



## Puget Sound Regional Council

March 3, 2025

### **INFORMATION ITEM**

**To:** Central Puget Sound Economic Development District Board

**From:** Lili Mayer, Finance Manager

**Subject:** **Fiscal Year 2024 Audit Results for Puget Sound Regional Council and the Central Puget Sound Economic Development District**

### **IN BRIEF**

On February 27, 2025, the State Auditor's Office (SAO) held their annual exit conference as part of PSRC's regular February Operations Committee meeting.

### **DISCUSSION**

At the exit conference, the SAO presented the results of their audit of both PSRC and CPSEDD. Both PSRC and CPSEDD had clean audits with no findings, management letters or exit items to report.

Audit reports, including financials, are expected to be published the week of March 4, 2025, on the SAO website at: [www.sao.wa.gov](http://www.sao.wa.gov).

For more information, please contact Lili Mayer, Finance Manager, at 206-971-3268 or [lmayer@psrc.org](mailto:lmayer@psrc.org).

### **ATTACHMENTS**

- A. Exit Conference: Puget Sound Regional Council and Central Puget Sound Economic Development District



## Office of the Washington State Auditor

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### Pat McCarthy

## Exit Conference: Puget Sound Regional Council and Central Puget Sound Economic Development District

The Office of the Washington State Auditor’s vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

### Audit Reports

We will publish the following reports:

- Accountability audit for July 1, 2023 through June 30, 2024 for PSRC– see draft report.
- Financial statement and federal grant compliance audit for July 1, 2023 through June 30, 2024 for PSRC – see draft report.
- Financial statement July 1, 2023 through June 30, 2024 for CPSEDD – see draft report.

### Audit Highlights

- We thank Lili Mayer, Finance Manager, and Andrew Werfelmann, Budget Manager for their timely communications during the audit and their effort to make the audit successful.

### Financial Statement Audit Communication

We would like to bring the following to your attention:

- We didn’t identify any material misstatements during the audit.
- There were no uncorrected misstatements in the audited financial statements.
- The audit addressed the following risks, which required special consideration:
  - Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

### Finalizing Your Audit

#### **Report Publication**

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at <https://portal.sao.wa.gov/SAOPortal>.

#### **Management Representation Letter**

We have included a copy of representations received from management.

### **Audit Cost**

At the entrance conference, we estimated the cost of the audit to be \$52,000 (for PSRC), \$11,200 (for CPSEDD) and actual audit costs will approximate that amount.

### **Your Next Scheduled Audit**

Your next audit is scheduled to be conducted in late 2025 and early 2026 and will cover the following general areas:

- Accountability for public resources (PSRC)
- Financial statement (PSRC and CPSEDD)
- Federal programs (PSRC)

The estimated cost for the next audit based on current rates is \$46,000 (for PSRC), \$11,200 (for CPSEDD) plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal Single Audit requirements. Federal awards can include grants, loans, and non-cash assistance like equipment and supplies.

### **Working Together to Improve Government**

#### **Audit Survey**

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

#### **Local Government Support Team**

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

#### **The Center for Government Innovation**

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

### **Questions?**

Please contact us with any questions about information in this document or related audit reports.

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Office of the Washington State Auditor  
Pat McCarthy

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# Financial Statements and Federal Single Audit Report

# Puget Sound Regional Council

For the period July 1, 2023 through June 30, 2024

*Published (Inserted by OS)*

Report No. 1036701



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

Issue Date – (Inserted by OS)

Executive Board  
Puget Sound Regional Council  
Seattle, Washington

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

Please find attached our report on the Puget Sound Regional Council’s financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

### Puget Sound Regional Council July 1, 2023 through June 30, 2024

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

The results of our audit of the Puget Sound Regional Council 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 Council.

##### 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 Council’s compliance with requirements applicable to each of its major federal programs.

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

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### Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
20.507	Federal Transit Cluster - Federal Transit Formula Grants

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

The Council qualified 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*

### Puget Sound Regional Council July 1, 2023 through June 30, 2024

Executive Board  
Puget Sound Regional Council  
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 Puget Sound Regional Council, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 27, 2025.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

February 27, 2025

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## 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

### Puget Sound Regional Council July 1, 2023 through June 30, 2024

Executive Board  
Puget Sound Regional Council  
Seattle, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the Puget Sound Regional Council, 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 Council's major federal programs for the year ended June 30, 2024. The Council'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 Council 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 June 30, 2024.

### 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 Council 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

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compliance for each major federal program. Our audit does not provide a legal determination on the Council'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 Council'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 Council'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 Council'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 Council'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 Council'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 Council's internal control over compliance. Accordingly, no such opinion is expressed; and

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- 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 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. 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 over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

### 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.



Pat McCarthy, State Auditor

Olympia, WA

February 27, 2025

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## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### **Puget Sound Regional Council July 1, 2023 through June 30, 2024**

Executive Board  
Puget Sound Regional Council  
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 Puget Sound Regional Council, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Puget Sound Regional Council, as of June 30, 2024, 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.

#### **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 Council 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.

#### **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

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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 Council'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 Council'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 Council's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

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

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council'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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025 on our consideration of the Council'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 Council'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 Council's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

February 27, 2025

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**FINANCIAL SECTION**

**Puget Sound Regional Council  
July 1, 2023 through June 30, 2024**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management’s Discussion and Analysis – 2024

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2024

Statement of Activities – 2024

Governmental Funds Balance Sheet – 2024

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2024

Notes to Financial Statements – 2024

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – 2024

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2024

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2024

Schedule of Changes in PSRC’s Total OPEB Liability and Related Ratios - 2024

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2024

Notes to the Schedule of Expenditures of Federal Awards – 2024

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**PUGET SOUND REGIONAL COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2024**

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Puget Sound Regional Council (PSRC) for the fiscal year ended June 30, 2024. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

The PSRC is the regional transportation, economic and growth planning coordinating agency for the central Puget Sound region of Washington State. It serves as a forum for cities, counties, ports, transit agencies, tribes, and the state to work together on important regional issues.

The PSRC has an agreement with the Central Puget Sound Economic Development District (CPSEDD) to make the best use of public resources. CPSEDD is reported as a blended component unit in the financial statements of PSRC because PSRC bears a financial burden in providing support funding to CPSEDD and PSRC management is responsible for the activities of CPSEDD. The financial highlights and the comparative financial information in this analysis include the blended component unit data.

### **Financial Highlights**

The following are the PSRC's financial highlights for fiscal year 2024:

- PSRC has begun work on two new Safe Streets and Roads for All Grants awarded by the US Department of Transportation. These grants include a component of planning work to be carried out by the PSRC as well as components to be implemented by several member jurisdictions which are subrecipients on the grants. Between the two grants, the PSRC is budgeted to spend \$4,225,500 and subrecipients are approved to spend a total of \$5,437,954.
- PSRC accounts for long-term leases as required by GASB 87, *Leases*. PSRC relocated its office in fiscal year 2024, resulting in the removal of the prior office lease and the addition of a new 19-year office lease. Capital assets increased to \$9,036,755 from \$1,483,125 in fiscal year 2023. The increase is mainly due to the addition of the leased office asset along with associated purchases of furniture and leasehold improvement assets.
- In fiscal year 2024, PSRC's government-wide net position increased to \$7,527,537 from \$6,945,091 in fiscal year 2023 primarily due to increases in pension assets and capital assets. Of this amount, \$690,008 was invested in capital assets, \$107,433 was restricted for CPSEDD, \$2,753,698 was restricted for pensions, and \$3,976,398 was unrestricted.
- As required by GASB 68, *Accounting and Financial Reporting for Pensions*, PSRC accounts for their proportionate share of the Department of Retirement Services (DRS) pension liabilities. PSRC's net pension asset is \$2,050,489, an increase of \$200,252 from the net pension asset in fiscal year 2023. PSRC's net pension liability is \$885,723, a decrease of \$179,299 from the pension liability in fiscal year 2023. GASB 68 pension guidance only affects the government-wide statements. Results of

governmental activities, excluding the pension amounts, can be seen in the governmental fund statements.

- As required by GASB 75, PSRC accounts for postemployment benefits other than pensions (other postemployment benefits or OPEB). PSRC's net OPEB liability is \$2,220,154, a decrease of \$35,555 from fiscal year 2023. The GASB 75 guidance only affects the government-wide statements. Results of governmental activities, excluding the OPEB amounts, can be seen in the governmental fund statements.
- PSRC's governmental fund has a fund balance of \$7,735,666 as of June 30, 2024, a decrease of \$335,625 from the prior year. The governmental fund balance includes \$176,007 attributable to non-spendable prepaid expenses, and \$2,431,000 assigned for contingencies. The remaining portion of the balance, \$5,128,659 is unassigned and available to support future operations.

### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the PSRC'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 the required supplementary information (RSI) 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 PSRC's finances in a manner similar to a private sector business. The statements provide short-term and long-term perspectives regarding PSRC's financial position, which assists in assessing PSRC'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 PSRC's assets and liabilities, deferred inflows, and deferred outflows of resources, with the residual reported as net position. Over time, increases or decreases in PSRC's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The *statement of activities* presents information showing how PSRC'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 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 part of their costs through user fees and charges (business-type activities). PSRC, however, has and reports only governmental activities.

### Fund Financial Statements

The fund financial statements are designed to report financial information about each fund. 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.

PSRC, 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. PSRC has and reports one governmental fund, which is its sole major fund.

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, 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 financial resources available to meet PSRC's current needs. PSRC prepares the governmental fund financial statements using the current financial resources measurement focus and the modified accrual basis of accounting.

The focus on governmental fund is narrower than that of the government-wide financial statements, therefore 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.

### RSI

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**

The statement of net position represents information regarding all PSRC's assets, liabilities, deferred inflows and deferred outflows of resources, and net position. The net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Over time, net position may serve as a useful indicator of PSRC's financial position.

Current assets comprise 45% of total assets as of June 30, 2024. Total assets increased 59% from the prior fiscal year primarily due to the addition of a new right-of-use lease

asset and leasehold improvements related to PSRC's office move. Total liabilities increased 127% from the prior year also due to the new office lease liability.

Deferred inflows of resources related to pensions decreased by \$844,698 and deferred outflows of resources related to pensions decreased by \$230,605. See note 5 to the financial statements for more details.

