Interlocal Agreement are no longer outstanding.

In order to finance costs of acquiring, constructing, improving and equipping the SCORE Facility, the City of Renton chartered the SCORE PDA. The purpose of the SCORE PDA is to issue bonds to finance and refinance the acquisition, construction, improvement and equipping of the SCORE Facility. The Administrative Board serves *ex officio* as the Board of Directors of the SCORE PDA as further provided in the SCORE PDA's organizational charter. The SCORE PDA issued its Bonds, Series 2009A and its Bonds, Series 2009B (Taxable Build America Bonds) (together, the “Bonds”) in the aggregate principal amount of $86,235,000. Under the SCORE Formation Interlocal Agreement, each Owner City is obligated to pay its capital contribution towards the payment of the Bonds without regard to the payment or lack thereof by any other Owner City. The obligation of each Owner City to pay its capital contribution is an irrevocable full faith and credit obligation of such Owner City, payable from property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor.

Any Member City may withdraw its membership and terminate its participation in this SCORE Formation Interlocal Agreement by providing written notice and serving that notice on the other Member Cities on or before December 31 in any one-year. After providing appropriate notice, that Member City’s membership withdrawal shall become effective on the last day of the year following delivery and service of appropriate notice to all other Member Cities.

Four (4) or more Member Cities may, at any one time, by written notice provided to all Member Cities, call for a termination of SCORE and the SCORE Formation Interlocal Agreement. Upon an affirmative supermajority vote (majority plus one) by the Administrative Board, SCORE shall be directed to terminate business, and a date will be set for final termination, which shall be at least one (1) year from the date of the vote to terminate the SCORE Formation Interlocal Agreement. Upon the final termination date, the SCORE Formation Interlocal Agreement shall be fully terminated, provided no debt remains outstanding.

In the event any Owner City or the Host City fails to budget or provide its applicable annual funding requirements for SCORE, the remaining Member Cities may, by majority vote, immediately declare the underfunding City to be terminated from the SCORE Formation Interlocal Agreement and to have forfeited all its rights under the SCORE Formation Interlocal Agreement. The remaining Member Cities may, at their option, withdraw SCORE’s correctional services from that City, or alternatively, enter into a Subscribing Agency agreement with that City under terms and conditions as the remaining Member Cities deem appropriate.

If an individual Owner City withdraws its membership in SCORE, the withdrawing City will forfeit any and all rights it may have to SCORE’s real or personal property, or any other ownership in SCORE, unless otherwise provided by the Administrative Board.

Upon termination of the SCORE Formation Interlocal Agreement, all property acquired during the life of the SCORE Formation Interlocal Agreement shall be disposed of in the following manner:

> All real and personal property acquired pursuant to the SCORE Formation Interlocal Agreement shall be distributed to the Owner Cities based on the Owner Percentages; and
>
> All unexpected funds or reserve funds shall be distributed based on the percentage of average daily population at the SCORE Facility for the last three (3) years prior to the termination date of those Member Cities still existing on the day prior to the termination date.

Notwithstanding any of the other rights, duties or obligations of any Member City under the SCORE Formation Interlocal Agreement, the withdrawal of any Owner City from the SCORE Formation Interlocal Agreement shall not discharge or relieve the Owner City that has withdrawn or been terminated of its obligation to pay debt service on Bonds issued by the SCORE PDA. An Owner City may be relieved of its obligation under the SCORE Formation Interlocal Agreement to make payments with respect to its capital contribution only if the Administrative Board, by supermajority vote (majority plus one), authorizes such relief based on a finding that such payments are not required to pay debt service on Bonds issued by the SCORE PDA.

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

A. <u>Reporting Entity</u>

South Correctional Entity (SCORE) is determined to be a joint venture of the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila. Shares of equity are included in the financial statements of said cities. The purpose of the joint operation is to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities and Subscribing Agencies. SCORE is served by an Administrative Board composed of the Mayors, City Managers or designated representatives of the Member Cities. In addition, an Operations Board provides administration and consists of one (1) member designated by each of the Member Cities and up to two (2) at-large members selected by majority vote by the Subscribing Agencies to represent the police departments of the Subscribing Agencies.

