



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

Puget Sound Regional Council

King County

For the period July 1, 2015 through June 30, 2016

Published March 21, 2017

Report No. 1018785





Office of the Washington State Auditor
Pat McCarthy

March 21, 2017

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 condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Independent Auditor’s 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	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	8
Independent Auditor’s Report On Financial Statements	11
Financial Section.....	14
About The State Auditor’s Office.....	49

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Puget Sound Regional Council
King County
July 1, 2015 through June 30, 2016**

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 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 its major federal program.

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

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.507	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 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
King County
July 1, 2015 through June 30, 2016**

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, King County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated March 9, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

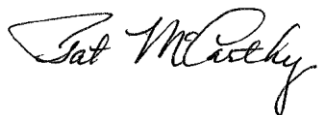
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

March 9, 2017

**INDEPENDENT AUDITOR'S 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
King County
July 1, 2015 through June 30, 2016**

Executive Board
Puget Sound Regional Council
Seattle, Washington

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

We have audited the compliance of the Puget Sound Regional Council, King County, Washington, with the types of compliance requirements described 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, 2016. The Council's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance

requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Council's compliance.

Opinion on Each Major Federal Program

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, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

March 9, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Puget Sound Regional Council King County July 1, 2015 through June 30, 2016

Executive Board
Puget Sound Regional Council
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Puget Sound Regional Council, King County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Puget Sound Regional Council, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

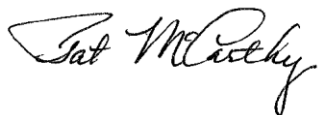
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20, budgetary comparison information on page 41 and pension plan information on pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other 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 schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017 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 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

March 9, 2017

FINANCIAL SECTION

Puget Sound Regional Council King County July 1, 2015 through June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – 2016

Schedule of Proportionate Share of the Net Pension Liability – 2016

Schedule of Employer Contributions - 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016

Notes to the Schedule of Expenditures of Federal Awards – 2016

**PUGET SOUND REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

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, 2016. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole. There were no new accounting pronouncements or significant changes in accounting presentation for Fiscal Year 2016.

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 as well as 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 2016:

- PSRC continues to adjust to the implementation of GASB 68, which requires governments to account for their proportionate share of DRS pension liabilities. PSRC's net pension liability is \$5m. This increased from \$3.9m primarily because of recognition of deferred changes in projected and actual performance of plan assets. PSRC does not anticipate a similar increase in the coming year, as deferred inflows are roughly \$1m less in FY 2016 compared to FY 2015. 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 of June 30, 2016 the government-wide net position of PSRC was (\$394,827), which was an increase of \$223,737 from the prior year. Of this amount, \$205,842 was invested in capital assets, \$66,548 was restricted for CPSEDD, and (\$667,217) was unrestricted.
- PSRC's governmental fund had a fund balance of \$4,215,381 as of June 30, 2016, which was a decrease of \$570,128 from the prior year. This is because of grants receivable not collected within 60 days of year end, which are not considered available and therefor are not counted as revenues in the governmental fund financial statements. \$550,846 is thus reported as a deferred inflow of resources, and also recognized as revenue in the government-wide Statement of Activities. The governmental fund balance included \$121,930 attributable to non-spendable prepaid expenses, \$1,252,000 assigned for contingencies. The remaining portion of the balance, \$2,841,451, was 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 required supplementary information is presented in addition to 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 perspective 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 of PSRC's assets and liabilities, deferred inflows and 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 of these 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.

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

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, certain required supplementary information is also presented, including this section. Additional required supplementary information 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 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 95 percent of total assets as of June 30, 2016, which is a decrease of one percent from the prior fiscal year. Total assets decreased seven percent from the prior fiscal year primarily because of an increase in deferred outflows of resources related to pensions. Liabilities increased by 13 percent from the prior fiscal year primarily because of an increase in deferred inflows related to pensions. PSRC reports deferred outflows related to pensions of \$911k and deferred inflows of \$760k.

