



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Puget Sound Regional Council

For the period July 1, 2021 through June 30, 2022

Published March 16, 2023

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

March 16, 2023

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

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Puget Sound Regional Council July 1, 2021 through June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Council’s compliance with requirements applicable to each of its major federal programs.

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

Identification of Major Federal Programs

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

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

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

The Council qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Puget Sound Regional Council July 1, 2021 through June 30, 2022

Executive Board
Puget Sound Regional Council
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Puget Sound Regional Council, as of and for the year ended June 30, 2022, 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 10, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 10, 2023

INDEPENDENT AUDITOR'S REPORT

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

Puget Sound Regional Council July 1, 2021 through June 30, 2022

Executive Board
Puget Sound Regional Council
Seattle, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Puget Sound Regional Council, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2022. The Council's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed; and

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

March 10, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Puget Sound Regional Council July 1, 2021 through June 30, 2022

Executive Board
Puget Sound Regional Council
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Puget Sound Regional Council, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Puget Sound Regional Council, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 8 to the financial statements, in 2022, the Council adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

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 10, 2023

FINANCIAL SECTION

Puget Sound Regional Council July 1, 2021 through June 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet - Governmental Fund – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Governmental Fund Budgetary Comparison Information – 2022

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

Schedule of Changes in PRSC's Total OPEB Liability and Related Ratios – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

**PUGET SOUND REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2022**

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, 2022. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

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

The PSRC has an agreement with the Central Puget Sound Economic Development District (CPSEDD) to make the best use of public resources. CPSEDD is reported as a blended component unit in the financial statements of PSRC because PSRC bears a financial burden in providing support funding to CPSEDD 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 2022:

- In fiscal year 2022, PSRC implemented GASB 87: Leases and as a result capital assets increased to \$1,928,912 from \$144,269 in fiscal year 2021. The newly added right-to-use leased building asset accounted for \$1,777,048 of this increase.
- In fiscal year 2022, PSRC's government-wide net position increased to \$5,641,827 from \$2,924,880 in fiscal year 2021 primarily due to an increase in cash and pension assets and a decrease in OPEB liability. Of this amount, \$130,282 was invested in capital assets, \$104,940 was restricted for CPSEDD, \$850,620 was restricted for pensions, and \$4,555,985 was unrestricted.
- As required by GASB 68, PSRC accounts for their proportionate share of the Department of Retirement Services (DRS) pension liabilities. PSRC's net pension asset is \$4,626,048, a change of \$6,629,133 from the net pension liability in fiscal year 2021. GASB 68 pension guidance only affects the government-wide statements. Results of governmental activities, excluding the pension amounts, can be seen in the governmental fund statements.
- As required by GASB 75, PSRC accounts for postemployment benefits other than pensions (other postemployment benefits or OPEB). PSRC's net OPEB liability is \$2,708,964, decreased by \$438,338 from fiscal year 2021. The GASB 75 guidance only affects the government-wide statements. Results of governmental activities, excluding the OPEB amounts, can be seen in the governmental fund statements.
- PSRC's governmental fund has a fund balance of \$8,807,570 as of June 30, 2022, an increase of \$444,095 from the prior year. The governmental fund balance includes \$109,838 attributable to non-spendable prepaid expenses, and \$2,036,000 assigned

for contingencies. The remaining portion of the balance, \$6,661,732 is unassigned and available to support future operations.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the PSRC's basic financial statements which include three components: (1) Government-wide financial statements; (2) Fund financial statements; and (3) Notes to the financial statements. This report also contains required supplementary information (RSI) intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of PSRC's finances in a manner similar to a private sector business. The statements provide short-term and long-term 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 PSRC's assets and liabilities, deferred inflows, and deferred outflows of resources, with the residual reported as net position. Over time, increases or decreases in PSRC's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The statement of activities presents information showing how PSRC's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

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

PSRC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. PSRC has and reports one governmental fund, which is its sole major fund.

The governmental fund is used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike

the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining whether there will be sufficient near-term financial resources available to meet PSRC's current needs. PSRC prepares the governmental fund financial statements using the current financial resources measurement focus and the modified accrual basis of accounting.

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

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

Notes to the Financial Statements

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

RSI

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

Government-wide Financial Analysis

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

Current assets comprise 59% of total assets as of June 30, 2022. Total assets increased 74% from the prior fiscal year primarily due to the addition of leased assets with the implementation of GASB 87 and the recognition of a net pension asset in fiscal year 2022. Total liabilities decreased by 11% from the prior year primarily due to decreases in net pension and OPEB liabilities, partially offset by the addition of lease liabilities.

Deferred inflows of resources related to pensions increased by \$4,606,740 and deferred outflows of resources related to pensions decreased by \$121,836. See note 5 to the financial statements for more details.

The overall financial position improved from the prior fiscal year mainly due to the addition of the pension asset and reduction in OPEB liability. Net position increased by \$2,716,947 in fiscal year 2022. PSRC's increased assets were primarily due to the addition of the right-to-use leased office asset and the net pension asset.

