



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements and Federal Single Audit Report**

# **King County Regional Homelessness Authority**

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

*Published September 15, 2022*

Report No. 1031108



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

September 15, 2022

Members of the Governing Committee and the Implementation Board  
King County Regional Homelessness Authority  
Seattle, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the King County Regional Homelessness Authority's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive.

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### King County Regional Homelessness Authority January 1, 2021 through December 31, 2021

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the King County Regional Homelessness Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

##### Financial Statements

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

Internal Control over Financial Reporting:

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

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

##### Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to its major federal program.

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

## Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.267	Continuum of Care Program

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

The Authority did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

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

#### **King County Regional Homelessness Authority January 1, 2021 through December 31, 2021**

Members of the Governing Committee and the Implementation Board  
King County Regional Homelessness Authority  
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the King County Regional Homelessness Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 8, 2022.

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

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 8, 2022

## INDEPENDENT AUDITOR'S REPORT

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

#### **King County Regional Homelessness Authority January 1, 2021 through December 31, 2021**

Members of the Governing Committee and the Implementation Board  
King County Regional Homelessness Authority  
Seattle, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the King County Regional Homelessness Authority, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2021. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on



compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 8, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **King County Regional Homelessness Authority January 1, 2021 through December 31, 2021**

Members of the Governing Committee and the Implementation Board  
King County Regional Homelessness Authority  
Seattle, Washington

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the King County Regional Homelessness Authority, as of year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the King County Regional Homelessness Authority, as of December 31, 2021, and the respective changes in financial position thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2021, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

September 8, 2022

## **FINANCIAL SECTION**

### **King County Regional Homelessness Authority January 1, 2021 through December 31, 2021**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2021

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2021

Statement of Activities – 2021

Balance Sheet - Governmental Funds – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Fund – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– General Fund – 2021

Notes to Financial Statements – 2021

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021

Notes to Required Supplementary Information – 2021

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021



## **King County Regional Homelessness Authority Management's Discussion and Analysis**

The King County Regional Homelessness Authority (the Authority) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2021. This MD&A focuses on significant financial matters, provides an overview of the Authority's financial activities, and highlights significant changes in the Authority's financial position and material variances between the approved budget and actual spending.

The Authority encourages readers to consider the information presented here in conjunction with the Authority's basic financial statements and accompanying notes to the financial statements following this section.

The Authority was formed by an Interlocal Agreement between the City of Seattle and King County to provide consolidated services aligned for individuals and families who are experiencing homelessness or who are at imminent risk of experiencing homelessness in the jurisdictional boundaries of King County.

### **FINANCIAL HIGHLIGHTS**

The following are highlights noted in the Authority's presentation of the basic financial statements.

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$984,531 (net position). Of this amount \$124,569 is net investment in capital assets, \$71,469 is restricted and \$788,493 is unrestricted net position.
- With respect to governmental activities, the Authority's primary sources of revenue are operating grants and contributions. The total amount of these revenue sources was \$3,930,016 in 2021.
- The Authority reported \$3,930,016 program revenues and \$4,608 in general revenues.
- At the end of year, the Authority's governmental fund reported a fund balance of \$768,522. The governmental fund balance includes \$62,120 attributable to non-spendable prepaid expenses. The remaining portion of the balance, \$706,402 was unassigned and available to support future operations.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis serve as an introduction to the Authority's basic financial statements, comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also includes required supplementary information (RSI) to furnish additional details to support the basic financial statements.

## **Government-wide Financial Statements**

The government-wide financial statements are designed and presented to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. They are prepared using the flow of economic resources measurement focus and accrual basis of accounting where revenues and expenses are recognized on the date they occur rather than on the date they are collected or paid. The statements provide near-term and long-term information about the Authority's financial position, which assists in assessing the Authority's financial condition at the end of the fiscal year.

The Statement of Net Position presents information on all Authority assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents changes in net position during the current reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Typically, both government-wide financial statements would distinguish functions of the reporting entity principally supported by grants, taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The Authority, however, has and reports only governmental activities. The government-wide financial statements can be found immediately following this analysis.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Authority has and reports one governmental fund, which is its sole major fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using modified accrual basis, which focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in determining whether there will be sufficient near-term financial resources available to meet Authority's current needs

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

## Notes to the Basic Financial Statements

Notes are an integral part of the financial statements. They provide additional disclosures that are essential to the full understanding of the Authority's financial statements. The notes immediately follow the basic financial statements.

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, certain required supplementary information is also presented, including this section. Additional required supplementary information immediately follows the notes to the financial statements.

## Government-wide Financial Analysis

Net position serves as a useful indicator of the Authority's financial position especially when viewed over multiple periods of time. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$984,531 at December 31, 2021.

The Authority started its operation in 2021 and the condensed financial statements are presented below.

