



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Spokane Regional Clean Air Agency

For the period July 1, 2019 through June 30, 2021

*Published February 8, 2024*

Report No. 1034122



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

February 8, 2024

Executive Director  
Spokane Regional Clean Air Agency  
Spokane, Washington

**Report on Financial Statements**

Please find attached our report on the Spokane Regional Clean Air Agency's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Spokane Regional Clean Air Agency July 1, 2019 through June 30, 2021

#### **2021-001 The Agency's internal controls were inadequate for ensuring accurate financial reporting.**

##### ***Background***

Agency management, state and federal agencies, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the Agency's financial reporting is reliable and the financial statements, notes to financial statements, and required schedules are accurate.

The Agency prepares its financial statements in accordance with the cash-basis accounting method prescribed by the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS Manual).

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the Agency's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

##### ***Description of Condition***

We identified the following deficiencies in the Agency's internal controls over financial reporting that, when taken together, represent a material weakness. The Agency:

- Does not have a process in place to identify and apply all BARS Manual updates for reporting its other postemployment benefits (OPEB)
- Lacked an effective preparation and review process for ensuring amounts reported in the financial statements, notes to the financial statements, and required schedules were consistent with the underlying accounting records and had supporting documentation

### *Cause of Condition*

The Agency experienced turnover in its accounting staff over the past several years. As a result, employees have not been able to dedicate sufficient time to gain a full understanding of BARS Manual requirements for financial reporting and OPEB.

### *Effect of Condition*

The material weakness in controls resulted in the following reporting errors:

In the Schedule of Liabilities, the Agency:

- Understated OPEB beginning balance by \$1,315,565 in 2021
- Understated OPEB additions by \$1,315,565 in 2020
- Understated OPEB reductions by \$160,921 in 2021
- Understated OPEB ending balance by \$1,315,565 and \$1,154,644 in 2020 and 2021, respectively
- Initially reported a pension asset of \$1,342,128 in 2021. However, pensions assets should not be reported on the Schedule of Liabilities.

In the Fund Resources and Uses Arising from Cash Transactions, the Agency:

- Misclassified \$64,232 in 2020 as restricted cash and investments in the WS change out grant fund, which should have been classified as unassigned
- Misclassified \$1,230,984 and \$1,026,739 in 2020 and 2021, respectively, as restricted cash and investments in the general fund that should have been classified as unassigned
- Misclassified \$425,584 and \$521,743 in 2020 and 2021, respectively, of cost allocation plan expenses as capital expenses between several funds. These amounts should have been classified as natural/economic environment expenditures and transfers in. Of this misclassification error, \$90,311 was left uncorrected in 2020 and \$235,800 in 2021.
- Overstated beginning cash and investment net adjustments in 2021 by \$157,237

In the Notes to the Financial Statements, the Agency:

- Overstated total restricted fund balances by \$98,002 and \$87,729 in 2020 and 2021, respectively
- Did not include OPEB disclosures and did not initially report any amounts in both years
- Overstated total restricted fund balances by \$87,729 in 2021

All errors were corrected, unless otherwise noted. We also identified less significant errors that we communicated to the Agency's management during the audit.

## ***Recommendation***

We recommend the Agency:

- Review any BARS Manual updates for the implementation of new reporting requirements
- Provide additional training to staff responsible for accounting and financial reporting, as well as those overseeing these activities
- Continue to strengthen internal controls over the processes for preparing and reviewing financial statements

## ***Agency's Response***

*In response to your finding of conditions in this audit, the Agency has responded as follows:*

- 1. Corrected the OPEB setup and reporting to accurately reflect balances in FY21, FY22.*
- 2. Corrected the misclassification of restricted cash and investments to unassigned.*
- 3. We have updated BIAS to correct accounting codes for misclassifications and will update BIAS as updates are made available.*

*We will follow the recommendations of the Audit as stated:*

- 1. Review and implement BIAS updates as received.*
- 2. Provide additional training to staff, as needed and available, to enhance our accounting and financial reporting.*
- 3. We will continue to strengthen internal controls over the preparation of our financial statements.*

*I would like to thank you for your efforts concerning this audit and will look forward to demonstrating our commitment to improving our processes in future financial audits.*

## ***Auditor's Remarks***

We appreciate the Agency's commitment to resolving the conditions noted, and we will evaluate the Agency's corrective actions during our next audit.