Condensed financial statements with comparative data are presented below:

	FY 2022	FY 2021
<i>Condensed Statements of Net Position:</i>		
<i>Capital assets, net</i>	\$ 1,928,912	\$ 144,269
<i>Current and other assets</i>	14,012,789	9,039,696
Total assets	15,941,701	9,183,965
Deferred outflows of resources	916,566	1,038,402
<i>Current liabilities</i>	528,619	1,264,365
<i>Non-current liabilities</i>	5,198,345	5,150,387
Total liabilities	5,726,964	6,414,752
Deferred inflows of resources	5,489,475	882,735
<i>Invested in capital assets</i>	130,282	144,269
<i>Restricted</i>	955,560	73,552
<i>Unrestricted</i>	4,555,985	2,707,059
Net position	\$ 5,641,827	\$ 2,924,880

As seen in the Condensed Statement of Activities below, program revenues accounted for approximately 35% of PSRC's total revenues while 58% of program revenues were from member dues. Member dues are assessed to local governments and through special contractual arrangements. These member dues are first distributed to match the basic grants and are then used to support administrative costs and various projects. There was a 2% increase in member dues for fiscal year 2022.

Total program revenues increased by \$21,774 compared to fiscal year 2021. The increase in program revenues was primarily due to the increase in member dues.

All of PSRC's expenses are program expenses. Total program expenses decreased by \$1,576,775 mainly due to a reduction in pension expense.

As total revenues exceeded total expenses, PSRC reported changes in net position of \$2,716,947. PSRC's net position increased from \$2,924,880 in fiscal year 2021 to \$5,641,827 in 2022.

See condensed statement of activities below:

	FY 2022	FY 2021
Condensed Statements of Activities:		
Charges for Services	\$ 2,371,414	\$ 2,324,917
Operating grants and contributions	1,745,373	1,770,096
Total program revenues	4,116,787	4,095,013
Unrestricted grants and contributions	7,727,887	8,781,899
Interest income and other revenues	50,659	60,727
Total general revenues	7,778,546	8,842,626
Total revenues	11,895,333	12,937,639
Regional planning and development	(8,683,776)	(10,454,863)
CPSEDD	(494,610)	(300,299)
Total expenses	(9,178,386)	(10,755,162)
Changes in net position	2,716,947	2,182,477
Beginning net position	2,924,880	742,403
Ending net position	\$ 5,641,827	\$ 2,924,880

Governmental Fund Financial Analysis

Fund balances increased by \$444,095 in fiscal year 2022. Of the total fund balance of \$8,807,570, \$6,661,732 is unassigned and available for spending in future years at PSRC's discretion. Total revenues for fiscal year 2022 were \$11,952,323 which is a decrease of \$955,037 compared to fiscal year 2021. This decrease in grant revenue was partially due to the completion of the FAA Aviation Baseline Study and the Passenger Only Ferry Study in fiscal year 2021. Total expenditures decreased by \$193,863 primarily due to a reduction in consulting service expenditures.

Budget Variance in the General Fund

PSRC prepares its budget on a biennial basis. Fiscal year 2022 is the first year of the 2022-2023 biennium for PSRC's operating fund. The biennial budget is a true 24-month budget, not two separate budgets enacted at the same time. Amounts for certain line items were revised from original budget to final budget. The budget was prepared based on available funding, including total amounts of grants awarded, regardless of the actual spending. Actuals reflected all costs incurred during fiscal year 2022, which were offset by grants and/or supported by contributions and local dues. The unspent amounts will be carried over to next fiscal year.

The variance between budgeted amounts and actuals was primarily due to comparing one year of actuals to a biennial budget and from differences between estimated costs and actual experience. Also, the beginning fund balance is not included in the budgeted revenues; likewise, the contingency reserve is only accounted for in the budget and not actual experience.

The current budget has two-year revenue and expenditure amounts of \$32,016,000. In fiscal year 2022, PSRC earned \$11,952,323 of these revenues and spent \$11,508,228 of associated expenses.

Capital Assets

PSRC's net investment in capital assets as of June 30, 2022, amounted to \$130,282. This investment in capital assets includes computers, equipment, software, leasehold improvements, and a right-to-use leased office building. For further information regarding capital assets, see notes 4 and 9 to the financial statements.

Request for Information

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

Puget Sound Regional Council, Finance Manager, 1011 Western Ave, Suite 500, Seattle, Washington 98104.

**PUGET SOUND REGIONAL COUNCIL
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Current assets:	
Cash (Notes 1 and 3)	\$ 7,510,718
Grants receivable (Note 1)	1,713,773
Accounts receivable (Note 1)	1,858
Prepays (Note 1)	109,838
Total current assets	9,336,187
Noncurrent assets:	
Capital assets not being depreciated (Notes 1, 4, 8):	
Development in progress	61,602
Capital assets net of accumulated depreciated (Notes 1, 4, 8):	
Equipment and software	90,262
Leased building	1,777,048
Net pension asset	4,626,048
Security deposits (Note 8)	50,554
Total noncurrent assets	6,605,514
Total assets	15,941,701
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1)	
Deferred outflows related to pensions (Note 5)	916,566
Total deferred outflows of resources	916,566
LIABILITIES	
Current liabilities:	
Accounts payable	206,769
Accrued liabilities (Note 1)	321,850
Total current liabilities	528,619
Non-current liabilities:	
Due within one year	1,329,990
Due in more than one year	1,229,207
Net other postemployment benefits liability - long-term portion	2,639,148
Total non-current liabilities	5,198,345
Total liabilities	5,726,964
DEFERRED INFLOWS OF RESOURCES (NOTE 1)	
Deferred inflows related to pensions (Note 5)	5,489,475
Total deferred inflows of resources	5,489,475
NET POSITION (NOTE 1)	
Net investment in capital assets	130,282
Restricted for:	
CPSEDD	104,940
Pensions	850,620
Unrestricted	4,555,985
Total net position	\$ 5,641,827

