



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Central Puget Sound Economic Development District

For the period July 1, 2020 through June 30, 2021

Published March 3, 2022

Report No. 1023000



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

March 3, 2022

Executive Board
Central Puget Sound Economic Development District
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Central Puget Sound Economic Development District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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

Central Puget Sound Economic Development District July 1, 2020 through June 30, 2021

Executive Board
Central Puget Sound Economic Development District
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 Central Puget Sound Economic Development District, a component unit of the Puget Sound Regional Council, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2022.

As discussed in Note 7 to the financial statements, the District has not experienced any direct financial impact due to the COVID-19 pandemic. Management's plans to monitor this matter are also described in Note 7.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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 legible.

Pat McCarthy, State Auditor

Olympia, WA

February 24, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Central Puget Sound Economic Development District July 1, 2020 through June 30, 2021

Executive Board
Central Puget Sound Economic Development District
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Puget Sound Economic Development District, a component unit of the Puget Sound Regional Council, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 Central Puget Sound Economic Development District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 7 to the financial statements, the District has not experienced any direct financial impact due to the COVID-19 pandemic. Management's plans to monitor this matter are also described in Note 7. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

February 24, 2022

FINANCIAL SECTION

Central Puget Sound Economic Development District July 1, 2020 through June 30, 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 Fund– 2021

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

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – 2021

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT
DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2021**

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Central Puget Sound Economic Development District (CPSEDD, or the District) for the fiscal year (FY) ended June 30, 2021. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

CPSEDD was organized under the Mutual and Miscellaneous Corporations Act of the State of Washington. The purpose of the organization is to promote economic development coordination. CPSEDD entered into an ongoing agreement with the Puget Sound Regional Council (PSRC) to increase government efficiency and to integrate CPSEDD's economic development work with the growth management and transportation planning of the PSRC.

Fiscal Year 2021 Highlights

CPSEDD maintained its operations during the fiscal year 2021. CPSEDD reported a net position of \$73,551 at June 30, 2021, which was unrestricted. CPSEDD accepted a new EDA CARES grant in the amount of \$400,000 that increased the budget. A portion of the grant was recognized in the fiscal year 2021 which contributed to the increase in net position by \$8,671.

Overview of Financial Statements

This MD&A is intended to serve as an introduction to CPSEDD's basic financial statements which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains required supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of CPSEDD's finances in a manner similar to a private sector business. The statements provide short-term and long-term information about CPSEDD's financial position, which assists in assessing CPSEDD's financial condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. All revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. The government-wide financial statements include two statements:

The statement of net position presents all CPSEDD's assets and liabilities, deferred inflows and outflows of resources, with the residual reported as net position. Over time, increases or decreases in CPSEDD's net position may serve as a useful indicator of whether the financial position of CPSEDD is improving or deteriorating.

The statement of activities presents information showing how CPSEDD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related

cash flows. 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 of the government-wide financial statements would distinguish functions of the reporting entity principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). CPSEDD, however, has and reports only governmental activities.

Fund Financial Statements

The fund financial statements are designed to report financial information about CPSEDD's funds. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives.

CPSEDD, like other state and local governments, 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. CPSEDD has and reports one governmental fund, which is the sole major fund of CPSEDD.

The governmental fund is used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining whether there will be sufficient near-term resources available to meet the current needs of CPSEDD.

Because the focus on the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities. The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following 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 can be found immediately following the notes to the financial statements.

Government-wide Financial Analysis

As shown on the Condensed Statement of Net Position below, total assets increased by \$50,000 at the end of fiscal year 2021 and total liabilities increased by \$41,329.

The net increases boosted net position by \$8,671. Net position is unrestricted and available to support future operations. Condensed financial statements with comparative data are presented below:

<i>Condensed Statements of Net Position:</i>	<u>FY 2021</u>	<u>FY 2020</u>
Current assets	\$143,236	\$93,236
Total assets	143,236	93,236
Other liabilities	69,685	28,356
Total liabilities	69,685	28,356
Unrestricted Net Position	\$73,551	\$64,880

As seen in the Condensed Statement of Activities below, program revenues accounted for approximately 43% of CPSEDD's total revenues in the fiscal year 2021. Program revenues consist of member dues. Member dues are assessed to local governments and through special contractual arrangements. These member dues are first distributed to match the basic grants and are then used to support administrative costs and various projects.