	2021
<b>Condensed Statement of Net Position</b>	
<b>ASSETS</b>	
Current and other assets	\$ 1,731,158
Capital assets	359,443
Total assets	2,090,601
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	98,478
<b>LIABILITIES</b>	
Current liabilities	904,460
Noncurrent liabilities	240,443
Total liabilities	1,144,903
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	59,645
<b>NET POSITION</b>	
Net investment in capital assets	124,569
Restricted for pensions	71,469
Unrestricted	788,493
Total net position	\$ 984,531

Current and other assets comprise 83% of total assets as of December 31, 2021, consisting primarily of cash balance in King County Investment Pool. Cash was largely received from federal and local grants and contributions. Current liabilities comprise 79% of total liabilities. Deferred inflows of resources related to pensions is \$59,645 and deferred outflows of resources related to pensions is \$98,478. See note 4 to the financial statements for more details. The largest portion of the Authority's net position, at \$788,493 (or 80% of total net position) is unrestricted and is available for Authority's future operations. The Authority reported a healthy financial position at end of its first year of operation.

The Statement of Activities presents the changes in the Authority's net position from one year to the next. The total net position of the Authority was \$984,531 in 2021. The program revenues accounted for 99.9% of total revenue. Descriptions of significant components of revenues and expenses contributing to the change in net position are presented in the table below.

***Condensed Statement of Activities***

**PROGRAM REVENUES**

Operating Grants and Contributions	\$ 3,930,016
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**GENERAL REVENUES**

Interest income	4,441
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Miscellaneous income	167
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Total Revenue	<u>3,934,624</u>
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**EXPENSES**

General Government	2,941,861
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Social Services	<u>8,232</u>
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Total Expenses	<u>2,950,093</u>
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Change in Net Position	984,531
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Net Position, Beginning of Year	<u>-</u>
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Net Position, End of Year	<u>\$ 984,531</u>
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**Governmental Fund Financial Analysis**

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. Fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

The Authority's governmental funds reported ending fund balances of \$768,522 as of December 31, 2021. Approximately 92% of the fund balances or \$706,402 constitutes unassigned fund balance, and 8% in a non-spendable form. Non-spendable amounts are in the form of prepaid balances. Overall, the Authority's governmental fund's financial position was positive in the first year of its operation.

<b><i>Condensed Balance Sheet</i></b>		<b>2021</b>
<b>Total Assets</b>		\$ 1,672,982
<b>Deferred Outflows of Resources</b>		-
<b>Total Liabilities</b>		904,460
<b>Deferred Inflows of Resources</b>		-
<b>Fund Balances</b>		
Nonspendable - prepaid		62,120
Unassigned		<u>706,402</u>
<b>Total Fund Balances</b>		<u>\$ 768,522</u>

Overall governmental fund net change in fund balance for 2021 totaled \$768,522. The Authority's condensed Statement of Revenues and Expenditures and Change in Fund Balance is presented below.

<i>Condensed Statement of Revenues, Expenditures, and Change in Fund Balance</i>		<b>2021</b>
<b>Total Revenues</b>	\$	3,934,624
<b>Total Expenditures</b>		3,400,976
Excess (deficit) of revenues over expenditures		<u>533,648</u>
<b>Total Other Financing Sources (Uses)</b>		234,874
<b>Net change in fund balance</b>		<u>768,522</u>
<b>Fund Balances, beginning of the year</b>		-
<b>Fund Balances, end of the year</b>	\$	<u>768,522</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

### Budget compared to actual expenditures

The Authority adopted its first-year budget in 2021. The Authority did not amend its budget during 2021 and thus final budget and original budget were same. A comparison of the actual performance of the General Fund on a budgetary basis to the final budget indicates that total revenues were \$79,538, or 2% percent, more than the final budget. This was primarily due to revenue from grants and contributions, coming in more than budgeted by a total of \$396,095 with an offsetting impact of \$321,165 of in-kind revenue coming in less than budgeted. Expenditures were \$749,377 or 20%, less than the final budget. This was primarily due to the significant reduction in the financial system implementation costs.

### Capital Assets

The Authority's capital assets, consist of subscription assets, net of accumulated amortization, amounted to \$359,443 as of December 31, 2021. In 2021, the Authority adopted GASB 96, Subscription Based Information Technology Arrangements (SBITA). For further information regarding GASB 96 implementation and capital assets, see notes 1 and 3 to the financial statements.