The overall financial position improved from the prior fiscal year mainly due to the increase in capital assets and improved pension position. Net position increased by \$582,446 in fiscal year 2024.

Condensed Statements of Net Position with comparative data are presented below:

	<b>FY 2024</b>	<b>FY 2023</b>
<b><i>Condensed Statements of Net Position:</i></b>		
<i>Capital assets, net</i>	\$ 9,036,755	\$ 1,483,125
<i>Current and other assets</i>	11,104,790	11,173,648
Total assets	20,141,545	12,656,773
Deferred outflows of resources	2,007,817	2,238,422
<i>Current liabilities</i>	1,184,549	904,971
<i>Non-current liabilities</i>	12,253,409	5,016,567
Total liabilities	13,437,958	5,921,538
Deferred inflows of resources	1,184,549	2,028,565
<i>Invested in capital assets</i>	690,008	418,377
<i>Restricted</i>	2,861,131	2,045,591
<i>Unrestricted</i>	3,976,398	4,481,123
Net position	\$ 7,527,537	\$ 6,945,091

As seen in the condensed statement of activities below, program revenues accounted for approximately 34% of PSRC's total revenues while 54% of program revenues were from 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. There was a 4% increase in member dues from the prior year.

Total program revenues increased by \$822,064 compared to fiscal year 2023. The increase in program revenues was primarily due to receipt of the new Safe Streets and Roads for All (SS4A) grant.

As total revenues exceeded total expenses, PSRC's net position increased from \$6,945,091 in 2023 to \$7,527,537 in 2024.



See condensed statements of activities below:

	FY 2024	FY 2023
<b>Condensed Statements of Activities:</b>		
Dues and other service revenue	\$ 2,564,173	\$ 2,465,565
Operating grants and contributions	2,204,445	1,480,989
Total program revenues	<u>4,768,618</u>	<u>3,946,554</u>
Unrestricted grants and contributions	8,928,404	8,443,264
Interest income and other revenues	385,889	433,853
Total general revenues	<u>9,314,293</u>	<u>8,877,117</u>
 Total revenues	 <u>14,082,911</u>	 <u>12,823,671</u>
Regional planning and development	(13,270,655)	(11,235,382)
CPSEDD	(229,810)	(285,025)
Total expenses	<u>(13,500,465)</u>	<u>(11,520,407)</u>
Changes in net position	582,446	1,303,264
Beginning net position	6,945,091	5,641,827
Ending net position	<u>\$ 7,527,537</u>	<u>\$ 6,945,091</u>

### Governmental Fund Financial Analysis

Fund balances decreased by \$335,625 in the fiscal year 2024. Of the total fund balance of \$7,735,666, \$5,128,659 is unassigned and available for spending in future years at PSRC's discretion. Total revenues for fiscal year 2024 were \$14,249,805 which is an increase of \$1,641,450 compared to fiscal year 2023.

All of the PSRC's expenses are program expenses. Total program expenses increased by \$1,240,796 due to increased labor and consulting mainly related to work on the new SS4A grant.

### Budget Variance in the General Fund

PSRC prepares its budget on a biennial basis. Fiscal year 2024 is the first year of the 2024-2025 biennium for PSRC'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 the original budget to the final budget. The budget was prepared based on available funding, including the total amounts of grants awarded, regardless of the actual spending. Actuals reflect all costs incurred during fiscal year 2024, which are offset by grants and/or supported by contributions and local dues. The unspent amounts will be carried over to the next fiscal year.

The variance between budgeted amounts and actuals is primarily due to comparing one year of actuals to a biennial budget and from differences between estimated costs and actual experience. Also, the beginning fund balance is not included in the budgeted

revenues; likewise, the contingency reserve is only accounted for in the budget and not actual experience.

The current budget has two-year revenue and expenditure amounts of \$44,838,000. In fiscal year 2024, PSRC earned \$14,249,805 of these revenues and spent \$14,585,430 of associated expenses.

**Capital Assets**

PSRC's net investment in capital assets as of June 30, 2024, amounted to \$690,008. This investment in capital assets includes computers, equipment, furniture, leasehold improvements, a right-to-use leased office building, and right-to-use SBITA assets. For further information regarding capital assets, see notes 4 and 9 to the financial statements.

**Request for Information**

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

Puget Sound Regional Council, Finance Manager, 1201 Third Ave, Suite 500, Seattle, Washington 98101.

**PUGET SOUND REGIONAL COUNCIL  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

<b>ASSETS</b>	Governmental Activities
Current assets:	
Cash (Notes 1 and 3)	\$ 5,481,505
Grants receivable (Note 1)	3,213,355
Accounts receivable (Note 1)	95,217
Prepays (Note 1)	176,007
<b>Total current assets</b>	<b>8,966,084</b>
Noncurrent assets:	
Capital assets not being depreciated (Notes 1, 4 & 8):	
Equipment and software	966
Capital assets net of accumulated depreciation (Notes 1, 4 & 8):	
Furniture and equipment	378,278
Leasehold improvements	697,760
Leased building	7,897,004
Subscription-based information technology arrangements	62,747
Net pension asset	2,050,489
Security deposits (Note 8)	88,217
<b>Total noncurrent assets</b>	<b>11,175,461</b>
<b>Total assets</b>	<b>20,141,545</b>
<b>DEFERRED OUTFLOWS OF RESOURCES (NOTE 1)</b>	
Deferred outflows related to pensions (Note 5)	2,007,817
<b>Total deferred outflows of resources</b>	<b>2,007,817</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	798,750
Accrued liabilities (Note 1)	378,758
Unearned revenue (Note 1)	7,041
<b>Total current liabilities</b>	<b>1,184,549</b>
Non-current liabilities:	
Due within one year	743,100
Due in more than one year	8,465,944
Net pension liability	885,723
Net other postemployment benefits liability - long-term portion	2,158,642
<b>Total non-current liabilities</b>	<b>12,253,409</b>
<b>Total liabilities</b>	<b>13,437,958</b>
<b>DEFERRED INFLOWS OF RESOURCES (NOTE 1)</b>	
Deferred inflows related to pensions (Note 5)	1,183,867
<b>Total deferred inflows of resources</b>	<b>1,183,867</b>
<b>NET POSITION (NOTE 1)</b>	
Net investment in capital assets	690,008
Restricted for:	
CPSEDD	107,433
Pensions	2,753,698
Unrestricted	3,976,396
<b>Total net position</b>	<b>\$ 7,527,536</b>

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

**PUGET SOUND REGIONAL COUNCIL  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net Governmental Activities
			Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Regional Planning and Development	\$ (9,544,744)	\$ (3,725,911)	\$ 2,404,415	\$ 2,104,445	\$ (8,761,795)
Central Puget Sound Economic Development District (CPSEDD)	(157,024)	(72,786)	159,758	100,000	29,948
<b>Total governmental activities</b>	<b>(9,701,768)</b>	<b>(3,798,697)</b>	<b>2,564,173</b>	<b>2,204,445</b>	<b>(8,731,847)</b>
General Revenues					
Unrestricted grants and contributions					8,928,404
Interest income and other revenues					385,889
<b>Total general revenues</b>					<b>9,314,293</b>
<b>CHANGES IN NET POSITION</b>					<b>582,446</b>
<b>NET POSITION AS OF JULY 1, 2023</b>					<b>6,945,091</b>
<b>NET POSITION AS OF JUNE 30, 2024</b>					<b>\$ 7,527,537</b>

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

**PUGET SOUND REGIONAL COUNCIL  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2024**

	<b>GENERAL FUND</b>
<b>ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	
Assets:	
Cash (Notes 1 and 3)	\$ 5,481,505
Grants receivable (Note 1)	3,213,355
Accounts receivable (Note 1)	95,217
Prepays (Note 1)	176,007
Total assets	8,966,084
Deferred outflows of resources (Note 1)	-
Total assets and deferred outflows of resources	\$ 8,966,084
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 798,750
Accrued liabilities (Note 1)	378,758
Unearned revenue (Note 1)	7,041
Total liabilities	1,184,549
Deferred inflows of resources (Note 1)	45,869
Fund Balances (Note 1):	
Nonspendable	176,007
Assigned for contingencies	2,431,000
Unassigned	5,128,659
Total fund balances	7,735,666
Total liabilities, deferred inflows of resources and fund balances	\$ 8,966,084
Total fund balances - governmental fund	\$ 7,735,666
Amounts reported for governmental activities in the statement of net position are different because:	
Security deposits are not current financial resources and therefore not reported in the governmental fund	88,217
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund	9,036,755
Deferred inflows of resources due to revenue recognition criteria not being met	45,869
Accrued compensated absences not reported in governmental fund	(800,784)
GASB 68 assets and deferred outflows not reported in the governmental fund	4,058,305
GASB 68 and OPEB liabilities and deferred inflows not reported in the governmental fund	(4,289,744)
GASB 87 lease and GASB 96 SBITA liabilities not reported in the governmental fund	(8,346,747)
Total net position of governmental activities	<u>\$ 7,527,537</u>

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

**PUGET SOUND REGIONAL COUNCIL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024**

	<b>GENERAL FUND</b>
<b>Revenues</b>	
Member dues (Note 1)	\$ 2,564,173
Grant revenue	11,299,743
Interest income	238,780
Other miscellaneous revenues	147,109
<b>Total revenues</b>	<b>14,249,805</b>
<b>Expenditures</b>	
Current:	
Salaries and benefits	10,367,029
Consulting	1,422,990
Other operating expenditures	1,075,691
Capital outlay (Notes 1 and 4)	8,711,433
Debt service:	
Principal	1,027,862
Interest and other charges	41,440
<b>Total expenditures</b>	<b>22,646,445</b>
<b>Other Financing Sources</b>	
Leases	8,061,014
<b>Total other financing sources</b>	<b>8,061,014</b>
<b>Changes in fund balances</b>	<b>(335,625)</b>
<b>Total fund balances as of July 1, 2023</b>	<b>8,071,291</b>
<b>Total fund balances as of June 30, 2024</b>	<b>\$ 7,735,666</b>
Changes in fund balances	\$ (335,625)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation/amortization expense not reported in governmental fund but reported in government-wide statement of activities	(1,266,318)
Expenditures for acquisitions of assets which were capitalized in the government-wide financial statements	650,418
Net change in accrued expenses for compensated absences not reported in governmental fund but reported in government-wide financial statements	(79,893)
Net change in deferred inflows of resources over periods due to revenue recognition criteria not being met	(166,894)
Net change in total OPEB Liability	35,555
Expense adjustment related to GASB 68; net pension obligation	1,002,962
Expense adjustments related to GASB 87 and GASB 96; debt service	742,241
<b>Changes in net position of governmental activities</b>	<b>\$ 582,446</b>

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

**PUGET SOUND REGIONAL COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

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

The financial statements of Puget Sound Regional Council (PSRC) 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**

PSRC began operations on October 1, 1991. It is the third in a series of regional planning agencies that have served the people of the central Puget Sound region continuously since 1957. Its immediate predecessor, the Puget Sound Council of Governments (PSCOG), was legally dissolved in 1991 to make way for a stronger agency whose members will better achieve collective regional goals. See Note 6 - Related Parties for additional disclosure about PSRC.