Net position increased by \$223,737 in fiscal year 2016. The overall financial position improved from prior fiscal year. Condensed financial statements with comparative data are presented below:

	FY 2016		FY 2015	
Condensed Statements of Net Position:				
Capital assets, net	\$	205,842	\$	209,473
Current and other assets		5,296,117		5,709,574
Total assets		5,501,959		5,919,047
Deferred outflows of resources		910,509		538,254
Current liabilities		994,135		1,385,537
Non-current liabilities		5,053,359		3,966,996
Total liabilities		6,047,494		5,352,534
Deferred inflows of resources		759,802		1,723,332
Invested in capital assets		205,842		209,473
Restricted		66,548		66,548
Unrestricted		(667,217)		(894,585)
Net position	\$	(394,827)	\$	(618,564)

Program revenues accounted for approximately 36 percent of PSRC's total revenues while approximately 50 percent of program revenues were from operating grants and contributions. Program revenues increased by roughly \$498k compared to fiscal year 2015.

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. Member dues had a slight increase compared to fiscal year 2015.

Unrestricted grants and contributions decreased by approximately \$1.3m primarily because of a net overall decrease in grant activities, as well as the completion of the FAA grant. These decreases also resulted in a decrease in associated expenses.

All of PSRC's expenses are program expenses. Total program expenses decreased by approximately \$972k. Most of expenses were reimbursed by grants and thus, the fluctuations in grant revenues and expenses were consistent.

The net change in revenues and expenses resulted in an increase in net position of \$223,737. See condensed statement of activities below:

	FY 2016	FY 2015
Condensed Statements of Activities:		
Dues and other service revenue	\$ 1,986,672	\$ 1,909,859
Operating grants and contributions	1,981,116	1,560,823
Total program revenues	3,967,788	3,470,682
Unrestricted grants and contributions	6,972,687	8,270,109
Interest and other revenues	66,097	60,618
Total general revenues	7,038,784	8,330,727
Total revenues	\$ 11,006,572	\$ 11,801,408
Regional planning and development	10,081,616	10,513,516
CPSEDD	701,220	1,241,294
Total expenses	\$ 10,782,836	\$ 11,754,811
Changes in net position	223,737	46,597
Ending net position	\$ (394,827)	\$ (618,564)

Governmental Fund Financial Analysis

Fund balances decreased (\$570,128) in fiscal year 2016. Deferred Inflows of Resources are recognized in the governmental fund financial statements when funds are not received within 60 days after year end and therefore not counted as available resources. This caused approximately \$551k in potential revenues to be deferred to future periods. Approximately \$2.8m of the total fund balance of approximately \$4.2m is unassigned and available for spending in future years at PSRC's discretion. Total revenues for FY 2016 were approximately \$10.5m, a decrease of approximately \$1.7m compared to 2015 revenues. PSRC had less grant activity in fiscal year 2016, and thus less related expenses.

Budget Variance in the General Fund

PSRC prepares its budget on a biennial basis. Fiscal Year 2016 is the first year of the biennium. The variance between actual and budget was primarily due to the basis used. The budget was prepared based on available funding, including total amounts of grants awarded, regardless of the actual spending, for the biennium. Actuals reflected all costs incurred during the fiscal year 2016, which were reimbursed by grants and/or supported by contributions and local matching. The unspent amounts will be carried over to next biennial budget. The current budget has two-year revenue and expenditure amounts of approximately \$27.7m. In fiscal year 2016, PSRC earned approximately \$10.5m of these revenues and spent \$10.9m of associated expenses. The difference is because of timing of revenue recognition in the general fund, which operates under the modified accrual basis of accounting.

Capital Assets

PSRC's net investment in capital assets as of June 30, 2016 amounted to \$205,842. This investment in capital assets includes computers, equipment, software, and leasehold improvements. Capital assets decreased by \$3,631 from fiscal year 2015 as PSRC did not add significant assets in 2016. For further information regarding capital assets, see Note 4 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, Chief Financial Officer, 1011 Western Ave, Suite 500, Seattle, Washington 98104.