## *Applicable Laws and Regulations*

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

*Budgeting, Accounting and Reporting System* (BARS Manual), 3.4.16, Other Postemployment Benefits (OPEB), outlines the requirements for each local government to report applicable OPEB liabilities.



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Spokane Regional Clean Air Agency July 1, 2019 through June 30, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
7/1/2017 - 6/30/2019	1027402	2019-001
<b>Finding Caption:</b> The Agency's internal controls over financial statement preparation were inadequate to ensure accurate financial reporting.		
<b>Background:</b> Agency management is responsible for designing, implementing, and maintaining internal controls to ensure the financial statements are fairly presented, and to provide reasonable assurance regarding the reliability of financial reporting. The Agency prepares its financial statements in accordance with the cash basis of accounting, under the <i>Budgeting, Accounting and Reporting System (BARS)</i> Manual. Our audit identified deficiencies in the Agency's internal controls over financial reporting that hindered the Agency's ability to produce reliable financial statements. Government Auditing Standards requires the auditor to communicate significant deficiencies in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding. We noted the following deficiencies in internal controls over accounting and financial reporting that, when taken together, represent a significant deficiency: <ul style="list-style-type: none"><li>• Agency staff responsible for compiling financial information lacked technical knowledge and experience needed to accurately prepare the financial statements, notes to the financial statements, and schedule of liabilities.</li><li>• The Agency's monthly reconciliation process did not ensure the accounting records accurately reflected the cash in the general ledger.</li><li>• The Agency's preparation and review of the financial statements was not effective to ensure that the amounts reported agreed to the underlying accounting records and followed BARS Manual guidance.</li></ul>		



**Status of Corrective Action: (check one)**☐ Fully  
Corrected☐ Partially  
Corrected☒ Not Corrected☐ Finding is considered no  
longer valid**Corrective Action Taken:**

*Providing additional training to staff to enhance our accounting and financial reporting.  
Worked with our County treasurer to update the cash reporting process.*

## 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 Clean Air Agency July 1, 2019 through June 30, 2021**

Executive Director  
Spokane Regional Clean Air Agency  
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 Clean Air Agency, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated January 19, 2024.

We issued an unmodified opinion on the fair presentation of the Agency'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 Agency 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 audits of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Agency'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*.

## **AGENCY'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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

Agency'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 Agency'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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

January 19, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Spokane Regional Clean Air Agency July 1, 2019 through June 30, 2021**

Executive Director  
Spokane Regional Clean Air Agency  
Spokane, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Spokane Regional Clean Air Agency, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the Agency has prepared these financial statements to meet the financial reporting requirements of state law and 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 of the Spokane Regional Clean Air Agency, and its changes in cash and investments, for the years ended June 30, 2021 and 2020, on the basis of accounting described in Note 1.

### **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 Clean Air Agency, as of June 30, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **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 Agency, 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**

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. As described in Note 1 of the financial statements, the financial statements are prepared by the Agency in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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.

## **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 BARS Manual 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 Agency'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 Agency'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 Agency'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.

## **Matters of Emphasis**

As discussed in Note 9 to the 2021 and 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

## **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements. The Schedules of Liabilities are 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 as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 19, 2024



## **FINANCIAL SECTION**

### **Spokane Regional Clean Air Agency July 1, 2019 through June 30, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fund Resources and Uses Arising from Cash Transactions – 2020  
Notes to the Financial Statements – 2021  
Notes to the Financial Statements – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2021  
Schedule of Liabilities – 2020

**Spokane Regional Clean Air Agency**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>104 VERP</b>	<b>128 WS Change Out Grant</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	2,113,122	1,604,030	70	(64,232)
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	27	27	-	-
330	Intergovernmental Revenues	368,099	259,381	-	100,057
340	Charges for Goods and Services	1,201,347	-	-	-
350	Fines and Penalties	113,905	113,905	-	-
360	Miscellaneous Revenues	787,663	787,663	-	-
Total Revenues:		2,471,041	1,160,976	-	100,057
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	2,836,646	1,227,783	70	83,974
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,836,646	1,227,783	70	83,974
Excess (Deficiency) Revenues over Expenditures:		(365,605)	(66,807)	(70)	16,083
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,025,432	739,906	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,025,432	739,906	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	235,800	235,800	-	-
591-593, 599	Debt Service	14,056	14,056	-	-
597	Transfers-Out	1,025,430	850,193	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	(927)	(927)	-	-
Total Other Decreases in Fund Resources:		1,274,359	1,099,122	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(614,532)</b>	<b>(426,023)</b>	<b>(70)</b>	<b>16,083</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	368,732	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	1,129,858	1,178,007	-	(48,149)
<b>Total Ending Cash and Investments</b>		<b>1,498,590</b>	<b>1,178,007</b>	<b>-</b>	<b>(48,149)</b>

The accompanying notes are an integral part of this statement.