### Economic Factors and Next Year's Budget

The 2022 budget is based on the costs from homelessness programs transferred from City of Seattle and King County to the Authority, additional new fundings and new homelessness programs, and estimated general government and operating costs. programs. The 2022 budget as adopted by the Governing Committee in January 2022, is summarized below:

Continued Programs	\$	118,734,032
New Programs		<u>40,126,530</u>
Total		<u><b>158,860,562</b></u>
<b>Operating Costs</b>		
Operating Cost		11,966,218
Total Expenditures	\$	<u><b>170,826,780</b></u>

### Requests for information

This financial report is designed to provide a general overview of the King County Regional Homelessness Authority's finances to all those with an interest in the Authority's finances. Questions concerning any information provided in this report should be addressed to: King County Regional Homelessness Authority, 400 Yesler Way, Ste 600, Seattle, WA 98004.

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,596,596
Receivables, net	14,266
Prepaid	62,120
<b>TOTAL CURRENT ASSETS</b>	<b>1,672,982</b>
Non-current assets	
Net pension asset	58,176
Depreciable capital assets, net	359,443
<b>TOTAL NON-CURRENT ASSETS</b>	<b>417,619</b>
<b>TOTAL ASSETS</b>	<b>2,090,601</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension plans	98,478
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>98,478</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	259,079
Accrued expenses	144,121
Unearned revenue	501,260
<b>TOTAL CURRENT LIABILITIES</b>	<b>904,460</b>
Non-current liabilities	
Due within one year	67,631
Due in more than one year	172,812
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>240,443</b>
<b>TOTAL LIABILITIES</b>	<b>1,144,903</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension plans	59,645
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>59,645</b>
<b>NET POSITION</b>	
Net investment in capital assets	124,569
Restricted net position for pensions	71,469
Unrestricted net position	788,493
<b>TOTAL NET POSITION</b>	<b>\$ 984,531</b>

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

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
General government	\$ 2,941,861	\$ -	\$ 3,921,785	\$ -	\$ 979,924
Social services	8,232	-	8,232	-	-
Total primary government	2,950,093	-	3,930,016	-	979,923
General revenues					
Interest income					4,441
Miscellaneous income					167
Total general revenues					4,608
<b>CHANGE IN NET POSITION</b>					984,531
<b>NET POSITION, BEGINNING OF THE YEAR</b>					-
<b>NET POSITION, END OF THE YEAR</b>				\$	984,531

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

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2021**

	<b>General Fund</b>
<b>ASSETS AND OUTFLOWS OF RESOURCES</b>	
Cash and cash equivalents	\$ 1,596,596
Receivable, net	14,266
Prepaid	62,120
<b>TOTAL ASSETS</b>	<b>1,672,982</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,672,982</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	259,079
Accrued liabilities	144,121
Unearned revenue	501,260
<b>TOTAL CURRENT LIABILITIES</b>	<b>904,460</b>
<b>TOTAL LIABILITIES</b>	<b>904,460</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>
<b>FUND BALANCES</b>	
Nonspendable	62,120
Unassigned	706,402
<b>TOTAL FUND BALANCES</b>	<b>768,522</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,672,982</b>
Total fund balances - governmental fund	\$ 768,522
Amounts reported for governmental activities in the statement of net position (page 7) are different because:	
GASB 68 pension asset and deferred outflows not reported in governmental fund	156,654
GASB 68 pension liability and deferred inflows not reported in governmental fund	(65,214)
GASB 96 Subscription assets not reported in governmental fund	359,443
GASB 96 Subscription liabilities not reported in governmental fund	(234,874)
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 984,531</b>

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



**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>General Fund</b>
<b>REVENUES</b>	
Grants and contributions	\$ 2,791,756
In-kind revenue	1,138,260
Interest income	4,441
Miscellaneous income	167
<b>TOTAL REVENUES</b>	<b>3,934,624</b>
<b>EXPENDITURES</b>	
Current operating:	
General government	3,027,979
Social services	8,232
Debt service:	
Interest and other charges	602
Capital outlay	364,163
<b>TOTAL EXPENDITURES</b>	<b>3,400,976</b>
Excess of revenues over expenditures	533,647
<b>OTHER FINANCING SOURCES(USES)</b>	
Other financing sources SBITA	234,874
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>234,874</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>768,522</b>
<b>TOTAL FUND BALANCES, BEGINNING OF THE YEAR</b>	<b>-</b>
<b>TOTAL FUND BALANCES, END OF THE YEAR</b>	<b>\$ 768,522</b>
Change in fund balances - governmental fund	\$ 768,522
Amounts reported for governmental activities in the statement of activities (page 8) are different because:	
Expense adjustment related to GASB 68; net pension obligation	91,440
Expenses related to GASB 96 SBITA reported in governmental fund but not governmental activities	129,289
Amortization of subscription assets not reported in governmental fund	(4,720)
<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 984,531</b>

