

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

**Southwest Washington Regional
Transportation Council
Clark County**

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1009646

Issue Date
May 13, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

May 13, 2013

Board of Directors
Southwest Washington Regional Transportation Council
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Clark County
January 1, 2012 through December 31, 2012**

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Federal Summary

Southwest Washington Regional Transportation Council Clark County January 1, 2012 through December 31, 2012

The results of our audit of the Southwest Washington Regional Transportation Council are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Council qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Southwest Washington Regional Transportation Council
Clark County
January 1, 2012 through December 31, 2012**

Board of Directors
Southwest Washington Regional Transportation Council
Vancouver, Washington

We have audited the basic financial statements of the Southwest Washington Regional Transportation Council, Clark County, Washington, as of and for the year ended December 31, 2012, and have issued our report thereon dated April 4, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. 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.



TROY KELLEY
STATE AUDITOR

April 4, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Southwest Washington Regional Transportation Council
Clark County
January 1, 2012 through December 31, 2012**

Board of Directors
Southwest Washington Regional Transportation Council
Vancouver, Washington

COMPLIANCE

We have audited the compliance of the Southwest Washington Regional Transportation Council, Clark County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The Council's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

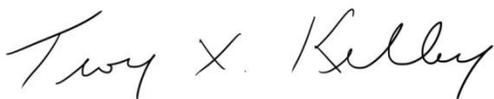
INTERNAL CONTROL OVER COMPLIANCE

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. 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.



TROY KELLEY
STATE AUDITOR

April 4, 2013

Independent Auditor's Report on Financial Statements

**Southwest Washington Regional Transportation Council
Clark County
January 1, 2012 through December 31, 2012**

Board of Directors
Southwest Washington Regional Transportation Council
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the Southwest Washington Regional Transportation Council, Clark County, Washington, as of and for the year ended December 31, 2012, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Washington Regional Transportation Council, as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

April 4, 2013

Financial Section

**Southwest Washington Regional Transportation Council
Clark County
January 1, 2012 through December 31, 2012**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2012

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2012

Statement of Revenues, Expenses, and Changes in Fund Net Position – 2012

Statement of Cash Flows – 2012

Notes to Financial Statements - 2012

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards and Notes - 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2012

INTRODUCTION

The purpose of Management's Discussion and Analysis is to provide an objective and easily readable analysis of Southwestern Washington Regional Transportation Council's (RTC's) financial activities and financial status based on currently known facts, conditions, or decisions as of December 31, 2012.

FINANCIAL STATEMENTS

RTC's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). RTC is structured as a single fund entity with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are tracked separately and are depreciated over their useful lives. Net position includes investment in capital assets and unrestricted net position.

The basic financial information regarding RTC's performance, financial position, and financial status for the years 2012 and 2011 is presented in tabular form in the following two sections. The "Financial Position" table summarizes the major categories of RTC's assets, liabilities, and total net position for the years 2012 and 2011. The "Financial Operations" table presents a more detailed breakdown of operating and non-operating revenues and expenses.

ANALYSIS OF FINANCIAL POSITION SUMMARY

Total net position may serve over time as a useful indicator of RTC's financial position. RTC's assets exceeded liabilities by \$1,233,114 at December 31, 2012, a \$60,949 increase from December 31, 2011.

A condensed summary of RTC's statement of net position at December 31, 2012 and 2011 is shown below:

	Dec. 31, 2012	Dec. 31, 2011
ASSETS:		
Current Assets	\$ 1,511,052	\$ 1,546,908
Capital Assets (Net of Depreciation)	1,414	390
Total Assets	1,512,466	1,547,298
 LIABILITIES:		
Current Liabilities	279,352	375,133
Total Liabilities	279,352	375,133
 NET POSITION:		
Invested in Capital Assets, Net of Related Debt	1,414	390
Unrestricted Net Position	1,231,700	1,171,775
Total Net Position	\$ 1,233,114	\$ 1,172,165

Included in the unrestricted portion of net position is a working capital fund of \$175,209. Member agencies contributed \$180,998 in 1993 and 1994 to provide start-up cash flow for the normal operation of RTC. With RTC Board agreement, this was slightly decreased by \$5,789 for RTC's relocation in 2002, to its present level of \$175,209. The remaining \$1,056,491 consists of local match funds not expended due to alternative sources of matching funds available over the years, and the interest earned on those funds as well as the interest earned on the working capital contributions from member agencies.

Capital assets changed insignificantly, with only office equipment replacements purchased in 2012.

ANALYSIS OF FINANCIAL OPERATIONS SUMMARY

A condensed summary of RTC's changes in net position for the years ended December 31, 2012 and 2011 is shown below:

	<u>2012</u>	<u>2011</u>
Total Operating Revenues	\$ 105,609	\$ 105,240
Operating Expenses:		
Salaries and Benefits	1,085,818	1,098,655
Professional Services	167,973	569,706
Rent	59,964	58,224
Other Administration	39,041	42,125
Depreciation	<u>567</u>	<u>468</u>
Total Operating Expenses	<u>1,353,363</u>	<u>1,769,178</u>
Non-Operating Revenues:		
Operating Grant Revenues	1,304,474	1,707,438
Interest Income	4,356	5,384
Unrealized Gain (Loss) on Investments	<u>(127)</u>	<u>778</u>
Total Non-Operating Revenues	<u>1,308,703</u>	<u>1,713,600</u>
Change in Net Position	60,949	49,662
Total Net Position, Beginning	1,172,165	1,122,503
Total Net Position, Ending	<u>\$ 1,233,114</u>	<u>\$ 1,172,165</u>

RTC operates on a services for cost basis, receiving federal funds for the majority of its services. Member agencies contribute annual dues that provide the necessary matching funds for federal grants.