All CPSEDD's expenses were for program related expenses. Total program expenses increased by \$23,249 due to an increase in labor costs and consultant expenditures. However, total revenues increased more, improving the overall financial position from the previous year.

<i>Condensed Statements of Activities:</i>	<u>FY 2021</u>	<u>FY 2020</u>
Member dues and other revenue	\$133,934	\$139,241
Total program revenues	133,934	139,241
Unrestricted grants and contributions	174,405	102,781
Interest and other revenues	631	1,366
Total general revenues	175,036	104,147
Total revenues	\$308,970	\$243,388
Other development activities	\$ 300,299	\$ 277,050
Total expenses	300,299	277,050
Changes in net position	8,671	(33,662)
Beginning net position	64,880	98,543
Ending net position	\$73,551	\$64,881

Governmental Fund Financial Analysis

Fund balance increased by \$8,671 as revenues exceeded expenditures in the fiscal year 2021 due to the addition of the EDA CARES grant. Total revenues increased by \$65,582 in this fiscal year, primarily due to an increase in grants revenue. Fiscal year 2021 participating member dues was adjusted slightly for the annual dues increase that feed into PSRC's contingency fund.

Budget Variance in the General Fund

CPSEDD budgets on a biennial basis. This is the second year of the 2020-2021 biennium for CPSEDD's operating fund. The biennial budget is a true 24-month budget, not two separate budgets enacted at the same time. Amounts for certain line items were revised from original budget to final budget. The budget was prepared based on available funding for the two-year budget periods, including total amounts of grants awarded, regardless of the actual spending. Actuals reflect all costs incurred in fiscal years 2020 and 2021. All costs are offset by grants, contributions, and local dues. The unspent amounts are carried over to the next biennial budget.

The final budget has two-year revenue and expenditure amounts of \$905,000. In fiscal year 2021, CPSEDD reported the two-year actual revenues of \$650,900 and expenditures of \$577,349. Also noteworthy, the beginning fund balance is not included in the budgeted revenues.

Request for Information

This financial report is designed to provide a general overview of the Central Puget Sound Economic Development District's finances for all those with an interest in CPSEDD's finances. Questions concerning any information provided in this report should be addressed to:

Central Puget Sound Economic Development District
1011 Western Ave, Suite 500
Seattle, Washington 98104

CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash (Notes 1 & 3)	\$ 67,962
Grants receivable (Note 1)	74,369
Prepays (Note 1)	905
Total assets	143,236
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Due to PSRC (Note 4)	69,685
Total liabilities	69,685
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION (NOTE 1)	
Unrestricted	73,551
Total net position	\$ 73,551

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

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Other development activities	\$ (300,299)	\$ -	\$ 133,934	\$ -	\$ (166,365)
Total governmental activities	(300,299)	-	133,934	-	(166,365)
GENERAL REVENUES					
Unrestricted grants					174,405
Interest income					631
Total general revenues					175,036
CHANGE IN NET POSITION					8,671
NET POSITION AS OF JULY 1, 2020					64,880
NET POSITION AS OF JUNE 30, 2021					\$ 73,551

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

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021**

	General Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash (Notes 1 & 3)	\$ 67,962
Grants receivable (Note 1)	74,369
Prepays (Note 1)	905
Total assets	143,236
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 143,236
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Due to PSRC (Note 4)	69,685
Total liabilities	69,685
Deferred Inflows of Resources	-
Fund Balances (Note 1):	
Nonspendable	905
Restricted	-
Committed	-
Assigned	-
Unassigned	72,646
Total fund balances	73,551
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 143,236
Total fund balances - governmental fund	\$ 73,551
Total net position - governmental activities	<u>\$ 73,551</u>

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

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund
Revenues	
Participating member dues (Note 1)	\$ 133,934
Federal and state grants	174,405
Other support and revenues	631
Total revenues	308,970
Expenditures	
PSRC staff and management services	287,619
Consultant services	9,971
Other expenses	2,709
Total expenditures	300,299
Net change in fund balances	8,671
Total fund balances as of July 1, 2020	64,880
Total fund balances as of June 30, 2021	\$ 73,551
Changes in fund balances - governmental fund	\$ 8,671
Changes in net position - governmental activities	<u>\$ 8,671</u>