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

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual	% of Budget	Remaining Balance
<b>REVENUES</b>				
Grants and contributions	\$ 2,395,661	\$ 2,791,756	117%	\$ (396,095)
In-kind revenue	1,459,425	1,138,260	78%	321,165
Interest income	-	4,441	NA	(4,441)
Miscellaneous income	-	167	NA	(167)
Total revenue	3,855,086	3,934,624	102%	(79,538)
<b>EXPENDITURES</b>				
Staff costs	1,315,521	1,344,143	102%	(28,623)
Professional services	989,425	1,042,092	105%	(52,667)
Overhead & other expenditures	881,244	150,577	17%	730,667
Rent-in-kind	600,000	500,000	83%	100,000
Total expenditures	3,786,190	3,036,813	80%	749,377
Excess of revenues over expenditures	68,896	897,811		(828,915)
Adjustment from budgetary basis to GAAP basis		(129,289)		
<b>CHANGES IN FUND BALANCE</b>	\$ 68,896	\$ 768,522		
<b>FUND BALANCE, AS OF JANUARY 1, 2021</b>		-		
<b>FUND BALANCE, AS OF DECEMBER 31, 2021</b>		\$ 768,522		

**Elements of adjustment from budgetary basis to GAAP basis:**

Recognition of capital outlay - SBITA	\$ (364,163)
Recognition of other financing sources - SBITA	234,874
	<u>\$ (129,289)</u>

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

**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
**December 31, 2021**

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

The financial statements of the King County Regional Homelessness Authority have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (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. The significant accounting policies are described below:

**A. REPORTING ENTITY**

The King County Homelessness Authority (the Authority) is a regional, independent governmental agency created pursuant to an Interlocal Agreement between King County and the City of Seattle pursuant to RCW 39.34.030, in December 2019, ordinance No. 19039. The Authority provides consolidated services aligned for individuals and families who are experiencing homelessness or who are facing imminent risk of experiencing homelessness in the jurisdictional boundaries of King County.

The Authority is governed by a Governing Committee, comprised of 12 elected officials serving ex-officio, and individuals representing those with Lived Experience. The Implementation Board is responsible for operations and management of all Authority affairs. It is comprised of 13 members and shall provide strategic vision, community accountability and robust oversight for the Authority. The Authority is considered a jointly governed organization, by the Implementation Board, and the Governing Committee.

Based on the Interlocal Agreement between the City of Seattle and King County, these two entities provided the majority of funding for establishing the Authority. In accordance with the agreement, no party is permitted to unilaterally withdraw until this Agreement has been in force at least five (5) years from its effective date, provided however, the parties may agree to terminate this agreement within the initial five (5) year period.

The King County Homelessness Authority has no component units that are required to be included in these financial statements.

**B. BASIS OF PRESENTATION - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements report information on all non-fiduciary activities of the Authority, consisting of a statement of net position and statement of activities. The Authority reports its governmental activities, which are primarily supported by grants and contributions.

The statement of activities demonstrates the degree to which the direct expenses of the Authority's given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. It is Authority's policy to not allocate indirect expenses to a specific function. Program revenues include grants and contributions that are restricted for meeting the operational or capital requirements of a particular function or program. Other income items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental fund. Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The general fund, the only major fund, is used to account for all financial resources and activities associated with the primary purpose for which the Authority was created. The Authority has no non-major funds.

Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities, a reconciliation is presented at the end of the fund statements which briefly explains the adjustments necessary to transform the fund statements into the government-wide presentation.

**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
**December 31, 2021**

**C. MEASUREMENT FOCUS & BASIS OF ACCOUNTING**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest is considered to be susceptible to accrual and has been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

**D. BUDGET AND BUDGETARY ACCOUNTING**

The Authority adopts its budget on an annual basis. The budget is based upon the Authority's goals and its operating programs. The budget as adopted constitutes the legal authority for expenditures.

When the Authority determines that it is in the best interest of the Authority to increase or decrease its budget appropriation, it may do so by ordinance or resolution approved by the Governing Committee. The budget amounts shown in the financial statements are the final authorized amounts.

The budgetary comparison schedule contains the original budget information. The original budget is the first complete appropriated budget. The Authority did not have any amended budget in 2021.

The Authority may over expend appropriations in specific line items of the budget. In these cases, goods and services that have been appropriately authorized are considered to be eligible for payment if revenue is available to pay for the goods and service.

**E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCES**

**1. Cash and Cash Equivalents**

Cash and cash equivalents consist of pooled investments in the King County Investment Pool (the Pool). The King County Treasurer acts as custodian for the Authority's cash. The Pool functions essentially as a demand deposit where the Authority receives an allocation of its proportionate share of pooled earnings. The balance in cash is available to meet current operating requirements. Interest earnings are used for Authority's operations. As of December 31, 2021, KCRHA had pooled investments totaling \$1,596,596. See Note 2, Deposits and Investments.

