



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Central Puget Sound Economic
Development District

King County

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

Published March 21, 2017

Report No. 1018784





Office of the Washington State Auditor
Pat McCarthy

March 21, 2017

Executive Board
Central Puget Sound Economic Development District
Seattle, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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

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, 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 District'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 District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

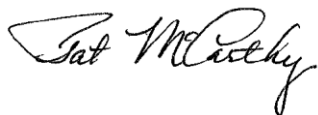
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

March 9, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Central Puget Sound Economic Development District King County July 1, 2015 through June 30, 2016

Executive Board
Central Puget Sound Economic Development District
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Central Puget Sound Economic Development District, 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 District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

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 Central Puget Sound Economic Development District, 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 10 through 13 and budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy
State Auditor
Olympia, WA

March 9, 2017

FINANCIAL SECTION

**Central Puget Sound Economic Development District
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

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
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 Central Puget Sound Economic Development District (CPSEDD, or the District) 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.

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. The District entered into an ongoing agreement with the Puget Sound Regional Council (PSRC) to increase government efficiency and to integrate the District's economic development work with the growth management and transportation planning of the PSRC.

Fiscal Year 2016 Highlights

As a result of the support received from PSRC, the District maintained its operation during the fiscal year 2016. CPSEDD had no change in its net position or its fund balance for fiscal year 2016.

Overview of Financial Statements

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

The statement of activities presents information showing how the 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 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 in part a portion of their costs through user fees and charges (business-type activities). The CPSEDD, however, has and reports only governmental activities.

Fund Financial Statements

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

The 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. The CPSEDD has and reports one governmental fund, which is the sole major fund of the CPSEDD.

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 the CPSEDD.

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 can be found immediately following the notes to the financial statements.

Government-wide Financial Analysis

Total assets decreased by approximately \$338k primarily due to fewer grants receivable at the end of FY 2016, which resulted from completion of the i6 program. All reported grants receivable of \$32k were collected within 60 days after the fiscal year end.

Total liabilities also decreased by approximately \$338k. CPSEDD did not have any deferred outflows of resources or deferred inflows of resources in both years. The net changes resulted in no change in net position. 100 percent of net position is unrestricted and available to support future operations. Condensed financial statements with comparative data are presented below:

	<u>FY 2016</u>	<u>FY 2015</u>
Condensed Statements of Net Position:		
Current assets	<u>\$105,539</u>	<u>\$444,439</u>
Total assets	<u>105,539</u>	<u>444,439</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Other liabilities	<u>38,991</u>	<u>377,891</u>
Total liabilities	<u>38,991</u>	<u>377,891</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Unrestricted	<u>66,548</u>	<u>66,548</u>
Net position	<u>\$ 66,548</u>	<u>\$ 66,548</u>

Program revenues accounted for approximately 31 percent of CPSEDD's total revenues in FY 2016, approximately 42 percent of program revenues were from operating grants and contributions and approximately 18 percent were from membership dues and event revenues. 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 for program related expenses. Total program expenses decreased by \$540k, due to completion of the i6 program in FY 2015. Because CPSEDD relied on less support from PSRC in fiscal year 2016, the overall financial position had no change from previous year. See condensed statement of activities below:

	<u>FY 2016</u>	<u>FY 2015</u>
Condensed Statements of Activities:		
Member dues and other revenue	\$123,775	\$118,948
Operating grants and contributions	91,058	564,278
Total program revenues	<u>214,833</u>	<u>683,226</u>
Unrestricted grants and contributions	485,912	557,640
Interest and other revenues	474	428
Total general revenues	<u>486,386</u>	<u>558,068</u>
Total revenues	<u>\$701,219</u>	<u>\$1,241,294</u>
IMCP	182,117	0
i6 program	0	564,979
Other development activities	519,103	676,294
Total expenses	<u>\$701,219</u>	<u>\$1,241,294</u>
Changes in net position	<u>0</u>	<u>0</u>
Ending net position	<u>\$ 66,548</u>	<u>\$ 66,548</u>

Governmental Fund Financial Analysis

CPSEDD had no net change in fund balance as revenue equaled expenditures and there were no deferred revenue items.