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

**CENTRAL PUGET SOUND ECONOMIC
DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Central Puget Sound Economic Development District (CPSEDD) 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:

Reporting Entity

CPSEDD was organized in 1971 to promote economic development and long-term employment within its member jurisdictions. CPSEDD is comprised of several counties, cities and port authorities in the Puget Sound area and is funded by contributions from these member jurisdictions, private corporations, state agencies and by the United States Department of Commerce Economic Development Administration (EDA).

The Board of CPSEDD consists of 33 members, representing cities, counties, ports, the private sector, and tribes. Of these Board Members, 13 are also members of Puget Sound Regional Council (PSRC). PSRC management is responsible for the activities of CPSEDD and bears a financial burden in providing support funding to CPSEDD. CPSEDD is considered as a blended component unit of PSRC and its financial activities are included in the basic financial statements of the PSRC in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

As required by GAAP, the financial statements present CPSEDD. CPSEDD does not have any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. CPSEDD reports its governmental activities, which normally are supported by grants, contributions and member dues. CPSEDD does not have business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by the program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. CPSEDD's policy is to allocate indirect costs to a specific function or segment. Program revenues include: 1) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and 2) charges to participants who purchase, use, or directly benefit from goods, services, or privileges provided by the program. Support and contributions from PSRC are reported as general revenues rather than program revenues. Unrestricted grants and other items not included among program revenues are reported as general revenues.

Separate fund financial statements are presented for the governmental fund. Governmental

Fund financial statements consist of a balance sheet and 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 CPSEDD was created. CPSEDD has no non-major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are based on the flow of 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. Revenues and receivables resulting from exchange and exchange-like transactions, such as member dues, are recognized when the exchange takes place. Revenues and receivables from non-exchange transactions, such as federal and state grants and contributions are recognized in conformity with GASB Statement No. 33, which requires recognition of grants and other similar items as soon as all applicable eligibility requirements imposed by the provider have been met.

The 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, CPSEDD considers revenues, including grants and member dues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims, and judgments are recorded only when payment is due.

New Accounting Pronouncements

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, 2019. CPSEDD has adopted GASB 95 (see below), thus postponing GASB 87.

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, 2019. Earlier application is encouraged. CPSEDD has adopted GASB 95 (see below), thus postponing GASB 89.

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, 2020. Earlier application is encouraged. CPSEDD has adopted GASB 95 (see below), thus postponing GASB 91.

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. Statement is effective after June 15, 2020 except for the requirement related to leases, which are effective upon issuance. CPSEDD has adopted GASB 95 (see below), thus postponing GASB 92.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement removes the interbank offered rate (IBOR) 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, 2020. CPSEDD has adopted GASB 95 (see below), thus postponing GASB 93.

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. CPSEDD is currently evaluating of 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 effective immediately. CPSEDD has implemented this statement to postpone the GASB Statements No. 84, 89, 90, 91, 92 and 93 by one year and No. 87 by 18 months GASB Statements No. 83 and 88 were considered and determined not applicable when they became effective in prior year.

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. CPSEDD is currently evaluating of the impact of this new GASB statement.

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 requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. CPSEDD considered these requirements that were effective immediately and determined they were not applicable. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years

beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. CPSEDD is currently evaluating the impact of these requirements that are not effective immediately.

Budget Information

CPSEDD adopts a two-year budget. Grant revenues are recognized in the budget when they are awarded, regardless of whether the work will be performed in the current biennium. Grant revenues for work to be completed in the next biennium are reflected as encumbered revenues in the expenditures section of the budget. Amounts budgeted for salaries and benefits, overhead, consultants and other direct expenditures reflect the amounts related to grant work to be completed in the current biennium. The biennial budget includes the option for adjustment after the first year with a supplemental budget or simple budget amendment.

The budgetary comparison schedule contains the original and final budget information. The original budget is the first complete appropriated budget for the biennium. The final budget is the original budget adjusted by all reserves, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year. Significant variances exist between actual and budgeted revenues and expenditures. These differences are most significant in the first year of the biennial budget cycle.