**Spokane Regional Clean Air Agency**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2021**

		<b>129 Wood Stove Education And Enforcement</b>	<b>131 Air Operating Permit Title V</b>	<b>132 Asbestos</b>	<b>133 Source Registration</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	9,811	-	282,983	277,737
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	8,661	-	-	-
340	Charges for Goods and Services	-	201,965	266,510	481,554
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		8,661	201,965	266,510	481,554
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	218,112	250,531	710,715
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	218,112	250,531	710,715
Excess (Deficiency) Revenues over Expenditures:		8,661	(16,147)	15,979	(229,161)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	24,197	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	24,197	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	8,051	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	8,051	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>8,661</b>	<b>(1)</b>	<b>15,979</b>	<b>(229,161)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	18,472	-	298,961	48,576
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>18,472</b>	<b>-</b>	<b>298,961</b>	<b>48,576</b>

The accompanying notes are an integral part of this statement.

**Spokane Regional Clean Air Agency**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2021**

		<b>134</b>	
		<b>NOC/NOI/SEPA</b>	<b>135 Marijuana</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	2,723	-
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	113,547	137,771
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	-
Total Revenues:		113,547	137,771
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	174,571	170,890
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		174,571	170,890
Excess (Deficiency) Revenues over Expenditures:		(61,024)	(33,119)
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	61,025	200,304
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		61,025	200,304
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	167,186
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	167,186
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1</b>	<b>(1)</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	-
50831	Restricted	2,723	-
50841	Committed	-	-
50851	Assigned	-	-
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>2,723</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

**Spokane Regional Clean Air Agency**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2020**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>104 VERP</b>	<b>125 Records Management Grant</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,897,778	1,383,235	4,849	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	1,010	1,010	-	-
330	Intergovernmental Revenues	432,096	287,390	-	25,540
340	Charges for Goods and Services	1,204,600	-	-	-
350	Fines and Penalties	254,022	254,022	-	-
360	Miscellaneous Revenues	963,677	963,677	-	-
Total Revenues:		2,855,405	1,506,099	-	25,540
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	2,550,642	1,131,978	7,779	25,540
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,550,642	1,131,978	7,779	25,540
Excess (Deficiency) Revenues over Expenditures:		304,763	374,121	(7,779)	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	117,645	31,985	3,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	3,523	3,523	-	-
Total Other Increases in Fund Resources:		121,168	35,508	3,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	90,311	90,311	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	117,645	95,890	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,635	2,635	-	-
Total Other Decreases in Fund Resources:		210,591	188,836	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>215,340</b>	<b>220,793</b>	<b>(4,779)</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	573,324	-	70	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	1,539,798	1,604,030	-	-
<b>Total Ending Cash and Investments</b>		<b>2,113,122</b>	<b>1,604,030</b>	<b>70</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

**Spokane Regional Clean Air Agency**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2020**

		<b>128 WS Change Out Grant</b>	<b>129 Wood Stove Education And Enforcement</b>	<b>131 Air Operating Permit Title V</b>	<b>132 Asbestos</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	(11,603)	-	16,576	252,930
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	109,355	9,811	-	-
340	Charges for Goods and Services	-	-	184,496	254,060
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		109,355	9,811	184,496	254,060
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	161,984	-	179,318	224,008
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		161,984	-	179,318	224,008
Excess (Deficiency) Revenues over Expenditures:		(52,629)	9,811	5,178	30,052
<b>Other Increases in Fund Resources</b>					
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:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	21,755	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	21,755	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(52,629)</b>	<b>9,811</b>	<b>(16,577)</b>	<b>30,052</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	9,811	-	282,983
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	(64,232)	-	-	-
<b>Total Ending Cash and Investments</b>		<b>(64,232)</b>	<b>9,811</b>	<b>-</b>	<b>282,983</b>

The accompanying notes are an integral part of this statement.