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

B. <u>Basis of Presentation – Fund Accounting</u>

The accounts of the South Correctional Entity (SCORE) are organized on the fund basis, with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The South Correctional Entity (SCORE) resources are allocated to and accounted for in a fund as summarized in the financial statements, for the year 2022, included in this Annual Report.

C. <u>Basis of Accounting</u>

The South Correctional Entity (SCORE) is a proprietary fund with the purpose to acquire, construct, own, operate, maintain, equip and improve the SCORE Facility. Following is a description of the proprietary fund type used by SCORE for financial reporting purposes.

<u>Proprietary Fund Types</u>

Proprietary funds are accounted for on the “flow of economic resources” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with the activity are included in the Statement of Net Position. The reported net position is segregated into three categories: invested in capital assets, restricted, and unrestricted. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in the changes in net position. The proprietary fund measurement focus is upon the determination of net income, financial position, and statement of cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue for SCORE is charges for services. Operating revenues also include grants designed to specifically assist in supplementing operations. Operating expenses for proprietary funds include the costs of providing correctional services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, or as capital contributions.

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

Accrual Basis of Accounting

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

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

D. Budgetary Information

At times, annual appropriated budgets are adopted for proprietary funds. NCGA Statement No. 1 does not require, and the financial statements do not present, budgetary comparisons for these funds.

During the construction period, the budget was developed based on the full project length budget. Annual appropriated budgets are adopted at the entity level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control tool, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

SCORE's budget procedures are in accordance with Section 9 of the Interlocal Agreement, as adopted October 1, 2009, and include:

1. The Facility Director shall distribute a proposed Budget to the Operations Board on or before August 1 of each year, which Budget shall then be provided to the Administrative Board no later than September 1 of such year. Thereafter, the Member Cities shall be advised of the programs and objectives as contained in said proposed Budget, and of the required financial participation for the ensuing year.

2. The Administrative Board shall develop financial policies for SCORE as part of the budgetary process. Such policies may include, but are not limited to, (1) items to be provided for in the Budget, (2) a minimum contribution amount for each Member City to pay for Costs of Maintenance and Operations, (3) the process for allocating unexpended amounts paid by the Member Cities for Costs of Maintenance and Operations and assessing the Member Cities in the event of cost overruns, (4) establishing and maintaining reserve accounts, if any, and (5) the process for adding a new party to this SCORE Formation Interlocal Agreement.

3. The allocation of prorated financial participation among the Member Cities shall be calculated as provided in Section 15 of the Interlocal Agreement. Each Member City shall be unconditionally obligated to provide its allocable share of costs as provided in the SCORE Formation Interlocal Agreement.

The 2022 budget was adopted in the amount of $36.74 million. This budget represents 2022 operating and debt service costs. The 2022 budget required two amendments. The first amendment was to increase the 2021-2022 Biennial Budget to adjust funding based on the Collective Bargaining Agreement for Correctional Officers and Sergeants finalized in September 2022, to reflect a reduction in Contract revenue, and to increase the State Grant funding and Owner contributions. The second amendment was to adjust funding based on reduced transfers and additional expenses in Public Development Authority Fund.

E. <u>Cash</u>

It is SCORE's policy to invest all temporary cash surpluses. As of December 31, 2022, all cash surpluses were held in only the Local Government Investment Pool (LGIP) but can be invested in the Local Government Investment Pool (LGIP) and certificates of deposit. Restricted cash is reported for amounts held in trust for inmates.

Cash and Cash Equivalents include all monies in checking and savings accounts, petty cash funds, and the Local Government Investment Pool (LGIP).

F. <u>Receivables</u>

Customer accounts receivable consists of amounts owed from organizations for services received. If the transactions are with another governmental unit, it is accounted for within "Due from other governmental units".

G. <u>Capital Assets and Depreciation</u>

Capital assets, which include land, buildings, equipment, intangible assets and other improvements, are defined by SCORE as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation. See Note 4 for additional information.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective capital asset category upon completion.