PSRC is a special purpose government and serves as the regional planning and decision-making body for growth and transportation issues in King, Kitsap, Pierce and Snohomish counties. Regular membership in PSRC is open to all local governments in the four-county Puget Sound region.

PSRC is governed by a General Assembly and Executive Board. The General Assembly is composed of all member jurisdictions and agencies and meets at least annually. Executive Board members are appointed by their General Assembly constituents to represent the member governments. The Executive Board meets monthly to conduct ongoing business and to provide a forum for discussing regional issues.

As required by GAAP, the financial statements present PSRC, the primary government, and its blended component unit, the Central Puget Sound Economic Development District (CPSEDD). CPSEDD was organized in 1971 to promote economic development and long-term employment within the member jurisdictions. CPSEDD is a legally separate entity, but PSRC's management is responsible for the activities of CPSEDD. PSRC also bears a financial burden in providing support funding to CPSEDD. Additionally, most Board members of CPSEDD are also members of PSRC.

Separately issued financial statements for CPSEDD can be obtained by contacting CPSEDD at Central Puget Sound Economic Development District, 1201 Third Ave., Suite 500, Seattle, WA 98101.

**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 of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these financial statements. PSRC reports its governmental activities, which are normally supported by grants, contributions, and member dues. PSRC 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 are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. PSRC's policy is to allocate general and administrative costs to all specific functions based on its indirect cost plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Unrestricted grants and other items not included among program revenues are reported as general revenues.

Separate fund financial statements are provided for the 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 PSRC was created. PSRC 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.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, PSRC 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. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. PSRC has adopted this Statement, however there were no applicable changes or corrections in fiscal year 2024.

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. It is effective for fiscal years beginning after December 15, 2023. PSRC is currently evaluating the impact of this new GASB statement.



GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. It is effective for fiscal years beginning after June 15, 2024. PSRC is currently evaluating the impact of this new GASB statement.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. It is effective for fiscal years beginning after June 15, 2025. PSRC is currently evaluating the impact of this new GASB statement.

### **Budget Information**

PSRC 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 and 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.

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

### **Indirect Costs**

Indirect costs are calculated annually based on the previous year's actual expenditure. PSRC has an approved fixed indirect cost rate with carryforward methodology where any difference between the costs allocated with the rate and the actual indirect costs will be carried forward into the next fiscal year.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and pooled equity invested in the King County Investment Pool (KCIP). Cash includes \$10,000 in a revolving cash account which is maintained at US Bank for small purchases and payments that must be made quicker than the King County's processing time allows.

PSRC and its component unit participate in the KCIP maintained by the King County Treasury Operation Section. The King County Treasurer acts as custodian for PSRC's cash. The KCIP functions essentially as a demand deposit account where PSRC receives an allocation of its proportionate share of pooled earnings. Interest earnings distributed are used for PSRC's operations. See Note 3, Deposits and Investments.

### **Grants and Accounts Receivable**

Grants receivable represent revenues and contracts for the current period that have been recorded but not received. Accounts receivable represent contributions and dues for the current period that have been recorded but not received. PSRC 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.

### **Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources that represents a consumption of net assets that applies to a future period that will not be recognized as an outflow of resources (expense/expenditures) until the period it is used or consumed.

In the statement of net position, deferred outflows of resources include PSRC's proportionate share of amounts reportable under GASB 68 pension guidance. This is the difference between projected and actual investment earnings, contributions subsequent to the measurement date, differences between expected and actual experience, changes in actuarial assumptions and changes in proportionate shares.

### **Prepays**

PSRC accounts for prepaid assets using the consumption method. 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 purchase is reported as an asset and the recognition of the expenditure is deferred until the period in which the expense is actually incurred.

### **Capital Assets**

Capital assets, including computers and equipment, furniture, and leasehold improvements, are reported in the government-wide financial statements. Capital assets are defined by PSRC as assets with an initial individual cost exceeding \$5,000 or \$100,000 in the aggregate, and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Computers and equipment	3-8 years
Furniture	10 years
Leasehold improvements	5-10 years

In the governmental fund financial statements capital asset purchases, including improvements, are recorded as expenditures in the year of acquisition, using the same measurement criteria as that used for the government-wide financial statements. Donated assets are not recorded in the governmental fund.

**Leases**

Certain material leases are recognized as lease assets and lease liabilities in the government-wide financial statements. PSRC defines the lease liability materiality threshold as 5% of total noncurrent liabilities (excluding the present value of potential reportable financing lessee leases) with a lease term greater than one year including possible extension(s). The lease liability is measured as the present value of the lease payments using the applicable discount rate. The lease asset is equal to the lease liability plus lease prepayments made for future periods plus any direct ancillary costs necessary to place the asset into service minus lease incentive payments provided by the lessor before the start of the lease.

The discount rate used shall be one of the following as applicable: the rate of interest the lessor charges the lessee (as stated in the lease contract or the rate implicit in the lease), the implicit rate using the internal rate of return method derived from lease cash flows, asset FMV at lease inception, and residual value expected (or guaranteed) at the end of the lease, or the lessee's incremental borrowing rate.

Asset useful life for depreciation reporting will be calculated using the lesser of asset useful life or lease term (determined on a lease-by-lease basis), unless there is a purchase option that is reasonably certain to be exercised. The right-to-use asset will be amortized beginning on the commencement date using the straight-line method.

**Subscription-based IT Agreements (SBITAs)**

Certain material SBITAs are recognized as SBITA assets and SBITA liabilities in the government-wide financial statements. PSRC defines the SBITA liability materiality threshold as \$20K with a subscription term greater than one year including possible extension(s). The SBITA liability is measured as the present value of future subscription payments using the applicable discount rate. The intangible right-to-use SBITA asset is equal to the initial subscription liability plus payments made prior to the subscription term plus capitalizable implementation costs minus vendor incentives paid at or prior to the subscription term.

Under GASB 96, future subscription payments should be discounted using the vendor charged interest rate or an incremental borrowing rate (PSRC will use the Wall Street Journal Prime rate at the start of the subscription term).

Amortization of the subscription asset will be recognized as an outflow of resources over the subscription term using the straight-line method.

**Accrued Liabilities and Compensated Absences**

Accrued liabilities consist of accrued salaries, accrued employee benefits and compensated absences.

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay are accrued when incurred in the government-wide financial statements.

Employees earn personal time bank (PTB) hours based upon their date of hire and years of service and may accumulate earned PTB hours up to a maximum of 360 hours. Unused PTB hours at retirement or normal termination are considered vested and payable to the employee. Earned but unused PTB hours are accrued as a liability of PSRC in the government-wide financial statements.

PSRC no longer offers sick leave accrual. However, nonexempt employees may accrue sick leave to satisfy Washington State's Sick and Safe Law (beginning January 1, 2018). One hour is accrued for every 40 hours worked, and up to 56 hours may be carried forward per calendar year.

### **Membership Dues**

Funding of PSRC is provided through federal, state and local grants and contributions, 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.

### **Deferred Inflows of Resources**

In addition to liabilities, PSRC's financial statements will sometimes report a separate section for deferred inflows of resources that represents an acquisition of net assets that applies to a future period that will not be recognized as an inflow of resources (revenue) until that time.

In the governmental fund, deferred inflows of resources include grants that did not meet the availability criterion under the modified accrual basis. In the statement of net position, deferred inflows of resources also include PSRC's proportionate share of amounts reportable under the GASB 68 pension guidance. The pension amount reported is the difference between projected and actual investment earnings, contributions subsequent to the measurement date, differences between expected and actual experience, changes in actuarial assumptions and changes in proportionate shares.

### **Unearned Revenues**

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

### **Pensions**

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

For purposes of calculating the restricted net position related to the net pension asset, PSRC includes the net pension asset and the related deferred outflows and deferred inflows.

### **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*.

Non-spendable 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.

Restricted fund balances are amounts that can be spent only for specific purposes stipulated by donors, grantors, creditors or by law.

Committed fund balances are amounts that are constrained for a specific purpose determined by a formal action of PSRC's General Assembly and Executive Board, PSRC's highest level of decision-making authority. The same action is required to remove or change the constraint as it did to impose the constraint.

Assigned fund balances are amounts constrained by PSRC's intent that they will be used for specific purposes. PSRC has adopted its policy to delegate the authority to assign amounts to be used for specific purposes to its Policy Boards and Executive Director. PSRC's General Assembly adopted its budget, including \$2,431,000 which was assigned for contingency purposes. The Executive Board approved increases to the contingency reserve going forward, up to the recommended level of two months of operating expenses. Increases to the dues fund the increases to the contingency reserve.

Unassigned fund balances are amounts not classified as nonspendable, restricted, committed or assigned in the general fund.

As of June 30, 2024, PSRC had nonspendable fund balances of \$176,007, resulting from prepaids, assigned fund balances of \$2,431,000 for contingency purposes, and an unassigned fund balance of \$5,128,659.

PSRC's spending order 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.

### **Classification of Net Position**

For government-wide reporting as well as in proprietary funds, 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 – 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. As of June 30, 2024, PSRC's net position invested in capital assets was \$690,008.