**PUGET SOUND REGIONAL COUNCIL
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
ASSETS	
Current assets:	
Cash (Notes 1 and 3)	\$ 3,545,790
Grants receivable (Note 1)	1,575,602
Accounts receivable (Note 1)	6,332
Prepays (Note 1)	121,930
Total current assets	5,249,654
Noncurrent assets:	
Capital assets, being depreciated (Notes 1 and 4):	
Equipment and software	1,121,926
Leasehold improvements	131,973
Less: accumulated depreciation	(1,048,057)
Total capital assets, being depreciated, net	205,842
Security deposits (Note 9)	46,463
Total noncurrent assets	252,305
Total assets	5,501,959
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1)	
Deferred outflows related to pensions	910,509
Total deferred outflows	910,509
LIABILITIES	
Current liabilities:	
Accounts payable	173,988
Accrued liabilities (Notes 1 and 6)	820,147
Total current liabilities	994,135
Non-current liabilities:	
Net pension liability	5,053,359
Total non-current liabilities	5,053,359
Total liabilities	6,047,494
DEFERRED INFLOWS OF RESOURCES (NOTE 1)	
Deferred inflows related to pensions	759,802
Total deferred inflows of resources	759,802
NET POSITION (NOTE 1)	
Net investment in capital assets	205,842
Restricted for CPSEDD	66,548
Unrestricted	(667,217)
Total net position	\$ (394,827)

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, 2016**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net Governmental Activities
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Regional planning and development	\$ (6,898,516)	\$ (3,183,100)	\$ 1,862,897	\$ 1,790,058		\$ (6,428,661)
Central Puget Sound Economic Development District (CPSEDD)	(484,234)	(216,986)	123,775	191,058		(386,386)
Total governmental activities	(7,382,750)	(3,400,086)	1,986,672	1,981,116	-	(6,815,047)
GENERAL REVENUES						
Unrestricted grants and contributions						6,972,687
Interest income and other revenues						66,097
Total general revenues						7,038,784
CHANGES IN NET POSITION						223,737
NET POSITION AS OF JULY 1, 2015						(618,564)
NET POSITION AS OF JUNE 30, 2016						\$ (394,827)

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

**PUGET SOUND REGIONAL COUNCIL
BALANCE SHEET GOVERNMENTAL FUND
JUNE 30, 2016**

	GENERAL FUND
ASSETS and DEFERRED OUTFLOWS of RESOURCES	
Cash (Notes 1 and 3)	\$ 3,545,790
Grants receivable (Note 1)	1,575,602
Accounts receivable (Note 1)	6,332
Prepays (Note 1)	121,930
Total assets	5,249,654
Deferred Outflows of Resources (Note 1)	-
Total assets and deferred outflows of resources	\$ 5,249,654
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES	
Liabilities:	
Accounts payable	173,988
Accrued liabilities (Note 1)	309,440
Total liabilities	483,428
Deferred Inflows of Resources (Note 1)	550,846
Fund Balances (Note 1):	
Nonspendable	121,930
Restricted	-
Committed	-
Assigned for Contingencies	1,252,000
Unassigned	2,841,451
Total fund balances	4,215,381
Total liabilities, deferred inflows of resources and fund balances	\$ 5,249,654
Total fund balances - governmental fund	\$ 4,215,381
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	46,463
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund	205,842
Deferred inflows of resources due to revenue recognition criteria not being met	550,846
Accrued compensated absences not reported in governmental fund	(510,707)
GASB 68 Deferred Outflows not reported in the governmental fund	910,509
GASB 68 Liabilities and Deferred Inflows not reported in the governmental fund	(5,813,161)
Total net position of governmental activities	<u>\$ (394,827)</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, 2016**