**2. Receivables**

Receivables include grants receivable, accounts receivable, and interest receivable. Grants receivable represents revenues and contracts for the current period that have been earned and recorded but not received. Accounts receivable represents receivables from employees and other receivables. The Authority uses the allowance method to account for uncollectible receivables. No allowance for uncollectible amounts has been recorded since management considers the balance in grants and accounts receivable to be fully collectible. Interest receivable consists of amounts earned on pooled investments at the end of the year.

**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
**December 31, 2021**

**3. Prepaid Items**

Payments made in advance to vendors for certain goods or services that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The expenditures/expenses are recognized in the period of consumption.

**4. Capital Assets**

Capital assets, which include Subscription Based Information Technology Arrangements (SBITA) are reported in government-wide financial statements. SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Right to use the subscription assets are recorded as an intangible asset and a corresponding liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Amortization of the subscription asset has been recognized as an outflow of resources over the subscription term.

Additional information on Capital Assets is provided in Note 3.

**5. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

As of December 31, 2021, the Authority had deferred outflows of resources relating to pension plans of \$98,478, which consist of contributions subsequent to the measurement date, difference between expected and actual experience, changes of assumptions and the changes in proportionate share. Pension plan contributions made subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pension plans are amortized over the expected service lives of all employees provided with pensions through the plans. See Note 4 for more information on pension plans.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2021, the Authority reported deferred inflows of resources related to pension plans of \$59,645, which consist of differences between expected and actual experience, net difference between projected and actual investment earnings and changes of assumptions. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pension plans are amortized over the average expected service lives of all employees provided with pensions through the plan. See Note 4 for more information on pension plans.

**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
**December 31, 2021**

**6. Classification of Net Position**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made in order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets. The restricted net position for pension in the government-wide and proprietary fund financial statements is equal to the net pension asset, minus the deferred inflows, plus the deferred outflows. Only the deferred inflows and deferred outflows for the pension plans that have a net pension asset were included.

*Unrestricted* – This component of net position consists of net positions that do not meet the definition of "restricted".

As of December 31, 2021, the Authority had \$124,569 investment in capital assets, \$71,469 of restricted net position related to pensions, and unrestricted net position of \$788,493.

**7. Fund Balance Classification**

Fund balance represents the difference between current assets, deferred outflows, current liabilities, and deferred inflows in the governmental fund financial statements. Fund balance classification is comprised of a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. In the fund financial statements, governmental funds report the following classes of fund balances in accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions.

**Non-spendable Fund Balance** - Amounts that cannot be spent because they are either in a non-spendable form or are legally/contractually required to be maintained intact, including prepaid expenses, advances, etc.

**Restricted Fund Balance** - that can be spent only for specific purposes stipulated by donors, grantors, creditors or by law.

**Committed Fund Balance** - Amounts which are constrained by the Authority's governing committee. Only the Authority's governing committee can, by vote or resolution, establish, modify, or rescind the constraints on committed fund balances.

**Assigned Fund Balance** - Amounts which are constrained by the Authority's intent to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by the Authority's governing committee or by an official. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**Unassigned Fund Balance** - Any residual portion of general fund balance that does not meet any of the criteria described above.

**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
**December 31, 2021**

As of December 31, 2021, the Authority had non-spendable funds of \$62,120, resulting from prepaids and unassigned funds of \$706,402.

If more than one classification of fund balance is available for use when an expenditure is incurred, the Authority would typically use the most restrictive classification first, according to the purpose of which the restricted funds were received.

**8. Pension**

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expenses, 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.

**9. Accrued Liabilities and Compensated Absences**

Accrued liabilities consist of accrued salaries, benefits, and payroll taxes.

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. It is the Authority's policy to not pay vacation and sick leave upon termination or retirement. As such there is no vesting for compensated absences and no liability is recognized. However, employees may accrue sick leave at the rate of one day for each month of service. Sick leave earned but not used during the calendar year may be accumulated and carried forward with a maximum of 96 hours.

**10. Unearned Revenue**

Unearned revenue is a liability for resources obtained, that do not qualify for recognition as revenue and therefore are not yet considered to be available. Unearned revenues presented in the financial statements include unspent grant funds that may be subject to purpose restrictions.

**11. Revenue, Expenditures and Expenses**

The Authority had direct on behalf payments by City of Seattle and King County during its startup phase in 2021. In addition, King County provided an office space to the Authority for no charge. These transactions are in-kind in nature. Since, the total in-kind amount was significant, the Authority has chosen to recognize and report the in-kind revenues and expenditures on the financial statements.

Although GASB does not provide measurement guidance, the Authority has determined the fair value measurement for recognizing free rent is appropriate. In 2021, the Authority reported total in-kind amounting to \$1,138,260, which is comprised of \$638,260 for in-kind services, and \$500,000 for in-kind rent.

Government wide general revenue includes interest and investment earnings. Interest earnings are unrestricted and used in financing general operations of the Authority.