Depreciation and amortization are charged to operations using the straight-line method based on the estimated useful life. The estimated useful lives of depreciable and intangible assets are as follows:

Buildings	40 years
Other Improvements	10 years
Equipment/Intangible Assets	3-20 years

H. <u>Compensated Absences</u>

SCORE accrues accumulated unpaid vacation and other leave and associated employee-related costs when earned (or estimated to be earned) by the employee. These accrued amounts are expensed when incurred. The current portion is included in liabilities under “Accrued employee wages and benefits” and the non-current portion is included in liabilities under “Compensated absences payable”.

I. <u>Pensions</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 – Pension Plans.

J. <u>Net Position</u>

The components of Net Position as of December 31, 2022 are as follows:

<u>Net Position</u>

Component	Net Position December 31, 2022
Net investment in capital assets	
Capital assets (net)	64,406,885
Current portion of due to SCORE PDA	(2,149,958)
Long term portion of due to SCORE PDA	(49,256,195)
Net investment in capital assets	$ 13,000,732
Restricted	1,544,903
Unrestricted	19,443,507
Total Net Position	$ 33,989,142

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments of funds can be in the form of federal government securities, repurchase agreements, banker's acceptances, certificates of deposit, Local Government Investment Pool (LGIP), and savings accounts. Investments are stated at fair value as of the year-end. Available cash is deposited into savings accounts and/or other types of investments as cash flow allows. Interest earned is credited to the appropriate investing source. The book value of deposits does not differ materially from the bank balance of deposits.

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

Bank deposits are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC); and by the Washington Public Depository Protection Commission (WPDPC) (established under Chapter 39.58 of the Revised Code of Washington) for amounts over $250,000. The deposits are not subject to additional legal or contractual provisions. SCORE's deposits and investment position, including the LGIP cash equivalent reported at amortized cost, at fair value at the end of fiscal year 2022 are:

Deposits and Cash Equivalents

Source		Fair Value December 31, 2022
Checking	$	7,833,231
LGIP		12,134,793
Total	$	19,968,024

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, SCORE would not be able to recover the value of the investment or collateral securities. At the end of 2022, SCORE funds were being held in checking accounts and the Local Government Investment Pool (LGIP). Investments can be in the Local Government Investment Pool (LGIP) and certificates of deposit where the exposure to custodial credit risk is deemed minimal.

For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on deposit with financial institutions and amounts invested in the Local Government Investment Pool, administered by the State Treasurer's Office because it is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The LGIP is valued at amortized cost. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer's Office is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, SCORE invests in LGIP which is considered a cash equivalent due to its very short term nature. LGIP is valued at the pool's share price and is not rated by any credit rating agencies.

NOTE 4 – CAPITAL ASSETS

A. Capital Assets

Capital assets of proprietary funds are capitalized in the Statement of Net Position. These assets are stated at cost or estimated cost when original cost is not available, or appraised value at the time received as in the case of donations. Depreciation and amortization expense is charged to operations of the proprietary fund to allocate the cost of depreciable and intangible assets over their estimated useful lives, using the straight-line method with useful lives of 3 to 40 years.

A summary of SCORE's capital assets at December 31, 2022 is shown below:

Capital Assets

	Beginning Balance 12/31/2021	Additions 2022	Deletions 2022	Ending Balance 12/31/2022
Capital assets, not being depreciated:				
Land and land improvements	$ 8,346,158	$ -	$ -	$ 8,346,158
Total capital assets, not being depreciated	8,346,158	-	-	8,346,158
Capital assets, being depreciated:				
Buildings	$ 74,940,443	$ -	$ -	$ 74,940,443
Other Improvements	2,247,931	-	-	2,247,931
Machinery and equipment	3,600,645	416,104	75,823	3,940,926
Capital assets, being amortized:				
Intangible assets	1,105,596	75,823	-	1,181,419
Total capital assets	$ 90,240,773	$ 491,927	$ 75,823	$ 90,656,877
Accumulated depreciation - buildings	$ 18,535,703	$ 1,872,730	$ -	$ 20,408,433
Accumulated depreciation - other improvements	2,247,172	84	-	2,247,256
Accumulated depreciation - machinery and equipment	2,159,637	276,342	-	2,435,979
Accumulated amortization - intangible assets	1,146,876	11,448	-	1,158,324
Total depreciation and amortization	$ 24,089,388	$ 2,160,604	$ -	$ 26,249,992
Total capital assets, net	$ 66,151,385	$ (1,668,677)	$ 75,823	$ 64,406,885

