



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Tri-County Economic Development District

For the period January 1, 2020 through December 31, 2020

Published November 4, 2021

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

November 4, 2021

Board of Directors
Tri-County Economic Development District
Colville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Tri-County Economic Development District's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tri-County Economic Development District January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Tri-County Economic Development District are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

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 District’s compliance with requirements applicable to its major federal program.

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund

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

The District 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*

Tri-County Economic Development District January 1, 2020 through December 31, 2020

Board of Directors
Tri-County Economic Development District
Colville, 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 Tri-County Economic Development District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2021.

As discussed in Note 9 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy, State Auditor

Olympia, WA

October 13, 2021

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

Tri-County Economic Development District January 1, 2020 through December 31, 2020

Board of Directors
Tri-County Economic Development District
Colville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Tri-County Economic Development District, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District 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 December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

October 13, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Tri-County Economic Development District January 1, 2020 through December 31, 2020

Board of Directors
Tri-County Economic Development District
Colville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-County Economic Development District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Tri-County Economic Development District, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 9 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

October 13, 2021

FINANCIAL SECTION

Tri-County Economic Development District January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2020

Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – 2020

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2020

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1 – 2020

Schedule of Employer Contributions – PERS 2/3 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

TRI COUNTY ECONOMIC DEVELOPMENT DISTRICT

Management Discussion and Analysis **2020**

This section of Tri County Economic Development District's financial report presents a narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2020. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The total net position for the District increased by \$74,810 which is a 1.1% net change increase from the prior year.
- The component unit, Tri County Economic Development Non Profit Corporation was formed in 2011 and received its IRS 501c(3) status. In 2012, the Corporation was awarded a \$100,000 grant / \$400,000 loan combination from the U.S. Department of Agriculture/Rural Development through the rural entrepreneur assistance program (RMAP), and \$25,000 of the grant and \$200,000 of the loan was received in 2013. TEDD drew the remaining \$200,000 in 2015, as well as \$40,375 in additional grant funds. The remaining \$34,625 in grant funds was drawn in 2016. In 2018, an additional \$17,483 in grant funding was received, as well as another \$6,374 in 2019 and \$9,919 in 2020. There was capitalized interest of \$4,602 added to the \$400,000 debt in 2014 when the payments began. The IRS ruled TCEDC is exempt from filing a 990 form and is recognized as an affiliate of a governmental unit.
- The District's lending programs saw stable loan activity in 2020. No new loans were funded during the year and the District worked closely with all existing loan clients to help them stay current during the COVID-19 pandemic. The Loan Committee approved three loan payment deferral offers, available to all clients, during the course of the year. There were no foreclosures for the Loan Fund or the TC EDC; and there were no write-offs in the Loan Fund or the TC EDC. There were no recoveries made in 2020.
- In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In response to the pandemic and the Washington State Governor's orders, the Tri County Economic Development District staff began working from home during April, 2020 and for the most part, continued to do so throughout the year. While the District's office was closed during this time, the staff continued to provide full support to their clients and the public.

In an effort to provide immediate relief to the District's loan clients in March, 2020, the Executive Committee authorized a three-month deferral on loan payments to the Rural Opportunities Loan Fund. A similar deferment was offered twice more during the year.

The District also initiated and administered small business assistance programs including grants to small businesses. The District directly administered \$1,835,467 in pass-thru small business grants in 2020; \$1,533,475 of those grants were funded by the CARES Act, through the Department of the Treasury, while \$301,992 was funded by Washington State Department of Commerce Strategic Reserve funding. With the increased workload due to these grant programs, the District turned the part-time Office Assistant position into a full-time position June - December, 2020; the position reverted to part-time as of January 1, 2021.

Also in 2020, the District applied for and received two additional CARES Act grant awards from the U.S. Department of Commerce/Economic Development Administration. As a supplement to our EDA Planning grant, \$400,000 was awarded to support an economic recovery program for the region; in addition, \$1,698,500 in Economic Adjustment Assistance was awarded to create and administer a new small business revolving loan fund. At the time of the 2020 annual report submittal, the District has funded \$864,000 in small business loans from the new fund.

At the time of the 2020 annual report submittal, the District, with the help of the EDA supplemental funding, created and filled two new full-time positions: a Regional Economic Development Specialist and an Economic Recovery Coordinator.

The length of time these measures will be in place, and the full extent of the financial impact on the Tri County Economic Development District is unknown at this time.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. In addition to the basic financial statements, this report also contains required and other supplemental information.

1) Government wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Activities presents information showing how the District'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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected grant reimbursements and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the District that are principally supported by grants and contracts. The governmental activities of the District are

considered economic environment in nature e.g. economic development, transportation planning, technical and financial assistance for businesses.

2) Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only maintains governmental funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds 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 of the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and government activities.

The District maintains three governmental funds. The District has a fund, Tri County Economic Development Corporation (TC EDC) which is not a major fund. Information is presented separately in the Governmental Funds Balance Sheet (Generally Accepted Accounting Principles - GAAP) and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (GAAP) for the General and Loan Funds, which are considered the major funds.

The District adopts an annual appropriated budget for each fund. A Budgetary Comparison Statement has been provided for these funds to demonstrate compliance with the budget.

3) Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Supplementary information – This Management Discussion and Analysis and the schedules represent financial information which provides to the users of the report additional data that supplements the government-wide statements, funds financial statements, and notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the District, assets far exceeded liabilities by \$6,831,132. A condensed version of the Statement of Net Position is shown below and it compares the governmental activities for fiscal years 2019 and 2020.

There was normal depreciation on buildings, improvements and equipment that contributed to the overall decrease in assets; however, a substantial reduction in receivables, due mostly to a number of payoffs in the Loan Fund, accounts for most of the decrease. There was also a sizable decrease in deferred outflows for pension.

The overall decrease in liabilities is due to a substantial decrease in deferred inflows for pension, as well as the overall decrease in liabilities is due to continued regular payment on the Key Bank loan and USDA IRP and RMAP loans.

The increase in restricted net position resulted from increased payoffs in the Loan Fund. The increase in unrestricted net position in the Operations fund is due to decreased total liability in the General Fund.