**12. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**13. Income Tax**

As a governmental administrative agency, the Authority is exempt from federal income tax.

**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
**December 31, 2021**

**F. ACCOUNTING STANDARDS**

GASB Statement No. 84, Fiduciary Activities. This new GASB statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. It is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This new GASB statement was considered by the Authority and determined it is not applicable.

GASB Statement No. 87, Leases. This new GASB statement establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. It is effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The Authority has chosen to implement this GASB in 2021 and determined it is not applicable for in-kind rent received by the Authority.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This new GASB statement establishes accounting requirements for interest cost incurred before the end of a construction period. It is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Authority has considered and determined that this GASB is not applicable for this year.

GASB Statement No. 91, Conduit Debt Obligations. This new GASB statement defines conduit debt obligation and requires issuers to disclose information about the conduit debt obligations organized by type of commitment and improve comparability by removing the diversity in current practice. This statement also includes note disclosures that help inform users of the potential impact of commitments on financial resources. It is effective for reporting beginning after December 15, 2021. Earlier application is encouraged. The Authority does not have any debt obligations and has determined this GASB to be not applicable for this year.

GASB Statement No. 92, Omnibus 2020. This new GASB statement addresses a variety of topics, including the effective date of GASB 87, Leases, and the related Implementation Guide No. 2019-3, Leases for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or OPEB plan; amending GASB 73 and GASB 74 to report assets accumulated for OPEB; the applicability of certain requirements of GASB 84 to OPEB arrangements; measurement of liabilities and assets related to asset retirement obligations in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, etc. This statement is effective after June 15, 2021, except for the requirement related to leases, which are effective upon issuance. The Authority is currently evaluating the impact of this new GASB statement.

GASB Statement No. 93, Replacement of Interbank Offered Rates. This statement removes the interbank offered rate (LIBOR), most notably, the London Interbank Offered Rate (LIBOR), as an appropriate benchmark interest rate and identifies a Security Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. The removal of LIBOR is effective for reporting periods ending after December 31, 2021. All other requirements are effective for reporting periods beginning after June 15, 2021. The Authority is currently evaluating the impact of this new GASB statement.

GASB Statement No. 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements. This new GASB statement improves financial reporting by addressing issues related to public-public partnership arrangements (PPPs) and provides guidance for accounting and financial reporting for available payment arrangements (APAs). It is effective for fiscal years beginning June 15, 2022. Earlier application is encouraged. The Authority is currently evaluating the impact of this new GASB statement.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This statement postpones the newly issued GASB Statements No. 83, 84, 88, 89, 90, 91, 92 and 93 by one year. In addition, this statement postpones GASB Statement No. 87 by 18 months. This statement was issued in May 2020 and is



**King County Regional Homelessness Authority**  
**Notes to the Financial Statements**  
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effective immediately. GASB Statements No. 83, 84, 87, 88, and 90 were considered and determined not applicable to the Authority.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. It is effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. The Authority has considered and implemented this GASB statement in the current year. See Notes 1 and 3 Capital Assets for details.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. It is effective for fiscal years beginning after June 15, 2021. The Authority is currently evaluating the impact of these requirements.

GASB Statement No. 98, The Annual Comprehensive Financial Report. This statement establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Authority is currently evaluating the impact of these requirements.

## **NOTE 2: DEPOSITS AND INVESTMENTS**

The Authority is a participant in the King County Investment Pool (KCIP), an external investment pool operated by the King County Treasurer. The KCIP is not registered with the Securities and Exchange Commission as an investment company. Rather, oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County's Finance Committee as defined in RCW 36.29.020. All investments are subject to written policies and procedures adopted by EFC.

The Authority has executed a cash management agreement with King County, stating that the Authority may withdraw funds from KCIP for immediate expenditures by submitting a warrant or electronic payment request, which will reduce the principal balance in the fund.

The Authority reports its investment in the KCIP at amortized cost, which is the same as the value of the pool per share. Monthly income is distributed based on the relative participation during the period. Income is calculated based on (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon fees. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute unrealized gains and losses due to changes in the fair value. As of December 31, 2021, the Authority had pooled investments totaling \$1,596,596.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of

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December 31, 2021, the KCIP's average duration was 1.24 years. As a means of limiting its exposure to rising interest rates, securities purchased in the KCIP must have a final maturity, or weighted average life, no longer than five years. While the KCIP's market value is calculated on a monthly basis, unrealized gains or losses are not distributed. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2021, KCHRA's investments in the KCIP were not rated by a nationally recognized statistical rating organization (NRSPO). In compliance with state statutes, the KCIP is authorized to invest in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, KCHRA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The KCIP represents an interest in a group of securities and has no specific security subject to custodial risk.

