



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Spokane Regional Transportation Council

Spokane County

For the period January 1, 2015 through December 31, 2015

Published September 22, 2016

Report No. 1017481





Washington State Auditor's Office

September 22, 2016

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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	27

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Spokane Regional Transportation Council
Spokane County
January 1, 2015 through December 31, 2015**

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 of all funds 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

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 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
Spokane County
January 1, 2015 through December 31, 2015**

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, Spokane County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Council's financial statements, and have issued our report thereon dated September 8, 2016.

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 Washington State statutes 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

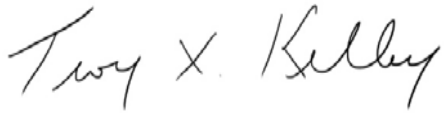
As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of the Council's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 8, 2016

**INDEPENDENT AUDITOR'S 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
Spokane County
January 1, 2015 through December 31, 2015**

Board of Directors
Spokane Regional Transportation Council
Spokane, Washington

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

We have audited the compliance of the Spokane Regional Transportation Council, Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended December 31, 2015. The Council's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

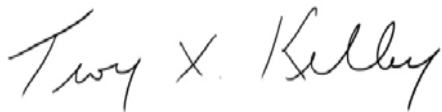
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 8, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Regional Transportation Council Spokane County January 1, 2015 through December 31, 2015

Board of Directors
Spokane Regional Transportation Council
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Spokane Regional Transportation Council, Spokane County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Council's financial statements, as listed on page 16.

Management's Responsibility 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 Washington State statutes 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.

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Spokane Regional Transportation Council has prepared these financial statements to meet the financial reporting requirements of Washington State statutes 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 financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Spokane Regional Transportation Council, for the year ended December 31, 2015, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they 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, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

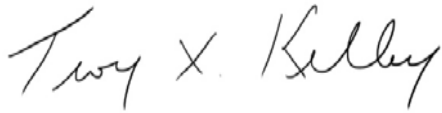
Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken 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). The accompanying 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 September 8, 2016 on our consideration of the Council’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 8, 2016

FINANCIAL SECTION

**Spokane Regional Transportation Council
Spokane County
January 1, 2015 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2015
Notes to Schedule of Expenditures of Federal Awards – 2015

Spokane Regional Transportation Council
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	439,135
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

330	Intergovernmental Revenues	1,588,200
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	33
Total Operating Revenues:		<u>1,588,233</u>

Operating Expenditures

540	Transportation	1,518,183
550	Natural and Economic Environment	-
598	Miscellaneous Expenses	-
Total Operating Expenditures:		<u>1,518,183</u>
Net Operating Increase (Decrease):		<u>70,050</u>

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	-
Total Nonoperating Revenues:		<u>-</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	62,865
591-593	Debt Service	-
594-595	Capital Expenditures	-
Total Nonoperating Expenditures:		<u>62,865</u>

Net Increase (Decrease) in Cash and Investments:	<u>7,185</u>
---	---------------------

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	446,320
Total Ending Cash and Investments		<u>446,320</u>

The accompanying notes are an integral part of this statement.

SPOKANE REGIONAL TRANSPORTATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

January 1, 2015 through December 31, 2015

The following notes are an integral part of the accompanying financial statements.

The Spokane Regional Transportation Council (SRTC) was originally established by the City and County of Spokane in 1966 as a vehicle through which an area-wide cooperative Regional Planning Program could be conducted. 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 Moving Ahead for Progress in the 21st Century (MAP-21) and Title 23, Section 134 of the United State 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 as a result of ESHB 2929 approved by the legislature.

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 Council prepares and adopts a proposed work program and budget for each calendar year and submits the proposed work program and budget to the legislative bodies of each member agency by September 30 of the preceding year for review and approval. Approval or rejection of such budget is to be submitted to the Council by November 1 of each year.

The annual budget and/or work program of the Council may be amended by vote of the Council, provided such amendment does not require additional budget appropriation, or by joint approval of the Council and participating members where such amendment does require additional member agency budget appropriation.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Spokane Regional Transportation Council operates under the laws of the State of Washington applicable to a regional planning council. The SRTC is a general purpose local government and provides metropolitan planning services. The Council is a regional planning council authorized under RCWs 35.63.070 and 36.70.060 and provides regional transportation planning in the greater Spokane area. Other services and programs are provided and conducted as deemed appropriate by the Spokane Regional Transportation Council. The Council's basic financial statements include the financial position and results of operations.

The Spokane Regional Transportation Council 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. The 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.
- 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 are not presented using the classifications defined 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.

C. Budgets

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.

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:

Fund	Final Approved Budget	Actual Expenditures	Variance
General	\$1,573,994	\$1,581,048	<\$7,054>

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 per unit and an estimated useful life in excess of 2 years. Capital assets are recorded as expenditures when purchased.

F. Compensated Absences

Employees may accrue vacation up to twice their annual accrual rate and is payable upon separation or retirement. The accrual rate is based on the employee's length of service.

Sick leave may be accumulated indefinitely. If an employee terminates with at least 5 years of service, the employee will be paid a percentage on his/her sick leave balance up to 960 hours, at 25% for termination or 40% for retirement.

G. Other Financing Uses or Sources

SRTC has no other financing uses or sources.

H. Risk Management

a. Insurance

Spokane Regional Transportation Council is a member of Enduris. 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. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) 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. As of August 31, 2015, there are 507

Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. 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 Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

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 2015 amounted to \$0.00. The Washington State Employment Security Department is audited by the Washington State Auditor’s Office.

I. Reserved Portion of Ending Cash and Investments

SRTC has no reserved cash or investments.

NOTE 2 – DEPOSITS AND INVESTMENTS

It is SRTC's policy to deposit all cash with the City of Spokane Treasurer. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. As of December 31, 2015, SRTC has no investments.

SRTC collected and expended membership dues from several other local agencies (City of Spokane, City of Spokane Valley, Spokane County, and Spokane Transit Authority) on behalf of the Spokane Regional Transportation Management Center through an interlocal agreement. A new interlocal agreement was signed in 2015 and under the new agreement SRTC would no longer be responsible for managing the unspent membership dues. SRTC therefore issued a check for those remaining membership dues (\$62,865) to the newly designated managing agency (Washington State Department of Transportation). The funds were held in and issued out of SRTC's cash balance.

NOTE 3 – PENSION PLANS

Substantially all SRTC full-time and qualifying part-time employees participate in PERS 2 and PERS 3 Plans administered by the Washington State Department of Retirement Systems (DRS), 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, 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

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

At June 30, 2015 (the measurement date of the plans), the SRTC proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.006741%	\$ 352,617
PERS 2/3	0.008709%	\$ 311,178

NOTE 4 – OTHER DISCLOSURES

Significant Transactions with Related Parties

Pursuant to the provisions of Chapter 39.34 RCW, SRTC is formed through an Interlocal Agreement by participating public entities. Because of their association through the SRTC Interlocal Agreement, SRTC identifies the following public entities as related parties: 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 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 Liberty Lake, City of Millwood, and a person who represents a major employer (SCAFCO).

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

NOTE 5 – LEASES

SRTC will lease 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 cost for such lease is \$5,959 for 2015. The current and future minimum lease payment for this lease is as follows.

Year Ended <u>December 31</u>	
2016	\$ 32,858
2017	57,567
2018	59,691
2019	61,815
2020	63,939
Thereafter	<u>160,906</u>
TOTAL	\$436,776

Spokane Regional Transportation Council
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		108,835	7,953	27,067	89,721
264.30	Pension Liabilities		-	663,795	-	663,795
Total Revenue and Other (non G.O.) Debt/Liabilities:			108,835	671,748	27,067	753,516
Total Liabilities:			108,835	671,748	27,067	753,516

**Spokane Regional Transportation Council
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhw), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	GCB-1772	515,045	-	515,045	3
Federal Highway Administration (fhw), Department Of Transportation (via WS-DOT)	Highway Planning and Construction	20.205	LA-8809	5,228	-	5,228	3
Federal Highway Administration (fhw), Department Of Transportation (via WS-DOT)	Highway Planning and Construction	20.205	LA-8344	74,104	-	74,104	3
Federal Highway Administration (fhw), Department Of Transportation (via WS-DOT)	Highway Planning and Construction	20.205	LA-8539	200,000	-	200,000	3
Federal Highway Administration (fhw), Department Of Transportation (via WS-DOT)	Highway Planning and Construction	20.205	LA-8399	171,844	-	171,844	3
Total Highway Planning and Construction Cluster:				966,221	-	966,221	
Federal Transit Administration (fta), Department Of Transportation (via WS-DOT)	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	GCB-1772	99,914	-	99,914	3
Federal Transit Administration (fta), Department Of Transportation (via WS-DOT)	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	20.505	78,784	-	78,784	3
Total CFDA 20.505:				178,698	-	178,698	
Transit Services Programs Cluster							
Federal Transit Administration (fta), Department Of Transportation (via WS-DOT)	New Freedom Program	20.521	GCB-1749	3,159	-	3,159	3
Total Transit Services Programs Cluster:				3,159	-	3,159	
Total Federal Awards Expended:				1,148,078	-	1,148,078	

SPOKANE REGIONAL TRANSPORTATION COUNCIL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

January 1, 2015 through December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

The Schedule is prepared on the same basis of accounting as the Council's financial statements. The Council uses cash basis accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portion of the program costs. Entire program costs, including the Council's portion, are more than shown.

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$421,302 claimed as an indirect cost recovery using an SRTC Board approved indirect cost rate of 65%. SRTC submitted the 2015 Indirect Cost Plan to Washington State Department of Transportation on December 15, 2014.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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