	GENERAL FUND
Revenues	
Member dues (Note 1)	\$ 1,986,672
Grant revenue	8,405,616
Interest income	25,662
Other miscellaneous revenues	40,436
Total revenues	10,458,385
Expenditures	
Salaries and benefits	8,316,421
Consulting	1,038,393
Rent (Note 9)	882,483
Other operating expenditures	713,966
Capital outlay (Notes 1 & 4)	77,251
Total expenditures	11,028,513
Changes in fund balances	(570,128)
Total fund balances as of July 1, 2015	4,785,509
Total fund balances as of June 30, 2016	\$ 4,215,381
Changes in fund balances	\$ (570,128)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense not reported in governmental fund but reported in government-wide statement of activities	(80,881)
Expenditures for acquisitions of equipment which were capitalized in the government-wide financial statements	77,251
Net change in accrued expenses for compensated absences not reported in governmental fund but reported in government-wide financial statements	(115)
Net change in deferred inflows of resources over periods due to revenue recognition criteria not being met	548,188
Net change in expenses for GASB 68 pension recognition	249,422
Changes in net position of governmental activities	<u>\$ 223,737</u>

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

**PUGET SOUND REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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 the ongoing business of the agency and to provide a forum for discussing regional issues.

As required by generally accepted accounting principles, 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 management is responsible for the activities of CPSEDD. PSRC also bears a financial burden in providing support funding to CPSEDD. Additionally the majority of Board members of CPSEDD are also members of PSRC.

Separately issued financial statements for CPSEDD can be obtained by contacting CPSEDD at the following address:

Central Puget Sound Economic Development
1011 Western Ave., Suite 500
Seattle, WA 98104

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 statements. PSRC reports its governmental activities, which normally are 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.

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. Revenue are considered to be 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 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.

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 appropriated budget. The final budget is the original budget adjusted by all reserves, allocations, supplemental appropriations, and other legally authorized changes applicable for the 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 to be eligible for payment and revenue is available to pay for the service.

Cash

Cash consists of cash and pooled investments. All PSRC funds and its component unit participate in the King County Investment Pool (the Pool) maintained by the King County Treasury Operation Section. The King County Treasurer acts as custodian for PSRC's cash. The Pool 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. The cash balance at the fiscal year end is reported at cost, which approximates the fair market value of pool shares.

Cash also includes \$10,000 in a revolving cash account which is maintained at U. S. Bank for small purchases and payments that must be made more quickly than King County's processing time allows.

Grants and Accounts Receivable

Grants receivable represents revenues and contracts for the current period that have been recorded but not received. Accounts receivable represents 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.

Prepays

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

Capital Assets

Capital assets, including computers, equipment and software, are reported in the government-wide financial statements. Capital assets are defined by PSRC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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:

Software	3 years
Computers and equipment	5-8 years
Leasehold improvements	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.

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 is accrued when incurred in the government-wide financial statements.

Employees hired after June 30, 1999 are only eligible for the Personal Time Bank Program (PTB) which combines vacation and sick leave into one bank of hours. Employees hired prior to July 1, 1999 may choose to retain a vacation and sick leave program. During open enrollment, employees with the vacation sick leave program may switch to the PTB program. Once they switch, they are not allowed to transfer back.

Employees earn 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.

Employees no longer earn hours of sick leave for their services. However, some employees carry past balances and may carry sick leave balances up to a limit of 960 hours. Employees will not be paid for unused sick leave if they leave before retirement. Earned but unused sick leave is accrued as a liability of PSRC in the government-wide financial statements.

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 the governmental fund, deferred inflows of resources include grants that did not meet the availability criterion under the modified accrual basis. They also include PSRC's proportionate share of amounts reportable under the GASB 68 pension guidance.

Unearned Revenue

Unearned revenue are liabilities and should be distinguished from deferred inflows of resources. Amounts reported as unearned revenues are true 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 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.

Fund Balance Classification and Details

In the fund financial statements, governmental funds report the following classes of fund balances in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Nonspendable fund balances are amounts that cannot be spent because they are either in a nonspendable 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 the 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 \$1,252,000 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. Dues increases 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, 2016, PSRC had nonspendable fund balances of \$121,930, resulting from prepaids, assigned fund balances of \$1,252,000 for contingency purpose, and an unassigned fund balance of \$2,841,451.

PSRC'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.

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. As of June 30, 2016, PSRC's net position invested in capital assets was \$205,842.