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, 2022**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net Governmental Activities
			Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental Activities					
Regional Planning and Development	\$ (5,263,034)	\$ (3,420,742)	\$ 2,223,650	\$ 1,367,533	\$ (5,092,593)
Central Puget Sound Economic Development District (CPSEDD)	(391,526)	(103,084)	147,764	377,840	30,994
Total governmental activities	(5,654,560)	(3,523,826)	2,371,414	1,745,373	(5,061,599)
General Revenues					
Unrestricted grants and contributions					7,727,887
Interest income and other revenues					50,659
Total general revenues					7,778,546
CHANGES IN NET POSITION					
NET POSITION AS OF JULY 1, 2021					
NET POSITION AS OF JUNE 30, 2022					

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

**PUGET SOUND REGIONAL COUNCIL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022**

	GENERAL FUND
ASSETS and DEFERRED OUTFLOWS of RESOURCES	
Assets:	
Cash (Notes 1 and 3)	\$ 7,510,719
Grants receivable (Note 1)	1,713,773
Accounts receivable (Note 1)	1,858
Prepays (Note 1)	109,838
Total assets	9,336,188
Deferred outflows of resources (Note 1)	-
Total assets and deferred outflows of resources	\$ 9,336,188
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES	
Liabilities:	
Accounts payable	\$ 206,768
Accrued liabilities (Note 1)	321,850
Total liabilities	528,618
Deferred inflows of resources (Note 1)	-
Fund Balances (Note 1):	
Nonspendable	109,838
Assigned for contingencies	2,036,000
Unassigned	6,661,732
Total fund balances	8,807,570
Total liabilities, deferred inflows of resources and fund balances	\$ 9,336,188
Total fund balances - governmental fund	\$ 8,807,570
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	50,554
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund	1,928,911
Accrued compensated absences not reported in governmental fund	(690,751)
GASB 68 deferred outflows not reported in the governmental fund	916,565
GASB 68 and OPEB liabilities and deferred inflows not reported in the governmental fund	(3,572,392)
GASB 87 lease liabilities not reported in the governmental fund	(1,798,630)
Total net position of governmental activities	<u>\$ 5,641,827</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, 2022**

	GENERAL FUND
Revenues	
Member dues (Note 1)	2,371,414
Grant revenue	9,530,250
Interest income	41,295
Other miscellaneous revenues	9,364
Total revenues	11,952,323
Expenditures	
Current:	
Salaries and benefits	8,704,769
Consulting	808,722
Other operating expenditures	808,951
Capital outlay (Notes 1 and 4)	61,602
Debt service:	
Principal	905,573
Interest and other charges	218,611
Total expenditures	11,508,228
Changes in fund balances	444,095
Total fund balances as of July 1, 2021	8,363,475
Total fund balances as of June 30, 2022	\$ 8,807,570
Changes in fund balances	\$ 444,095
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation/amortization expense not reported in governmental fund but reported in government-wide statement of activities	(981,163)
Expenditures for acquisitions of software which were capitalized in the government-wide financial statements	61,602
Net change in accrued expenses for compensated absences not reported in governmental fund but reported in government-wide financial statements	843
Net change in deferred inflows of resources over periods due to revenue recognition criteria not being met	(56,989)
Net change in total OPEB Liability	438,338
Expense adjustment related to GASB68; net pension obligation	1,900,557
Expense adjustment related to GASB87; debt service - principal	905,573
Expenditures for security deposits not reported in governmental fund but reported in government-wide statement of activities	4,091
Changes in net position of governmental activities	<u>\$ 2,716,947</u>

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

**PUGET SOUND REGIONAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Puget Sound Regional Council (PSRC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below:

Reporting Entity

PSRC began operations on October 1, 1991. It is the third in a series of regional planning agencies that have served the people of the central Puget Sound region continuously since 1957. Its immediate predecessor, the Puget Sound Council of Governments (PSCOG), was legally dissolved in 1991 to make way for a stronger agency whose members will better achieve collective regional goals. See Note 7 - Related Parties for additional disclosure about PSRC.

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

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

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

Separately issued financial statements for CPSEDD can be obtained by contacting CPSEDD at the following address: Central Puget Sound Economic Development District, 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 financial statements. PSRC reports its governmental activities, which are normally supported by grants, contributions, and member dues. PSRC does not have business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus and Basis of Accounting

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

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

New Accounting Pronouncements

GASB Statement No. 87, *Leases*. This new GASB statement establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. It is effective for reporting periods beginning after December 15, 2019, extended to June 15, 2021, with the implementation of GASB 95. PSRC has adopted this statement for fiscal year 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This new GASB statement establishes accounting requirements for interest cost incurred before the end of a construction period. It is effective for reporting periods beginning after December 15, 2019, extended to December 15, 2020, with the implementation of GASB 95. PSRC has evaluated the impact of this statement and determined that it is not applicable.

GASB Statement No. 91, *Conduit Debt Obligations*. This new GASB statement defines conduit debt obligation and requires issuers to disclose information about the conduit debt obligations organized by type of commitment and improve comparability by removing the diversity in current practice. This statement also includes note disclosures that help inform users of the potential impact of commitments on financial resources. It is effective for reporting beginning after December 15, 2020, extended to December 15, 2021, with the implementation of GASB 95. PSRC has evaluated the impact of this statement and determined that it is not applicable.