**NOTE 3: CAPITAL ASSETS**

Capital assets activities for the year ended December 31, 2021 were as follows:

	<b>Beginning Balance 01/01/2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2021</b>
Governmental Activities				
Capital assets, being amortized:				
Subscription assets	\$ -	\$ 364,163	\$ -	\$ 364,163
Total Capital assets being amortized	-	364,163	-	364,163
Less accumulated amortization for:				
Subscription assets	-	(4,720)	-	(4,720)
Total accumulated amortization	-	(4,720)	-	(4,720)
Total capital assets being amortized, net	\$ -	\$ 359,443	\$ -	\$ 359,443

Amortization expense of subscription assets of \$4,720 was charged to general government function in 2021.

**NOTE 4: PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$5,569)
Pension assets	\$58,176
Deferred outflows of resources	\$98,477
Deferred inflows of resources	(\$59,645)
Pension expense/expenditures	\$3,583

**State Sponsored Pension Plans**

Substantially all of the Authority's full-time and qualifying part-time employees participate in one of the following

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statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977. The Authority had no employees participating in PERS Plan 1 in 2021.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months.

There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

**PERS Plan 2/3** members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced

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to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### **Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>

The Authority's actual PERS plan employer contributions were \$35,118 to PERS Plan 1 and \$59,904 to PERS Plan 2/3 for the year ended December 31, 2021.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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**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, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

**Sensitivity of Net Pension Liability/(Asset)**

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$9,487	\$5,569	\$2,152
PERS 2/3	\$(16,573)	\$(58,176)	\$(92,436)

**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, 2021, the Authority reported \$5,569 and \$58,176 for its proportionate share of the net pension liabilities and net pension assets, respectively, as follows:

	Liability (or Asset)
PERS 1	\$5,569
PERS 2/3	\$(58,176)

At June 30 2021, the Authority's proportionate share of the collective net pension liabilities was as follows:

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	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0%	0.000456%	0.000456%
PERS2/3	0%	0.000584%	0.000584%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

### **Pension Expense**

For the year ended December 31, 2021, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$15,148
PERS 2/3	(\$11,564)

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	\$(6,180)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	\$31,719	-
<b>TOTAL</b>	<b>\$31,719</b>	<b>\$(6,180)</b>

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<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$2,826	\$(713)
Net difference between projected and actual investment earnings on pension plan investments	-	(48,621)
Changes of assumptions	85	(4,131)
Changes in proportion and differences between contributions and proportionate share of contributions	9,473	-
Contributions subsequent to the measurement date	54,375	-
<b>TOTAL</b>	<b>\$66,759</b>	<b>\$(53,466)</b>

<b>All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$2,826	\$(713)
Net difference between projected and actual investment earnings on pension plan investments	-	(54,801)
Changes of assumptions	85	(4,131)
Changes in proportion and differences between contributions and proportionate share of contributions	9,473	-
Contributions subsequent to the measurement date	86,094	-
<b>TOTAL</b>	<b>\$98,477</b>	<b>\$(59,645)</b>

Deferred outflows of resources related to pensions resulting from the Authority'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:

<b>Year Ended December 31:</b>	<b>PERS 1</b>	<b>PERS 2/3</b>
2022	\$(1,637)	\$(11,665)
2023	(1,500)	(10,791)
2024	(1,418)	(10,252)
2025	(1,624)	(11,194)
2026	-	1,476
Thereafter	-	1,344
<b>Total</b>	<b>\$(6,180)</b>	<b>\$(41,082)</b>



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**NOTE 5: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by participation in the Association of the Washington Cities Risk Management Service Agency and State Department of Labor and Industries program for worker's compensation coverage. There were no claims by the Authority during the year 2021.

- a. The Authority is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, 105 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

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In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

- b. The Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018.

Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

**NOTE 6: LONG TERM LIABILITIES**

**Subscription Liabilities**

The Authority entered into various Subscription Based Information Technology Arrangements (SBITA) in 2021. The subscription term varies for each of the SBITA contracts. As of December 31, 2021, the principal and interest requirements to maturity are as follows:

<b>Year ended</b>		
<b>December 31</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 67,631	\$ 8,465
2023	70,776	5,708
2024	36,628	3,198
2025	39,331	1,683
2026	20,509	239
	<b>\$ 234,874</b>	<b>\$ 19,293</b>

The following is a summary of long-term liabilities for the year ended December 31, 2021:

	<b>Beginning Balance 01/01/2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2021</b>	<b>Due Within One Year</b>
Governmental Activities					
Subscription Liabilities	\$ -	\$ 234,874	\$ -	\$ 234,874	\$ 67,631
Net Pension Liabilities	-	5,569	-	5,569	
Total governmental activity long-term liabilities	\$ -	\$ 240,443	\$ -	\$ 240,443	\$ 67,631