Statement of Net Position:

TRI COUNTY ECONOMIC DEVELOPMENT DISTRICT					
2020 Statement of Net Position					
	Governmental Activities		2020 Change		
	2019	2020	Amount	Percent	
ASSETS					
Current and other assets	\$7,143,245	\$7,078,980	-\$64,265	-0.9%	
Capital assets	974,798	942,557	-\$32,241	-3.3%	
Deferred Outflows (For Pension)	29,964	35,414	\$5,450	18.2%	
Total assets	\$8,148,007	\$8,056,951	-\$91,056	-1.1%	
LIABILITIES					
Current and other liabilities	\$201,159	\$199,205	-\$1,954	-1.0%	
Long-term liabilities outstanding	1,120,960	983,721	-\$137,239	-12.2%	
Deferred Inflows (For Pension)	69,563	42,894	-\$26,669	-38.3%	
Total liabilities	\$1,391,682	\$1,225,820	-\$165,862	-11.9%	
NET POSITION					
Invested in capital assets, net of related debt	\$951,814	\$934,745	-\$17,069	-1.8%	
Restricted	5,595,770	5,662,654	\$66,884	1.2%	
Unrestricted	208,738	233,730	\$24,992	12.0%	
Total net position	\$6,756,322	\$6,831,132	\$74,810	1.1%	

Changes in Net Position:

TRI COUNTY ECONOMIC DEVELOPMENT DISTRICT					
2020 Changes in Net Position					
	Governmental Activities		2020 Change		
	2019	2020	Amount	Percent	
REVENUES					
Program Revenue					
Charges for services	\$440,816	\$302,433	-\$138,383	-31.4%	
Grants and contributions	377,061	2,267,735	1,890,674	501.4%	
Capital grants and contributions	0	0	0	0.0%	
General Revenue					
Investment Interest	81,324	30,534	-50,790	-62.5%	
Total Revenues	\$899,201	\$2,600,702	\$1,701,501	189.2%	
EXPENDITURES					
Economic Environment	\$708,467	\$2,525,207	\$1,816,740	256.4%	
Interest on long-term debt	1,311	685	-626	-47.7%	
Total Expenditures	\$709,778	\$2,525,892	\$1,816,114	255.9%	
Gain on Sale of Fixed Asset	0	0	0	0.0%	
Recovery of bad debt	6,500	0	-6,500	-100.0%	
Write off expense	\$0	\$0	0	0.0%	
CHANGE IN NET POSITION	\$195,922	\$74,810	-\$121,112	-61.8%	
Prior Period Adjustment	\$0		\$0	0.0%	
NET POSITION - YEAR END	\$6,756,322	\$6,831,132	\$74,810	1.1%	

GOVERNMENT FUNDS FINANCIAL ANALYSIS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's basic operations are reported in the General Fund. The District's Revolving Loan Fund activities are reported in the Loan Fund. The TC EDC activities are reported under other funds. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs and/or services.

The District follows the generally accepted accounting principles and implemented Government Accounting Standard Board (GASB) Statement 54. These financial statements use the five new fund balance categories: non-spendable, restricted, committed, assigned and unassigned. Attention to detail was given and additional information can be found in the financial statements under Note 1 (E-13).

In 2020, the District had a net decrease in a fund balance of \$78,335. This amount shows an increase in the General Fund of \$15,156, a decrease in the Loan Fund of \$63,175, and a decrease in the TC EDC of \$30,317. The TC EDC received \$9,919 in grant funding in 2020. Additional information can be found in the Notes to the Financial Statements under Note 12.

BUDGETARY HIGHLIGHTS

The District amended the General Fund budget one time in 2020 and did not overspend on the authority approved appropriations. The original 2020 General Fund budget was increased and line items were amended to add appropriations:

- TEDD increased Intergovernmental Revenues, Miscellaneous Revenue, and Inter Fund transfers; and decreased Interest Earning, and Charges for Goods and Services. Total Revenue (including beginning fund balance) was increased by \$2,077,381.
- TEDD decreased expenditures for Salaries and Benefits; and increased expenditures for Supplies, Other Services and Charges, and Capital Outlays. Increases and decreases were made over many line items. Total Expenditures increased by \$2,024,115.

The District amended the Loan Fund budget one time in 2020 and did not overspend on the authority approved appropriations. The original 2020 Loan Fund budget was increased and line items were amended to add appropriations:

- There were no amendments to Loan Fund revenues.
- TEDD increased Loan Fund Inter Fund Transfers; and decreased Debt Payments, Total Expenditures increased by \$7,470.

The District amended the TC EDC Fund budget one time in 2020 and did not overspend on the authority approved appropriations. The original 2020 Loan Fund budget was increased and line items were amended to add appropriations:

- TEDD decreased TC EDC Intergovernmental Revenue and Interest Earnings. Total Revenue (including beginning fund balance) was decreased by \$3,776.
- TEDD increased TC EDC Debt Interest Payments; and decreased Debt Principal Payments, and Inter Fund Transfers. Total Expenditures decreased by \$3,944.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

- At December 31, 2020, the District's investment in capital assets (Note 5) \$942,557 less related debt of \$7,812 was \$934,745.
- Long-Term Debt – The District has long-term debt for the General Fund, the Loan Fund, and TC EDC.
 - **General Fund** - The current year principal (\$15,172) and interest (\$685) payments totaled \$15,857. There was one small year-end adjustment made, in the amount of \$0.45 between principal (+) and interest (-) in order to balance with KeyBank records. At December 31, 2020, the Key Bank balance for the General Fund Incubator Program was \$7,812.
 - **Loan Fund.** The current year principal (\$123,727) and interest (\$8,565) payments for all the USDA loans were \$132,292. USDA IRP loan #2 was paid off in 2020. At December 31, 2020, the USDA balance for the four remaining loans totaled \$742,837.

- **TCEDC Fund.** The current year principal (\$21,720 and interest (\$5,770) payments for the RMAP loan were \$27,490. At December 31, 2020, the USDA RMAP loan balance was \$276,733

Additional detailed notes regarding long term debt can be found in the financial statements under Note 8.

Pension Trend Data. GASB statement 25 and GASB statement 27 requires a schedule for funding progress and a schedule for employer contributions. TEDD's employees are members of the State PERS program. You can obtain those schedules on the Department of Retirement's website at www.drs.wa.gov. You can find this information in their CAFR report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the coming year, management will continue to work with the Board on a number of key challenges that face the District.

- Funding cuts continue to be a concern for the District as additional Federal, State, and Local Government funding cuts are always possible.
- Since 2016, the District has applied for and secured WSDOT funding to continue funding the Regional Mobility Manager / Veterans Service Coordinator position. The typical award cycle has been based on the SFY biennium; in 2020, the District was able to submit an application for a four-year funding cycle, (2022-2023 SFY biennium and 2024-2025 SFY biennium); at the time of this report, that funding has been awarded.
- Incubator – In 2018, the District applied for and secured USDA RBDG funding to remodel a portion of Building 3 into a co-working facility. Work did not commence on the project as planned in 2018 but was completed in 2019. In addition to the remodel work, the District funded related electrical and HVAC upgrades in Building 3. The plan for 2020 was for the District to develop a program and marketing plan for the completed co-working space; due to COVID-19 restrictions, this project was put on hold; at the time of this report, work on this project has not commenced.
- The three counties in the District continue to experience high unemployment rates, even more so than usual due to the COVID-19 pandemic, which have previously shown a demand for potential start-up businesses. This can lead to an increased risk factor for business loans and demands that the District provides for additional technical assistance and business training programs.
- Tri County Economic Development Non Profit Corporation (TC EDC) - In August of 2011, the District formed a supporting 501(c) 3 corporation, TC EDC, which was started to meet the eligibility requirements of a USDA / Rural Development – Rural Micro-entrepreneurial grant and loan program. The action was advised to the District by the USDA after the District's initial application was denied as a governmental unit.