Budget Variance in the General Fund

Amounts for certain line items were revised from original budget to final budget resulting in a carryover of \$626,000 added to the two years ended June 30, 2016. The variance between actual and budget was primarily due to the basis used. The budget was prepared based on available funding for the two-year budget periods, including total amounts of grants awarded, regardless of the actual spending. Actuals reflect all costs incurred in fiscal year 2016. All costs are reimbursed by grants and/or supported by contributions and local matching.

The unspent amounts will be carried over to the next biennial budget.

Request for Information

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

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

CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash (Notes 1 & 3)	\$ 63,184
Grants receivable (Note 1)	42,355
Total assets	105,539
DEFERRED OUTFLOWS OF RESOURCES	
	-
LIABILITIES	
Accounts payable	8,707
Due to PSRC (Note 4)	30,284
Total liabilities	38,991
DEFERRED INFLOWS OF RESOURCES	
	-
NET POSITION (NOTE 1)	
Unrestricted	66,548
Total net position	\$ 66,548

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, 2016

Functions/Programs	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
IMCP	(182,117)		91,058	
Other Development Activities	(519,103)	\$ 123,775	-	
Total governmental activities	(701,220)	123,775	91,058	\$ (486,386)
GENERAL REVENUES				
Unrestricted grants				100,000
Unrestricted contributions/support				385,912
Interest income				474
Miscellaneous Revenue				-
Total general revenues				486,386
CHANGE IN NET POSITION				\$0
NET POSITION AS OF JULY 1, 2015				66,548
NET POSITION AS OF JUNE 30, 2016				\$ 66,548

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

**CENTRAL PUGET SOUND ECONOMIC DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	General Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash (Notes 1 & 3)	\$ 63,184
Grants receivable (Note 1)	42,355
Total assets	105,539
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 105,539
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 8,707
Due to PSRC (Note 4)	30,284
Total liabilities	38,991
Deferred Inflows of Resources	-
Fund Balances (Note 1):	
Nonspendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned	66,548
Total fund balances	66,548
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 105,539

Total fund balances - governmental fund	66,548
Amounts reported for governmental activities in the statement of net position that differ from the governmental fund:	
Total net position - governmental activities	<u><u>\$ 66,548</u></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, 2016

	General Fund
Revenues	
Participating member dues (Note 1)	\$ 123,775
Federal and state grants	191,058
PSRC Support	385,912
Other support and revenues	474
Total revenues	701,219
Expenditures	
PSRC staff and management services	621,205
Consultant services	32,159
Other expenses	47,855
Total expenditures	701,219
Net change in fund balances	0
Total fund balances as of July 1, 2015	66,548
Total fund balances as of June 30, 2016	\$ 66,548
Changes in fund balances - governmental fund	\$ 0
Amounts reported for governmental activities in the statement of activities that differ from the governmental fund:	
Changes in net position - governmental activities	\$ 0

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

**CENTRAL PUGET SOUND ECONOMIC
DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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**

Central Puget Sound Economic Development District (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 36 members, representing cities, counties, ports, the private sector, and tribes. Of these Board Members, 24 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*.

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. For the most part, the effect of interfund activity has been removed from these 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. 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. Unrestricted grants and other items not included among program revenues are reported as general revenues.

Separate fund financial statements are presented for the governmental fund. Governmental Fund financial statements consist of a balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund, the only major fund, is used

to account for all financial resources and activities associated with the primary purpose for which CPSEDD was created. CPSEDD has no non-major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are based on the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues and receivables resulting from exchange and exchange-like transactions, such as member dues, are recognized when the exchange takes place. Revenues and receivables from non-exchange transactions, such as federal and state grants and contributions are recognized in conformity with GASB Statement No. 33, which requires recognition of grants and other similar items as soon as all applicable eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are 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, 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.

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. 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.