GASB Statement No. 92, *Omnibus 2020*. This new GASB statement addresses a variety of topics, including the effective date of GASB 87, *Leases*, and the related Implementation Guide No. 2019-3, *Leases* for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or OPEB plan; amending GASB 73 and GASB 74 to report assets accumulated for OPEB; the applicability of certain requirements of GASB 84 to OPEB arrangements; measurement of liabilities and assets related to asset retirement obligations in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, etc. This statement is effective after June 15, 2020, except for the requirement related to leases, which are effective upon issuance. PSRC has adopted GASB 95 (see below), thus postponing GASB 92. PSRC has adopted applicable portions of this statement related to leases and determined the remaining requirements are not applicable.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement removes the interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), as an appropriate benchmark interest rate and identifies a Security Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. The removal of LIBOR is effective for reporting periods ending after December 31, 2021, extended to December 31, 2022, with the implementation of GASB 95. Earlier application is encouraged. PSRC has evaluated the impact of this statement and determined that it is not applicable.

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

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

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*. The requirements of this statement that (1) exempt primary governments that perform the duties that

a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The PSRC considered these requirements that were effective immediately and determined they were not applicable. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement. PSRC has evaluated the impact of these requirements and determined that they are not applicable.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. PSRC has adopted this Statement for fiscal year 2022.

GASB Statement No. 99, Omnibus 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. PSRC has adopted applicable requirements of this Statement for fiscal year 2022.

GASB Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. PSRC is currently evaluating the impact of this new GASB statement.

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

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

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

Indirect Costs

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

Cash and Cash Equivalents

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

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

Grants and Accounts Receivable

Grants receivable 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.

Deferred Outflows of Resources

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

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

Prepaids

PSRC accounts for prepaid assets using the consumption method. Payments made in advance to vendors for certain goods or services that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The purchase is reported as an asset and the recognition of the 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 of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

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

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.

Leases

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

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

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

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 (PTB) Program 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. As of fiscal year 2022, PSRC no longer has any employees with payable sick leave balances.

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.

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

Membership Dues

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

Deferred Inflows of Resources

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

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

Unearned Revenues

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

Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the

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

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

Fund Balance Classification and Details

In the fund financial statements, governmental funds report the following classes of fund balances in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Non-spendable fund balances are amounts that cannot be spent because they are either in a non-spendable form or are legally/contractually required to be maintained intact, including inventories, prepaid expenses, advances, etc.

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

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

Assigned fund balances are amounts constrained by PSRC's intent that they will be used for specific purposes. PSRC has adopted its policy to delegate the authority to assign amounts to be used for specific purposes to its Policy Boards and Executive Director. PSRC's General Assembly adopted its budget, including \$2,036,000 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, 2022, PSRC had nonspendable fund balances of \$109,838, resulting from prepaids, assigned fund balances of \$2,036,000 for contingency purposes, and an unassigned fund balance of \$6,661,732.

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

Classification of Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages,

notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2022, PSRC's net position invested in capital assets was \$130,282.

Restricted – This component of net position consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of those resources. As of June 30, 2022, PSRC had a restricted net position of \$104,940 for CPSEDD and \$850,620 for pensions.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt". As of June 30, 2022, PSRC had an unrestricted net position of \$4,555,985.

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

Accounting Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 - DEPOSITS AND INVESTMENTS

It is PSRC's policy to invest all temporary cash surpluses in the KCIP. The KCIP is not registered with the Securities and Exchange Commission as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County's Finance Committee as defined in RCW 36.29.020. All investments are subject to written policies and procedures adopted by EFC. PSRC has executed a cash management agreement with KC, stating that PSRC may withdraw funds from KCIP for immediate expenditures by submitting a warrant or electronic payment request, which will reduce the principal balance in the fund.

The KCIP is an external investment pool. PSRC's shares in the KCIP are valued at amortized cost. Monthly income is distributed based on the relative participation during the period. Income is calculated based on (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon fees. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute unrealized gains and losses due to changes in the fair value. The net change in the fair values of the investments is reported as an increase or decrease in cash in the statement of net position. As of June 30, 2022, PSRC had pooled investments totaling \$7,434,902 and CPSEDD had pooled investments totaling \$68,356.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2022, the KCIP's average duration was 1.11 years. As a means of limiting its exposure to rising interest rates, securities purchased in the KCIP must have a final maturity, or weighted average life, no longer than five years. While the KCIP's market value is calculated on a monthly basis, unrealized gains or losses are not distributed. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of June 30, 2022, PSRC's investments in the KCIP were not rated by a nationally recognized statistical rating organization (NRSPO). In compliance with state statutes, the KCIP is authorized to invest in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), corporate notes (rated at least "A"), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

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

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2022 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Development in progress	\$-	\$61,602	\$-	\$61,602
Total capital assets, not being depreciated	-	61,602		61,602
Capital assets, being depreciated:				
Computers, equipment, and software	1,215,180	-	(127,292)	1,087,888
Leasehold improvements	131,973	-	-	131,973
Right-to-use leased building	-	2,704,203	-	2,704,203
Total capital assets, being depreciated	1,347,153	2,704,203	(127,292)	3,924,064
Less accumulated depreciation for:				
Computers, equipment, and software	(1,070,911)	(54,007)	127,292	(997,626)
Leasehold improvements	(131,973)	-	-	(131,973)
Leased building	-	(927,155)	-	(927,155)
Total accumulated depreciation	(1,202,884)	(981,162)	127,292	(2,056,754)
Total capital assets being depreciated, net	144,269	1,723,041	-	1,867,310
Total capital assets	\$144,269	\$1,784,643	\$-	\$1,928,912

Depreciation expense of \$981,162 was charged to PSRC's regional planning and development program in the government-wide financial statements.