CPSEDD may over expend appropriations in those instances when no specific limit is identified. In these cases, services that have been appropriately authorized are eligible for payment and revenue is available to pay for the service.

Cash

Cash consists solely of pooled investments in the King County Investment Pool (the Pool). The King County Treasurer acts as custodian for CPSEDD's cash. CPSEDD reports its investments in the Pool at the fair value amount, which is the same as the value of the Pool per share. The Pool functions essentially as a demand deposit account. See Note 3, Deposits and Investments.

Grants Receivable

Grants receivable represents revenues and contracts for the current period that have been recorded but not received. CPSEDD uses the allowance method to account for uncollectible receivables. No allowance for uncollectible amounts has been recorded since management considers the balance in grants receivable to be fully collectible.

Membership Dues

Funding of CPSEDD is provided through federal, state and local grants, contributions, local match support from PSRC, and membership dues assessed to local governments through special contractual arrangements. Membership dues are first distributed to match the grants and are then used for the general support of agency functions as allocated in the biennial budget and work program.

Unearned Revenues

Unearned revenues are liabilities and should be distinguished from deferred inflows of resources. Amounts reported as unearned revenues are true obligations that CPSEDD has little or no discretion to avoid, including grant advance subject to eligibility requirements.

Classification of Net Position

In the government-wide financial statements, net position is classified in the following three components:

Net 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. The CPSEDD had no investment in capital assets, net of related debt as of June 30, 2021.

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 position. As of June 30, 2021, CPSEDD had no restricted net position.

Unrestricted – Unrestricted net position consists of the remaining balance that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”. As of June 30, 2021, CPSEDD had an unrestricted net position of \$73,551.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide statement, a flow assumption must be made about the order in which the resources are considered to be applied. It is CPSEDD’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Classification and Details

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*.

Nonspendable fund balances are amounts that cannot be spent because they are either in a non-spendable form or are legally/contractually required to be maintained intact, including inventories, prepaid expenses, advances, etc. As of June 30, 2021, CPSEDD had a \$905 nonspendable fund balance.

Restricted fund balances are amounts that can be spent only for specific purposes stipulated by donors, grantors, creditors or by the law. As of June 30, 2021, CPSEDD had no restricted fund balance.

Committed fund balances are amounts that constrained for a specific purpose determined by a formal action of the Board of CPSEDD, the highest level of decision-making authority. The same action is required to remove or change the constraint as it did to impose the constraint. As of June 30, 2021, CPSEDD had no committed fund balance.

Assigned fund balances are amounts constrained by the CPSEDD's intent that they will be used for specific purposes. CPSEDD has adopted its policy to delegate the authority to assign amounts to be used for specific purposes to its Executive Director. As of June 30, 2021, CPSEDD had no assigned fund balances.

Unassigned fund balances are amounts not classified as nonspendable, restricted, committed or assigned in the general fund. CPSEDD reported an unassigned fund balance of \$72,646 as of June 30, 2021.

CPSEDD's spending policy of its general fund is restricted, assigned, committed, and unassigned. Restricted fund balances are spent first according to the purposes for which restricted funds are received. Unassigned funds are spent after committed and assigned funds have been exhausted.

Federal Income Tax

CPSEDD is considered a political subdivision and, as such, is not subject to federal income taxes under Section 115 of the Internal Revenue Code.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of financial-related legal or contractual provisions.

NOTE 3 – DEPOSITS AND INVESTMENTS

It is CPSEDD's policy to invest its cash balance in the King County Investment Pool (the Pool), an external investment pool. The Pool is not registered with the Securities and Exchange Commission as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County Finance Committee as defined in RCW 36.48.070. All investments are subject to written policies and procedures adopted by EFC. CPSEDD has executed a cash management agreement with King County and may withdraw funds from the Pool for immediate expenditures by submitting a warrant or electronic payment request, which will reduce the principal balance in the fund.

CPSEDD reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The share is valued using an amortized cost basis. 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. The net change in the fair values of the investments is reported as an increase or decrease in cash and cash equivalents in the statement of net position. As of June 30, 2021, CPSEDD had pooled investments totaling \$67,962.