**Spokane Regional Clean Air Agency**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2020**

		<b>133 Source Registration</b>	<b>134 NOC/NOI/SEPA</b>	<b>135 Marijuana</b>
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	251,791	-	-
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	493,634	127,160	145,250
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	-	-
Total Revenues:		493,634	127,160	145,250
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	467,688	166,314	186,033
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		467,688	166,314	186,033
Excess (Deficiency) Revenues over Expenditures:		25,946	(39,154)	(40,783)
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	41,877	40,783
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	41,877	40,783
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>25,946</b>	<b>2,723</b>	<b>-</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	-	-	-
50831	Restricted	277,737	2,723	-
50841	Committed	-	-	-
50851	Assigned	-	-	-
50891	Unassigned	-	-	-
<b>Total Ending Cash and Investments</b>		<b>277,737</b>	<b>2,723</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

**Spokane Regional Clean Air Agency**  
**MCAG 1026**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2021**

**Note 1 - Summary of Significant Accounting Policies**

The Spokane Regional Clean Air Agency (SRCAA) was incorporated on January 1, 1969 and operates under the laws of the state of Washington applicable to Air Pollution Control Agencies. SRCAA is a special purpose government district and is responsible for administering federal, state, and local laws and regulations regarding outdoor air pollution in Spokane County. To achieve the goals of the Clean Air Act, SRCAA established programs aimed at reducing air pollution from all sources. The Agency directs a combination of education and regulatory efforts towards commercial and industrial emission sources, residential wood combustion, outdoor burning, motor vehicle, and asbestos, and dust sources.

- SRCAA operates an air monitoring network which gathers data and reports air quality and the level of pollution for PM2.5 and PM10 to the public on an hourly basis. SRCAA also reports air quality and the level of Ozone pollution on an hourly basis during Ozone season.
- SRCAA provides education and outreach to the public through direct contact at schools, local events, website and social media.
- SRCAA issues air permits to businesses that create air emissions such as auto body painting, gas stations, large industrial facilities, and others.
- SRCAA provides Air Quality maintenance planning and monitoring to ensure continued attainment of the National Ambient Air Quality Standards for Spokane County.
- SRCAA serves the public by responding to complaints and enforcing State, Federal, and Local Air Quality regulations according to the Washington State Clean Air Act Chapter 70.94 RCW.

A five-member Board of Directors governs SRCAA. The Board is made up of one County Commissioner, one representative from the City of Spokane, one representative from the City of Spokane Valley, one representative from the small cities and towns, and one member at large elected by the Board. The Board appoints an Executive Director to oversee the Agency's daily operations and its 20 employees.

The Spokane Regional Clean Air Agency 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.
- 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

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used by SRCAA:

### GOVERNMENTAL FUND TYPES:

#### General Fund

This fund is the primary operating fund of SRCAA. It accounts for all financial resources except those required or elected to be accounted for in another fund.

The following sub-funds have been established by Resolution and adopted by the Board of Directors as designated reserves that have been elected to be accounted for in separate sub-funds. These sub-funds roll-up into the general fund for reporting purposes.

- 002 Petty Cash
- 005 Project Reserve
- 006 Retirement Reserve
- 007 Monitoring Equipment Reserve
- 008 Vehicle Reserve
- 009 Building Maintenance Reserve
- 010 Information Technology (IT) Reserve
- 011 Ozone Study Reserve
- 012 Database Development

#### Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

- 104 VERP III
- 128 Wood Stove Change Out Grant (State Grant)
- 129 Wood Smoke Education & Enforcement (State Grant)

The following funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Fee structures are in place according to Chapter 70.94 RCW. Local Assessments are used to pay the difference between program costs and grant funds and fees collected.

- 131 Air Operating Permit Title V - federally mandated, fee based full cost recovery
- 132 Asbestos – fee based full cost recovery
- 133 Source Registration – fee based full cost recovery
- 134 NOC/NOI/SEPA –partially fee based cost recovery
- 135 Marijuana – partially fee based cost recovery

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, SRCAA also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of seven (7) years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Compensated absences are absences for which employees may be paid, such as vacation, compensatory leave, and sick leave. Payments are recognized as expenditures when paid.

Vacation leave may be accumulated up to 360 hours. Upon separation from employment, the employee receives payment for any unused vacation.