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 those resources. As of June 30, 2024, PSRC had a restricted net position of \$107,433 for CPSEDD and \$2,753,698 for pensions.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt". As of June 30, 2024, PSRC had an unrestricted net position of \$3,976,398.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. To calculate the amounts reported 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 PSRC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### **Accounting 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.

### **Subsequent Events**

Certain events that occur between the date of the financial statements and the date they are issued must be disclosed. Management has evaluated all activities of PSRC through June 30, 2024 (the issuance date of the financial statements) and concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

## **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 PSRC's policy to invest all temporary cash surpluses in the KCIP. The KCIP 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's Finance Committee as defined in RCW 36.29.020. All investments are subject to written policies and procedures adopted by EFC. PSRC has executed a cash management agreement with KC, stating that PSRC 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 KCIP is an external investment pool. PSRC's shares in the KCIP are valued at amortized cost. 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 in the statement of net position. As of June 30, 2024, PSRC had pooled investments totaling \$5,403,898 and CPSEDD had pooled investments totaling \$72,307.

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2024, the KCIP's average duration was 1.21 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 June 30, 2024, PSRC'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), corporate notes (rated at least "A"), 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.

The cash account at U.S. Bank is secured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance.

#### NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2024, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Equipment and software	\$400,574	\$162,236	\$561,844	\$966
Leasehold improvements	47,123	13,424	60,547	-
Total capital assets, not being depreciated	447,697	175,660	622,391	966
Capital assets, being depreciated:				
Equipment and software	1,172,296	327,604	765,090	734,810
Leasehold improvements	131,973	769,545	131,973	769,545
Right-to-use leased building	2,704,203	8,116,365	2,704,203	8,116,365
Right-to-use SBITAs	122,342	53,165	-	175,507
Total capital assets, being depreciated	4,130,814	9,266,679	3,601,266	9,796,227
Less accumulated depreciation for:				
Equipment and software	(1,058,011)	(63,611)	(765,090)	(356,532)
Leasehold improvements	(131,973)	(71,785)	(131,973)	(71,785)
Right-to-use leased building	(1,854,311)	(1,069,253)	(2,704,203)	(219,361)
Right-to-use SBITAs	(51,091)	(61,668)	-	(112,759)
Total accumulated depreciation	(3,095,386)	(1,266,317)	(3,601,266)	(760,437)
Total capital assets being depreciated, net	1,035,428	8,000,362	-	9,035,790
Total capital assets	\$1,483,125	\$8,176,022	\$622,391	\$9,036,756

Depreciation and amortization expense of \$1,266,318 was charged to PSRC's regional planning and development program in the government-wide financial statements.

#### NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions*, for the fiscal year 2024:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ (885,723)
Pension assets	\$ 2,050,489
Deferred outflows of resources	\$ 2,007,817
Deferred inflows of resources	\$ (1,183,865)
Pension expense/expenditures	\$ (297,480)

### **State Sponsored Pension Plans**

Substantially all of the PSRC's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

Or the DRS ACFR 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.



**Contributions** - The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

Actual Contribution Rates:	PERS Plan 1		
	Employer		Employee
	Jul-Aug	Sep-Jun	
Local Government Units	6.36%	6.36%	6.00%
Administrative Fee	0.18%	0.18%	-
PERS Plan 1 UAAL	2.85%	2.99%	-
<b>Total</b>	<b>9.39%</b>	<b>9.53%</b>	<b>6.00%</b>

The PSRC does not currently employ any PERS 1 staff. However, it continues to fund the PERS 1 Unfunded Actuarial Accrued Liability (UAAL) per RCW 41.45.060. PSRC made \$220,656 in contributions to the plan for the fiscal year ended June 30, 2024.

**PERS Plan 2/3** provides retirement, disability, and death benefits. Retirement benefits are determined as 2 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 3% 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 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% 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 completely 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 to be set at a minimum of 5% and escalate to 15% 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%. 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) were as follows:

PERS Plan 2/3				
Actual Contribution Rates:	Employer 2/3		Employee Plan 2	Employee Plan 3
	Jul-Aug	Sep-Jun		
Local Government Units	6.36%	6.36%	6.36%	Varies
Administrative Fee	0.18%	0.18%	-	-
PERS Plan 1 UAAL	2.85%	2.99%	-	-
<b>Total</b>	<b>9.39%</b>	<b>9.53%</b>	<b>6.36%</b>	<b>Varies</b>

PSRC's actual contributions to the plan were \$475,510 for the fiscal year ended June 30, 2024.

### Actuarial Assumptions

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

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

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increases.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as our base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

There were changes in methods and assumptions since the last valuation:

- OSA made adjustments to TRS Plan1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.
- Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.00%.

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.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.00% 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.

### 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, 2023, are summarized in the table below. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

### Sensitivity of Net Pension Liability

The table below presents the PSRC's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the PSRC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)

PERS 1	\$1,237,422	\$885,723	\$578,772
PERS 2/3	\$2,230,153	\$(2,050,489)	\$(5,567,307)

### 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, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the PSRC reported its proportionate share of the net pension liabilities (assets) as follows:

	Liability (Asset)
PERS 1	\$885,723
PERS 2/3	\$(2,050,489)

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

	Proportionate Share 6/30/23	Proportionate Share 6/30/24	Change in Proportion
PERS 1	0.038250%	0.038801%	0.000551%
PERS 2/3	0.049888%	0.050028%	0.000140%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

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

### Pension Expense

For the year ended June 30, 2024, the PSRC recognized pension expense as follows:

	Pension Expense
PERS 1	\$9,928
PERS 2/3	(307,408)
<b>Total</b>	<b>\$(297,480)</b>

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

At June 30, 2024, the PSRC 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	-	(99,913)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	220,656	-
<b>TOTAL</b>	<b>\$220,656</b>	<b>\$(99,913)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$417,682	\$(22,910)
Net difference between projected and actual investment earnings on pension plan investments	-	(772,748)
Changes of assumptions	860,866	(187,635)
Changes in proportion and differences between contributions and proportionate share of contributions	33,103	(100,659)
Contributions subsequent to the measurement date	475,510	-
<b>TOTAL</b>	<b>\$1,787,161</b>	<b>\$(1,083,952)</b>

<b>ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$417,682	\$(22,910)
Net difference between projected and actual investment earnings on pension plan investments	-	(872,662)
Changes of assumptions	860,866	(187,635)
Changes in proportion and differences between contributions and proportionate share of contributions	33,103	(100,659)
Contributions subsequent to the measurement date	696,165	-

<b>TOTAL</b>	<b>\$2,007,817</b>	<b>\$(1,183,866)</b>
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Deferred outflows of resources related to pensions resulting from the PSRC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	PERS Plan 1	PERS Plan 2/3
2024	\$(67,977)	\$(422,148)
2025	(85,489)	(468,887)
2026	52,711	644,455
2027	841	236,319
2028	-	229,385
Thereafter	-	8,575
<b>Total</b>	<b>\$(99,914)</b>	<b>\$227,699</b>

#### Deferred Compensation Plan

PSRC offers non-pension retirement plans in the form of deferred compensation plans. PSRC offers all full-time employees a plan created in accordance with the Internal Revenue Code (IRC) Section 457. PSRC also offers the executive director a plan in accordance with IRC Section 401(a). The plans permit employees to defer portions of their compensation until future years. All amounts of compensation deferred under the plan are held in trust by a third-party administrator, MissionSquare Retirement (formerly ICMA Retirement Corporation), for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457(g). Accordingly, these assets have been excluded from the accompanying financial statements.

#### NOTE 6 - RELATED PARTIES

The Puget Sound Regional Council was organized in 1956 as the "Puget Sound Regional Planning Conference" by resolution of King, Kitsap, Pierce, and Snohomish Counties. The entity changed its name to the "Puget Sound Governmental Conference" in 1958. Several cities within those counties soon joined the entity, which in 1965 was reorganized consistent with changes in state law. In 1975, it was again reorganized as the "Puget Sound Council of Governments," and in 1991 as the "Puget Sound Regional Council."

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. 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. For the fiscal year ending June 30, 2024, total PSRC contracted staff service expenses and related indirect costs incurred during the period amounted to \$224,170. PSRC also processes all CPSEDD's dues transactions, bill payments and cash receipts. CPSEDD and PSRC reimburse each other for the net amount of transactions processed on CPSEDD's behalf. As of June 30, 2024, the net balance due to CPSEDD from PSRC was \$10,126. These related party transactions are eliminated in the PSRC's financial statements.

PSRC was created by a convocation of elected officials representing various central Puget Sound local governments on March 13, 1991. The convocation established PSRC as a separate legal entity to maintain the designation as the Metropolitan Planning Organization and the Regional Transportation Planning Organization for the central Puget Sound region. An Interlocal Agreement was adopted by the local governments relating to the establishment and operation of PSRC.

The Interlocal Agreement discusses the following essential topics:

- Mission
- Establishment of Regional Planning Agency; Duration
- Membership and Representation
- General Organization
- Functions/Authority
- Relationship of Regional Planning Agency to Local and State Governments
- Funding of Agency Administration/Operations
- Withdrawals

The interlocal agreement also lays out the terms of dissolution:

“Upon termination of this Agreement any money or assets in possession of the Regional Planning Agency after payment of all liabilities, costs, expenses, charges validly incurred under this agreement, shall be returned to all contributing governments in proportion to their assessment determined at the time of termination. The debts, liabilities, and obligations of the Regional Planning Agency shall not constitute a debt, liability or obligation of any member agency.”

Central Puget Sound local governments pay annual dues to PSRC to assist in funding the Biennial Budget and Work Program and match federal grants.

PSRC draws its membership, exercises its authority, and carries out its responsibilities pursuant to a variety of statutes, including without limitation:

- Chapter 39.34 RCW (Interlocal Cooperation Act)
- RCW 36.64.080-.110 (Joint Governmental Activities)
- RCW 36.70.060 (Regional Planning Commissions)
- Chapter 47.80 RCW (Regional Transportation Planning Organizations)
- Chapter 36.70A RCW (Growth Management Act)
- RCW 36.01.085 (County Economic Development Activities)
- RCW 35.21.703 (City Economic Development Activities)
- 23 USC §§134-135 (Metropolitan Planning Organizations)
- RCW 35.21.660-670, RCW 35A.35.020 (Model Cities)
- RCW 35.31.730-755 (Federally assisted Programs, Projects, and Activities)
- RCW 35.63.070 (Regional Planning Commissions)
- 42 USC 3121, 42 USC 3211, 12 CFR 302 & 304 (Public Works and Economic Development Act of 1965)

PSRC membership includes unincorporated portions of the counties of King, Kitsap, Pierce and Snohomish. As well as different levels of membership shown below.