Restricted – This component of net position consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets. As of June 30, 2016, PSRC had a restricted net position of \$66,548 for CPSEDD.

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, 2016, PSRC had an unrestricted net position of (\$667,217).

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 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.

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 King County Investment Pool (the 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) pursuant to RCW 36.29.020. All investments are subject to written policies and procedures adopted by EFC.

The Pool functions as a demand deposit account where PSRC receives an allocation of its proportionate share of pooled earnings. Unrealized gains and losses due to changes in the fair values are not distributed to PSRC. As of June 30, 2016, PSRC had pooled investments totaling \$3,545,790 which approximates fair market value of the pooled investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2016, the Pool's average duration was 0.89 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. While the Pool'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, 2016, PSRC's investments in the Pool were not rated by a nationally recognized statistical rating organization (NRSPO). In compliance with state statutes, the Pool is authorized to invest in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, PSRC 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.

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, 2016 were as follows:

	Beginning Balance 7/1/2015	Increases	Decreases	Ending Balance 6/30/2016
Capital assets being depreciated:				
Computers, equipment and software	\$ 1,044,675	\$ 77,251	\$ -	\$ 1,121,926
Leasehold improvements	131,973	-	-	131,973
Total capital assets being depreciated	1,176,648	77,251	-	1,253,899
Less accumulated depreciation for:				
Computers, equipment and software	(836,395)	(80,331)		(916,726)
Leasehold improvements	(130,780)	(551)		(131,331)
Total accumulated depreciation	(967,175)	(80,882)	-	(1,048,057)
Total capital assets being depreciated, net	\$ 209,473	\$ (3,631)	\$ -	\$ 205,842

Depreciation expense of \$80,882 was charged to PSRC's regional planning and development program in the government-wide financial statements.

In the governmental fund capital outlay expense of \$77,251 was recorded for computers and equipment purchased during the year.

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$5,053,359
Pension assets	\$0
Deferred outflows of resources	\$910,509
Deferred inflows of resources	\$759,802
Pension expense/expenditures	\$416,095

State Sponsored Pension Plans

Substantially all of the Regional Council'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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Or the DRS CAFR may be downloaded from the DRS website at 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 percent. 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 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2016	11.18%	6.00%
July through December 2016	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The Regional Council does not currently employ any PERS 1 staff. However, it continues to fund the PERS 1 UAAL per RCW 41.45.060. PSRC made \$283,946 in contributions to the plan for the fiscal year ended June 30, 2016.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through December 2016	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The Regional Council's actual contributions to the plan were \$370,855 for the fiscal year ended June 30, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled 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 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% 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%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
	100%	

Sensitivity of NPL

The table below presents the Regional Council's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Regional Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$3,379,917	\$2,776,107	\$2,256,885
PERS 2/3	\$6,658,803	\$2,277,252	(\$1,077,537)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the Regional Council reported a total pension liability of \$5,053,359 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,776,107
PERS 2/3	\$2,277,252

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.053261%	0.05307%	-0.000191%
PERS 2/3	0.063519%	0.063734%	0.000215%

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, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the Regional Council recognized pension expense as follows:

	Pension Expense
PERS 1	\$152,757
PERS 2/3	\$263,338
TOTAL	\$416,095

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the Regional Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$151,883
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$283,946	\$0
TOTAL	\$283,946	\$151,883

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$242,073	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$607,918
Changes of assumptions	\$3,669	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$9,332	\$0
Contributions subsequent to the measurement date	\$370,855	\$0
TOTAL	\$625,929	\$607,918

The Regional Council incorrectly amortized the Fiscal Year 2015 related to the change in proportionate share. The error self-corrects in Fiscal Year 2016 and is not considered material for restatement of the 2015 financial statements.