Sick leave may be accumulated indefinitely. Employees who terminate employment for any reason other than retirement will not be compensated for unused sick leave. Sick leave is used on a last in - first out basis. Upon retirement employees unused sick leave will be paid at the employee's base rate of pay up to a maximum total of 975 hours as follows:

- Employees will be paid for 50% of hours accrued prior to November 1, 2007
- Employees will be paid for 25% of hours accrued on or after November 1, 2007

The accompanying Schedule of Liabilities includes an additional 1.45% to adjust for Medicare taxes. At the end of fiscal year 2021, the total Compensated Absences Liability was \$244,498.

F. Long-Term Debt

See Note 4, *Long Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by SRCAA Board of Directors. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Fee based programs are authorized under RCW 70.94.151, 70.94.152, 70.94.161 and 70.94.162. The RCW details the work that can be charged to the programs. In addition, the RCW mandates that fees collected under this authority must be used strictly for running that program. Therefore, all year end fund balance is defined as restricted and is included in the next year's budget.

Fund Name	Amount Reserve	Reason for Restriction
131 Air Operating Permit	\$ -	Fee based program RCW 70.94
132 Asbestos	\$ 298,961.00	Fee based program RCW 70.94
133 Registration	\$ 48,576.00	Fee based program RCW 70.94
134 NOC/NOI/SEPA	\$ 2,723.00	Fee based program RCW 70.94
135 Majiuna	\$ -	Fee based program RCW 70.94
129 Wood Sove Education Grant	\$ 18,472.00	Wood Stove Education Program

## **Note 2 – Budget Compliance**

### **A. Budget**

The Agency adopts an annual appropriated entity wide budget for all anticipated resources and outlays for the fiscal period. The comprehensive budget document summarizes, at the fund level, the operating budgets for the following funds:

- 001 General Fund
- 128 Wood Stove Change Out Grant (State Grant)
- 129 Wood Smoke Education & Enforcement (State Grant)
- 131 Air Operating Permit Title V
- 132 Asbestos
- 133 Source Registration
- 134 NOC/NOI/SEPA
- 135 Marijuana

A single resolution containing all appropriations is approved by the Board of Directors. The budget constitutes the legal authority for expenditures at that level. The Board may approve budget amendments through resolutions. Annual appropriations lapse at the fiscal period end.

Budgets for project specific funds are adopted by separate resolution identifying details regarding the special purpose or funding source requirements. The budgets for the following funds have been adopted by separate resolution:

- 104 VERP III

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriation	Actual Expenditures	Variance
001 - General Fund	\$ 2,148,225.00	\$ 2,326,905.00	\$ (178,680.00)
104 - VERP III	\$ -	\$ 70.00	\$ (70.00)
125- Records Management Grant	\$ 25,540.00	\$ -	\$ 25,540.00
128 - Wood Stove Change Out	\$ 100,000.00	\$ 83,974.00	\$ 16,026.00
129 - Wood Smoke Education & Enforcement	\$ 10,000.00	\$ -	\$ 10,000.00
131 - Air Operating Permit Title V	\$ 185,083.00	\$ 226,163.00	\$ (41,080.00)
132 - Asbestos	\$ 289,654.00	\$ 250,531.00	\$ 39,123.00
133 - Source Registration	\$ 523,026.00	\$ 710,715.00	\$ (187,689.00)
134 - NOC/NOI/SEPA	\$ 228,308.00	\$ 174,571.00	\$ 53,737.00
135 - Marijuana	\$ 338,623.00	\$ 338,076.00	\$ 547.00

Budgeted amounts are authorized to be transferred between programs; however, any revisions that alter the total appropriation or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment, must be approved by the agency Board of Directors.

### **Note 3 – Deposits and Investments**

SRCAA entered into an agreement with the Spokane County Treasurer for banking management services. The Spokane County Treasurer acts as treasurer for all SRCAA deposits & ensure funds are invested as legally prescribed in various financial institutions in the form of U.S. Government obligations, U.S. Government agencies, certificates of deposit, savings accounts, bankers' acceptances, repurchase agreements, municipal bonds, and the Washington State Treasurers Local Government Investment Pool. The agreement also provides for accurate payment of banking fees for accounts administered by the Spokane County Treasurer as the ex officio treasurer for SRCAA.

It is the policy of Spokane County to safely invest public funds in accordance with governing statutes in a manner which will provide the best investment return given; the Treasurer has a banking custodial duty to return the principal to the entities when needed. Investments are made by designated personnel in accordance with the Spokane County Treasurer's investment policy. The Treasurer's policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis.