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions* for the fiscal year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (488,042)
Pension assets	\$ 5,114,091
Deferred outflows of resources	\$ 916,566
Deferred inflows of resources	\$ (5,489,473)
Pension expense/expenditures	\$ (1,270,494)

State Sponsored Pension Plans

Substantially all of the PSRC's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department

of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

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

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
Local Government Units	7.92%	6.00%
Administrative Fee	0.18%	-
PERS Plan 1 UAAL	4.87%	-
Total	12.97%	6.00%

The PSRC does not currently employ any PERS 1 staff. However, it continues to fund the PERS 1 Unfunded Actuarial Accrued Liability (UAAL) per RCW 41.45.060. PSRC made \$232,127 in contributions to the plan for the fiscal year ended June 30, 2022.

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

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	Employer	Employee Plan 2	Employee Plan 3
Local Government Units	7.92%	7.90%	varies
Administrative Fee	0.18%	-	-
PERS Plan 1 UAAL	4.87%	-	-
Total	12.97%	7.90%	varies

PSRC's actual contributions to the plan were \$397,936 for the fiscal year ended June 30, 2022.

Actuarial Assumptions

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

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

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.40%

Mortality rates were based on the Society of Actuaries' Pub H-2010 tables. OSA applied age offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using the long-term MP-2017 generational improvement scale where each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. A high-level summary of those changes is outlined in the following paragraph. OSA will revert back to the methods outlined in their 2019 AVR when

preparing the 2021 AVR, a contribution rate setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019, AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the Fiscal Year (FY)-end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to our projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. Please see the Actuarial Assumptions and Methods section of OSA 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of Net Pension Liability

The table below presents the PSRC's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the PSRC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.40%) or 1-percentage point higher (8.40%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$831,407	\$488,042	\$188,592
PERS 2/3	\$(1,456,905)	\$(5,114,091)	\$(8,125,785)

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, 2022, the PSRC reported its proportionate share of the net pension liabilities (assets) as follows:

	Liability (Asset)
PERS 1	\$488,042
PERS 2/3	\$(5,114,091)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.038548%	0.039963%	0.001415%
PERS 2/3	0.050208%	0.051338%	0.001130%

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, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2022, the PSRC recognized pension expense as follows:

	Pension Expense
PERS 1	\$(40,805)
PERS 2/3	(1,229,689)
Total	\$(1,270,494)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, the PSRC 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	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	\$(541,563)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	\$ 232,127	-
TOTAL	\$ 232,127	\$(541,563)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$248,384	\$(62,694)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,274,180)
Changes of assumptions	7,473	(363,185)
Changes in proportion and differences between contributions and proportionate share of contributions	30,646	(247,851)
Contributions subsequent to the measurement date	397,936	-
TOTAL	\$684,439	\$(4,947,910)

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$248,384	\$(62,694)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,815,743)
Changes of assumptions	7,473	(363,185)
Changes in proportion and differences between contributions and proportionate share of contributions	30,646	(247,851)
Contributions subsequent to the measurement date	630,063	-
TOTAL	\$916,566	\$(5,489,473)

Deferred outflows of resources related to pensions resulting from the PSRC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	PERS Plan 1	PERS Plan 2/3
2023	\$(131,462)	\$(1,162,265)
2024	(124,302)	(1,114,879)
2025	(142,339)	(1,186,295)
2026	-	(38,467)
2027	-	6,495
Thereafter	-	3,002
Total	\$(398,103)	\$(3,492,409)

Deferred Compensation Plan

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

NOTE 6 - RELATED PARTIES

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

CPSEDD and PSRC entered into a Memorandum of Agreement dated June 27, 2002 to cooperate and support economic planning activities within the region. The agreement allows both agencies to make the most efficient use of resources. PSRC bills CPSEDD for the services performed by PSRC staff and indirect costs based on its indirect cost plan approved by the Federal Transit Administration. For the fiscal year ending June 30, 2022, total PSRC contracted staff service expenses and related indirect costs incurred during the period amounted to \$297,509. PSRC also processes all CPSEDD's dues transactions, bill payments and cash receipts. CPSEDD reimburses PSRC for the net amount of transactions processed on its behalf. As of June 30, 2022, the net balance due to PSRC from CPSEDD was \$60,646. These related party transactions are eliminated in the PSRC's financial statements.

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

The Interlocal Agreement discusses the following essential topics:

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

The interlocal agreement also lays out the terms of dissolution:

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

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

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

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

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

4 Unincorporated County Members, including:

King, Kitsap, Pierce, and Snohomish

77 City Members, including:

Algona, Arlington, Auburn, Bainbridge Island, Beaux Arts, Bellevue, Black Diamond, Bonney

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

4 Indian Tribe Members, including:

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

9 Associate-Level Members, including:

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

5 Statutory Members, including:

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

6 Transit Members, including:

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

NOTE 7 - RISK MANAGEMENT

PSRC is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in the Washington State Department of Labor and Industries program for worker's compensation coverage. Settlements of claims did not exceed insurance coverage for any of the past three years.

