



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Spokane Regional Clean Air Agency

For the period July 1, 2021 through June 30, 2023

Published March 3, 2025

Report No. 1036696



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

March 3, 2025

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

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Spokane Regional Clean Air Agency July 1, 2021 through June 30, 2023

2023-001 The Agency's internal controls were inadequate for ensuring accurate financial reporting.

Background

State and federal agencies, Agency management and board members, 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 that the Agency's financial reporting is reliable and accurate.

The Agency prepares its financial statements, notes and supplementary schedules in accordance with the cash-basis accounting method prescribed by the *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 significant deficiencies in internal controls as a finding.

Description of Condition

We identified deficiencies in the Agency's internal controls over financial reporting that represent a significant deficiency.

The Agency did not have an effective process in place to adequately research, identify and implement new accounting standards related to leases.

The Agency also did not have an effective preparation and review process for ensuring amounts reported in the financial statements and required supplemental schedules were consistent with the underlying accounting records.

Cause of Condition

The Agency was unaware of certain new accounting standards that required additional disclosures in the financial statements, supplemental schedules and notes

to the financial statements. Specifically, the Agency was unaware of new BARS manual requirements related to the reporting of leases.

Additionally, the Agency lacked an overall understanding of certain BARS codes which led to classification errors on the financial statements.

Effect of Condition

The Agency's financial information contained errors that management did not detect. Specifically, the Agency:

- Did not report leases on the Schedule of Liabilities for 2022 and 2023, resulting in:
 - An understatement of the lease liability beginning balance by \$4,389,695, reductions by \$169,023, and the ending balance by \$4,220,672 for 2022
 - An understatement of the lease liability beginning balance by \$4,220,672, reductions by \$159,188, and the ending balance by \$4,061,484 for 2023
- Misclassified revenues for 2022 and 2023, resulting in:
 - An understatement of revenues by \$142,702 and an overstatement of other increases in fund resources by \$133,284 for 2022
 - An understatement of revenues by \$326,920 and an overstatement of other increases in fund resources by \$300,886 for 2023

We also identified other immaterial errors in the annual report. The Agency subsequently corrected all errors.

Recommendation

We recommend the Agency:

- Evaluate and strengthen internal controls over its processes for preparing and reviewing the annual report to ensure accurate financial reporting in accordance with the BARS Manual
- Accurately present activity related to new accounting standards as applicable on the annual report

Agency's Response

Thank you for providing more guidance this year than we have received in the past couple audits. What one auditor has found, has not always been addressed by the previous auditor. After the recommendations made by the help desk this year, we will have adjusted those BARS codes for the future to ensure no longer having misclassified revenues. The reporting of the lease has been corrected for this audit period and those going forward. Going forward the agency will wait until right before our reporting deadline, so that we can verify that we have not missed an update on the latest accounting standards in the BARS Manual.

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, 3.4.1 Leases and Installment Purchases, outlines the requirements for each local government to report applicable lease liabilities.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Spokane Regional Clean Air Agency July 1, 2021 through June 30, 2023

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

Audit Period: July 1, 2019 through June 20, 2021	Report Ref. No.: 1034122	Finding Ref. No.: 2021-001
Finding Caption: 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 <i>Budgeting, Accounting and Reporting System</i> (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. <i>Government Auditing Standards</i> requires the State Auditor's Office to communicate material weaknesses as a finding.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>More training on SAO site for Bars codes and reporting updates</i>		

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, 2021 through June 30, 2023

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated February 13, 2025.

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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be significant deficiencies.

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

February 13, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Regional Clean Air Agency July 1, 2021 through June 30, 2023

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 11 of the 2023 financial statements, and Note 10 of the 2022 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 the respective notes. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2022, the Agency adopted new accounting guidance for the presentation and disclosure of leases, as required by the BARS Manual. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2023, the Agency adopted new accounting guidance for the presentation and disclosure of subscription based information technology arrangements (SBITA), as required by the BARS Manual. 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 February 13, 2025 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.



Pat McCarthy, State Auditor

Olympia, WA

February 13, 2025

FINANCIAL SECTION

Spokane Regional Clean Air Agency July 1, 2021 through June 30, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023

Fund Resources and Uses Arising from Cash Transactions – 2022

Notes to the Financial Statements – 2023

Notes to the Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

Schedule of Liabilities – 2022

Spokane Regional Clean Air Agency
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2023

		Total for All Funds (Memo Only)	001 General Fund	128 WS Change Out Grant	129 Wood Stove Education And Enforcement
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,531,541	1,372,334	(78,773)	31,507
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	362	362	-	-
330	Intergovernmental Revenues	595,485	257,145	120,156	6,825
340	Charges for Goods and Services	1,283,245	-	-	-
350	Fines and Penalties	70,000	70,000	-	-
360	Miscellaneous Revenues	1,290,794	1,290,794	-	-
Total Revenues:		3,239,886	1,618,301	120,156	6,825
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	3,280,195	1,110,474	132,544	16,378
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,280,195	1,110,474	132,544	16,378
Excess (Deficiency) Revenues over Expenditures:		(40,309)	507,827	(12,388)	(9,553)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	481,052	222,994	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	(150,000)	(150,000)	-	-
Total Other Increases in Fund Resources:		331,052	72,994	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	11,036	11,036	-	-
591-593, 599	Debt Service	159,188	159,188	-	-
597	Transfers-Out	481,051	448,257	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	(1,526)	(1,526)	-	-
Total Other Decreases in Fund Resources:		649,749	616,955	-	-
Increase (Decrease) in Cash and Investments:		(359,006)	(36,134)	(12,388)	(9,553)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,033,525	933,039	-	21,954
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	139,004	403,157	(91,161)	-
Total Ending Cash and Investments		1,172,529	1,336,196	(91,161)	21,954

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, 2023

		131 Air Operating Permit Title V	132 Asbestos	133 Source Registration	134 NOC/NOI/SEPA
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	222,413	-	2,723
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	284,957	256,330	560,870	167,483
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		284,957	256,330	560,870	167,483
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	279,708	400,805	615,276	271,568
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		279,708	400,805	615,276	271,568
Excess (Deficiency) Revenues over Expenditures:		5,249	(144,475)	(54,406)	(104,085)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	27,545	-	55,000	101,363
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		27,545	-	55,000	101,363
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	32,794	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		32,794	-	-	-
Increase (Decrease) in Cash and Investments:		-	(144,475)	594	(2,722)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	77,938	594	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	77,938	594	-

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, 2023

		135 Marijuana	136 Purple Air - AQPNA Grant	137 Dust Mitigation - AQPNA Grant	138 OTGP Aethalometer Grant
Beginning Cash and Investments					
308	Beginning Cash and Investments	(3,869)	(13,677)	(1,117)	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	49,771	133,088	28,500
340	Charges for Goods and Services	13,605	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		13,605	49,771	133,088	28,500
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	83,886	163,556	177,500	28,500
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		83,886	163,556	177,500	28,500
Excess (Deficiency) Revenues over Expenditures:		(70,281)	(113,785)	(44,412)	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	74,150	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		74,150	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		3,869	(113,785)	(44,412)	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	(127,463)	(45,529)	-
Total Ending Cash and Investments		-	(127,463)	(45,529)	-

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, 2022

		Total for All Funds (Memo Only)	001 General Fund	128 WS Change Out Grant	129 Wood Stove Education And Enforcement
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,498,590	1,178,007	(48,149)	18,472
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	481	481	-	-
330	Intergovernmental Revenues	314,376	257,145	42,750	13,035
340	Charges for Goods and Services	1,262,917	-	-	-
350	Fines and Penalties	70,000	70,000	-	-
360	Miscellaneous Revenues	977,352	977,352	-	-
Total Revenues:		2,625,126	1,304,978	42,750	13,035
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	2,677,096	924,267	73,374	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,677,096	924,267	73,374	-
Excess (Deficiency) Revenues over Expenditures:		(51,970)	380,711	(30,624)	13,035
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	821,138	453,899	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	453,251	453,251	-	-
Total Other Increases in Fund Resources:		1,274,389	907,150	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	199,254	199,254	-	-
591-593, 599	Debt Service	169,023	169,023	-	-
597	Transfers-Out	821,138	725,204	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	55	55	-	-
Total Other Decreases in Fund Resources:		1,189,470	1,093,536	-	-
Increase (Decrease) in Cash and Investments:		32,949	194,325	(30,624)	13,035
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,101,663	845,020	-	31,507
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	429,878	527,314	(78,773)	-
Total Ending Cash and Investments		1,531,541	1,372,334	(78,773)	31,507

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, 2022

		131 Air Operating Permit Title V	132 Asbestos	133 Source Registration	134 NOC/NOI/SEPA
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	298,961	48,576	2,723
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	246,687	225,240	476,253	212,650
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		246,687	225,240	476,253	212,650
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	253,203	301,787	740,109	238,765
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		253,203	301,787	740,109	238,765
Excess (Deficiency) Revenues over Expenditures:		(6,516)	(76,547)	(263,856)	(26,115)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	32,794	-	215,280	43,450
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		32,794	-	215,280	43,450
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	26,278	-	-	17,335
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		26,278	-	-	17,335
Increase (Decrease) in Cash and Investments:		-	(76,547)	(48,576)	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	222,413	-	2,723
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	222,413	-	2,723

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, 2022

		135 Marijuana	136 Purple Air - AQPNA Grant	137 Dust Mitigation - AQPNA Grant
Beginning Cash and Investments				
308	Beginning Cash and Investments	-	-	-
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	1,446	-
340	Charges for Goods and Services	102,087	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	-	-
Total Revenues:		102,087	1,446	-
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	129,351	15,123	1,117
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		129,351	15,123	1,117
Excess (Deficiency) Revenues over Expenditures:		(27,264)	(13,677)	(1,117)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	75,715	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		75,715	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	52,321	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		52,321	-	-
Increase (Decrease) in Cash and Investments:		(3,870)	(13,677)	(1,117)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	-	-	-
50891	Unassigned	(3,869)	(13,677)	(1,117)
Total Ending Cash and Investments		(3,869)	(13,677)	(1,117)

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, 2023

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:

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- 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.

- 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
- 136 Purple Air – AQPNA Grant
- 137 Dust Mitigation - AQPNA Grant
- 138 OTGP Aethalometer Grant

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 2023, the total Compensated Absences Liability was \$208,579.

F. Long-Term Debt

See Note 4, *Long-Term Liabilities (Formerly Long - Term Debt)*

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

For the year ended June 30, 2023, the Spokane Regional Clean Air Agency implemented GASB No. 96 related to the new subscription based information technology arrangement (SBITA) reporting requirements. However, the Agency does not have SBITA's reported as liabilities. Leases are reported as liabilities if the total payments over the life of the lease are more than \$1,000.00.

See Note 5, *Leases* and Note 6 - *SBITA*.

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted 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.

The agency has the following restricted funds that have been established with resolutions by the Board of Directors. These funds are restricted for the specific use indicated by the fund title. Annual deposits for these funds are included in the general fund budget each year. While the funding is included in the general fund budget process, specific resolutions for each fund appropriation and expenditure are required as separate actions.

Fund Name	Amount Restricted	Reason for Restriction
006 Retirement Reserve	\$ 186,411.00	Pay out of Annual and/or Sick Leave at retirement
007 Monitoring Equipment Reserve	\$ 119,622.00	Replace Air Monitoring Equipment as needed
008 Vehicle Reserve	\$ 77,631.00	Replace Vehicles as needed
009 Building Maintenance Reserve	\$ 15,107.00	Maintain and Upgrade Facilities as needed
010 Information Technology Reserve	\$ 31,905.00	Maintain and Upgrade IT as needed
011 Ozone Study Reserve	\$ 175,000.00	Future Ozone study(s)
005 Project Reserve	\$ 327,363.00	Unidentified projects that benefit the Agency

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 reserved and is included in the next year's budget.

Fund Name	Amount Restricted	Fund Name
132 Asbestos	\$ 77,938.00	Fee based program RCW 70.94
133 Registration	\$ 594.00	Fee based program RCW 70.94
129 Wood Stove Education Grant	\$ 21,954.00	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
- 136 Purple Air – AQPNA Grant
- 137 Dust Mitigation – AQPNA Grant
- 138 OTGP – Aethalometer Grant

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:

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 Appropriated Amounts	Actual Expenditures	Variance
001 - General Fund	\$ 1,849,742.00	\$ 1,727,437.48	\$ 122,304.52
128 - Wood Stove Change Out	\$ 150,000.00	\$ 132,544.57	\$ 17,455.43
129 - Wood Smoke Education & Enforcement	\$ 9,200.00	\$ 16,378.20	\$ (7,178.20)
131 - Air Operating Permit Title V	\$ 210,654.00	\$ 312,501.41	\$ (101,847.41)
132 - Asbestos	\$ 325,563.00	\$ 400,804.85	\$ (75,241.85)
133 - Source Registration	\$ 595,000.00	\$ 615,275.97	\$ (20,275.97)
134 - NOC/NOI/SEPA	\$ 205,000.00	\$ 271,568.81	\$ (66,568.81)
135 - Marijuana	\$ 165,000.00	\$ 83,886.41	\$ 81,113.59
136 - AQPNA - Purple Air	\$ 144,375.00	\$ 163,557.04	\$ (19,182.04)
137 - AQPNA - Dust Mitigation	\$ 208,909.00	\$ 177,499.48	\$ 31,409.52
138 - OTGP Aethalometer	\$ -	\$ 28,500.00	\$ (28,500.00)

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, 2023
Spokane County Investment Pool	\$1,172,528.67

Note 4 – Long-Term Liabilities (Formerly 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, 2023.

Note 5 – Leases (Lessees)

SRCAA leases a building from Enduris for \$14,065 per month under lease agreement of 20 years. The leases began in August of 2020 and will end April of 2041 and include a 2.5% annual increase to the base monthly rent on the lease anniversary date. This increase is in effect for years 2-20. The Tenant Improvement started in August of 2020 and was completed in June of 2021. Total amount paid for leases in the current period (FY23) is \$159,188.

Fiscal Year	Principal	Total Debt Service
2024	177,204	177,204
2025	186,173	186,173
2026	190,822	190,822
2027	195,583	195,583
2028	200,478	200,478
2029-2033	1,080,112	1,080,112
2034-2038	1,222,067	1,222,067
2039-2041	809,045	809,045
Totals	\$ 4,061,484	\$ 4,061,484

Note 6 – SBITA

The agency does not have SBITA's reported as liabilities.

Note 7 – 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 19 active plan members and 5 retired plan members as of June 30, 2023. As of June 30, 2023, the Agency's total OPEB liability was \$816,030 as calculated using the alternative measurement method. The Agency contributed (\$152,315) to the plan for the year ended June 30, 2023.

Note 8 – 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 downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2023 (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	\$ 63,333	0.009294%	\$ 212,157
PERS 2/3	\$ 105,403	0.011988%	\$ (491,350)

Note 9 – 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, 2023, there are 518 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 10 – 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

Funds 128, 136, and 137 – Carried a negative balance due to timing of grant reimbursement. Expenses occurred in FY23, and grant reimbursement received in FY24.

Note 11– 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 2023. 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. FY23 the Agency began working towards more in-person interactions.

Spokane Regional Clean Air Agency
MCAG 1026
Notes to the Financial Statements
For the year ended June 30, 2022

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- 136 Purple Air – AQPNA Grant
- 137 Dust Mitigation - AQPNA Grant

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 2022, the total Compensated Absences Liability was \$206,486.

F. Long-Term Debt

See Note 4, *Long-Term Liabilities (Formerly Long - Term Debt)*

G. Leases

For the year ended June 30, 2022, the Spokane Regional Clean Air Agency implemented GASB No. 87 related to the new lease reporting requirements. Leases are reported as liabilities if the total payments over the life of the lease are more than \$1,000.00.

See Note 5, *Leases*

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted 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.

The agency has the following restricted funds that have been established with resolutions by the Board of Directors. These funds are restricted for the specific use indicated by the fund title. Annual deposits for these funds are included in the general fund budget each year. While the funding is included in the general fund budget process, specific resolutions for each fund appropriation and expenditure are required as separate actions.

Fund Name	Amount Restricted	Reason for Restriction
006 Retirement Reserve	\$ 161,411.00	Pay out of Annual and/or Sick Leave at retirement
007 Monitoring Equipment Reserve	\$ 124,927.00	Replace Air Monitoring Equipment as needed
008 Vehicle Reserve	\$ 77,631.00	Replace Vehicles as needed
009 Building Maintenance Reserve	\$ 15,107.00	Maintain and Upgrade Facilities as needed
010 Information Technology Reserve	\$ 27,365.00	Maintain and Upgrade IT as needed
011 Ozone Study Reserve	\$ 175,000.00	Future Ozone study(s)
005 Project Reserve	\$ 263,579.00	Unidentified projects that benefit the Agency

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 reserved and is included in the next year's budget.

Fund Name	Amount Restricted	Reason for Restriction
131 Air Operating Permit	\$ -	Fee based program RCW 70.94
132 Asbestos	\$ 222,413.00	Fee based program RCW 70.94
133 Registration	\$ -	Fee based program RCW 70.94
134 NOC/NOI/SEPA	\$ 2,723.00	Fee based program RCW 70.94
135 Marijuana	\$ -	Fee based program RCW 70.94
129 Wood Stove Education Grant	\$ 31,507.00	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
- 136 Purple Air – AQPNA Grant
- 137 Dust Mitigation – AQPNA Grant

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.

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 Appropriated Amounts	Actual Expenditures	Variance
001 - General Fund	\$ 1,799,443.00	\$ 2,017,803.00	\$ (218,360.00)
128 - Wood Stove Change Out	\$ 95,000.00	\$ 73,373.48	\$ 21,626.52
129 - Wood Smoke Education & Enforcement	\$ 9,200.00	\$ -	\$ 9,200.00
131 - Air Operating Permit Title V	\$ 184,925.00	\$ 279,481.52	\$ (94,556.52)
132 - Asbestos	\$ 279,681.00	\$ 301,788.03	\$ (22,107.03)
133 - Source Registration	\$ 561,242.00	\$ 740,109.17	\$ (178,867.17)
134 - NOC/NOI/SEPA	\$ 167,500.00	\$ 256,100.00	\$ (88,600.00)
135 - Marijuana	\$ 240,715.00	\$ 181,670.77	\$ 59,044.23
136 - Purple Air AQPNA Grant	\$ 144,375.00	\$ 15,123.00	\$ 129,252.00
137 - Dust Mitigation AQPNA Grant	\$ 208,909.00	\$ 1,117.00	\$ 207,792.00

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, 2022
Spokane County Investment Pool	\$1,531,541.00

Note 4 Long -Term Liabilities (Formerly 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, 2022.

Note 5 – Leases (Lessees)

SRCAA leases a building from Enduris for \$14,065 per month under lease agreement of 20 years. The leases began in August of 2020 and will end April of 2041 and include a 2.5% annual increase to the base monthly rent on the lease anniversary date. This increase is in effect for years 2-20. The Tenant Improvement started in August of 2020 and was completed in June of 2021. Total amount paid for leases in the current period (FY22) is \$ 169,023.00. As of July 1, 2022, the future lease payments are as follows:

Fiscal Year	Principal	Total Debt Service
2023	159,188	159,188
2024	177,204	177,204
2025	186,173	186,173
2026	190,822	190,822
2027	195,583	195,583
2028-2032	1,053,766	1,053,766
2033-2037	1,192,264	1,192,264
2038-2041	1,065,672	1,065,672
Totals	\$ 4,220,672	\$ 4,220,672

Note 6 – 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 19 active plan members and 5 retired plan members as of June 30, 2022. As of June 30, 2022, the Agency's total OPEB liability was \$983,050 as calculated using the alternative measurement method. The Agency contributed (\$155,229) to the plan for the year ended June 30, 2022.

Note 7 – 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 downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022 (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	\$ 59,522	0.009712%	\$ 270,418
PERS 2/3	\$ 101,758	0.012666%	\$ (469,754)

Note 8 – Risk Management

Spokane Regional Clean Air Agency is a member of the Enduris Washington (Pool). Chapter 48.62

RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

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

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 \$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 joint liability among the participating members.

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

still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool 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 9 – 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

Funds 128, 135, 136, and 137 – Carried a negative balance due to timing of grant reimbursement. Expenses occurred in FY22 and grant reimbursement received in FY23.

Note 10– 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 2022. 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, 2023

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	Building Lease	4/30/2041	4,220,672	-	159,188	4,061,484
Total General Obligation Debt/Liabilities:			4,220,672	-	159,188	4,061,484
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		206,486	2,093	-	208,579
264.40	NET OPEB Obligation		983,050	-	167,020	816,030
264.30	PERS 1 State Sponsored Pension		270,418	-	58,261	212,157
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,459,954	2,093	225,281	1,236,766
Total Liabilities:				2,093	384,469	5,298,250

Spokane Regional Clean Air Agency
Schedule of Liabilities
For the Year Ended June 30, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	Building Lease	4/30/2041	4,389,695	-	169,023	4,220,672
Total General Obligation Debt/Liabilities:			4,389,695	-	169,023	4,220,672
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		244,498	-	38,012	206,486
264.30	PERS 1 - State Sponsored Pension		128,083	142,335	-	270,418
264.40	NET OPEB Obligation		1,154,644	-	171,594	983,050
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,527,225	142,335	209,606	1,459,954
Total Liabilities:				142,335	378,629	5,680,626

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

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