The County's deposits and certificates of deposit are held by banks that are designated as public depositories in the state of Washington and fall under the scope of the state of Washington's Public Deposit Protection Act. Public depositories must fully collateralize all uninsured public funds with collateral held by a designated trustee.

Type of Investment	Cash Balance as of June 30, 2021
Spokane County Investment Pool	\$1,498,590.00

### **Note 4 – Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Agency and summarizes the Agency's debt transactions for year ended June 30, 2021.

## **Note 5 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all the SRCAA 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 (PERS 2 and PERS 3).

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](http://www.drs.wa.gov).

At June 30, 2021 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$ 78,124	0.010488%	\$ 128,083
PERS 2/3	\$ 127,630	0.013473%	\$ (1,342,128)

## **Note 6 – Risk Management**

Spokane Regional Clean Air Agency 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. 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. As of August 31, 2020, there are 547 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 the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions 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, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

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 conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

## **Note 7 – Other Disclosures**

### **Significant transactions with related parties**

There are four elected officials on the SRCAA Board of Directors that are in positions to influence budgetary and financial decisions and policies for other entities. They may also be appointed to various committees and regional groups. These members would be considered related parties. There have been no significant transactions with related parties

### Contingencies and litigations

SRCAA goes through the appeal process for any Notice of Violation Appeals that are filed with the Pollution Control Hearings Board by the violators. Mitigation is generally successful; where both parties agree on a settlement prior to the hearing.

### Other Notes

Fund 128 – Carried a negative balance due to timing of grant reimbursement. Expenses occurred in FY20 and grant reimbursement received in FY21.

### **Note 8 – Other Postemployment Benefits**

The Agency is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Agency had 20 active plan members and 5 retired plan members as of June 30, 2021. As of June 30, 2021, the Agency's total OPEB liability was \$1,154,644 as calculated using the alternative measurement method. The Agency contributed (\$141,208) to the plan for the year ended June 30, 2021.

### **Note 9– COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The Agency proactively implemented safety measures, and operations have continued with a hybrid approach with staff working remotely. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the Agency has not experienced any direct financial impact due to the pandemic.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the Agency is unknown at this time.

**Spokane Regional Clean Air Agency**  
**MCAG 1026**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2020**

**Note 1 - Summary of Significant Accounting Policies**

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- SRCAA provides education and outreach to the public through direct contact at schools, local events, website and social media.
- SRCAA issues air permits to businesses that create air emissions such as auto body painting, gas stations, large industrial facilities, and others.
- SRCAA provides Air Quality maintenance planning and monitoring to ensure continued attainment of the National Ambient Air Quality Standards for Spokane County.
- SRCAA serves the public by responding to complaints and enforcing State, Federal, and Local Air Quality regulations according to the Washington State Clean Air Act Chapter 70.94 RCW.
- SRCAA funds that were previously reported as fiduciary funds are now reported as part of the Air Operating Permit (AOP) fund.

A five-member Board of Directors governs SRCAA. The Board is made up of one County Commissioner, one representative from the City of Spokane, one representative from the City of Spokane Valley, one representative from the small cities and towns, and one member at large elected by the Board. The Board appoints an Executive Director to oversee the Agency's daily operations and its 20 employees.

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## A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used by SRCAA:

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- 002 Petty Cash
- 005 Project Reserve
- 006 Retirement Reserve
- 007 Monitoring Equipment Reserve
- 008 Vehicle Reserve
- 009 Building Maintenance Reserve
- 010 Information Technology (IT) Reserve
- 011 Ozone Study Reserve
- 012 Database Development

#### Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

- 104 VERP III
- 125 Records Management Grant (State Grant)
- 128 Wood Stove Change Out Grant (State Grant)
- 129 Wood Smoke Education & Enforcement (State Grant)

The following funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Fee structures are in place according to Chapter 70.94 RCW. Local Assessments are used to pay the difference between program costs and grant funds and fees collected. Funds formerly reported in fiduciary activity for Air Operating Permit fees are now reported in Fund 131 due to BARS guidance changes.

- 131 Air Operating Permit Title V - federally mandated, fee based full cost recovery
- 132 Asbestos – fee based full cost recovery
- 133 Source Registration – fee based full cost recovery

- 134 NOC/NOI/SEPA –partially fee based cost recovery
- 135 Marijuana – partially fee based cost recovery

#### 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, SRCAA also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

#### C. Cash and Investments

See Note 3, *Deposits and Investments*.

#### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of seven (7) years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### E. Compensated Absences

Compensated absences are absences for which employees may be paid, such as vacation, compensatory leave, and sick leave. Payments are recognized as expenditures when paid.

Vacation leave may be accumulated up to 360 hours. Upon separation from employment, the employee receives payment for any unused vacation.

Sick leave may be accumulated indefinitely. Employees who terminate employment for any reason other than retirement will not be compensated for unused sick leave. Sick leave is used on a last in - first out basis. Upon retirement employees unused sick leave will be paid at the employee's base rate of pay up to a maximum total of 975 hours as follows:

- Employees will be paid for 50% of hours accrued prior to November 1, 2007
- Employees will be paid for 25% of hours accrued on or after November 1, 2007

The accompanying Schedule of Liabilities includes an additional 1.45% to adjust for Medicare taxes. At the end of fiscal year 2020, the total Compensated Absences Liability was \$218,787.

#### F. Long-Term Debt

See Note 4, *Long Term Debt*.

#### G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by SRCAA Board of Directors. When expenditures that meet restrictions are incurred, the District intends to use reserved

resources first before using unreserved amounts.

Fee based programs are authorized under RCW 70.94.151, 70.94.152, 70.94.161 and 70.94.162. The RCW details the work that can be charged to the programs. In addition, the RCW mandates that fees collected under this authority must be used strictly for running that program. Therefore, all year end fund balance is defined as restricted and is included in the next year's budget.

Fund Name	Amount Reserve	Reason for Restriction
104 VERP III	\$ 70.00	Vehicle Emission Repair Program
131 Air Operating Permit	\$ -	Fee based program RCW 70.94
132 Asbestos	\$ 282,983.00	Fee based program RCW 70.94
133 Registration	\$ 277,737.00	Fee based program RCW 70.94
134 NOC/NOI/SEPA	\$ 2,723.00	Fee based program RCW 70.94
135 Majiuana	\$ -	Fee based program RCW 70.94
125 Records Management Grant	\$ -	Records Management Grant
129 Wood Sove Education Grant	\$ 9,811.00	Wood Stove Education Program

## **Note 2 – Budget Compliance**

### **A. Budget**

The Agency adopts an annual appropriated entity wide budget for all anticipated resources and outlays for the fiscal period. The comprehensive budget document summarizes, at the fund level, the operating budgets for the following funds:

- 001 General Fund
- 125 Records Management Grant (State Grant)
- 128 Wood Stove Change Out Grant (State Grant)
- 129 Wood Smoke Education & Enforcement (State Grant)
- 131 Air Operating Permit Title V
- 132 Asbestos
- 133 Source Registration
- 134 NOC/NOI/SEPA
- 135 Marijuana

A single resolution containing all appropriations is approved by the Board of Directors. The budget constitutes the legal authority for expenditures at that level. The Board may approve budget amendments through resolutions. Annual appropriations lapse at the fiscal period end.

Budgets for project specific funds are adopted by separate resolution identifying details regarding the special purpose or funding source requirements. The budgets for the following funds have been adopted by separate resolution:

- 104 VERP III

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriation	Actual Expenditures	Variance
001 - General Fund	\$ 1,405,581.00	\$ 1,320,814.00	\$ 84,767.00
104 - VERP III	\$ 8,413.00	\$ 7,778.69	\$ 634.31
125- Records Management Grant	\$ 25,540.00	\$ 25,540.00	\$ -
128 - Wood Stove Change Out	\$ 190,000.00	\$ 161,983.00	\$ 28,016.28
129 - Wood Smoke Education & Enforcement	\$ 10,000.00	\$ -	\$ 10,000.00
131 - Air Operating Permit Title V	\$ 180,700.00	\$ 201,073.00	\$ (20,373.00)
132 - Asbestos	\$ 248,269.00	\$ 224,007.29	\$ 24,261.71
133 - Source Registration	\$ 615,169.00	\$ 467,687.46	\$ 147,481.54
134 - NOC/NOI/SEPA	\$ 207,898.00	\$ 166,313.81	\$ 41,584.19
135 - Marijuana	\$ 351,408.00	\$ 186,032.90	\$ 165,375.10

Budgeted amounts are authorized to be transferred between programs; however, any revisions that alter the total appropriation or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment, must be approved by the agency Board of Directors.

### **Note 3 – Deposits and Investments**

SRCAA entered into an agreement with the Spokane County Treasurer for banking management services. The Spokane County Treasurer acts as treasurer for all SRCAA deposits & ensure funds are invested as legally prescribed in various financial institutions in the form of U.S. Government obligations, U.S. Government agencies, certificates of deposit, savings accounts, bankers' acceptances, repurchase agreements, municipal bonds, and the Washington State Treasurers Local Government Investment Pool. The agreement also provides for accurate payment of banking fees for accounts administered by the Spokane County Treasurer as the ex officio treasurer for SRCAA.

It is the policy of Spokane County to safely invest public funds in accordance with governing statutes in a manner which will provide the best investment return given; the Treasurer has a banking custodial duty to return the principal to the entities when needed. Investments are made by designated personnel in accordance with the Spokane County Treasurer's investment policy. The Treasurer's policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis.

The County's deposits and certificates of deposit are held by banks that are designated as public depositories in the state of Washington and fall under the scope of the state of Washington's Public Deposit Protection Act. Public depositories must fully collateralize all uninsured public funds with collateral held by a designated trustee.

Type of Investment	Cash Balance as of June 30, 2020
Spokane County Investment Pool	\$2,113,122.00

#### **Note 4 – Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Agency and summarizes the Agency's debt transactions for year ended June 30, 2020.

#### **Note 5 – Pension Plans**

##### **A. State Sponsored Pension Plans**

Substantially all the SRCAA 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 (PERS 2 and PERS 3).

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](http://www.drs.wa.gov).

At June 30, 2020 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$ 68,092	0.009395%	\$ 331,694
PERS 2/3	\$ 112,809	0.012245%	\$ 156,607

#### **Note 6 – Risk Management**

Spokane Regional Clean Air Agency 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, 2018, there are 549 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 a 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 a 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, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 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.

Enduris did not have any claim settlements that exceeded limits in the last three years.

## **Note 7 – Other Disclosures**

### **Significant transactions with related parties**

There are four elected officials on the SRCAA Board of Directors that are in positions to influence budgetary and financial decisions and policies for other entities. They may also be appointed to various committees and regional groups. These members would be considered related parties. There have been no significant transactions with related parties

### Contingencies and litigations

SRCAA goes through the appeal process for any Notice of Violation Appeals that are filed with the Pollution Control Hearings Board by the violators. Mitigation is generally successful, where both parties agree on a settlement prior to the hearing.

### Other Notes

Fund 128 – Carried a negative balance due to timing of grant reimbursement. Expenses occurred in FY19 and grant reimbursement received in FY20.

### **Note 8 – Other Postemployment Benefits**

During the year ended June 30, 2020, the Agency adopted guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities.

The Agency is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Agency had 21 active plan members and 4 retired plan members as of June 30, 2020. As of June 30, 2020, the Agency's total OPEB liability was \$1,315,565 as calculated using the alternative measurement method. The Agency contributed \$430,703 to the plan for the year ended June 30, 2020.

### **Note 9– COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The Agency proactively implemented safety measures, and operations have continued with a hybrid approach with staff working remotely. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the Agency has not experienced any direct financial impact due to the pandemic.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the Agency is unknown at this time.

**Spokane Regional Clean Air Agency**  
**Schedule of Liabilities**  
**For the Year Ended June 30, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		218,787	25,711	-	244,498
264.30	PERS 1 - State Sponsored Pension		331,694	-	203,611	128,083
264.30	PERS 2/3 - State Sponsored Pension		156,607	-	156,607	-
264.40	NET OPEB Obligation		1,315,565	-	160,921	1,154,644
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,022,653</b>	<b>25,711</b>	<b>521,139</b>	<b>1,527,225</b>
<b>Total Liabilities:</b>			<b>2,022,653</b>	<b>25,711</b>	<b>521,139</b>	<b>1,527,225</b>



**Spokane Regional Clean Air Agency**  
**Schedule of Liabilities**  
**For the Year Ended June 30, 2020**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		190,598	28,189	-	218,787
264.30	Pers 1 - State Sponsored Pension		365,578	-	33,884	331,694
264.30	Pers 2/3 - State Sponsored Pension		119,223	37,384	-	156,607
264.40	NET OPEB Obligation		-	1,315,565	-	1,315,565
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>675,399</b>	<b>1,381,138</b>	<b>33,884</b>	<b>2,022,653</b>
<b>Total Liabilities:</b>			<b>675,399</b>	<b>1,381,138</b>	<b>33,884</b>	<b>2,022,653</b>

## 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.

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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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