NOTE 8 – LEASES

PSRC leases an office building and various office equipment. The Council has implemented GASB 87 as of July 1, 2021, and reports material long-term leases in the government-wide financial statements as lease assets and lease liabilities. As of June 30, 2022, PSRC has identified the office building lease as material, while the office equipment leases are not.

The office building lease commenced on June 1, 1994 and has been extended by amendment through May 31, 2024. The implicit interest rate was calculated using the internal rate of return method derived from lease cash flows, asset FMV at lease inception, and residual value expected at the end of the lease. Variable payments not included in the measurement of the lease liability (Escalation Rent, utilities) totaled \$92,680 for fiscal year ending June 30, 2022. Escalation Rent includes PSRC's proportionate share of building operating expenses and property taxes and is paid in estimated monthly installments and reconciled annually. The terms of the office building lease provide for the lessor to retain a security deposit which is refundable to PSRC at the end of the amended lease agreement.

Leased capital asset activities for the year ended June 30, 2022 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being amortized:				
Leased Buildings	-	\$2,704,203	-	\$2,704,203
Total	-	2,704,203	-	2,704,203
Less accumulated amortization for:				
Leased Buildings	-	(927,155)		(927,155)
Total	-	(927,155)	-	(927,155)
Total lease assets being depreciated, net:	-	\$1,777,048	-	\$1,777,048

As of June 30, 2022, the principal and interest requirements to maturity are as follows:

Year Ended June 30:	Principal	Interest	Total
2023	\$ 848,146	\$ 126,449	\$ 974,595
2024	950,484	46,776	997,260
Total	\$ 1,798,630	\$ 173,225	\$ 1,971,855

NOTE 9 - CONTINGENCIES AND LITIGATIONS

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

PSRC was a defendant in a lawsuit filed January 4, 2021, alleging that VISIONS 2020, 2040, and 2050, which are the region's plans for growth, are unlawful for a variety of reasons, including allegations that they violate Washington state's Growth Management Act, the State Environmental Policy Act, and the Regional Transportation Planning statute. All but four claims were dismissed at the Superior Court level and on November 15, 2021, the Court approved plaintiff's motion to voluntarily dismiss the lawsuit and all remaining claims in their entirety.

PSRC staff worked with its insurance carriers to ensure they were apprised of the litigation and PSRC received reimbursement for all legal expenses to which it was legally entitled by the first quarter of calendar year 2022. In the opinion of PSRC's management, the cost of defending these claims did not have a material adverse effect on the accompanying financial statements.

NOTE 10 - DEFINED OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the period ending June 30, 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$2,708,964
OPEB assets	\$-
Deferred outflows of resources	\$-
Deferred inflows of resources	\$-
OPEB expense/expenditures	\$(380,735)

OPEB Plan Description

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

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

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

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

PSRC has 61 active employees and 18 retired and COBRA (or inactive) employees covered by the benefit. It is not possible to estimate the number of employees entitled to, but not yet receiving benefits because neither PSRC or HCA has an accurate way to measure this.

Employees covered by benefit terms: At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Active employees	61
Total	79

Actuarial Valuations

PSRC used the alternative measurement method (AMM) Online Tool to determine OPEB liabilities and expenses permitted under GASB 75. AMM Online Tool prepared by the Washington State Office of the State Actuary (OSA) is available at OSA's website, <http://leg.wa.gov/osa>. The valuation methods and assumptions built into the AMM Online Tool were consistent with the 2020 PEBB OPEB Actuarial Valuation Report. This report is available at OSA's website. The Entry Age Normal actuarial cost method was used in the valuation, which is permitted under GASB 75. The actuarial assumptions used in the valuation were based on the results of the *2020 PEBB Actuarial Valuation Report*. The significant assumptions in the valuation included:

- Discount rate is based on Bond Buyer General Obligation 20-Bond Municipal Index. This resulted in a 2.16% discount rate for the beginning total OPEB liability, measured as of July 1, 2021, and 3.54% for the ending total OPEB liability, measured as of June 30, 2022.
- Projected salary changes at 3.5%. In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Healthcare trend rates range between 2-11%; reaching ultimate rate of 4.3% in 2075.
- Mortality rates were based on the PubG.H-2010 (General) Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using MP-2017 Long-Term Rates. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.
- Inflation rate at 2.75% total economic inflation.
- Post-retirement participation percentage of 65%.
- Percentage with spouse coverage of 45%.

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

- 2/3 of members select a United Medical Plan (UMP) plan and 1/3 select a Kaiser Permanente (KP) plan. Costs for UMP pre- and post-Medicare and premiums are equal to the UMP Classic. The KP pre-Medicare costs and premiums are a 50/50 blend of KP WA Classic and KP WA Value. The Kaiser post-Medicare costs and premiums are equal to KP WA Medicare.
- Retirement service was estimated with an average entry age of 35 with a minimum service of one year.
- The OSA's 2020 PEBB OPEB Actuarial Valuation Report (AVR) was used for retirement, disability, termination, and mortality rates. Retirement eligibility was set at age 55 for simplicity. Retirement rates from the AVR were used for members with less than 30 years of service, and 100% rate of retirement at the age of 70 was assumed.
- Dental benefits were not included when calculating the Total OPEB Liability.
- The selection of the age-based cohort is assumed to be a 50/50 male/female split, determined using the overall distribution of State employees. Further, eligible spouses are assumed to be at the same age as the primary member.
- The Online Tool assumes there are no inactive members entitled to but not currently receiving a benefit.

Sensitivity of OPEB Liability

The following presents the total OPEB liability of PSRC calculated using the current healthcare cost trend rate ranging from 2-11%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate. The current healthcare trend rate range is derived from the OSA's 2020 PEBB OPEB Actuarial Valuation Report.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$2,245,349	\$2,708,964	\$3,315,483

The following presents the total OPEB liability of the PSRC calculated using the discount rate of 3.54%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$3,230,182	\$2,708,964	\$2,296,187

Changes in the Total OPEB Liability

Public Employee Benefit Board	Amount
Total OPEB Liability at 7/01/2021	\$3,147,302
Service cost	154,435
Interest	70,699
Changes of benefit terms	-
Differences between experience data and assumptions	(605,869)
Benefit payments	(57,603)
Other changes	-
Total OPEB Liability at 06/30/2022	\$2,708,964

The PSRC used the AMM Online Tool to calculate the OPEB liability of \$2,708,964 at June 30, 2022. The actuarial valuation and actuarial measurement dates were both as of June 30, 2022. No roll forward of OPEB liability was needed since both measurement dates were simultaneous. In total, the OPEB liability decreased by \$438,338, approximately 14%. The decrease is mainly due to changes in assumptions: the assumed discount rate increased from 2.16% to 3.54%. Benefit payments of \$57,603 were subsidies expected to be paid out throughout the year.

PSRC recognized \$(380,735) of OPEB expense in fiscal year 2022.

NOTE 11 - CHANGES IN NON-CURRENT LIABILITIES

	7/1/2021	Increases	Decreases	6/30/2022	Due Within One Year
Lease liabilities	\$-	\$2,704,203	\$(905,573)	\$1,798,630	\$848,146
Compensated absences					
Accrued personal time	689,997	160,495	(159,741)	690,751	412,028
Accrued sick leave	1,597	-	(1,597)	-	-
Net OPEB liability	3,147,302	-	(438,338)	2,708,964	69,816
Net Pension liability	2,003,085	-	(2,003,085)	-	-
Total non-current liabilities	\$5,841,981	\$2,864,698	\$(3,508,334)	\$5,198,345	\$1,329,990

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

NOTE 12 – COVID-19 PANDEMIC

During the 2022 fiscal year, PSRC continued to meet remotely from July through December due to the COVID-19 pandemic. Beginning in January 2022, PSRC began holding hybrid meetings with Board members, staff and members of the public able to attend in person or remotely. Members of the public were afforded the opportunity to provide oral and/or written comments at the beginning of each meeting. PSRC's work continued without interruption because both board members and staff are now well versed in working and hosting meetings in this hybrid manner.

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

**PUGET SOUND REGIONAL COUNCIL
GOVERNMENTAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Original Budget (Note 1)	Final Budget	Actual (Note 2)	Variance (Note 4)
Budgetary fund balance, July 1, 2021			8,363,475	
Resources (inflows):				
Carryover	\$ 6,398,000	\$ 8,223,000	\$ 4,191,054	(4,031,946)
Participating member dues	3,736,000	3,736,000	1,831,773	(1,904,227)
Local transit dues	1,101,000	1,101,000	539,641	(561,359)
Federal and state grants	18,826,000	18,832,000	5,339,196	(13,492,804)
Other services and support	-	-	50,659	50,659
Anticipated revenue	124,000	124,000	-	(124,000)
Amounts available for appropriation	\$ 30,185,000	\$ 32,016,000	\$ 11,952,323	\$ (20,063,677)
Expenditures (outflows):				
Salaries and benefits	\$ 20,389,000	\$ 20,163,000	\$ 8,704,769	(11,458,231)
Overhead	4,536,000	4,677,000	1,961,099	(2,715,901)
Consultants and other direct expenditures	2,952,000	3,983,000	842,360	(3,140,640)
Anticipated revenue	124,000	124,000	-	(124,000)
Encumbered	148,000	1,033,000	-	(1,033,000)
Contingency (Note 3)	2,036,000	2,036,000	-	(2,036,000)
Total charges to appropriations	\$ 30,185,000	\$ 32,016,000	\$ 11,508,228	\$ (20,507,772)
Excess of revenues over expenditures	-	-	444,095	
Budgetary fund balance, June 30, 2022			\$ 8,807,570	

Notes:

Note 1 - PSRC prepares its budget on a GAAP basis. PSRC prepares a biennial budget, which estimates future revenues and expenditures. Each biennium, after the carryover revenues are known, PSRC amends the biennial budget to the actual amount of carryover revenues, which will be used for work in subsequent years. "Original Budget" amounts come from April 2021 Adopted Budget & Work Program. "Final Budget" amounts come from May 2022 Adopted Supplemental Budget and Work Program. See Financial Statement Note 1 for further discussion of the policy of budget preparation.

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

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

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

Note 5 - PSRC uses Generally Accepted Accounting Principles (GAAP) as its basis of budgeting. Expenditures are matched to current revenues and excess budgetary revenues are encumbered for future use.

REQUIRED SUPPLEMENTARY INFORMATION

Puget Sound Regional Council
Schedule of Proportionate Share of the Net Pension Liability
Washington Public Employees Retirement System 2/3
As of June 30, 2021

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

Notes to Schedule:

PSRC will continue to compile contributions figures going forward so that there is 10 years of comparative data available in future years. See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.