The TC EDC is a component unit and has been recognized by the IRS as an affiliate of a government unit. TC EDC is composed of and governed by the same twenty-two (22) public

entity members who are representative of the TEDD Board of Directors. It is a charitable organization that provides for the TEDD public agencies to have the structure needed for them to engage in cooperative actions for the promotion of planning and economic services that are not available to TEDD as a governmental unit.

After the formation of the corporation, the District was awarded a \$100,000 grant and \$400,000 loan for business development purposes. As of December 2019, the loan funds were fully accessed (\$400,000) and a total of \$123,857 grant funds have been accessed thus far (the original \$100,000, \$17,483 accessed in 2018; \$6,374 accessed in 2019); and \$9,919 accessed in 2020).

- As the COVID-19 pandemic continues in 2021, with the US Economic Development Administration CARES Act funding received in 2020, and the subsequent creation of the full-time Regional Economic Development Specialist and an Economic Development Recovery Coordinator positions, the District will continue serving the growing economic needs in the region.
- January 1 – March 19, 2020, the District continued to operate under the direction of a part-time Interim Executive Director. The District did budget accordingly for the return of a full-time Executive Director in 2020; Jeff Koffel returned as full-time Executive Director on March 19, 2020.
- At the time of this report, The District's Finance Manager had given notice of termination of employment; the last day of her regular, full-time employment with the District will be May 31. The District has internally hired a replacement to fill the position on an interim basis; he began working in the position on May 1, 2021 and has been training alongside the current Finance Manager. The current Finance Manager will be available on a part-time, hourly basis to continue the training process and to act as the 2020 audit liaison as needed. This congruent work will result in increased salary and wage expense that will be addressed with a budget amendment.
- District Executive Director, Jeff Koffel completed a review of the 2020 Annual Report using the GFOA 'General Purpose Governments SRC Review Guide' recommended by the SAO.
- At the time of this report, the District's Personnel Policies and Procedures Manual and Accounting Manual, approved in 2016 by resolution by the Board of Directors, are being fully executed. Minor revisions that were originally slated to be done in 2020 are intended to now be completed in 2021. All revisions require Board approval by resolution.

Contacting the District and the component unit:

The financial report is designed to provide a general overview of the District and its component unit finances and to show the District's accountability for the money it receives. If you have any questions about this report, contact the District's Finance Manager or the Executive Director at 986 South Main, Suite A, Colville, WA 99114 or at (509) 684-4571.

Tri County Economic Development District
Statement of Net Position
For the year ended December 31, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	-
Investments	4,352,875
Petty cash	4,000
Disposition of Capital Assets	-
Receivables (net)	2,504,688
Due from other governments	104,168
Loan in transit	-
Foreclosure property held for resale	-
Restricted assets	
Investments for bad debt (Loan Loss)	113,249
Total Assets	7,078,980
Capital assets not being depreciated	
Land	199,528
Capital assets net of accumulated depreciation	
Buildings & Improvements	733,085
Equipment	9,944
Total Capital Assets	942,557
TOTAL ASSETS	8,021,537
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows for Pension	35,414
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,414
LIABILITIES	
Vouchers payable	51,241
Damage deposits	3,850
Unearned Revenue	-
Due within one year	144,114
Non current liabilities:	
Net Pension Liability	84,162
Due in more than one year	883,266
Compensated absences	16,293
TOTAL LIABILITIES	1,182,927
DEFERRED INFLOWS of RESOURCES	
Deferred inflows for Pension	42,894
TOTAL DEFERRED INFLOWS OF RESOURCES	42,894
NET POSITION	
Net investment in capital assets	934,745
Restricted for:	
Loan loss / bad debt	169,942
Loan purposes	5,492,712
Unrestricted	233,730
TOTAL NET POSITION	6,831,132

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

Tri County Economic Development District
Statement of Activities
For the year Ended December 31, 2020

		Program Revenues			Net Exp/Rev and Changes in Net Position
		Charges for Services	Operating Grants + Contributions	Capital Grants + Contributions	
Functions/Programs	Expenses				Primary Government Total
PRIMARY GOVERNMENT:					
Governmental Activities					
Economic Environment - General Fund	2,468,446	134,545	2,257,816		(76,084)
Economic Environment - Loan Fund	3,188	166,985			163,797
Economic Environment - TC EDC	5,066	903	9,919		5,756
Depreciation Expense	38,084				(38,084)
Deferred Interest Booked	-				-
Increase (Decrease) in Compensated Absences	10,424				(10,424)
Economic Environment	2,525,207	302,433	2,267,735		44,961
'Operation Fund Only' Interest on Long-Term Debt	685				(685)
TOTAL GOVERNMENTAL ACTIVITIES	2,525,892	302,433	2,267,735	-	44,276

General Revenues:	
Unrestricted Investment Earnings	30,534
Grants and Contributions not Restricted to Specific Programs	-
Extraordinary Items:	
Special Items:	
Loan Write Off (PRIOR PERIOD)	-
Sale of property	-
Loss on Sale of Capital Assets	-
Recovery of bad debt	-
Other Transfer (Recovery paid to another fund)	-
Transfers***	-
Total General Revenues, Extraordinary, Special Items, and Transfers	30,534
Change in Net Position	74,810
Net Position Beginning	6,756,322
Net Position Ending	6,831,132

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

Tri County Economic Development District
Balance Sheet
Governmental Funds
For the year ended December 31, 2020

	Governmental Fund Types			Total Governmental Funds
ASSETS and OUTFLOWS OF RESOURCES	General Fund	Loan Fund	TC EDC Fund	
Cash and cash equivalents	3,000	1,000	-	4,000
Investments (at cost)	267,419	3,864,940	333,764	4,466,123
Receivables, net	5,650	2,499,038	-	2,504,688
Due from other funds	43,936			43,936
Due from other governmental units	104,168			104,168
Total Assets	424,174	6,364,978	333,764	7,122,916
Deferred Outflows of Resources	-	-	-	-
Total Assets & Deferred Outflows of Resources	424,174	6,364,978	333,764	7,122,916
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES				
Liabilities:				
Due to other funds		38,774	5,163	43,936
Vouchers Payable	24,253	23	-	24,276
Salaries Payable	26,965			26,965
Unearned Revenue	-			-
Customer deposits	3,850			3,850
Total Liabilities	55,068	38,797	5,163	99,027
Deferred Inflows of Resources	2,710	-	-	2,710
Fund Balances:				
Restricted		3,827,143	328,601	4,155,745
Non Spendable		2,499,038	-	2,499,038
Unassigned	369,106			369,106
Total Fund Balance	369,106	6,326,182	328,601	7,023,888
Total Liabilities, Deferred Inflows of Resources and Fund Balances	426,884	6,364,978	333,764	7,125,625