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**December 31, 2021**

**NOTE 7: RELATED PARTY TRANSACTIONS**

The Authority was formed by the City of Seattle and King County. The primary revenues and support are from both government entities. In 2021, the City of Seattle made cash contributions of \$1,462,978 and non-cash contributions of \$593,225 to the Authority. King County passed through a federal grant to the Authority, totaling \$826,790 in 2021. In addition, King County transferred a local fund of \$795,026 in 2021, of which \$463,657 was recognized as operating grants and contributions by the Authority in 2021 and the remaining balance was reported as unearned revenue. King County also made a direct on-behalf payment of certain costs, totaling \$45,035, and provided an office space to the Authority for free, which reported as in-kind revenue and rent at its fair value of \$500,000.

**NOTE 8: SUBSEQUENT EVENT**

Starting January 1, 2022, the Authority took over homelessness programs and projects from the City of Seattle and King County and started its full operation. The homelessness program expenditures for 2022 is estimated at approximately \$159 million.

**NOTE 9: COVID-19 PANDEMIC**

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID 19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gathering, travel, and in-person interactions. The Authority proactively implemented safety measures, and the first-year operations had been started with most staff working remotely. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the Authority has not experienced any direct financial impacts due to the pandemic. The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the Authority is unknown at this moment.

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET**  
**PENSION LIABILITY (ASSET)**  
**PERS 1 UAAL**  
**AS OF JUNE 30, 2021**  
**Last 10 Fiscal Years\***

	<u>2021</u>
Employer's proportion of the net pension liability (asset)	0.000456%
Employer's proportionate share of the net pension liability	\$ 5,569
TOTAL	\$ -
Covered payroll	\$ 69,808
Employer's proportionate share of the net pension liability as a percentage of covered payroll	7.98%
Plan fiduciary net position as a percentage of the total pension liability	88.74%

**Notes to Schedule:**

\*First payroll issued in May 2021.

The required supplementary information is an integral part of the accompanying financial statements

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET)**  
**PERS 2/3**  
**AS OF JUNE 30, 2021**  
**Last 10 Fiscal Years\***

	<u>2021</u>
Employer's proportion of the net pension liability (asset)	0.000584%
Employer's proportionate share of the net pension liability (asset)	\$ (58,176)
TOTAL	\$ -
Covered payroll	\$ 69,808
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-83.34%
Plan fiduciary net position as a percentage of the total pension liability (asset)	120.29%

**Notes to Schedule:**

\*First payroll issued in May 2021.

The required supplementary information is an integral part of the accompanying financial statements

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PERS 1 UAAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
Last 10 Fiscal Years\***

	<u>2021</u>
Statutorily or contractually required contributions	\$ 35,118
Contributions in relation to the statutorily or contractually required contributions	<u>35,118</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 924,760
Contributions as a percentage of covered payroll	3.80%

**Notes to Schedule:**

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

The required supplementary information is an integral part of the accompanying financial statements

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PERS 2/3  
FOR THE YEAR ENDED DECEMBER 31, 2021  
Last 10 Fiscal Years\***

	<u>2021</u>
<u>Statutorily or contractually required contributions</u>	\$ 59,904
<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>59,904</u>
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>
<u>Covered payroll</u>	\$ 924,760
<u>Contributions as a percentage of covered payroll</u>	6.48%

**Notes to Schedule:**

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

The required supplementary information is an integral part of the accompanying financial statements



**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

**Note A - Information Provided**

The Authority implemented GASB 68 for the year ended December 31, 2021, as required. The schedules presented as required supplementary information will eventually report ten years of trends as that information becomes available.

**Note B - Significant Factors**

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions beyond those identified in the Notes to the Financial Statements.

**Note C - Covered Payroll**

Covered payroll has been presented in accordance with GASB 82. Covered payroll includes all payroll on which contributions are based.

**KING COUNTY REGIONAL HOMELESSNESS AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Federal grantor</b> <i>Pass-through Grantor</i> Program title	<b>Assistance Listing Number</b>	<b>Contract #</b>	<b>Federal disbursements/ expenditures</b>	<b>Subrecipient expenditures</b>
<hr/>				
Department of Housing and Urban Development <i>King County</i> Continuum of Care Program	14.267	COC-PLANNING-KC-21	\$ 826,790	\$ -
<b>Total Department of Housing and Urban Development</b>			<b>\$ 826,790</b>	<b>\$ -</b>
<b>Total federal awards expenditures</b>			<b>\$ 826,790</b>	<b>\$ -</b>

The accompanying notes are an integral part of this schedule.

**Note 1 - Basis of Accounting**

This Schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the modified accrual basis of accounting for governmental fund financial statements and accrual basis for government wide financial statements.

**Note 2 – Federal De Minimis Indirect Cost Rate**

The Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Authority's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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