NOTE 5 – RISK MANAGEMENT

SCORE is a member of the Washington Cities Insurance Authority (WCIA).

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

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

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

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

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

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

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

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

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

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

SCORE's long-term liabilities are made up of amounts due to the SCORE PDA related to the outstanding special obligation bonds of the Authority, pension liabilities, and compensated absences. SCORE accrues accumulated unpaid leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

SCORE PDA refunded its 2009 debt by issuing its 2019 refunding bonds. SCORE PDA issued new debt in the par value amount of $51,055,000 plus premium on the debt issuance of 6,885,336 to exchange for the existing debt of $73,930,000 in a current refunding. Considering the Federal Way contributions and other SCORE contributions, SCORE PDA recognized a deferred outflow of $2,206,190 to recognize the accounting loss in this bond refunding.

The difference between the aggregate debt service of the old bond versus the new bonds is $22,875,000. The old original Bonds were issued by SCORE PDA on November 4, 2009 for an aggregate principal amount of $86,235,000. The interest rates on the 2009 Bonds ranged from 5.0% to 6.616%. The interest rates on the 2019 Bonds range from 3.0% to 5.0%.

Changes in long-term liabilities during 2022 are as follows:

Long-Term Liabilities

Long-Term Liability	Beginning Balance 12/31/2021	Additions 2022	Deductions 2022	Ending Balance 12/31/2022	Due Within One Year
Due to SCORE PDA	$ 53,333,833	$ -	$ 2,290,066	$ 51,043,767	$ 2,149,958
Compensated Absences	1,200,627	-	139,364	1,061,263	137,964
Total Long-term liabilities	$ 54,534,460	$ -	$ 2,429,430	$ 52,105,030	$ 2,287,922

The amount shown as due within one year in the chart above includes accrued interest payable as of December 31, 2022.

Total Due to SCORE PDA presented above	$ 51,043,767
Unamortized Premium	362,386
BABS Subsidy Reduction	-
Total Amount Due to SCORE PDA	$ 51,406,153
Current portion of Due to SCORE PDA	$ 2,149,958
Long-term portion of Due to SCORE PDA	49,256,195
Total amount Due to SCORE PDA	$ 51,406,153

Payments on the Due to SCORE PDA match the debt service on the special obligation bonds. Debt service to maturity as reported in SCORE PDA's financial statements is as follows:

Summary of Debt Service Requirements

Year	Principal	Interest	Total
2023	1,990,000	1,919,500	3,909,500
2024	2,070,000	1,839,900	3,909,900
2025	2,155,000	1,757,100	3,912,100
2026	2,260,000	1,649,350	3,909,350
2027	2,375,000	1,536,350	3,911,350
2028-2032	13,770,000	5,778,500	19,548,500
2033-2037	17,060,000	2,485,800	19,545,800
2038	3,795,000	113,850	3,908,850
Totals	$ 45,475,000	$ 17,080,350	$ 62,555,350

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

On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019, in the aggregate principal amount of $51,055,000 (2019 Bonds). The 2019 Interlocal Agreement became effective on the date of issuance of the 2019 Bonds. Proceeds of the 2019 Bonds were used to defease and refund all of the outstanding 2009 Bonds.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each Owner City (including the Cities of Auburn, Burien, Des Moines, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2019 Bonds as the same become due and payable (referred to as each Owner City’s 2019 Capital Contribution). Each Owner City’s obligation to pay its 2019 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor.

Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt over $5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer’s tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. SCORE engaged an outside agency to calculate our arbitrage rebate liability on SCORE’s outstanding tax-exempt bonds. No amounts related to a potential arbitrage liability have been reported in the financial statements for the year ended December 31, 2022.

NOTE 7 – LEASES

SCORE had one operating lease for four copiers from 2016; It expired in February, 2021, so there were no expenditures related to that copier lease in 2022, as SCORE has purchased its own copy machines. SCORE also has a new non-cancelable 3-year operating lease for postage equipment for $187.90 per month. Total cost for the postage machine lease was $4,067 for the year ended December 31, 2022.

NOTE 8 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2022:

Aggregate Pension Amounts - All Plans

Pension liabilities	$	(1,998,535)
Pension assets	$	1,529,964
Deferred outflows of resources	$	2,453,367
Deferred inflows of resources	$	(2,522,231)
Pension expense/expenditures	$	1,518,871

Substantially all SCORE full time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; employees of district and municipal courts; and employees of local governments.

PERS participants, who joined the PERS system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977; and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from active status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may also elect to receive an additional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completion of five years of eligible service. Plan 2 members may retire at age 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. Plan 2 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. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculation at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months were earned after age 44; or after five service credit years earned in PERS 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Plan 3 members who retire prior to age 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. Plan 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. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Membership in PERS consisted of the following at June 30, 2022, the date of the latest actuarial valuation for all plans:

Number of Participating Members

Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminiated Members Entitled to but not yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	41,154	196	563	69	41,982
PERS 2	68,389	30,693	78,367	48,978	226,427
PERS 3	8,100	7,338	16,104	21,032	52,574
Total	117,643	38,227	95,034	70,079	320,983

The following is a summary of the number of government employers participating in PERS as of June 30, 2022:

Number of Participating Employers

Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	Total Employers
PERS 1	66	58	92	43	259
PERS 2	152	281	-	553	986
PERS 3	147	228	-	371	746
Total	365	567	92	967	1,991

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contributions rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2 and Plan 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. All employers are required to contribute at the level established by the Legislature. Under PERS 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

Required Contribution Rates

Contributor	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*			
January through August 2022	10.25%	10.25%	10.25%**
September through December 2022	10.39%	10.39%	10.39%**
Employee			
January through August 2022	6.00%	6.36%	***
September through December 2022	6.00%	6.36%	***

* Employer rates include an administrative expense fee of 0.18%.

** Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum

Both SCORE and the employees made the required contributions. SCORE's required contributions for years ended December 31, were as follows:

SCORE Required Contributions

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2022	$ -	$ 127,362	$ 11,996
2021	$ 1,278	$ 156,794	$ 28,556
2020	$ 6,428	$ 195,583	$ 33,712
2019	$ 8,009	$ 219,245	$ 40,458
2018	$ 7,662	$ 182,976	$ 48,306
2017	$ 6,979	$ 164,139	$ 42,661
2016	$ 6,410	$ 149,696	$ 42,078
2015	$ 5,844	$ 116,435	$ 37,850
2014	$ 9,988	$ 91,587	$ 35,025
2013	$ 10,721	$ 66,318	$ 33,282

* 2010 was the first year that SCORE was an employer

Public Safety Employee's Retirement Systems (PSERS) Plan 2

Plan Description

The Legislature created PSERS in 2004 and the system became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Covered employers include the following: State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol; corrections departments of Washington State counties; corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and interlocal corrections agencies.

To be eligible for PSERS, an employee must work on a full-time basis and have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce criminal laws of Washington and carry a firearm as part of the job; or have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or function as a Washington peace officer, as defined by RCW 10.93.020; or have primary responsibility to supervise eligible members who meet the above criteria.

PSERS Plan 2 members are vested after completing five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, or at 53 with 20 years of service with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at the age of 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age of retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Membership in PSERS consisted of the following at June 30, 2022, the date of the latest actuarial valuation for all plans:

Number of Participating Members

Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminiated Members Entitled to but not yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PSERS 2	609	1,107	3,665	4,656	10,037
Total	609	1,107	3,665	4,656	10,037

The following is a summary of the number of government employers participating in PERS as of June 30, 2022:

Number of Participating Employers

Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	Total Employers
PSERS 2	19	-	65	1	85
Total	19	-	65	1	85

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability and an administrative expense that is currently set at 0.18 percent. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contributions requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RWC.