Deferred outflows of resources related to pensions resulting from the Regional Council's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2017	(\$58,865)
2018	(\$58,865)
2019	(\$58,865)
2020	\$24,711
2021	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2017	(\$162,052)
2018	(\$162,052)
2019	(\$162,052)
2020	\$133,796
2021	\$0
Thereafter	\$0

Deferred Compensation Plan

PSRC offers a non-pension retirement plan in the form of a deferred compensation plan. PSRC offers all full-time employees a plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits them 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, 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 COMPENSATED ABSENCES

Accrued compensated absences are reported in the government-wide financial statements as current liabilities. Changes in these liabilities were as follows:

	7/1/2015	Increases	Decreases	6/30/2016
Accrued vacation	\$ 0	\$ -	\$ -	\$ 0
Accrued personal time	494,415	84,038	83,222	495,231
Accrued sick leave	16,177	-	701	15,476
Total accrued leave	\$ 510,592	84,038	83,923	510,707

Amounts Due Within One Year

	Due within one year
Accrued personal time	\$ 487,899
Accrued sick leave	13,292
Total due within one year	\$ 501,191

PSRC calculates amounts due within one year based on the average of leave used in the three most recent fiscal years.

NOTE 7 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. 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, 2016, total PSRC contracted staff service expenses and related indirect costs incurred during the period amounted to \$621,205. PSRC also processes all CPSEDD's dues transactions, bill payments and cash receipts. CPSEDD reimburses PSRC for the net amount of transactions processed on its behalf. During the fiscal year, PSRC provided grant match funding and other contributions of \$385,912 to CPSEDD. As of June 30, 2016, The net balance due to PSRC from CPSEDD was \$30,284. These related party transactions are eliminated in the Regional Council's financial statements.

NOTE 8 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 9 LEASES

PSRC leases various postage equipment and office facility. The terms of the office facilities lease provide for the lessor to retain a security deposit. PSRC signed the third amendment to the lease beginning June 1, 2014 and extending the agreement through May 31, 2024. The security deposit is refundable to PSRC at the end of the amended lease agreement.

The future minimum payments for the office facility lease are as follows (Payments June – May of each fiscal year):

2017	897,534
2018	924,732
2019	951,930
2020	979,128
2021	1,006,326
Thereafter	<u>3,182,166</u>
Total	\$ 7,941,816

NOTE 10 CONTINGENCIES AND LITIGATIONS

PSRC participates in a number of 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.

**PUGET SOUND REGIONAL COUNCIL
GOVERNMENT-WIDE FINANCIAL STATEMENTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget (Note 1)	Final Budget	Actual (Note 2)	Variance (Note 4)
Budgetary fund balance, July 1, 2015			4,785,509	
Resources (inflows):				
Carryover	\$ 5,173,000	\$ 6,489,000	\$ -	\$ (6,489,000)
Participating member dues	3,129,000	3,131,000	1,534,429	(1,596,571)
Local transit dues	923,000	923,000	452,243	(470,757)
Federal and state grants	15,490,000	16,548,000	8,405,616	(8,142,384)
Other services and support	40,000	325,000	66,097	(258,903)
Anticipated revenue	804,000	315,000	-	(315,000)
Amounts available for appropriation	25,559,000	27,731,000	10,458,385	(17,272,615)
Expenditures (outflows):				
Salaries and benefits	17,846,000	17,289,000	8,316,421	8,972,579
Overhead	3,927,000	3,236,000	1,457,706	1,778,294
Consultants and other direct expenditures	1,750,000	3,100,000	1,254,386	1,845,614
Encumbered revenue	804,000	2,854,000		2,854,000
Contingency (Note 3)	1,232,000	1,252,000		1,252,000
Total charges to appropriations	\$ 25,559,000	\$ 27,731,000	11,028,513	\$ 16,702,487.10
Excess of revenues over expenditures			(570,128)	
Budgetary fund balance, June 30, 2016			\$ 4,215,381	

Notes:

Note 1 - See Financial Statement Note 1 for 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.