(1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5)

REQUIRED SUPPLEMENTARY INFORMATION

Puget Sound Regional Council
Schedule of Employer Contributions
Washington Public Employees Retirement System 1
As of June 30, 2021

	<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>
Contractually required contributions	\$ 16,539	283,946	284,459	283,595	275,529	279,479	298,120	232,127		
Contributions in relation to the contractually required contributions	\$ (16,539)	(283,946)	(284,459)	(283,595)	(275,529)	(279,479)	(298,120)	(232,127)		
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0		
Covered payroll (1)	\$ 5,045,684	5,952,733	5,963,487	5,638,078	5,387,655	5,871,417	6,143,650	6,256,809		
Contributions as a percentage of covered payroll	0.33%	4.77%	4.77%	5.03%	5.11%	4.76%	4.85%	3.71%		

Notes to Schedule:

PSRC will continue to compile contributions figures going forward so that there is 10 years of comparative data available in future years. See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.

(1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5)

REQUIRED SUPPLEMENTARY INFORMATION

Puget Sound Regional Council
Schedule of Proportionate Share of the Net Pension Liability
Washington Public Employees Retirement System 1
As of June 30, 2021

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

Notes to Schedule:

PSRC will continue to compile contributions figures going forward so that there is 10 years of comparative data available in future years. See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.

(1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5)

REQUIRED SUPPLEMENTARY INFORMATION

Puget Sound Regional Council
Schedule of Employer Contributions
Washington Public Employees Retirement System 2/3
As of June 30, 2021

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

Notes to Schedule:

PSRC will continue to compile contributions figures going forward so that there is 10 years of comparative data available in future years. See Note 5 to the financial statements (Pension Plans) for the changes in methods and assumptions since the last valuation.

(1) Covered Payroll is the payroll on which contributions to a pension plan are based (GASB 82, paragraph 5)

REQUIRED SUPPLEMENTARY INFORMATION

Puget Sound Regional Council
Schedule of Changes in PSRC's
Total OPEB Liability and Related Ratios
As of June 30, 2022

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

Notes to Schedule:

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

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

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

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

PUGET SOUND REGIONAL COUNCIL
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Economic Development Cluster								
Commerce, Department of Economic Development Administration	COVID-19 Economic Adjustment Assistance	11.307	ED20SEA3070040	- \$	277,840 \$	277,840	-	1, 2, 3
Commerce, Department of Economic Development Administration	Economic Development Support for Planning Organizations	11.302	ED20SEA3020008	- \$	100,000 \$	100,000	-	1, 2, 3
	Total Economic Development Cluster:			\$ -	\$ 377,840	\$ 377,840	\$ -	
Highway Planning and Construction Cluster								
Federal Highway Administration (FHWA), (via WA State Department of Transportation)	Highway Planning and Construction	20.205	GCB 3504	\$ 4,885,977	- \$	4,885,977	-	1, 2, 3, 4
Federal Highway Administration (FHWA), (via WA State Department of Transportation)	Highway Planning and Construction	20.205	GCB 3504	\$ 1,000,009	- \$	1,000,009	-	1, 2, 3
	Total Highway Planning and Construction Cluster:			\$ 5,885,986	\$ -	\$ 5,885,986	\$ -	
Federal Transit Cluster								
Transportation, Department of (DOT) Federal Transit Administration (FTA)	Federal Transit Formula Grants	20.507	WA-2020-003/01	- \$	746,320 \$	746,320	-	1, 2, 3
Transportation, Department of (DOT) Federal Transit Administration (FTA)	Federal Transit Formula Grants	20.507	WA-2022-005/00	- \$	381,829 \$	381,829	-	1, 2, 3
	Total Federal Transit Cluster:			\$ -	\$ 1,128,149	\$ 1,128,149	\$ -	
Transit Services Program Cluster								
Federal Transit Administration (FTA), (via WA State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0168	\$ 145,647	- \$	145,647	-	1, 2, 3
	Total Transit Services Program Cluster:			\$ 145,647	\$ -	\$ 145,647	\$ -	
Federal Transit Administration (FTA), (via WA State Department of Transportation)	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	GCB 3504	\$ 1,044,488	- \$	1,044,488	-	1, 2, 3, 4
	Total Federal Awards Expended:			\$ 7,076,121	\$ 1,505,989	\$ 8,582,110	\$ -	

the accompanying notes are an integral part of this schedule.

The accompanying notes are an integral part of this schedule.

NOTES:

NOTE 1 - BASIS OF ACCOUNTING

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Puget Sound Regional Council (the PSRC) under programs of the federal government for the year ended June 30, 2022. The Schedule is prepared on the same basis of accounting as the PSRC's financial statements. The PSRC uses the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of 2 CFR 200 "*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)". Because the Schedule presents only a selected portion of the operations of the PSRC, it is not intended to and does not present the financial position or changes in cash flows

NOTE 2 - INDIRECT COST RATE

The PSRC has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. The amount expended includes \$3,523,826 claimed as an indirect cost recovery using an approved indirect cost rate of 53.02% of direct salaries and benefits.

NOTE 3 - PROGRAM COST

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

NOTE 4 - METROPOLITAN PLANNING ORGANIZATION PLANNING FUNDS

Metropolitan Planning Organization planning funds have been excluded from the Schedule and presented separately as the state consolidates these under agreement number GCB 3504.

ABOUT THE STATE AUDITOR'S OFFICE

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