Amounts reported for governmental activities in the statement of net position are different because of balances in government funds	7,023,888
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	942,557
Some liabilities, including long-term payables, are not due and payable in the current period and therefore are not reported in the funds.	(1,043,674)
Net outflows are assets not shown on governmental fund statements (Pension)	35,414
Net inflows are assets not shown on governmental fund statements (Pension)	(42,894)
Long Term loan receivables	
Net Pension Liability	(84,162)
Net Assets of governmental activities.	6,831,132

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

Tri County Economic Development District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2020

	Governmental Fund Types			Total Governmental Funds
	General Fund	Loan Fund	TC EDC Fund	
REVENUES				
Intergovernmental revenues	2,237,816		9,919	2,247,735
Charges for services	58,725	-	-	58,725
Miscellaneous revenues	97,903	192,861	3,477	294,241
Total Revenues	2,394,444	192,861	13,396	2,600,702
EXPENDITURES				
Current:				
Economic Environment	2,497,302	254	-	2,497,556
Capital Expenditures	5,843			5,843
Intergovernmental payments				-
Debt Service:				
Principal	15,172	123,727	21,720	160,620
Interest	685	8,565	5,770	15,019
Total Expenditures	2,519,002	132,546	27,490	2,679,037
Excess (Deficiency) of Revenues over Expenditures	(124,558)	60,315	(14,093)	(78,335)
OTHER FINANCING SOURCES (USES)				
Recovery of write offs				-
Intergovernmental Loan Proceeds				-
Write offs (PRIOR PERIOD)				-
Transfers in - Interfund	139,714			139,714
Transfers out - Interfund		(123,490)	(16,224)	(139,714)
Total Other Financing Sources and Uses	139,714	(123,490)	(16,224)	(0)
Net Changes in Fund Balance	15,156	(63,175)	(30,317)	(78,335)
Fund Balance Beginning	353,950	6,389,356	358,918	7,102,223
Fund Balances - Ending	369,106	6,326,182	328,601	7,023,888

*The reconciliation of the net changes in fund balances of government funds to the change in net position in the statement of activities is presented below:	
Net change in fund balances - total government funds:	(78,335)
Amounts reported for gov't activities in the statement of activities are different because gov't funds report capital outlays as expenditures	
--- The current year capital outlay total is:	5,843
However in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense	
--- The current year depreciation expense is:	(38,084)
Governmental funds report debt payments as expenditure:	
Current year debt payment for the General, Loan, and TC EDC funds:	160,620
Sale of Property	
Decrease (Increase) in accrued Pension Liability	
Decrease (Increase) in accrued leave	(10,424)
Net Change in Pension Inflow	6,292
Pension expense not shown in funds statements	(1,065)
Prior Year Deferred Outflows for Pensions	29,964
Change in net assets of governmental activities	74,810

TRI COUNTY ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2020 THROUGH DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Tri County Economic Development District (TEDD) have been prepared in conformity with generally accepted accounting principles (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. TEDD reports in conformity with GASB 34 since 2005.

A. Reporting Entity

TEDD is a governmental agency organized in 1969 to assist and carry out various community and economic development programs under grants received from various agencies of federal, state and local governments. In 1990, the Commissioners of Ferry, Pend Oreille, and Stevens counties, by resolution, formed the Northeast Washington Regional Transportation Planning Organization (NEW RTPO) under the provisions of the 1990 Growth Management Act. They designated TEDD as the lead agency for this organization. These three counties are included in the Eastern Region of the Washington State Department of Transportation (WSDOT). The NEW RTPO is funded by WSDOT grants and is administered as a program of TEDD.

TEDD was formed under authority of Washington State law, Chapter 39.34 RCW, known as the Inter-local Cooperative Act. The Acceptance of these grants requires compliance with prescribed grant conditions and other special requirements. As required by the generally accepted accounting principles the financial statements present TEDD as the primary government, and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the TEDD.

Tri County Economic Development District Non Profit Corporation (TC EDC) was formed on August 1, 2011 as a non-profit charitable organization to provide for public agencies to engage in cooperative action to promote planning and economic services. The TC EDC is governed by the same 22 public agencies of the TEDD Board. Although it is legally separated from TEDD, the TC EDC is reported as if it were a part of the primary government because its sole purpose is another vehicle to promote economic activities.

B. Basis of Presentation 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 non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) member dues, charges to clients or applicants who use or

directly benefit from services provided by a specific function or segment, rental income derived from the incubator and 2) grants and contributions that are restricted to meeting the operational or capital requirements for a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Loan Fund and the TC EDC Fund are considered major individual governmental funds and are reported in separate columns in the fund financial statements.

The General Fund is TEDD's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting

1. Government-Wide and Governmental Funds

The government wide financial statements are reported using the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, TEDD considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are 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.

Grants and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available when cash is received by TEDD.

TEDD reports the following major governmental funds:

- General Fund - this is the general operating fund of TEDD and is used to account for all financial resources of the general government, except those required to be accounted for in another fund.
- Loan Fund - this fund accounts for revenues derived from specific grants, loan interest payments, contract origination and late fees, and investment interest which are designated to finance the loan programs. This fund is reported as a special revenue fund.

TEDD reports the following non-major governmental fund

- TC EDC Fund – this fund accounts for revenues derived from specific grants, loan interest payments, contract origination and late fees, and investment interest which are designated to finance the corporation programs. This fund is reported as a special revenue fund.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the General, Loan and TC EDC funds with the generally accepted accounting principles (GAAP) basis of accounting. Budgets are adopted at the fund level.

Appropriations for general and special revenue funds lapse at year-end.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. Amending the Budget

The budgets are adopted by TEDD's Governing Board, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Governing Board.

When the Board determines that it is in the best interest of the district to increase or decrease the appropriation for a particular fund it may do so by resolution according to the by-laws which require a public meeting.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original/final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

In 2020, the TEDD Board approved one budget revision for the General Fund, one for the Loan Fund, and one for the TC EDC.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Equivalents

It is TEDD's policy to invest all temporary cash surpluses; TEDD deposits all receipts with the Stevens County Treasurer. At December 31, 2020, the Stevens County Treasurer held \$4,466,123 in short-term residual investments of surplus cash; There was no un-invested cash. This amount is classified on the balance sheet as investments (at cost) in various funds. The interest on these investments is prorated to the various funds. A portion of this is used as a restricted asset for the bad debt expense.

The General Fund and the Loan Fund have \$3,000 and \$1,000 in petty cash/advance travel checking accounts respectively. These amounts are classified on the balance sheet as cash and cash equivalents in various funds.

2. Temporary Investments

See Deposits and Investments Note 3.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for dues or goods and services including amounts owed for which billings have not been prepared.

4. Amounts Due to and from other Funds and Governments

These accounts include amounts due to or from other governments for grants, entitlements, dues, interest earned on investments, and charges for services. Amounts due to and from other funds are representative of tracking activities between funds. A separate schedule of Inter-fund receivables and payables are furnished in Interfund Balances and Transfers Note 11. Any expenditure not directly related to a specific loan is paid by the General Fund and charged back to the Loan Fund and the TC EDC.

5. Restricted Assets and Liabilities

These accounts contain the resources for the restricted assets and loan loss/bad debt reserve.

The restricted asset for the Loan Fund (excluding the EDA portion as they do not allow an RLF to reserve cash) is \$133,249 and the restricted asset for the TC EDC is \$0 (as of December 31, 2020, there were no outstanding loan balances for the TC EDC).

The Loan Fund reserve for loan loss/bad debt (including EDA they do allow the restriction of fund balance for loan loss/bad debt) is \$149,942 and the TC EDC reserve for loan loss/bad debt is \$20,000.

The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in Long-Term Debt Note 8.

Damage deposits are collected from clients at the beginning of leases and released upon termination of lease agreements if applicable. Current damage deposits total \$3,850.

6. Capital Assets

See Capital Assets, Note 4.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased and constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The cost for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	40
Internet Fiber	20
Improvements	7
Equipment	5

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave. All vacation is accrued when incurred in the government-wide financial statements. The compensated absences liability consists of \$16,293 of vacation leave.

Vacation pay, which may be accumulated up to 30 days (225 hours) in a calendar year, is payable upon resignation, retirement or death.

8. Pensions

For purposes of measuring the net pension liability or asset, 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.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt

See Long-Term Debt, Note 7.

11. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criterion has not been met.

12. Fund Balance Classifications

The Governmental Accounting Standards Board (GASB) Statement 54 requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. The new fund balance classifications will indicate the level of constraints placed upon how resources can be spent and identify the sources of those restraints.

Constraints are broken down into five different classifications:

- a. For Committed Fund Balance- It consists of amounts that have a constraint placed by the governing body. The Governing Board is the authority that can commit fund balances. This act would require a resolution.
- b. For Assigned Fund Balance – It consist of amounts that are decisions by management to use for a specific purpose. For assigned fund balances the executive director would make a recommendation to the Governing Board and the Governing Board would approve by a resolution.
- c. Unassigned- represents the residual amount for the government’s General Fund.

TEDD considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification have occurred.

13. Fund Balance Details

The following fund balance details are available to show how the District is bound to honor the constraints for specific fund balance purposes as of December 31, 2020:

- a. Restricted – The District’s restricted funds consist of the entire Loan Fund and TC EDC Fund balances. These funds are special revenue funds and the use of its resources is contractually limited for the sole purpose of operating the Rural Opportunities Loan Fund program and the Non Profit Corporation.
- b. Unassigned – This represents the residual amount of the District’s General Fund.

NOTE 2 - RECONCILIATION OF GOVERNMENT WIDE & FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position:

The governmental funds’ balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The Net Position includes Capital Assets (land, improvements, and buildings) and Non-Current Liabilities (compensated absences, Loan debt); these are not included in the Balance Sheet and need to be reconciled.

Loans receivable on the Balance Sheet are listed as Receivables (Net of allowance for doubtful accounts).

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government Wide Statement of Activities:

The governmental funds’ statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government wide statement of activities.

Depreciation, debt principal, changes in accrued leave, and the capital interest added to the Corporation's debt are included in the Statement of Activities and not in the Statement of Revenues, Expenditures and Changes in Fund balances and are needed to reconcile.

NOTE 3 - DEPOSITS AND INVESTMENTS

The District deposits are made with the Stevens County Treasurer who complies with Washington State laws. They are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

It is TEDD's policy to invest all funds. In 2020, cash comprised of \$3,000 petty cash in the General Fund, and \$1,000 petty cash in the Loan Fund. The remainder in all funds was invested. If cash is needed, TEDD will request the County Treasurer's Office the same day to transfer investments to cash. If there is not sufficient cash to cover warrants the Treasurer will notify TEDD and request them to move investments to cash immediately.

As of December 31, 2020, the Stevens County Treasurer held the following fair value investments in the State Investment Pool at no custodial credit risk for TEDD:

GENERAL FUND	LOAN FUND	TC EDC FUND	TOTAL
\$267,419	\$ 3,864,940	\$ 333,764	\$4,466,123

Investments in Stevens County Investment Pool

The District is a participant in the Stevens County investment pool, an external investment pool. The District reports its investment in the Pool at amortized cost, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the Finance Committee consisting of the Chairman of the Board of Commissioners, the Treasurer, the Finance Director and the Auditor. Primary objectives of the policy, in order of priority, are safety, liquidity and return on investment. The county external investment pool does not have a credit rating and has a weighted average maturity of 60 days or less.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/2020	INCREASES	DECREASES	ENDING BALANCE 12/31/2020
<i>Capital Assets, not being depreciated:</i>				
Land	199,528	0	0	199,528

<i>Capital Assets, being depreciated:</i>				
Buildings	1,272,680	0	0	1,272,680
Improvements (not buildings)	86,672		0	86,672
Equipment	15,607	5,843	0	21,450
Total Capital Assets being depreciated	1,374,959	5,843	0	1,380,802
<i>Less Accumulated Depreciation for:</i>				
Buildings	524,378	31,817	0	556,196
Improvements (not buildings)	65,350	4,722	0	70,071
Equipment/Fiber	9,961	1,545	0	11,506
Total Accumulated Depreciation	599,689	38,084	0	637,773
Total Capital Assets, being depreciated, Net	775,270	0	32,241	743,029
Governmental Activities Capital Assets, Net	974,798	0	32,241	942,557

Depreciation expense was all charged to Economic Development. The District does not have any intangible assets to report.

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (84,162)
Pension assets	\$ -
Deferred outflows of resources	\$ 35,414
Deferred inflows of resources	\$ (42,894)
Pension expense/expenditures	\$ 1,065

State Sponsored Pension Plans

Substantially all of The District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution

retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	

Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in JBM, the contribution rate was 19.75%.

TEDD's actual PERS plan contributions were \$13,678 to PERS Plan 1 and \$22,576 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. 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 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

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. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent 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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the 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 NPL (Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what TEDD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 71,728	\$ 57,265	\$ 44,652
PERS 2/3	\$167,355	\$ 26,896	\$ (88,772)

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, 2020, the District reported a total pension liability of \$84,162 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 57,265
PERS 2/3	\$ 26,896

At June 30, 2020 the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.001710%	.001622%	(.000088%)
PERS 2/3	.002211%	.002103%	(.000108%)

Employer contribution transmittals received and processed by the 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 the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the Districts recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (567)
PERS 2/3	\$ 1,631
TOTAL	\$ 1,065

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, TEDD 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	\$	\$ (319)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 7,419	\$
TOTAL	\$ 7,419	\$ (319)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,628	\$ (3,371)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (1,366)
Changes of assumptions	\$ 383	\$ (18,372)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,822	\$ (19,466)
Contributions subsequent to the measurement date	\$ 12,161	\$
TOTAL	\$ 27,995	\$ (42,575)

PERS 1 & PERS 2/3 Combined	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,628	\$ (3,371)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (1,685)
Changes of assumptions	\$ 383	\$ (18,372)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,822	\$ (19,446)
Contributions subsequent to the measurement date	\$ 19,580	\$
TOTAL	\$ 35,414	\$ (42,894)

Deferred outflows of resources related to pensions resulting from TEDD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2020	PERS 1
2021	(1,447)
2022	(46)
2023	441
2024	732
2025	
Thereafter	
TOTAL	(319)

Year ended December 31, 2020	PERS 2/3
2021	(13,167)
2022	(4,674)
2023	(1,529)
2024	(679)
2025	(4,669)
Thereafter	(2,023)
TOTAL	(26,741)

NOTE 6 - RISK MANAGEMENT

The District maintains a relationship with insurance agent Alliant for assistance in obtaining the best coverage and rates for Commercial Fire, Liability, Property, Crime and Auto coverage. This policy has a set maximum limit of insurance for \$2,809,438. The District also carries a "Directors and Officers" liability policy through Alliant (Great American Insurance Group). The policy is written on an annual basis and provides \$1,000,000 aggregate liability insurance with a retention clause of \$7,500. The District does not have any outstanding claims or losses to report on either policy in the past three years.

NOTE 7 - LONG-TERM DEBT

Utilizing a loan and matching grant, the District purchased two incubator buildings in 2001. The loan term was for ten years at an adjustable interest rate (7.98% on January 1, 2011) and with a scheduled balloon payment at the end of the contract in August 2011. In 2011, the District successfully refinanced the remaining balloon payment with a modest modification fee through Key Bank. The loan modification was for \$128,984.20 for a ten (10) year period at an annual APR of 4.19%. On December 31, 2020 the principal balance left on this loan was \$7,812.

In addition to the above mentioned EDA incubator grant with matching funds, the District's Rural Opportunities Loan Fund had 5 outstanding loans at the beginning of 2020.

All five loans (each a 30-year loan with a 1% interest rate) are for the Rural Opportunity Loan Fund and were obtained from the U.S. Department of Agriculture / Rural Development. They originally ranged in size from \$184,000 to \$1,000,000 with maturity dates set from 2021 to 2041. IRP Revolving Loan #2 was paid off in 2020. At the end of 2020, the balance of the four remaining loans was \$742,836.

The Corporation was awarded a \$100,000/\$400,000 grant/loan from the U.S. Department of Agriculture / Rural Development but these funds were not accessed until 2013. \$200,000 was drawn in 2013 but the entire debt is \$400,000. The Corporation began payments in 2014. Rural Development added \$4,602 as capitalized interest. This was added to the loan principal. In 2015, an additional \$200,000 in re-lendable funds was drawn down. The amount owed as of December 31, 2020 was \$276,733.

Loans currently outstanding are as follows:

LOAN DESCRIPTION	MATURITY DATE	INTEREST RATE	ORIGINAL AMOUNT	ANNUAL
IRP Revolving Loan Proceeds #3	2023	1%	\$1,000,000	\$41,700
IRP Revolving Loan Proceeds #5	2026	1%	\$1,000,000	\$42,450
IRP Revolving Loan Proceeds #7	2028	1%	\$700,000	\$29,715
IRP Revolving Loan Proceeds #22	2041	1%	\$184,000	\$7,810
Key Bank Loan (Incubator Building)	2021	4.19%	\$128,984	\$15,857
EDC Loan USDA RMAP	2032	2%	\$400,000	\$27,490

The annual debt service requirements to maturity for loans are as follows:

YEAR	PRINCIPAL	INTEREST
2021	\$ 144,114	\$ 13,189
2022	\$ 137,886	\$ 11,278
2023	\$ 138,952	\$ 9,674
2024	\$ 99,305	\$ 8,160
2025-2029	\$ 356,656	\$ 23,350
2030-2034	\$ 97,926	\$ 5,864
2035-2039	\$ 37,093	\$ 1,957
2040-2042	\$ 15,448	\$ 307
TOTALS	\$1,027,381	\$73,780

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2020	DUE WITHIN 1 YEAR
Loans	\$1,188,001	\$0	\$160,620	\$1,027,381	\$144,114
Pension Obligations	\$87,232	\$0	\$3,070	\$84,162	
Compensated Absences	\$5,869	\$10,424	\$0	\$16,293	
TOTALS	\$1,281,102	\$10,424	\$163,690	\$1,127,836	\$144,114

NOTE 9 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In response to the pandemic and the Washington State Governor's orders, the Tri County Economic Development District staff began working from home during April, 2020 and for the most part, continued to do so throughout the year. While the District's office was closed during this time, the staff continued to provide full support to their clients and the public.

In an effort to provide immediate relief to the District's loan clients in March, 2020, the Executive Committee authorized a three-month deferral on loan payments to the Rural Opportunities Loan Fund. A similar deferment was offered twice more during the year.

The District also initiated and administered small business assistance programs including grants to small businesses. The District directly administered \$1,835,467 in pass-thru small business grants in 2020; \$1,533,475 of those grants were funded by the CARES Act, through the Department of the Treasury, while 301,992 was funded by Washington State Department of Commerce Strategic Reserve funding. With the increased workload due to these grant programs, the District turned the part-time Office Assistant position into a full-time position June - December, 2020; the position reverted to part-time as of January 1, 2021.

Also in 2020, the District applied for and received two additional CARES Act grant awards from the U.S. Department of Commerce/Economic Development Administration. As a supplement to our EDA Planning grant, \$400,000 was awarded to support an economic recovery program for the region; in addition, \$1,698,500 in Economic Adjustment Assistance was awarded to create and administer a new small business revolving loan fund. At the time of the 2020 annual report submittal, the District has funded \$864,000 in small business loans from the new fund.

At the time of the 2020 annual report submittal, the District, with the help of the EDA supplemental funding, created and filled two new full-time positions: a Regional Economic Development Specialist and an Economic Recovery Coordinator.

The length of time these measures will be in place, and the full extent of the financial impact on the Tri County Economic Development District is unknown at this time.

NOTE 10 - CONTINGENCIES AND LITIGATION

TEDD has recorded in its financial statements all material liabilities. There are no material contingent liabilities to record.

TEDD participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The District's Management believes that such disallowances, if any, will be immaterial.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

Intrafund transactions involve movement of dollars between programs within a fund for managerial purposes only as a way of tracking costs and revenues between programs. This is not reflected in the financial statements.

Interfund transactions are the administrative costs for the loan fund and the TC EDC that are paid out of the general fund and reflected in the fund financial statements as operating transfers in and out. The use of Interfund transfers allows the District to track general costs associated with each fund separate from loan-specific costs approved by granting agencies.

A. Interfund Balances

Interfund balances at December 31, 2020 were as follows:

DUE TO	DUE FROM	DUE FROM
General Fund	Loan Fund	TC EDC
\$43,937	\$38,774	\$5,163

B. Interfund Transfers

Interfund transfers at December 31, 2020 were as follows:

TRANSFER TO	TRANSFER FROM	TRANSFERS FROM
General Fund	Loan Fund	TC EDC
\$139,714	\$123,490	\$16,224

NOTE 12 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables:

Receivables at December 31, 2020 were as follows:

	CUSTOMER ACCOUNTS	DUE FROM OTHER GOVERNMENTS	LOANS	TOTAL
Governmental Activities	\$5,650	\$104,168	\$322,832	\$432,650
Amounts not scheduled for collection during subsequent year			\$2,176,206	\$2,176,206

There is \$2,710 reported as “deferred inflow of resources” in the governmental fund statements; at the time of this report, this dollar amount is uncollected 2020 revenue from customer accounts and is considered unavailable.

The amount reflected in the table above for loans is the amount of long term receivables shown in the Loan Fund and the TC EDC. TEDD operates a revolving loan program, which has been funded by three federal agencies: the U.S. Department of Commerce/Economic Development Administration, the U.S. Department of Agriculture/Rural Development, and the U.S. Department of Housing and Development. The TC EDC has one loan funded from U.S. Department of Agriculture/Rural Development.

The District did not foreclose on any businesses in 2020; no loans were written off.

Financial Statements – Money received from these agencies is recorded as loan proceeds when received. When a loan is made, it is recorded on the Balance Sheet as a long-term loan receivable and is reported on the Statement of Net Position as a long-term receivable.

New Loans, Loan Restructuring and Cancellations/Write Offs – The Loan Committee approves the loans to be made, restructured and/or written off. The Loan Officer is charged with presenting the quarterly activity to the full Board of Directors. Each year, the Loan Committee Chair or the Loan Officer gives a yearly review to the Board and requests approval by resolution to recertify the Loan Fund.

Bad Debt – restricted Cash and Investments. This amount is in reserve to replace loan principal including any expenditure that may be needed for the loan to be written off. This allows the District to maintain a constant money supply (cash flow) to make new loans. This is set at 6% of loans outstanding on all USDA Intermediary Relending Program (IRP) loan funds. The EDA revolving loan fund does not allow the reservation of cash. In the EDA program TEDD reserves/restricts fund balance only. The TC EDC has \$20,000 reserved which is approximately 25% of loans outstanding.

B. Payables:

Payables at December 31, 2020 were as follows:

	VENDORS	SALARIES & BENEFITS	TOTAL
Governmental Activities	\$13,641	\$37,600	\$51,241

NOTE 13 – ACCOUNTING AND REPORTING CHANGES

For the 2020 reporting year it was determined that a pension expense adjustment is necessary on an annual basis due to the differences in the PEFI (based on “Process Date”) and the total actual contributions in the Pension Worksheet (based on “Report Date”).

**Tri County Economic Development District
Budgetary Comparison Schedule
For the Year Ended December 31, 2020**

General Fund	Original Budget	Final Budget	Actuals	Variance
Fund Balance At January 1	239,425	267,293	353,950	86,657
	<i>(Cash Est.)</i>	<i>(Cash Est.)</i>		
Resources (inflows):				
Intergovernmental Revenues	389,983	2,423,741	2,236,316	(187,425)
Charges for Good and Services	70,778	63,092	60,225	(2,867)
Interest Earnings	5,000	2,100	2,083	(17)
Miscellaneous	78,360	97,125	95,820	(1,305)
Transfers (Intra Fund)	38,820	38,820	38,820	-
Transfers (Inter Fund)	150,430	158,006	139,714	(18,292)
Disposition of Capital Assets	-	-	-	-
Amount Available for Appropriation	733,371	2,782,884	2,572,978	(209,906)
Changes to Appropriations (outflows):				
Salary & Wages	311,140	309,602	294,207	15,395
Personnel Benefits	125,887	121,033	117,445	3,588
Supplies	10,650	19,650	16,374	3,276
Other Services and Charges	271,419	2,285,426	2,069,275	216,151
Capital Outlays	-	7,500	5,843	1,657
Debt Payment	15,857	15,857	15,857	-
Transfers (Intra Fund)	38,820	38,820	38,820	-
Total Charges to Appropriations	773,773	2,797,888	2,557,822	240,066
Fund Balance At December 31	199,023	252,289	369,106	116,817

Loan Fund	Original Budget	Final Budget	Actuals	Variance
Fund Balance At January 1	-	-	6,389,356	6,389,356
	<i>(Cash Est.)</i>	<i>(Cash Est.)</i>		
Resources (inflows):				
Intergovernmental Revenues	-	-	-	-
Interest Earnings	283,000	283,000	185,542	(97,458)
Miscellaneous	19,000	19,000	7,319	(11,681)
Recovery of Bad Debt / Loan Modifications	-	-	-	-
Foreclosure Property Held For Resale	-	-	-	-
Amount Available for Appropriation	302,000	302,000	192,861	(109,139)
Changes to Appropriations (outflows):				
Supplies	500	500	-	500
Other Services and Charges	4,000	4,000	254	3,746
Intergovernmental Payments	-	-	-	-
Debt Payment	134,940	132,390	132,292	98
Transfers (Inter Fund)	130,100	140,120	123,490	16,630
Loss on Foreclosure Property Held For Resale	-	-	-	-
Total Charges to Appropriations	269,540	277,010	256,036	20,974
Fund Balance At December 31	32,460	24,990	6,326,181	6,301,191

TC EDC Fund	Original Budget	Final Budget	Actuals	Variance
Fund Balance At January 1	35,506	35,506	358,918	323,412
	<i>(Cash Est.)</i>	<i>(Cash Est.)</i>		
Resources (inflows):				
Intergovernmental Revenues	11,195	9,919	9,919	-
Interest Earnings	8,000	5,500	3,302	(2,198)
Miscellaneous	2,000	2,000	175	(1,825)
Recovery of Bad Debt / Loan Modifications	-	-	-	-
Transfers (Inter Fund)	-	-	-	-
Foreclosure Property Held For Resale	-	-	-	-
Amount Available for Appropriation	21,195	17,419	13,396	(4,023)
Changes to Appropriations (outflows):				
Other Services and Charges	1,000	1,000	-	1,000
Debt Interest Payment	5,300	5,800	5,770	30
Debt Principal Payment	24,000	22,000	21,720	280
Transfers (Inter Fund)	20,330	17,886	16,224	1,662
Loss on Property Held for Foreclosure	-	-	-	-
Total Charges to Appropriations	50,630	46,686	43,714	2,972
Fund Balance At December 31	6,071	6,239	328,601	322,362

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Sample Government Schedule of Proportionate Share of the Net Pension Liability PERS 1 As of June 30, 2020 Last 10 Fiscal Years*									
	2020*	2019	2018	2017	2016	2015	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	0.001622%	0.001710%	0.002287%	0.002251%	0.002054%	0.001864%			
Employer's proportionate share of the net pension liability	\$ 57,265	65,756	102,138	106,812	110,309	97,505			
TOTAL	\$								
Covered payroll**	\$ 252,051	233,768	305,131	283,877	247,529	213,760			
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 22.72%	28.13%	33.47%	37.63%	44.56%	45.61%			
Plan fiduciary net position as a percentage of the total pension liability	% 68.64%	67.12%	63.22%	61.24%	57.03%	59.10%			

See note 2 of DRS Participating Employer Financial Information (PEFI) report for these percentages for each plan

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

	Sample Government Schedule of Proportionate Share of the Net Pension Liability PERS 2 & 3 As of June 30, 2020 Last 10 Fiscal Years*									
	2020*	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	0.002103%	0.002211%	0.002924%	0.002896%	0.002629%	0.002410%				
Employer's proportionate share of the net pension liability	\$ 26,896	21,476	49,925	100,622	132,368	86,111				
TOTAL	\$									
Covered payroll**	\$ 252,051	233,738	305,131	283,877	247,529	213,760				
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 10.67%	9.19%	16.36%	35.45%	53.48%	40.28%				
Plan fiduciary net position as a percentage of the total pension liability	% 97.22%	97.77%	95.77%	90.97%	85.82%	89.20%				

See note 2 of DRS Participating Employer Financial Information (PEFI) report for these percentages for each plan

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Sample Government
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions \$	13,678	11,414	14,408	14,298	12,782	10,449				
Contributions in relation to the statutorily or contractually required contributions*	(13,678)	(11,414)	(14,408)	(14,298)	(12,782)	(10,449)				
Contribution deficiency (excess) \$	0	0	0	0	0	0				
Covered payroll*	285,042	231,199	285,288	292,746	267,973	241,647				
Contributions as a percentage of covered payroll %	4.80%	4.94%	5.05%	4.88%	4.77%	4.32%				

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Sample Government
Schedule of Employer Contributions
PERS 2 & 3
For the year ended December 31, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions \$	22,576	17,868	21,385	19,858	16,695	13,375				
Contributions in relation to the statutorily or contractually required contributions*	(22,576)	(17,868)	(21,385)	(19,858)	(16,695)	(13,375)				
Contribution deficiency (excess) \$	0	0	0	0	0	0				
Covered payroll*	285,042	231,199	285,288	292,746	267,973	241,647				
Contributions as a percentage of covered payroll %	7.92%	7.73%	7.50%	6.78%	6.23%	5.53%				

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

**Tri-County Economic Development District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL BUSINESS COOPERATIVE SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Business Development Grant	10.351	56-033- 877270500	-	3,440	3,440	-	1,2
RURAL BUSINESS COOPERATIVE SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Microentrepreneur Assistance Program	10.870	RMAP	-	16,224	16,224	-	1,2,3
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Development Support for Planning Organizations	11.302	ED17SEA3020 017 & ED20SEA3020 011	-	70,547	70,547	-	1, 2, 7
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	COVID 19 - Economic Development Support for Planning Organizations	11.302	ED20SEA3070 063	-	13,953	13,953	-	1,2
Economic Development Cluster				-	84,500	84,500	-	
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307	07-39-02713	-	1,292,039	1,292,039	-	1,2,5
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	COVID 19 - Economic Adjustment Assistance	11.307	07-79-07627	-	7,615	7,615	-	1,2,6
Total Economic Development Cluster:				-	1,299,654	1,299,654	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	01-97-733-001 & 96-745-091	-	27,419	27,419	-	1,2,4

The accompanying notes are an integral part of this schedule.

**Tri-County Economic Development District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Department of Commerce + Stevens County)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	TMOG	62,915	-	62,915	62,915	1,2
Total CFDA 14.228:				62,915	27,419	90,334	62,915	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0067	54,197	-	54,197	-	1,2
Total Transit Services Programs Cluster:				54,197	-	54,197	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	WWSBEG2	303,628	-	303,628	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Department of Commerce + Stevens County)	COVID 19 - Coronavirus Relief Fund	21.019	SCSBSG	1,244,716	-	1,244,716	-	1,2
Total CFDA 21.019:				1,548,344	-	1,548,344	-	
Total Federal Awards Expended:				1,665,456	1,431,237	3,096,693	62,915	

The accompanying notes are an integral part of this schedule.

**TRI COUNTY ECONOMIC DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2020**

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal awards is prepared on the same basis of accounting as the District's financial statements. The District uses Governmental Accepted Accounting Principles (GAAP) for all funds represented on this schedule.

NOTE 2 – INDIRECT COST RATE

The district has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3 – USDA RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM

The Tri County Economic Development Non Profit Corporation (TC EDC), a component unit of TEDD, received the remaining \$200,000 of the \$400,000 loan in 2015. TC EDC received the remaining \$34,625 of the initial \$100,000 grant in 2016; additional grant funding has been received as follows: \$17,483 in 2018; \$6,374 in 2019; and \$9,919 in 2020. No loan funds were disbursed to program participants in 2020 and the administrative expense paid from the grant was \$16,224; disbursements total \$16,224 which is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$14,684.

The loan portion of the Rural Microenterprise Assistance Program is reported on the District's Schedule of Liabilities (Schedule 9).

NOTE 4 – REVOLVING LOAN - PROGRAM INCOME COMMUNITY DEV. BLOCK GRANT

The District has a revolving loan program for business and micro loans. Under this federal program, repayments to the District are considered program revenues (income) and loans of such funds to eligible recipients and administration costs are considered expenditures. No loan funds were disbursed to program participants in 2020 and the administrative expense was \$27,419; disbursements total \$27,419 which is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$163,662.

NOTE 5 – REVOLVING LOAN - PROGRAM INCOME ECONOMIC ADJUSTMENT ASSISTANCE

The District received \$600,000 from prior year's Economic Development Administration grants and provided its own matched funds in the amount of \$200,000 for a total of \$800,000. These monies were the basis for a revolving loan fund. The total amount presented in this schedule is \$1,292,039, 75% of the amount of outstanding loans, administrative expenses, current year write offs and the cash and investments held at year end. No loan funds were disbursed to program participants in 2020. The amount of principal and interest received in loan repayments for the year was \$168,009.

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NOTE 6 – REVOLVING LOAN - PROGRAM INCOME *ECONOMIC ADJUSTMENT ASSISTANCE*

The District was awarded a reimbursable \$1,698,500 Economic Development Administration grant funded by the CARES Act. These monies are the basis for a new revolving loan fund. The total amount presented in this schedule is \$7,615, 75% of the amount of outstanding loans, administrative expenses, current year write offs and the cash and investments held at year end. No loan funds were disbursed to program participants in 2020. The amount of principal and interest received in loan repayments for the year was \$0.00.

NOTE 7 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of program costs. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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