4 Unincorporated County Members, including:  
King, Kitsap, Pierce, and Snohomish

77 City Members, including:

Algona, Arlington, Auburn, Bainbridge Island, Beaux Arts, Bellevue, Black Diamond, Bonney Lake, Bothell, Bremerton, Buckley, Burien, Carnation, Clyde Hill, Covington, Darrington, Des Moines, Du Pont, Duvall, Eatonville, Edgewood, Edmonds, Enumclaw, Everett, Federal Way, Fife, Fircrest, Gig Harbor, Granite Falls, Hunts Point, Issaquah, Kenmore, Kent, Kirkland, Lake Forest Park, Lake Stevens, Lakewood, Lynnwood, Maple Valley, Marysville, Medina, Mercer Island, Mill Creek, Milton, Monroe, Mountlake Terrace, Mukilteo, Newcastle, Normandy Park, North Bend, Orting, Pacific, Port Orchard, Poulsbo, Puyallup, Redmond, Renton, Roy, Ruston, Sammamish, SeaTac, Seattle, Shoreline, Skykomish, Snohomish, Snoqualmie, Stanwood, Steilacoom, Sultan, Sumner, Tacoma, Tukwila, University Place, Wilkeson, Woodinville, Woodway, and Yarrow Point.

4 Indian Tribe Members, including:

The Puyallup Tribe, the Suquamish Tribe, the Muckleshoot Indian Tribal Council, and the Tulalip Tribe.

7 Associate-Level Members, including:

Island County, Thurston Regional Planning Council, Puget Sound Partnership, University of Washington, Cascade Water Alliance, Alderwood Water and Wastewater District and Washington State University.

5 Statutory Members, including:

Ports of Bremerton, Everett, Seattle, and Tacoma. Also, the State Transportation Commission.

6 Transit Members, including:

Sound, King County-Metro, Pierce, Community, Everett and Kitsap Transit Agencies.

## **NOTE 7 - RISK MANAGEMENT**

PSRC 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 commercial insurance purchased from independent third parties and participation in the Washington State Department of Labor and Industries program for worker's compensation coverage. Settlements of claims did not exceed insurance coverage for any of the past three years.

## **NOTE 8 – LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)**

### **Lessee Leases**

PSRC leases an office building and various office equipment. PSRC has implemented GASB 87 as of July 1, 2021, and reports material long-term leases in the government-wide financial statements as lease assets and lease liabilities. At June 30, 2024, PSRC has one material office building lease.

The office building lease commenced on January 1, 2024, with a term through June 30, 2037. The term is likely to be extended for an additional 5 years as provided by the lease and therefore has been included in lease calculations. The implicit interest rate was calculated using the internal rate of return method derived from lease cash flows, asset FMV at lease inception, and residual value expected at the end of the lease. The lessor provided a moving allowance of \$107,130 as well as a rent abatement for the first six months' payments. The terms of the office building lease provide for the lessor to retain a security deposit which is refundable to PSRC at the end of the amended lease agreement.



Leased capital asset activities for the year ended June 30, 2024, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lease assets being amortized:				
Leased Buildings	\$2,704,203	\$8,116,365	\$(2,704,203)	\$8,116,365
Total	2,704,203	8,116,365	(2,704,203)	8,116,365
Less accumulated amortization:				
Leased Buildings	(1,854,310)	(1,069,254)	2,704,203	(219,361)
Total	(1,854,310)	(1,069,254)	2,704,203	(219,361)
Total lease assets being amortized, net:	\$849,893	\$7,047,111	\$-	\$7,897,004

As of June 30, 2024, the principal and interest requirements to maturity are as follows:

Year Ended June 30:	Principal	Interest	Total
2025	\$ -	\$667,852	\$667,852
2026	-	694,394	694,394
2027	8,933	706,293	715,226
2028	169,081	567,602	736,683
2029	208,414	550,369	758,783
2030-2034	1,693,466	2,456,472	4,149,938
2035-2039	3,179,589	1,630,631	4,810,220
2040-2042	2,917,595	328,881	3,246,476
<b>Total</b>	<b>\$8,177,078</b>	<b>\$7,602,494</b>	<b>\$15,779,572</b>

### SBITAs

PSRC is committed under various SBITAs. PSRC has implemented GASB 96 as of July 1, 2022, and reports material long-term SBITAs in the government-wide financial statements as SBITA assets and SBITA liabilities. At June 30, 2024, PSRC has two qualifying SBITAs.

PSRC has an agreement for Microsoft 365 software which commenced on June 1, 2022, and continues through May 31, 2025. There is an optional 3-year renewal period that has been excluded from the term because it is within a cancellable period and historically has not been exercised. The interest rate was determined using the Wall Street Journal (WSJ) Prime Rate at the date of implementation of GASB 96. PSRC also has an agreement with Granicus for web streaming software which commenced on June 1, 2019, and has been extended through renewal

to May 31, 2025. The interest rate was determined using the WSJ Prime Rate at the date of implementation of GASB 96.

SBITA capital asset activities for the year ended June 30, 2024, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being amortized:				
SBITAs	\$122,342	\$53,165	\$-	\$175,507
Less accumulated amortization	(51,091)	(61,668)	-	(112,759)
Total SBITA assets being amortized, net:	\$71,251	\$(8,503)	\$-	\$62,748

As of June 30, 2024, there are no remaining principal and interest requirements to maturity.

#### **NOTE 9 - CONTINGENCIES AND LITIGATIONS**

PSRC participates in several federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

#### **NOTE 10 - DEFINED OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2024:

<b>Aggregate OPEB Amounts – All Plans</b>	
OPEB liabilities	\$2,220,154
OPEB assets	\$-
Deferred outflows of resources	\$-
Deferred inflows of resources	\$-
OPEB expense/expenditures	\$19,998

#### **OPEB Plan Description**

The Council participates in a single-employer defined benefit plan offered by the Public Employees Benefit Board (PEBB) plan which is administered by the Health Care Authority (HCA) per RCW 41.05.065.

The PEBB plan is not a trust and there are no assets available. The plan is financed on a pay-as-you-go basis, meaning that PEBB employers pay these costs as they occur.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employer and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

The PEBB, created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including the establishment of eligibility criteria for both active and retired employees. The PEBB program that the Council enrolled in solely covers medical benefits; no other employee benefits are included in the program. Benefits are offered to retirees at a subsidized rate. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy. The explicit subsidy, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. The explicit subsidy is the lesser of 50 percent of the monthly premium and the dollar amount set by PEBB annually that grows at the healthcare trend rate.

PSRC has 67 active employees and 18 retired and COBRA (or inactive) employees covered by the benefit. It is not possible to estimate the number of employees entitled to, but not yet receiving benefits because neither PSRC nor HCA has an accurate way to measure this.

Employees covered by benefit terms: At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Active employees	67
<b>Total</b>	<b>85</b>

### Actuarial Valuations

PSRC used the alternative measurement method (AMM) Online Tool to determine OPEB liabilities and expenses permitted under GASB 75. AMM Online Tool prepared by the Washington State Office of the State Actuary (OSA) is available at OSA's website, <http://leg.wa.gov/osa>. The valuation methods and assumptions built into the AMM Online Tool were consistent with the 2023 PEBB OPEB Actuarial Valuation Report. This report is available at OSA's website. The Entry Age Normal actuarial cost method was used in the valuation, which is permitted under GASB 75. The actuarial assumptions used in the valuation were based on the results of the *2023 PEBB Actuarial Valuation Report*. The significant assumptions in the valuation included:

- Discount rate is based on Bond Buyer General Obligation 20-Bond Municipal Index. This resulted in a 3.65% discount rate for the beginning total OPEB liability, measured as of July 1, 2023, and 3.93% for the ending total OPEB liability, measured as of June 30, 2024.
- Projected salary changes at 3.25%. In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Healthcare trend rates range between 2-16%; reaching ultimate rate of 3.8% in 2075.
- Mortality rates were based on the PubG.H-2010 (General) Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using MP-2017 Long-Term Rates. 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.
- Inflation rate at 2.35% total economic inflation.
- Post-retirement participation percentage of 60%.
- Percentage with spouse coverage of 45%.

Additional assumptions made by the OSA in the AMM Online Tool include:

- 3/4 of members select a United Medical Plan (UMP) plan and 1/4 select a Kaiser Permanente (KP) plan. Costs for UMP pre- and post-Medicare and premiums are equal to the UMP Classic. The KP pre-Medicare costs and premiums are a 40/60 blend of KP WA Classic and KP WA Value. The Kaiser post-Medicare costs and premiums are equal to KP WA Medicare.
- Retirement service was estimated with an average entry age of 35 with a minimum service of one year.
- The OSA’s 2023 PEBB OPEB Actuarial Valuation Report (AVR) was used for retirement, disability, termination, and mortality rates. The expected average retirement age of 65 was used for simplicity. And applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65 and over.
- Dental benefits were not included when calculating the Total OPEB Liability.
- The selection of the age-based cohort is assumed to be a 50/50 male/female split, determined using the overall distribution of State employees.
- There is a 45% likelihood that current (and future) retirees cover a spouse. Further, eligible spouses are assumed to be at the same age as the primary member.

**Sensitivity of OPEB Liability**

The following presents the total OPEB liability of PSRC calculated using the current healthcare cost trend rate ranging from 2-16%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate. The current healthcare trend rate range is derived from the OSA’s 2023 PEBB OPEB Actuarial Valuation Report.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$1,872,877	\$2,220,154	\$2,666,934

The following presents the total OPEB liability of the PSRC calculated using the discount rate of 3.65%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate.