The required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

Required Contribution Rates

Contributor	PSERS Plan 2
Employer*	
January through August 2022	10.39%
September through December 2022	10.63%
Employee	
January through August 2022	6.50%
September through December 2022	6.60%

* Employer rates include an administrative expense rate of 0.18%

Both SCORE and the employees made the required contributions. SCORE's required contributions for the year ended December 31, 2022 were as follows:

SCORE Required Contributions

Year	PSERS Plan 2
2022	$ 1,119,769
2021	$ 1,159,016
2020	$ 1,275,898
2019	$ 1,428,401
2018	$ 1,318,831
2017	$ 1,202,007
2016	$ 1,078,908
2015	$ 887,714
2014	$ 751,021
2013	$ 555,580

* 2011 was the first year that SCORE was an eligible PSERS employer

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity

- **Investment rate of return:** 7.40%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. 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 minor changes in methods and assumptions since the last valuation.

- For all plans, how terminated and vested member benefits are valued was corrected.

- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40 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. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers were assumed to continue being made at contractually required rates. Based on those assumptions, the pension plan's 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 7.40 percent on pension plan investments was applied to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that provided past 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 at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents SCORE's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what SCORE's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

Sensitivity of NPL

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 2,670,015	$ 1,998,535	$ 1,412,490
PERS 2/3	$ 538,959	$ (457,664)	$ (1,276,452)
PSERS 2	$ 2,554,038	$ (1,072,300)	$ (3,934,275)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, SCORE reported a total net pension liability of $468,571 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 1,998,535
PERS 2/3	$ (457,664)
PSERS 2	$ (1,072,300)

At June 30, 2022, SCORE's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.076828%	0.071777%	-0.005051%
PERS 2/3	0.013842%	0.012340%	-0.001502%
PSERS 2	1.480321%	1.499720%	0.019399%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date every 4 years or as needed.

Pension Expense

For the year ended December 31, 2022, SCORE's recognized pension expense was as follows:

Pension Expense		
PERS 1	$	770,783
PERS 2/3	$	155,830
PSERS 2	$	592,258

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, SCORE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net Difference between projected and actual investment earnings on pension plan investments	-	(331,216)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	247,414	-
TOTAL	$ 247,414	$ (331,216)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 113,398	$ (10,360)
Net Difference between projected and actual investment earnings on pension plan investments	-	(338,354)
Changes of assumptions	255,084	(66,790)
Changes in proportion and differences between contributions and proportionate share of contributions	25,131	(268,622)
Contributions subsequent to the measurement date	50,181	-
TOTAL	$ 443,794	$ (684,126)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 557,053	$ (11,802)
Net Difference between projected and actual investment earnings on pension plan investments		(751,997)
Changes of assumptions	787,207	(314,518)
Changes in proportion and differences between contributions and proportionate share of contributions	41,735	(428,572)
Contributions subsequent to the measurement date	376,164	-
TOTAL	$ 1,762,159	$ (1,506,889)

Deferred outflows of resources related to pensions resulting from SCORE's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2
2023	(140,164)	(145,050)	(282,267)
2024	(127,305)	(139,254)	(250,972)
2025	(159,700)	(153,217)	(314,607)
2026	95,953	112,823	326,341
2027		13,483	57,623
Thereafter		20,703	342,989

NOTE 9 – APPORTIONMENT OF NET POSITION

The Owner Cities share in the net position of SCORE pursuant to the SCORE Formation Interlocal Agreement. Due to the City of Federal Way leaving SCORE in 2019, the remaining owner cities inherited that equity balance on a proportional basis. The respective equity as of December 31, 2022 belonging to the six Owner Cities is as follows:

Apportionment of Net Position

	Auburn	Burien	Des Moines	Renton	SeaTac	Tukwila	Total
Equity 01/01/2022	$ 13,728,641	$ 1,736,041	$ 1,619,395	$ 10,449,372	$ 2,661,310	$ 2,541,785	$ 32,736,544
Current Year Increase (Decrease)	367,485	95,847	88,153	464,559	151,004	85,550	1,252,598
Equity 12/31/2022	$ 14,096,126	$ 1,831,888	$ 1,707,548	$ 10,913,931	$ 2,812,314	$ 2,627,335	$ 33,989,142
% of Equity	41.48%	5.39%	5.02%	32.11%	8.27%	7.73%	100.00%
% of 2022 Apportionment	29.33%	7.65%	7.04%	37.09%	12.06%	6.83%	100.00%

NOTE 10 – MATERIAL RELATED PARTY TRANSACTIONS

The SCORE PDA was chartered by the City of Renton, pursuant to RCW 35.21.730 through 35.21.757 and Ordinance No. 5444 of the City of Renton. The SCORE PDA was formed to provide an independent legal entity to finance the acquisition, construction, and equipping of the SCORE facility through the issuance and servicing of $86,235,000 of Bonds, and to perform other functions specified in the charter. Payment of principal and interest on the Bonds is secured by the full faith and credit of the Owner Cities. SCORE guarantees SCORE PDA's debt through arrangements with SCORE's Owner Cities.

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

SCORE will be responsible for billing and collecting the annual debt service payments from the SCORE Owner Cities. Once SCORE has received the debt service payments from the Owner Cities, SCORE will remit the funds to the SCORE PDA and the SCORE PDA will make all semi-annual debt service payments to US Bank, the bond trustee. The carrying costs were funded from the bond proceeds during the construction period (through January 1, 2012). Debt service payments totaled $3.9 million for 2022, which includes $159,958 of interest related to the new 2019 bonds accrued by the SCORE PDA in 2022 for the June 1, 2023 debt service payment.

In addition to the allocations of equity and ending equity balances of the owner cities as of December 31, 2022, as provided in Note 9, the following chart provides information related to transactions and balances between SCORE and its Owner Cities as of December 31, 2022 and for the year then ended.

Related Party Transactions

Owner City	Due from Other Governments	Charges for Services	SCORE PDA Obligation
Auburn	$	$ 5,592,261	$ 17,964,052
Burien		933,551	2,478,155
Des Moines		850,446	3,095,123
Renton		4,787,172	21,059,174
SeaTac		1,211,247	1,861,187
Tukwila		1,125,055	4,956,310
Total All Owner Cities	$ -	$ 14,499,732	$ 51,414,001

NOTE 11 – SUBSEQUENT EVENT

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In response to COVID-19 the Executive Director of SCORE declared a state of emergency on March 13, 2020, that limited inmate population to 400. The reduction of inmates resulted in the need to implement cost reductions to offset reduction in revenue. This included use of contingency reserves, purchasing restrictions, 90 day furloughs, staff reductions, and the implementation of a temporary salary reduction for management staff in April 2020 and an agency wide temporary salary reduction in August 2020. These temporary cost reductions ended in October 2021. The 2021-22 SCORE Biennial Budget was being built as a second wave of COVID-19 hit the State, so the budget has the expectation of a delayed recovery. While the impact of the pandemic will linger over the next few years, operations are beginning to return to normal, and the overall financial forecast for SCORE remains positive.

END OF NOTES

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

REQUIRED SUPPLEMENTARY INFORMATION
South Correctional Entity
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2022
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.083887%	0.085211%	0.094365%	0.092552%	0.093023%	0.091101%	0.076828%	0.071777%
Employer's proportionate share of the net pension liability	$	4,388,018	4,576,232	4,477,693	4,133,404	3,577,065	3,216,357	938,250	1,998,535
Employer's covered employee payroll	$	9,552,629	10,121,916	11,824,804	12,237,016	12,998,612	13,723,559	11,733,825	11,704,652
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	45.94%	45.21%	37.87%	33.78%	27.52%	23.44%	8.00%	17.07%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

* Information available for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 only

REQUIRED SUPPLEMENTARY INFORMATION
South Correctional Entity
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2022
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.017048%	0.016898%	0.018266%	0.016446%	0.017347%	0.017456%	0.013842%	0.012340%
Employer's proportionate share of the net pension liability	$	609,135	850,801	634,656	280,801	168,498	223,252	-1,378,886	-457,664
Employer's covered employee payroll	$	1,512,777	1,578,981	1,790,779	1,706,272	1,885,634	2,035,891	1,699,011	1,542,949
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	40.27%	53.88%	35.44%	16.46%	8.94%	10.97%	-81.16%	-29.66%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

* Information available for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 only

Schedule of Proportionate Share of the Net Pension Liability
PSERS 2
As of June 30, 2022
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	2.720635%	2.617518%	2.817747%	2.669380%	2.393953%	1.894889%	1.480321%	1.499720%
Employer's proportionate share of the net pension liability	$	496,570	1,112,393	552,081	33,074	311,310	-260,737	-3,400,875	-1,072,300
Employer's covered employee payroll	$	7,966,592	8,485,117	9,976,434	10,471,389	11,053,041	11,636,604	10,034,814	1,063,675
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	6.23%	13.11%	5.53%	0.32%	2.82%	-2.24%	-33.89%	-100.81%
Plan fiduciary net position as a percentage of the total pension liability	%	95.08%	90.41%	96.26%	99.79%	101.85%	101.68%	123.67%	105.96%

* Information available for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 only

REQUIRED SUPPLEMENTARY INFORMATION
South Correctional Entity
Schedule of Employer Contributions
PERS 1
As of December 31, 2022
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	$	419,613	534,081	593,399	651,590	683,664	594,168	508,517	389,770
Contributions in relation to the statutorily or contractually required contributions	$	(419,613)	(534,081)	(593,399)	(651,590)	(683,664)	(594,168)	(508,517)	(389,770)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered employer payroll	$	9,606,045	11,122,166	12,030,394	12,778,430	13,736,614	12,306,772	11,856,369	10,411,348
Contributions as a percentage of covered employee payroll	%	4.37%	4.80%	4.93%	5.10%	4.98%	4.83%	4.29%	3.74%

* Information available for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 only

REQUIRED SUPPLEMENTARY INFORMATION
South Correctional Entity
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2022
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	$	84,198	106,865	118,692	136,115	156,210	140,829	113,954	86,187
Contributions in relation to the statutorily or contractually required contributions	$	(84,198)	(106,865)	(118,692)	(136,115)	(156,210)	(140,829)	(113,954)	(86,187)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered employer payroll	$	1,513,061	1,715,336	1,736,023	1,814,827	2,021,747	1,778,140	1,589,335	1,355,131
Contributions as a percentage of covered employee payroll	%	5.56%	6.23%	6.84%	7.50%	7.73%	7.92%	7.17%	6.36%

* Information available for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 only

REQUIRED SUPPLEMENTARY INFORMATION
South Correctional Entity
Schedule of Employer Contributions
PSERS 2
As of December 31, 2022
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	$	516,826	616,126	682,040	747,069	831,514	754,472	701,832	590,835
Contributions in relation to the statutorily or contractually required contributions	$	(516,826)	(616,126)	(682,040)	(747,069)	(831,514)	(754,472)	(701,832)	(590,835)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered employer payroll	$	8,035,672	9,349,493	10,235,923	10,903,477	11,652,520	10,478,824	10,257,121	9,056,217
Contributions as a percentage of covered employee payroll	%	6.43%	6.59%	6.66%	6.85%	7.14%	7.20%	6.84%	6.52%

* Information available for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 only

SCORE reports defined pension benefit plans that are administered through an outside entity, which has a separately issued report that contains that plan information. A schedule that presents for each fiscal year the annual money-weighted rate of return on pension plan investments for each plan can be found on page 125 of the Department of Retirement Systems’ 2022 Annual Comprehensive Financial Report.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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