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

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2021, the Pool's weighted average maturity was 1.29 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. The Pool's market value is calculated on a monthly basis; however unrealized gains or losses are not distributed. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk is the risk 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 June 30, 2021, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, the Pool policies authorize investments 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.

NOTE 4 – RELATED PARTY

CPSEDD and PSRC entered into a Memorandum of Agreement dated June 27, 2002 to cooperate and support economic planning activities within the region. The agreement allows both agencies to make the most efficient use of resources. The governing body of CPSEDD is substantially the same as the governing body of PSRC, and CPSEDD is included in the financial statements of PSRC as a blended component unit.

All CPSEDD's work is now done on a contract basis. PSRC bills CPSEDD for the services performed by PSRC staff and indirect costs based on its indirect cost plan approved by the Federal Transit Administration. Total PSRC contracted staff service expenses and related indirect costs incurred during the period amounted to \$287,619. PSRC also processes all CPSEDD's dues transactions, bill payments and cash receipts. CPSEDD reimburses PSRC for the net amount of transactions processed on its behalf. As of June 30, 2021, the net balance due to PSRC from CPSEDD was \$69,685.

NOTE 5 – CONTINGENCIES AND LITIGATIONS

CPSEDD has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that CPSEDD will have to make payment. In the opinion of management, CPSEDD did not have any contingent liabilities as of June 30, 2021.

NOTE 6 – RISK MANAGEMENT

CPSEDD is exposed to various risks of loss related to torts, thefts, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

NOTE 7 – COVID-19 PANDEMIC

During the 2021 fiscal year, CPSEDD continued to meet remotely because of the COVID-19 pandemic. By Emergency Proclamation 20-28, et seq., Washington State's Governor, Jay Inslee, enacted and extended a temporary waiver to the State's Open Public Meetings Act (OPMA) throughout the year despite the state's reopening efforts amid fluctuating infection rates. Staff worked either within PSRC's office space or remotely, following state and local health guidance and regulations. However, the office space remained closed to the public. Members of the public had access to the remote meetings and were afforded the opportunity to provide oral and/or written comments at the beginning of each meeting. CPSEDD's work continued without interruption because both board members and staff are now well versed in working and hosting meetings remotely.

The CPSEDD has not experienced any direct financial impacts due to the pandemic. Management will continue to monitor the situation and respond accordingly.

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget (Note 1)	Final Budget	Actual	Variance (Note 2)
Resources (inflows):				
Budgetary fund balance, July 1, 2019			\$ 98,542	
Carryover	\$ 32,000	\$ 32,000	\$ 24,381	(\$7,619)
Participating member dues	273,000	273,000	273,175	175.00
Federal and state operating grants	200,000	600,000	252,805	(347,194.78)
Other services and support	-	-	1,997	1,996.50
Amounts available for appropriation	\$ 505,000	\$ 905,000	\$ 650,900	(\$254,100)
Expenditures (outflows):				
Salaries and benefits	\$ 289,000	\$ 359,000	\$ 353,158	(\$5,842)
Overhead	161,000	202,000	208,674	6,674
Consultants and other direct expenditures	55,000	265,000	15,517	(249,484)
Encumbered revenue	-	79,000	-	(79,000)
Total charges to appropriations	\$ 505,000	\$ 905,000	\$ 577,349	(\$327,651)
Excess of revenues over estimated expenditures	-	-	73,551	\$ 73,551
Budgetary fund balance, June 30, 2021			\$ 73,551	

Notes:

Note 1 - CPSEDD prepares its budget on a GAAP basis. CPSEDD prepares a biennial budget, which estimates future revenues and expenditures. Each biennium, after the carryforward revenues are known, CPSEDD amends the biennial budget to the actual amount of carry forward revenues, which will be used for work in subsequent years. "Original Budget" amounts come from June 2020 Adopted Budget & Work Program. "Final Budget" amounts come from May 2021 Adopted Supplemental Budget and Work Program. See Financial Statement Note 1 for further discussion of the policy of budget preparation.

Note 2 - See variance analysis in Management's Discussion and Analysis.

Note 3 - CPSEDD uses Generally Accepted Accounting Principles (GAAP) as its basis of budgeting. Expenditures are matched to current revenues and excess budgetary revenues are encumbered for future use.

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.

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