CPSEDD may over expend appropriations in those instances when 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 solely of pooled investments in the King County Investment Pool (the Pool). The King County Treasurer acts as custodian for CPSEDD's cash. The Pool functions essentially as a demand deposit account where CPSEDD receives an allocation of its proportionate share of pooled earnings. Interest earnings distributed are used for CPSEDD's operations. Cash balance at the fiscal year end is reported at cost, which approximates the fair market value of pool shares.

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 Revenue

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, 2016.

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, CPSEDD had no restricted net position.

Unrestricted – Unrestricted net position consists of the remaining balance that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”. As of June 30, 2016, CPSEDD had an unrestricted net position of \$66,548.

Fund Balance Classification and Details

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

Nonspendable fund balances are amounts that cannot be spent because they are either in a non-spendable form or are legally/contractually required to be maintained intact, including inventories, prepaid expenses, advances, etc. As of June 30, 2016, CPSEDD had no nonspendable fund balance.

Restricted fund balances are amounts that can be spent only for specific purposes stipulated by donors, grantors, creditors or by the law. As of June 30, 2016, CPSEDD had a no restricted fund balance.

Committed fund balances are amounts that constrained for a specific purpose determined by a formal action of the Board of CPSEDD, the highest level of decision-making authority. The same action is required to remove or change the constraint as it did to impose the constraint. As of June 30, 2016, 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, 2016, CPSEDD had no assigned fund balances.

Unassigned fund balances are amounts not classified as nonspendable, restricted, committed or assigned in the general fund. CPSEDD reported an unassigned fund of \$66,548 as of June 30, 2016.

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

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

Accounting Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS AND INVESTMENTS

It is CPSEDD's policy to invest its cash balance in the King County Investment Pool (the Pool). 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 CPSEDD 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 CPSEDD. As of June 30, 2016, CPSEDD had pooled investments totaling \$63,184 which approximates fair market value of the pooled investments.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the 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, 2016, the pool's weighted average maturity 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. 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, 2016, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, the Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 4 – RELATED PARTY

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

All CPSEDD's work is now done on a contract basis. PSRC bills CPSEDD for the services performed by PSRC staff and indirect costs based on its indirect cost plan approved by the Federal Transit Administration. Total PSRC contracted staff service expenses and related indirect costs incurred during the period amounted to \$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. PSRC provided local match funding to CPSEDD which amounted to \$216,093 for the year ended June 30, 2016. PSRC also provided additional support of \$169,819, for a total of \$385,912 in support to CPSEDD. The net effect of these transactions resulted in a balance due to PSRC of \$30,284 as of June 30, 2016.

NOTE 5 – CONTINGENCIES AND LITIGATIONS

CPSEDD has recorded in its financial statements all 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, 2016.

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 YEAR ENDED JUNE 30, 2016**

	Original Budget (Note 1)	Final Budget	Actual FY 16	Variance (Note 2)
Budgetary fund balance, July 1, 2015			\$ 66,548	
Resources (inflows):				
Carryover	232,000	626,000	-	(626,000)
Participating member dues	252,000	252,000	123,775	(128,225)
Federal and state operating grants	200,000	200,000	191,058	(8,942)
Contributions	-	-	-	-
Other services and support	948,000	384,000	386,386	2,386
Anticipated revenue	-	-	-	-
Amounts available for appropriation	1,632,000	1,462,000	701,219	(760,780)
Expenditures (outflows):				
Salaries and benefits	976,000	709,000	404,219	304,781
Overhead	530,000	361,000	216,986	144,014
Consultants and other direct expenditures	126,000	323,000	80,014	242,986
Encumbered revenue		69,000		69,000
Contingency				-
Total charges to appropriations	1,632,000	1,462,000	701,219	760,781
Excess of revenues over expenditures	-	-	0	0
Budgetary fund balance, June 30, 2016			66,548	

Notes:

Note 1 - CPSEDD prepares its budget on a GAAP basis. CPSEDD prepares a biennial budget, which estimates future revenues and expenditures. Each year CPSEDD amends the biennial budget to the actual amount of carry forward revenues, which will be used for work in subsequent years. 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.

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.

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