Puget Sound Regional Council
Schedule of Proportionate Share of the Net Pension Liability
Washington Public Employees Retirement System 1
As of June 30, 2016

		<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%								
Employer's proportionate share of the net pension liability	\$	2,683,048	2,776,107								
Employer's covered employee payroll	\$	125,853	0								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	2131.89%	0.00%								
Plan fiduciary net position as a percentage of the total pension liability	%	61.19%	59.1%								

Notes to Schedule:

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

Schedule of Proportionate Share of the Net Pension Liability
Washington Public Employees Retirement System 2/3
As of June 30, 2016

		<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%								
Employer's proportionate share of the net pension liability	\$	1,283,948	2,277,252								
Employer's covered employee payroll	\$	4,919,831	5,156,870								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	26.10%	44.16%								
Plan fiduciary net position as a percentage of the total pension liability	%	93.29%	89.2%								

Notes to Schedule:

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

Schedule of Employer Contributions
Washington Public Employees Retirement System 1
As of December 31, 2016

		<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								
<u>Contributions in relation to the contractually required contributions</u>	\$	(16,539)	(283,946)								
<u>Contribution deficiency (excess)</u>	\$	0	0								
<u>Covered Employer Payroll</u>	\$	125,853	0								
<u>Contributions as a percentage of covered employee payroll</u>	%	13.14%	0								

Notes to Schedule:

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

Schedule of Employer Contributions
Washington Public Employees Retirement System 2/3
As of December 31, 2016

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>Contractually required contributions</u>	\$ 521,715	370,855								
<u>Contributions in relation to the contractually required contributions</u>	\$ (521,715)	(370,855)								
<u>Contribution deficiency (excess)</u>	\$ 0	0								
<u>Covered Employer Payroll</u>	\$ 4,919,831	5,156,870								
<u>Contributions as a percentage of covered employee payroll</u>	% 10.60%	7.19%								

Notes to Schedule:

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

Puget Sound Regional Council
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Economic Development Administration, Department Of Commerce	Economic Development_Support for Planning Organizations	11.302	07-83-07206-01	-	25,000	25,000	-
Economic Development Administration, Department Of Commerce	Economic Development_Support for Planning Organizations	11.302	07-83-07206	-	75,000	75,000	-
Economic Development Cluster				-	100,000	100,000	-
Economic Development Administration, Department Of Commerce	Economic Adjustment Assistance	11.307	07-79-07205	-	91,058	91,058	-
Total Economic Development Cluster:				-	91,058	91,058	-
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-5301-005- 2014	-	60,550	60,550	-
Highway Planning and Construction Cluster				-	3,451,008	3,451,008	-
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	GCB 1768A	-	3,451,008	3,451,008	-
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	STPUL- 9999(572)/LA705 4	-	500,000	500,000	-
Total Highway Planning and Construction Cluster:				-	3,951,008	3,951,008	-
Federal Transit Administration (fta), Department Of Transportation	Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	GCB 1768A	-	1,778,117	1,778,117	-
Federal Transit Cluster				-	833,391	833,391	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-2554-00	-	833,391	833,391	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-2587-00	-	666,667	666,667	-

The accompanying notes are an integral part of this schedule.

Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-2016-030-00	-	107,453	107,453	-
Transit Services Programs Cluster							
Total Federal Transit Cluster:				-	1,607,511	1,607,511	-
Federal Transit Administration (fta), Department Of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2016-023-00	-	41,045	41,045	-
Total Transit Services Programs Cluster:				-	41,045	41,045	-
Total Federal Awards Expended:				-	7,629,289	7,629,289	-

The accompanying notes are an integral part of this schedule.

NOTES TO THE EXPENDITURES OF FEDERAL AWARDS:

NOTE 1 - BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments and Non-profit Organizations" and 2 CFR 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

NOTE 2 - PROGRAM COST

The amounts shown as current year expenditures represent only the Federal grant portion of the program cost. Entire program cost, including Puget Sound Regional Council's portion, may be more than shown.

NOTE 3 - MPO PLANNING FUNDS

For purposes of this report, these have been reported separately, although the state consolidates these under agreement number GCB 1768A.

NOTE 4 - INDIRECT COST RATE

The Council has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. The amount expended includes \$2,664,890 claimed as an indirect cost recovery using an approved indirect cost rate of 53.68 percent of direct salaries and benefits.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov