



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane Regional Transportation Council

For the period January 1, 2021 through December 31, 2021

Published August 4, 2022

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

August 4, 2022

Board of Directors
Spokane Regional Transportation Council
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Spokane Regional Transportation Council's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane Regional Transportation Council January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the Council’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

The Council did not qualify 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*

Spokane Regional Transportation Council January 1, 2021 through December 31, 2021

Board of Directors
Spokane Regional Transportation Council
Spokane, 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 Spokane Regional Transportation Council, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Council's financial statements, and have issued our report thereon dated June 24, 2022.

We issued an unmodified opinion on the fair presentation of the Council's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Council using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

June 24, 2022

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

Spokane Regional Transportation Council January 1, 2021 through December 31, 2021

Board of Directors
Spokane Regional Transportation Council
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Spokane Regional Transportation Council, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended December 31, 2021. The Council's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Federal Program

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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the

Council's internal control over compliance. Accordingly, no such opinion is expressed; and

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

June 24, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Regional Transportation Council January 1, 2021 through December 31, 2021

Board of Directors
Spokane Regional Transportation Council
Spokane, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Spokane Regional Transportation Council, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Council has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

In our opinion, because of the significance of the matter discussed below, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Spokane Regional Transportation Council, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

As described in Note 1 of the financial statements, the financial statements are prepared by the Council on the basis of the financial reporting provisions of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of state law and the BARS manual. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Council used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's financial statements. The 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). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 June 24, 2022 on our consideration of the Council's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 24, 2022

FINANCIAL SECTION

Spokane Regional Transportation Council January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

**Spokane Regional Transportation Council
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021**

Beginning Cash and Investments

308	Beginning Cash and Investments	729,235
388 / 588	Net Adjustments	-

Revenues

320	Licenses and Permits	-
330	Intergovernmental Revenues	2,011,327
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	9,300
Total Revenues:		2,020,627

Expenditures

540	Transportation	2,105,969
550	Natural/Economic Environment	-
Total Expenditures:		2,105,969
Excess (Deficiency) Revenues over Expenditures:		(85,342)

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

Other Decreases in Fund Resources

594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	4,299
Total Other Decreases in Fund Resources:		4,299

Increase (Decrease) in Cash and Investments: (89,641)

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	61,385
50841	Committed	-
50851	Assigned	-
50891	Unassigned	578,336
Total Ending Cash and Investments		639,721

The accompanying notes are an integral part of this statement.

SPOKANE REGIONAL TRANSPORTATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

January 1, 2021 through December 31, 2021

Note 1 – Summary of Significant Accounting Policies

The Spokane Regional Transportation Council (SRTC) was incorporated on 1966 and operates under the laws of the state of Washington applicable to a Regional Transportation Planning Organization (RTPO). The SRTC is a public organization encompassing a multi-jurisdictional regional community; it is founded on, sustained by, and directly tied to local government through local and/or state government laws, agreements, or other actions. The regional council serves the local governments and citizens in the region by dealing with issues that may cross city, town, county, and in some instances state boundaries.

SRTC is designated as both a Metropolitan Planning Organization (MPO) and a Regional Transportation Planning Organization (RTPO). As an MPO, SRTC provides a "coordinated, comprehensive, and continuing" transportation planning program for the Spokane metropolitan area, consistent with the Fixing America's Surface Transportation (FAST) Act, and Title 23, Section 134 of the United States Code. The MPO function addresses both long- and short-range transportation problems working with local, State, and Federal agencies to find reasonable and responsible solutions for the urbanized area.

The RTPO designation allows SRTC to conduct both urban and rural transportation planning within Spokane County. This is a designation by the State of Washington in accordance with RCW – Chapter 47.80.

SRTC provides technical transportation planning analysis of existing, proposed, and future land use decisions based directly on input from participating organizations.

The SRTC staff develops a Unified Planning Work Program and budget that outlines the transportation planning program activities that will be undertaken during the upcoming fiscal year (July 1 to June 30).

The Executive Director shall submit the proposed work program and budget for the next calendar year to the Board not later than September 15 annually. Upon approval by the Board, the SRTC budget and related contributions shall be approved or rejected by each Party and notice of such approval or rejection shall be provided to SRTC not later than November 1 of each year.

After approval of the Council budget, no participating member may terminate or withhold its share during the year for which it was allocated. Any City, County, or Other Member of the Council may terminate membership in the Council by giving written notice to the Council prior to November 1st of any year for the following year.

It is anticipated that most projects and programs of the Council will involve proportionate benefit to all members, with the cost of the annual budget expenditures divided between the member agencies. Any agency joining the Council as a member agency, shall contribute as agreed with the Council. Additional contributions to the Council budget may be made to accomplish projects and programs deemed to be of particular pertinence or benefit to one or more of the member agencies.

Each participating member approving the proposed Council budget shall submit its payment on or before January 20 of said ensuing year. The funds are used in accordance with the adopted budget and work plan each year.

The SRTC reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see [Note 3 – Component Unit\(s\), Joint Ventures, and Related Parties](#)).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

SRTC has one governmental fund (General Fund). The fund uses a set of self-balancing accounts that comprise its cash, investments, revenues, and expenditures, as appropriate. It accounts for all financial resources of the Council.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the SRTC also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 5 – Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to twice its annual accrual rate and is payable upon separation or retirement. The accrual rate is based on the employee's length of service. In 2021 the sick leave policy is changed and no longer paid out upon separation from employment. Staff can begin each calendar year with no more than 480 hours of accrued sick leave. Staff with greater than 480 hours at the time of the policy change in February 2021 were paid out at 25% for the hours in excess of 480 hours. Sick leave is accrued at 4 hours for each two-week pay period. Seasonal/Interns accrue sick leave in accordance with the WA Paid Family Medical Leave requirements.

F. Long-Term Debt

SRTC has no long-term debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by SRTC. When expenditures that meet restrictions are incurred, SRTC intends to use the most restricted resources first.

In 2019 SRTC received a total of \$350,000 in local funds (\$300,000 from WSDOT; \$50,000 from City of Spokane) to be used specifically for transportation studies of the US195/I90 interchange/corridor, and North Division St corridor. The total balance of those funds at the end of 2020 was \$178,610. In 2021 \$102,732 of those funds were used as

matching funds for federal grants on the projects. The remaining balance of \$61,385 is designated as a component of the funding for the pair of studies.

Note 2 - Budget Compliance

SRTC prepares and adopts an annual budget for financial planning purposes. It is used only as a planning tool with no legal requirement to amend the budget as factors change throughout the year. Annual appropriations for these funds lapse at the fiscal year end.

The annual approved budget is adopted on the same basis of accounting as used for financial reporting. The approved and actual expenditures for the legally adopted budget follow:

<u>Fund</u>	<u>Final Approved Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$2,734,801	\$2,105,968	\$628,833

Note 3 – Component Unit(s), Joint Ventures, and Related Parties

Pursuant to the provisions of Chapter 39.34 RCW, SRTC is formed through an Interlocal Agreement (ILA) by participating public entities. SRTC’s ILA was modified in 2021. Because of their association through the SRTC Interlocal Agreement, SRTC identifies the following public entities as related parties: Kalispel Tribe, Spokane Tribe, Spokane County, City of Spokane, City of Spokane Valley, Washington State Department of Transportation, Washington State Transportation Commission, Spokane Transit Authority, Spokane Airport Board, City of Airway Heights, City of Cheney, City of Deer Park, City of Liberty Lake, City of Medical Lake, City of Millwood, Town of Fairfield, Town of Latah, Town of Rockford, Town of Spangle, and Town of Waverly.

Currently the voting Board includes members from Kalispel Tribe, Spokane Tribe, Spokane County, City of Spokane, City of Spokane Valley, Washington State Department of Transportation, Washington State Transportation Commission, Spokane Transit Authority, City of Airway Heights, City of Cheney, City of Deer Park, City of Liberty Lake, City of Millwood, a person representing the small towns in Spokane County, a major employer representative, and a rail/freight representative.

As a subrecipient of federal funds, SRTC receives most of its grants through the Washington State Department of Transportation.

Note 4 – 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.

SRTC complied with the WA Governor orders in March 2020 to shelter in place. SRTC was well positioned for staff to work remotely for the remainder of 2020 and 2021. A planned increase of 15% in local dues to member agencies for the 2021 budget year was postponed until the 2022 budget year. Substantial savings were realized in 2021 with the near elimination of travel for trainings and conferences. One FTE was lost to a voluntary departure and not replaced. Public meetings were moved to a virtual format which SRTC was well prepared for. It is unknown at this time how SRTC will adjust to the post-pandemic environment. The agency is productive and doing well at this time.

Note 5 – Deposits and Investments

It is SRTC’s policy to deposit all cash with the Spokane County Treasurer. Deposits and investments by type at December 31, 2021 are as follows:

Type of deposit or investment	SRTC’s own deposits and investments	Deposits and investments held by the SRTC as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$639,721	\$0	\$639,721
Total	\$639,721	\$0	\$639,721

The SRTC is a participant in the Spokane County Investment Pool, an external investment pool operated by the Spokane County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The SRTC reports its investment in the pool at Fair Value, which is the same as the value of the pool per share. The pool does not impose any restrictions on participant withdrawals / disclose any liquidity fees, redemption gates or other restrictions.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all SRTC full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS).

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

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

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

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

At June 30, 2021 (*the measurement date of the plans*), the SRTC proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 40,573	0.005447%	\$ 66,521
PERS 2/3	\$ 66,357	0.007005%	\$ (697,811)

Note 7 – Risk Management

a. Insurance

Spokane Regional Transportation Council is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool’s fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris’ program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a “claims made” coverage form. All other coverage is provided on an “occurrence” coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool’s SIR up to the coverage maximum limit of liability. The tables below reflect the Pool’s SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million	\$1,000 - \$100,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
			\$20 million	
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
- (2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
- (3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000;	\$800 million	\$250 - \$1,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
		\$100,000 for Emergency Vehicles		
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director. Enduris financial statements can be found at this link: <https://www.enduris.us/home/finance/>.

b. Unemployment Compensation

Unemployment compensation coverage is self-insured on a reimbursement basis through the Washington State Employment Security Department. SRTC maintains sufficient funds to cover any claims. Total unemployment claims paid during 2021 amounted to \$620.66. The Washington State Employment Security Department is audited by the Washington State Auditor's Office.

Note 8 – Leases

SRTC began leasing new office space in 2016 under an 87-month lease, which can be cancelled at the 63rd month, under certain conditions, with 90 days notice. Total scheduled cost for lease in 2021 was \$79,967. SRTC began leasing additional office space in 2017 for which the original lease was amended in December 2016. The current and future minimum lease payments for the amended lease are as follows.

Year Ended	
<u>December 31</u>	
2022	81,134
2023	82,216
<u>Thereafter</u>	<u>34,540</u>
TOTAL	\$197,890

Note 9 – Subsequent Events (2022)

A. Electrification of Transportation Systems (ETS) Grant

SRTC applied for and was rewarded a Department of Commerce Electrification of Transportation Systems (ETS) Grant. The award was announced in December 2020. SRTC as the grantee was awarded \$ 2.5 million, with matching funds to be provided by the Spokane Transit Authority and Avista. SRTC will manage the grant, which is sourced with Federal funds from the U.S. Department of Energy (DOE) passed thru the WA State Department of Commerce. With SRTC regional leadership, this project will provide an essential catalyst for EV adoption and access in the region, creating positive economic and environmental impacts. The project prioritizes public access particularly paying special attention to historically underserved populations throughout the region by connecting community centers, libraries, commercial districts, and public transportation.

SRTC continues to work thru the requirements of the Federal grant. The grant contract was signed in April 2022, with work expected to be completed in 2023 or 2024.

**Spokane Regional Transportation Council
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		102,495	-	12,470	90,025
264.30	Pension Liabilities		285,634	-	219,113	66,521
	Total Revenue and Other (non G.O.) Debt/Liabilities:		388,129	-	231,583	156,546
	Total Liabilities:		388,129	-	231,583	156,546

**Spokane Regional Transportation Council
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

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		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA DOT via WSDOT)	Highway Planning and Construction	20.205	GCB-2562	337,059	-	337,059	-	1-4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA DOT via WSDOT)	Highway Planning and Construction	20.205	GCB-3507	258,180	-	258,180	-	1-4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA DOT via WSDOT)	Highway Planning and Construction	20.205	LA-10041	350,000	-	350,000	-	1-4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA DOT via WSDOT)	Highway Planning and Construction	20.205	GCB-3507	146,218	-	146,218	-	1-4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA DOT via WSDOT)	Highway Planning and Construction	20.205	LA-9529	146,901	-	146,901	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA DOT via WSDOT)	Highway Planning and Construction	20.205	LA-9638	50,809	-	50,809	-	1,2,4
Total Highway Planning and Construction Cluster:				1,289,167	-	1,289,167	-	

The accompanying notes are an integral part of this schedule.

**Spokane Regional Transportation Council
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

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		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FTA DOT via WSDOT)	Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	GCB-2562	104,908	-	104,908	-	1-4
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FTA DOT via WSDOT)	Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	GCB-3507	135,820	-	135,820	-	1-4
Total CFDA 20.505:				240,728	-	240,728	-	
Total Federal Awards Expended:				1,529,895	-	1,529,895	-	

The accompanying notes are an integral part of this schedule.

Spokane Regional Transportation Council

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Spokane Regional Transportation Council's (SRTC) financial statements. The SRTC uses the Cash Basis of Accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Federal Indirect Cost Rate(s)

The amount expended includes \$516,526 claimed as an indirect cost recovery using an approved indirect cost rate of 69 percent. SRTC submitted the 2021 Indirect Cost Plan to Washington State Department of Transportation on February 24, 2021.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Spokane Regional Transportation Council'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.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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