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$2,605,950	\$2,220,154	\$1,910,247

**Changes in the Total OPEB Liability**

Public Employee Benefit Board	Amount
-------------------------------	--------

<b>Total OPEB Liability at 07/01/2023</b>	\$2,255,709
Service cost	81,945
Interest	84,320
Changes of benefit terms	-
Differences between experience data and assumptions	(146,267)
Benefit payments	(55,553)
Other changes	-
<b>Total OPEB Liability at 06/30/2024</b>	\$2,220,154

The PSRC used the AMM Online Tool to calculate the OPEB liability of \$2,220,154 at June 30, 2024. The actuarial valuation and actuarial measurement dates were both as of June 30, 2024. No roll forward of OPEB liability was needed since both measurement dates were simultaneous. In total, the OPEB liability decreased by \$35,555, approximately 1.6%. The decrease is mainly due to changes in experience data and assumptions: the discount rate increased slightly from 3.65% to 3.93% and the actual experience was less than expected. Benefit payments of \$55,553 were subsidies expected to be paid out throughout the year.

PSRC recognized \$19,998 of OPEB expense in fiscal year 2024.

#### NOTE 11 - CHANGES IN NON-CURRENT LIABILITIES

	July 1, 2023	Increases	Decreases	June 30, 2024	Due Within One Year
Lease liabilities	\$950,484	\$8,061,014	\$(950,484)	\$8,061,014	\$-
Lease interest liabilities	-	285,733	-	285,733	78,432
SBITA liabilities	24,349	53,165	(77,514)	-	-
Compensated absences					
Accrued personal time	720,891	239,424	(159,530)	800,785	603,156
Net pension liability	1,065,022		(179,299)	885,723	
Net OPEB liability	2,255,709	-	(35,555)	2,220,154	61,512
<b>Total non-current liabilities</b>	<b>\$5,016,455</b>	<b>\$8,639,336</b>	<b>\$(1,402,382)</b>	<b>\$12,253,409</b>	<b>\$743,100</b>

PSRC calculates compensated absences due within one year based on the average value of leave used in the three most recent fiscal years or the actual liability, whichever is less.

**PUGET SOUND REGIONAL COUNCIL  
GOVERNMENTAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget		Final Budget		Actual (Note 2)		Variance (Note 4)
	(Note 1)				FY2024	FY2025	
Budgetary fund balance, July 1, 2023					8,071,291		
<b>Resources (inflows):</b>							
Carryover	\$	5,146,000	\$	17,961,000	\$	7,336,400	\$ - \$ (10,624,600)
Participating member dues		4,042,000		4,040,000		1,980,497	- \$ (2,059,503)
Local transit dues		1,191,000		1,191,000		583,676	- \$ (607,324)
Federal and state grants		21,395,000		21,396,000		4,069,527	- \$ (17,326,473)
Other services and support		100,000		100,000		279,705	- \$ 179,705
Anticipated revenue		150,000		150,000		-	- (150,000)
Amounts available for appropriation	\$	32,024,000	\$	44,838,000	\$	14,249,805	\$ - \$ (30,588,195)
<b>Expenditures (outflows):</b>							
Salaries and benefits	\$	17,881,000	\$	18,247,000	\$	10,367,029	\$ - \$ (7,879,971)
Overhead		8,354,000		8,263,000		2,610,663	- (5,652,337)
Consultants and other direct expenditures		3,208,000		8,850,000		1,607,738	- (7,242,262)
Anticipated revenue		150,000		150,000		-	- (150,000)
Encumbered				6,897,000		-	- (6,897,000)
Contingency (Note 3)		2,431,000		2,431,000		-	- (2,431,000)
Total charges to appropriations	\$	32,024,000	\$	44,838,000	\$	14,585,430	\$ - \$ (30,252,570)
Excess of resources over expenditures		-		-		(335,625)	-
Budgetary fund balance, June 30, 2024						\$ 7,735,666	

**Notes:**

Note 1 - PSRC prepares its budget on a GAAP basis. PSRC prepares a biennial budget, which estimates future revenues and expenditures. Each biennium, after the carryover revenues are known, PSRC amends the biennial budget to the actual amount of carryover revenues, which will be used for work in subsequent years. "Original Budget" amounts come from May 2023 Adopted Budget & Work Program. "Final Budget" amounts come from May 2024 Adopted Supplemental Budget and Work Program. See Financial Statement Note 1 for further discussion of the policy of budget preparation.

Note 2 - CPSEDD is a blended component unit of PSRC and included in the budget.

Note 3 - Contingency represents funds set aside for future unanticipated events; its use is subject to approval by the Executive Board.

Note 4 - See variance analysis in Management's Discussion and Analysis.

Note 5 - PSRC 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

Puget Sound Regional Council  
 Schedule of Proportionate Share of the Net Pension Liability  
 Washington Public Employees Retirement System 1  
 As of June 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Employer's proportion of the net pension liability (asset)	0.053261%	0.05307%	0.049654%	0.047298%	0.042461%	0.038402%	0.038548%	0.039963%	0.038250%	0.038801%
Employer's proportionate share of the net pension liability (asset)	\$ 2,683,048	2,776,107	2,666,654	2,244,327	1,896,323	1,476,693	1,360,953	488,042	1,065,020	885,723
Covered Payroll (1)	\$ 5,635,373	5,045,684	5,952,733	5,963,487	5,638,078	5,871,417	6,143,650	6,256,809	6,942,448	7,476,532
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	48%	55%	45%	38%	34%	25%	22%	8%	15%	12%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%

Notes to Schedule:  
 See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.  
 (1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5).

**REQUIRED SUPPLEMENTARY INFORMATION**

Puget Sound Regional Council  
 Schedule of Proportionate Share of the Net Pension Liability  
 Washington Public Employees Retirement System 2/3  
 As of June 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Employer's proportion of the net pension liability (asset)	0.063519%	0.063734%	0.063628%	0.060838%	0.054494%	0.049576%	0.050208%	0.051338%	0.049888%	0.050028%
Employer's proportionate share of the net pension liability (asset)	\$ 1,283,948	2,277,252	3,203,620	2,113,830	930,437	481,552	642,132	(5,114,091)	(1,850,237)	(2,050,489)
Covered payroll (1)	\$ 5,635,373	5,045,684	5,952,733	5,963,487	5,638,078	5,871,417	6,143,650	6,256,809	6,942,448	7,476,532
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	22.78%	45.13%	53.82%	35.45%	16.50%	8.20%	10.45%	-81.74%	-26.65%	-27.43%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.2%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%	107.02%

Notes to Schedule:  
 See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.  
 (1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5).



**REQUIRED SUPPLEMENTARY INFORMATION**

Puget Sound Regional Council  
 Schedule of Employer Contributions  
 Washington Public Employees Retirement System 1  
 As of June 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Contractually required contributions</u>	\$ 16,539	283,946	284,459	283,595	275,529	279,479	298,120	232,127	265,818	220,656
<u>Contributions in relation to the contractually required contributions</u>	\$ (16,539)	(283,946)	(284,459)	(283,595)	(275,529)	(279,479)	(298,120)	(232,127)	(265,818)	(220,656)
<u>Contribution deficiency (excess)</u>	\$ 0	0	0	0	0	0	0	0	0	0
<u>Covered payroll (1)</u>	\$ 5,045,684	5,952,733	5,963,487	5,638,078	5,387,655	5,871,417	6,143,650	6,256,809	6,942,448	7,476,532
<u>Contributions as a percentage of covered payroll</u>	0.33%	4.77%	4.77%	5.03%	5.11%	4.76%	4.85%	3.71%	3.83%	2.95%

Notes to Schedule:  
 See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.  
 (1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5).

**REQUIRED SUPPLEMENTARY INFORMATION**

Puget Sound Regional Council  
 Schedule of Employer Contributions  
 Washington Public Employees Retirement System 2/3  
 As of June 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Contractually required contributions</u>	\$ 521,715	370,855	371,524	422,293	404,894	465,017	486,577	397,936	441,572	475,510
Contributions in relation to the contractually required contributions	\$ (521,715)	(370,855)	(371,524)	(422,293)	(404,894)	(465,017)	(486,577)	(397,936)	(441,572)	(475,510)
<u>Contribution deficiency (excess)</u>	\$ 0	0	0	0	0	0	0	0	0	0
<u>Covered payroll (1)</u>	\$ 5,045,684	5,952,733	5,963,487	5,638,078	5,387,655	5,871,417	6,143,650	6,256,809	6,942,448	7,476,532
<u>Contributions as a percentage of covered payroll</u>	10.34%	6.23%	6.23%	7.49%	7.52%	7.92%	7.92%	6.36%	6.36%	6.36%

Notes to Schedule:  
 See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.  
 (1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5).

**REQUIRED SUPPLEMENTARY INFORMATION**

Puget Sound Regional Council  
 Schedule of Changes in PSRC's  
 Total OPEB Liability and Related Ratios  
 As of June 30, 2024

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Total OPEB Liability</b>										
Service Cost	\$ 155,990	126,819	129,636	178,798	154,435	99,890	81,945			
Interest	101,472	110,575	96,597	79,093	70,699	98,192	84,320			
Changes of benefit terms	-	-	-	-	-	-	-			
Differences between expected and actual experience	(164,746)	(287,018)	603,319	(475,554)	(605,869)	(580,573)	(146,267)			
Changes of assumptions	-	-	-	-	-	-	-			
Benefit Payments	(30,312)	(51,366)	(49,576)	(69,866)	(57,603)	(70,764)	(55,553)			
<b>Net change in total OPEB liability</b>	<b>62,404</b>	<b>(100,990)</b>	<b>779,976</b>	<b>(287,529)</b>	<b>(438,338)</b>	<b>(453,255)</b>	<b>(35,555)</b>			
<b>Total OPEB liability - Beginning</b>	<b>2,693,441</b>	<b>2,755,845</b>	<b>2,654,855</b>	<b>3,434,831</b>	<b>3,147,302</b>	<b>2,708,964</b>	<b>2,255,709</b>			
<b>Total OPEB liability - Ending</b>	<b>2,755,845</b>	<b>2,654,855</b>	<b>3,434,831</b>	<b>3,147,302</b>	<b>2,708,964</b>	<b>2,255,709</b>	<b>2,220,154</b>			
PSRC's Total OPEB liability	\$ 2,755,845	2,654,855	3,434,831	3,147,302	2,708,964	2,255,709	2,220,154			
Covered-Employee Payroll (1)	\$ 5,727,648	5,446,787	6,047,800	6,379,791	6,322,261	6,982,103	7,651,146			
PSRC's Total OPEB liability as a percentage of covered payroll	48.11%	48.74%	56.79%	49.33%	42.85%	32.31%	29.02%			

Notes to Schedule:

PSRC will continue to compile contributions figures going forward so that there is 10 years of comparative data available in future years.

The PEGB plan is not a trust and no assets are accumulated in a trust that meets the criteria (GASB 75, paragraph 4)

See Note 11 to the financial statements (OPEB Plan) for the changes in methods and assumptions since the last valuation.

(1) Covered-Employee Payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, paragraph 246).

**Puget Sound Regional Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2024**

Attachment A

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Development Support for Planning Organizations	11.302	-	-	100,000	100,000	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	GCB 3862	5,607,439	-	5,607,439	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	GCB 3862	1,000,009	-	1,000,009	-	
				<b>Total ALN 20.205:</b>	-	<b>6,607,448</b>	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	GCB 3862	1,567,380	-	1,567,380	-	
<b>Federal Transit Cluster</b>								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	1,354,779	1,354,779	-	
<b>Transit Services Programs Cluster</b>								
				<b>Total Federal Transit Cluster:</b>	-	<b>1,354,779</b>	-	

Att. A

The accompanying notes are an integral part of this schedule.

**Puget Sound Regional Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2024**

Attachment A

Att. A

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	Expenditures		Passed through to Subrecipients	Note
					From Direct Awards	Total		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0889	61,323	-	61,323	-	
<b>Total Transit Services Programs Cluster:</b>				<b>61,323</b>	<b>-</b>	<b>61,323</b>	<b>-</b>	
OFFICE OF THE SECRETARY, TRANSPORTATION, DEPARTMENT OF	Safe Streets and Roads for All	20.939		-	685,474	685,474	329,664	
OFFICE OF THE SECRETARY, TRANSPORTATION, DEPARTMENT OF	Safe Streets and Roads for All	20.939		-	2,869	2,869	-	
<b>Total ALN 20.939:</b>				<b>-</b>	<b>688,343</b>	<b>688,343</b>	<b>329,664</b>	
<b>Total Federal Awards Expended:</b>				<b>8,236,151</b>	<b>2,143,122</b>	<b>10,379,273</b>	<b>329,664</b>	

The accompanying notes are an integral part of this schedule.

**PUGET SOUND REGIONAL COUNCIL****NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****June 30, 2024****NOTE 1 – BASIS OF ACCOUNTING**

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Puget Sound Regional Council (the PSRC) under programs of the federal government for the year ended June 30, 2024. The Schedule is prepared on the same basis of accounting as the PSRC's financial statements. The PSRC uses the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of 2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)". Because the Schedule presents only a selected portion of the operations of the PSRC, it is not intended to and does not present the financial position or changes in cash flows of the PSRC.

**NOTE 2 – INDIRECT COST RATE**

The PSRC has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. The amount expended includes \$3,798,697 claimed as an indirect cost recovery using an approved indirect cost rate of 48.08% of direct salaries and benefits.

**NOTE 3 – PROGRAM COST**

The amounts shown as current year expenditures represent only the federal grant portion of the program cost. Entire program cost, including the PSRC's portion, may be more than shown. Such expenditures are recognized following the Uniform Guidance in 2 CFR 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 4 – METROPOLITAN PLANNING ORGANIZATION PLANNING FUNDS**

Metropolitan Planning Organization planning funds have been excluded from the Schedule and presented separately as the state consolidates these under agreement number GCB 3862.

## 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.

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

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Office of the Washington State Auditor  
Pat McCarthy

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## Accountability Audit Report

# Puget Sound Regional Council

For the period July 1, 2023 through June 30, 2024

*Published (Inserted by OS)*

Report No. 1036660



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## Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

Executive Board  
Puget Sound Regional Council  
Seattle, Washington

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Council operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Council's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

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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## AUDIT RESULTS

### Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Council operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the Puget Sound Regional Council from July 1, 2023 through June 30, 2024.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Council's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended June 30, 2024, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Compliance with interlocal agreement terms
- Accounts payable - general disbursements and credit cards
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

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## RELATED REPORTS

### Financial

Our opinion on the Council's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Council's financial statements. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

### Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Council's major federal programs, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

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## INFORMATION ABOUT THE COUNCIL

The Puget Sound Regional Council began operations on October 1, 1991. It is the third in a series of regional planning agencies that serve the Central Puget Sound region since 1957. The Council is the regional planning and decision-making body for growth and transportation issues in King, Kitsap, Pierce and Snohomish counties. It serves as a forum for cities, counties, ports, transit agencies, tribes and the state to work together on important regional growth and transportation issues.

Regular membership in the Council is open to all general-purpose local governments in the region. PSRC members include more than 80 entities, including King, Pierce, Snohomish and Kitsap counties, as well as cities, towns, ports, state and local transportation agencies and tribal governments within the region.

A General Assembly and an Executive Board govern the Council. Board Members are appointed by their General Assembly constituents to represent the member governments. The Board meets monthly to conduct the ongoing business of the Council and to provide a forum for discussing regional issues. The Council has a biennial operating budget of approximately \$47 million, which is funded primarily through federal and state grants and membership dues.

### Contact information related to this report

Address:	Puget Sound Regional Council 1201 Third Avenue, Suite 500 Seattle, WA 98101-3055
Contact:	Lili Mayer, Finance Manager
Telephone:	(206) 971-3268
Website:	<a href="http://www.psrc.org">www.psrc.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Puget Sound Regional Council at <https://portal.sao.wa.gov//ReportSearch>.

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Office of the Washington State Auditor  
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# Financial Statements Audit Report

## Central Puget Sound Economic Development District

For the period July 1, 2023 through June 30, 2024

*Published (Inserted by OS)*

Report No. 1036703



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

Issue Date – (Inserted by OS)

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 activities and condition.

Sincerely,

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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## 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, 2023 through June 30, 2024

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, as of and for the year ended June 30, 2024, 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 27, 2025.

### REPORT ON 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) 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 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District'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 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.



Pat McCarthy, State Auditor

Olympia, WA

February 27, 2025

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Central Puget Sound Economic Development District July 1, 2023 through June 30, 2024

Executive Board  
Central Puget Sound Economic Development District  
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 Central Puget Sound Economic Development District, a component unit of the Puget Sound Regional Council, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Central Puget Sound Economic Development District, as of June 30, 2024, 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.

#### 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 District 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.

#### 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 District'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 District'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 District's ability to continue as a going concern for a reasonable period of time; and

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

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

### OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025 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 the effectiveness of the District'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 District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

February 27, 2025

**FINANCIAL SECTION**

**Central Puget Sound Economic Development District  
July 1, 2023 through June 30, 2024**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management’s Discussion and Analysis – 2024

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2024

Statement of Activities – 2024

Balance Sheet - Governmental Fund – 2024

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Fund – 2024

Notes to Financial Statements – 2024

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – 2024

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**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2024**

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 ended June 30, 2024. 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 2024 Highlights**

CPSEDD maintained its operations during the fiscal year 2024. CPSEDD reported a net position of \$107,433 at June 30, 2024, which was unrestricted. The \$32,623 increase in net position was mainly due to a decrease in personnel costs in fiscal year 2024.

**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 are located in the basic financial statements section of this report immediately following the statement of revenues, expenditures, and changes in fund balances.

#### 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 Statements of Net Position below, total assets increased by \$12,801 at the end of fiscal year 2024 and total liabilities decreased by \$19,822.

The resulting increase in net position of \$32,623 is unrestricted and available to support future operations.

<b><i>Condensed Statements of Net Position:</i></b>	<u>FY 2024</u>	<u>FY 2023</u>
Current assets	\$ 107,433	\$ 94,632
Total assets	<u>107,433</u>	<u>94,632</u>
Other liabilities	-	19,822
Total liabilities	<u>-</u>	<u>19,822</u>
Unrestricted Net Position	<u>\$ 107,433</u>	<u>\$ 74,810</u>

As seen in the Condensed Statements of Activities below, program revenues accounted for approximately 61% of CPSEDD's total revenues in the fiscal year 2024. 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 of CPSEDD's expenses were program related. Total revenues increased by \$7,538, and expenses decreased by \$55,215 due to lower personnel costs in fiscal year 2024.

<b><i>Condensed Statements of Activities:</i></b>	<u>FY 2024</u>	<u>FY 2023</u>
Member dues and other revenue	\$ 159,758	\$153,619
Total program revenues	<u>159,758</u>	<u>153,619</u>
Unrestricted grants	100,000	100,000
Interest and other revenues	2,675	1,276
Total general revenues	<u>102,675</u>	<u>101,276</u>
Total revenues	<u>\$262,433</u>	<u>\$254,895</u>
Other development activities	\$ 229,810	\$ 285,025
Total expenses	<u>229,810</u>	<u>285,025</u>
Changes in net position	32,623	(30,130)
Beginning net position	74,810	104,940
Ending net position	<u>\$ 107,433</u>	<u>\$ 74,810</u>

### Governmental Fund Financial Analysis

Fund balance increased by \$62,623 as revenues exceeded expenditures in the fiscal year 2024 due to a decrease in personnel costs.

### Budget Variance in the General Fund

CPSEDD budgets on a biennial basis. This is the first year of the 2024-2025 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 change in budget from Original to Final recognizes the update in the benefits and overhead rates for fiscal year 2024. 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. All costs are offset by grants, contributions, and local dues. The unspent amounts are carried over to the next biennial budget. The budgetary comparison statement provides both the original adopted and adjusted biennial budget for the general fund.

The final budget has biennium revenues and expenditures amounting to \$526K. At the conclusion of 2024, actual biennium revenues (excluding beginning fund balance) and expenditures were \$262,433 and \$229,810 respectively.

**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  
1201 Third Avenue, Suite 500  
Seattle, Washington 98101

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Governmental Activities
<b>ASSETS</b>	
Cash (Notes 1 & 3)	\$ 72,307
Grants receivable (Note 1)	25,000
Due from PSRC (Note 4)	10,126
Total assets	107,433
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	-
<b>LIABILITIES</b>	
Total liabilities	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	-
<b>NET POSITION (NOTE 1)</b>	
Unrestricted	107,433
Total net position	\$ 107,433

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, 2024**

Functions/Programs	Expenses	Program Revenues		Net Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Other development activities	\$ (229,810)	\$ 159,758	\$ -	\$ -	\$ (70,052)
Total governmental activities	(229,810)	159,758	-	-	(70,052)
General Revenues					
Unrestricted grants					100,000
Interest income					2,675
Total general revenues					102,675
<b>CHANGE IN NET POSITION</b>					32,623
<b>NET POSITION AS OF JULY 1, 2023</b>					74,810
<b>NET POSITION AS OF JUNE 30, 2024</b>					\$ 107,433

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

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2024**

	<b>General Fund</b>
<b>ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	
Assets:	
Cash (Notes 1 & 3)	\$ 72,307
Grants receivable (Note 1)	25,000
Due from PSRC (Note 4)	10,126
Total assets	107,433
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 107,433
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	
Liabilities:	
Total liabilities	-
Deferred Inflows of Resources	-
Fund Balances (Note 1):	
Nonspendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned	107,433
Total fund balances	107,433
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 107,433
Total fund balances - governmental fund	\$ 107,433
Total net position - governmental activities	<u>\$ 107,433</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, 2024**

	<b>General Fund</b>
<b>Revenues</b>	
Participating member dues (Note 1)	\$ 159,758
Federal and state grants	100,000
Other support and revenues	2,675
Total revenues	262,433
<b>Expenditures</b>	
Current:	
General Government:	
PSRC staff and management services	224,170
Other expenses	5,640
Total expenditures	229,810
<b>Net change in fund balances</b>	<b>32,623</b>
<b>Total fund balances as of July 1, 2023</b>	<b>74,810</b>
<b>Total fund balances as of June 30, 2023</b>	<b>\$ 107,433</b>
Changes in fund balances - governmental fund	\$ 32,623
Changes in net position - governmental activities	<u>\$ 32,623</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, 2024**

**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, 15 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 *Accounting and Financial Reporting for Nonexchange Transactions*, 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. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. CPSEDD has adopted this Statement, however there were no applicable changes or corrections in fiscal year 2024.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. It is effective for fiscal years beginning after December 15, 2023. CPSEDD is currently evaluating the impact of this new GASB statement.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. It is effective for fiscal years beginning after June 15, 2024. CPSEDD is currently evaluating the impact of this new GASB statement.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. It is effective for fiscal years beginning after June 15, 2025. CPSEDD is currently evaluating the impact of this new GASB statement.

### **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, 2024.

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, 2024, CPSEDD had no restricted net position.

Unrestricted – Unrestricted net position consists of the remaining balance that does not meet the definition of “restricted” or “net investment in capital assets”. As of June 30, 2024, CPSEDD had an unrestricted net position of \$107,433. 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*.

Non-spendable 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, 2024, CPSEDD had no non-spendable 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, 2024, CPSEDD had no restricted fund balance.

Committed fund balances are amounts that are 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, 2024, 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, 2024, CPSEDD had no assigned fund balances.

Unassigned fund balances are amounts not classified as non-spendable, restricted, committed

or assigned in the general fund. CPSEDD reported an unassigned fund balance of \$107,433 as of June 30, 2024.

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 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, 2024, CPSEDD had pooled investments totaling \$72,307.

*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, 2024, the Pool's average duration was 1.21 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, 2024, CPSEDD'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, corporate notes (rated at least "A"), 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 depositaries, 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 year amounted to \$224,170. PSRC also processes all of CPSEDD's dues transactions, bill payments and cash receipts. PSRC and CPSEDD reimburse each other for the net amount of transactions processed on CPSEDD's behalf. As of June 30, 2024, the net balance due to CPSEDD from PSRC was \$10,126.

#### **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, 2024.

#### **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.

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget (Note 1)	Final Budget (Note 1)	Actual		Variance (Note 2)
			FY2024	FY2025	
Budgetary fund balance, July 1, 2023			\$ 74,810		
Resources (inflows):					
Carryover				\$ -	\$ -
Participating member dues	328,000	326,000	159,758	-	(166,242)
Federal and state operating grants	200,000	200,000	100,000	-	(100,000)
Other services and support	-	-	2,675	-	2,675
Amounts available for appropriation	\$ 528,000	\$ 526,000	\$ 337,243	\$ -	\$ (188,757)
Expenditures (outflows):					
Salaries and benefits	\$ 326,000	\$ 329,000	\$ 151,384	\$ -	\$ (177,616)
Overhead	154,000	149,000	72,786	-	(76,214)
Direct expenditures	23,000	23,000	5,640	-	(17,360)
Encumbered revenue	-	-	-	-	-
Contingency	25,000	25,000	-	-	(25,000)
Total charges to appropriations	\$ 528,000	\$ 526,000	\$ 229,810	\$ -	\$ (296,190)
Excess of resources over expenditures	\$ -	\$ -	\$ 107,433	\$ -	\$ 107,433
Budgetary fund balance, June 30, 2024				\$ 107,433	

## Notes:

Note 1 - CPSEDD uses Generally Accepted Accounting Principles (GAAP) as its basis of budgeting. 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 May 2023 Adopted Budget & Work Program. "Final Budget" amounts come from May 2024 Amended 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 prepares its budget on a GAAP basis. 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.

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.

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

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## Puget Sound Regional Council

February 27, 2025

Office of the Washington State Auditor  
3200 Capitol Blvd  
P.O. Box 40031  
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of Puget Sound Regional Council for the period from July 1, 2023, through June 30, 2024. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

### **General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available all requested and relevant information of which we are aware, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
  - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
  - e. Related party relationships and transactions.

- f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

**Additional representations related to the financial statements:**

10. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally accepted accounting principles in the United States of America.
11. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
12. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.
13. The financial statements properly classify all funds and activities.
14. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.

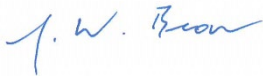
15. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable.
16. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.
17. Revenues are appropriately classified by fund and account.
18. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.
19. Net position components (net investment in capital assets, restricted and unrestricted) and fund balance components (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, as applicable, approved.
20. The methods, data and significant assumptions we used in making accounting estimates and related disclosures are appropriate and free from intentional bias.
21. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
  - a. Interfund, internal, and intra-entity activity and balances.
  - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - c. Joint ventures and other related organizations.
  - d. Guarantees under which the government is contingently liable.
  - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
  - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.
22. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
23. We acknowledge our responsibility for reporting supplementary information (including budgetary comparison, pension and other post-employment benefits information, the Schedule of Expenditures of Federal Awards Schedule of State and Local Financial Assistance) in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
24. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.

25. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.
26. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the RSI.
27. We believe there are no uncorrected misstatements that would be material individually and in the aggregate to each applicable opinion unit.
28. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.
29. We adequately considered the qualifications of the Washington Office of the State Actuary (OSA) to create an electronic tool for determining the Council's liability for PEBB other post-employment benefits (OPEB) under the GASB 75 alternative method and agree with the results of the electronic tool, which are reflected in financial statement amounts and disclosures. In using the tool, we input correct and complete information into the electronic spreadsheet, and did not enter any inaccurate information with respect to the amounts or assumptions, or modify cells in the OSA spreadsheet, in an attempt to change the outcome of the calculation. Further, we are not aware of any other external matters that would have had an impact on the appropriateness of using the alternative method or assumptions used by the OSA's tool. We confirm that we are a PEBB employer, had fewer than 100 plan members (active and retired) as of the beginning of the reporting period and are eligible to use the tool.

**Additional representations related to expenditures under federal grant programs:**

30. We acknowledge our responsibility for complying, and have complied, with the requirements of 2 CFR § 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.
31. With regards to your audit of federal grant programs, we have made available all relevant and requested information of which we are aware, including:
  - a. All federal awards and related grant agreements (including amendments, if any), contracts with pass-through entities, service organizations and contractors, and correspondence.
  - b. All communications from federal awarding agencies, contractors, service organizations or pass-through entities concerning possible noncompliance.
  - c. All information regarding corrective actions taken and management decisions or follow-up work performed by federal or pass-through agencies on any findings reported in the past.

- d. All documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
  - e. Interpretations or other support for any situations where compliance with requirements might be questionable or unclear.
32. We have identified and complied with all direct and material compliance requirements of federal awards.
33. Management is responsible for establishing effective internal control and has maintained sufficient control over federal programs to provide reasonable assurance that awards are managed in compliance with laws, regulations, contracts or grant agreements that could have a material effect on each of our federal awards.
34. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal Awards.
35. Copies of federal program reports provided to you are true copies of the reports submitted, or electronically transmitted, to federal agencies or pass-through agencies, as applicable.
36. We are responsible for, and will accurately prepare, the auditee section of the Data Collection Form as required by the Uniform Guidance.



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Josh Brown  
Executive Director



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Lili Mayer  
Finance Manager



## Puget Sound Regional Council

February 27, 2025

Office of the Washington State Auditor  
3200 Capitol Blvd  
P.O. Box 40031  
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of Central Puget Sound Economic Development District for the period from July 1, 2023, through June 30, 2024. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representatives with the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

### **General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available all requested and relevant information of which we are aware of, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
  - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
  - e. Related party relationships and transactions.

- f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

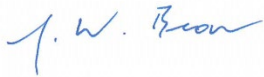
**Additional representations related to the financial statements:**

10. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally accepted accounting principles in the United States of America.
11. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
12. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.
13. The financial statements properly classify all funds and activities.
14. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.

15. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable.
16. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.
17. Revenues are appropriately classified by fund and account.
18. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.
19. Net position components (net investment in capital assets, restricted and unrestricted) and fund balance components (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, as applicable, approved.
20. The methods, data and significant assumptions we used in making accounting estimates and related disclosures are appropriate and free from intentional bias.
21. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
  - a. Interfund, internal, and intra-entity activity and balances.
  - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - c. Joint ventures and other related organizations.
  - d. Guarantees under which the government is contingently liable.
  - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
  - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.
22. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
23. We acknowledge our responsibility for reporting supplementary information in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
24. We have disclosed to you all the significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.



25. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.
26. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of RSI.
27. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.



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Josh Brown  
Executive Director



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Lili Mayer  
Finance Manager