RTC's change in net position of \$60,949 consists of local match funds not expended this year and interest on prior year's local match funds and member agencies' contributed capital.

CURRENT FACTORS

Some of the sources of revenues available to RTC are subject to year-to-year fluctuations. RTC is not anticipating an increase in RTC's 2013 revenues as compared to 2012. The level of consultant services in 2013 will remain similar to the 2012 level. RTC's remaining revenue sources are predicted to be stable over the course of 2013.

SOUTHWEST WASHINGTON REGIONAL TRANSPORTATION COUNCIL
Statement of Net Position
As of December 31, 2012

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 1,393,505
Accounts Receivable	117,155
Prepaid Expenses	392
	1,511,052
Total Current Assets	
Capital Assets	
Machinery and Equipment	20,456
Accumulated Depreciation	(19,042)
	1,414
Total Capital Assets	
	1,512,466

LIABILITIES

Current Liabilities	
Vouchers Payable	25,597
Wages Payable	22,269
Benefits Payable	22,427
Accrued Vacation Payable	88,767
Accrued Sick Leave Payable	120,292
	279,352
Total Current Liabilities	
	279,352

NET POSITION

Invested in Capital Assets, Net of Related Debt	1,414
Unrestricted Net Position	1,231,700
	1,233,114

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

SOUTHWEST WASHINGTON REGIONAL TRANSPORTATION COUNCIL
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ending December 31, 2012

Operating Revenues	
Local Match Revenue	\$ 104,500
Miscellaneous Project Revenue	1,109
	<u>105,609</u>
TOTAL OPERATING REVENUES	105,609
Operating Expenses	
Salaries and Benefits	1,085,818
Professional Services	167,973
Rent	59,964
Other Administration	39,041
Depreciation	567
	<u>1,353,363</u>
TOTAL OPERATING EXPENSES	1,353,363
OPERATING INCOME (LOSS)	(1,247,754)
Nonoperating Revenues (Expenses)	
Consolidated (FHWA & FTA) Revenue	722,240
Pass-through Grant Expense	(11,500)
RTPO Revenue	171,847
CM/AQ Revenue	123,079
State Regional Revenue	8,421
STP Revenue	240,271
High Priority Revenue	50,116
Interest Income	4,356
Unrealized Gain (Loss) on Investments	(127)
	<u>1,308,703</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	1,308,703
CHANGE IN NET POSITION	60,949
Net Position at Beginning of Year	1,172,165
NET POSITION at End of Year	<u>\$ 1,233,114</u>

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

SOUTHWEST WASHINGTON REGIONAL TRANSPORTATION COUNCIL
Statement of Cash Flows
For the Year Ending December 31, 2012

Cash flows from operating activities:	
Cash received from member agencies	\$ 104,500
Cash received from miscellaneous projects	1,097
Cash payments to suppliers for goods and services	(366,965)
Cash payments to employees for services	(1,081,096)
Net cash provided from (used for) operating activities	<u>(1,342,464)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>1,526,262</u>
Net cash provided from noncapital financing activities	1,526,262
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(1,590)</u>
Net cash used for capital and related financing activities	(1,590)
Cash flows from investing activities:	
Interest and dividends in investments	4,356
Unrecognized gain (loss) on investments	<u>(127)</u>
Net cash provided from (used for) investing activities	<u>4,229</u>
Net increase (decrease) in cash and cash equivalents	186,437
Cash and cash equivalents at beginning of the year	<u>1,207,068</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,393,505</u></u>

**Reconciliation of Income from Operations to Net Cash
Provided by Operating Activities**

Income from operations	\$ (1,247,754)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	567
(Increase) decrease in accounts receivable	(12)
(Increase) decrease in prepaid expenses	(3)
Increase (decrease) in vouchers payable and accrued payables	(99,984)
Increase (decrease) in accrued wages and benefits payables	<u>4,722</u>
Total adjustments	<u>(94,710)</u>
Net cash provided by operating activities	<u><u>\$ (1,342,464)</u></u>

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

SOUTHWEST WASHINGTON REGIONAL TRANSPORTATION COUNCIL
Notes to Financial Statements
January 1, 2012 through December 31, 2012

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southwest Washington Regional Transportation Council herein after referred to as RTC was incorporated on June 9, 1992 and operates under the laws of the state of Washington applicable to a non profit corporation. RTC was further defined through an interlocal agreement effective July 1, 1992. The accounting and reporting policies of RTC conform to generally accepted accounting principles for proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments*. This and subsequent statements are reflected in the accompanying financial statements (including notes to financial statements). The following summary of the significant accounting policies is presented to assist the reader in interpreting the financial statements. The more significant policies are described below.

A. Reporting Entity.

RTC is a special purpose governmental entity and provides transportation coordination and planning for Clark, Skamania and Klickitat Counties and is supported through grant programs and annual membership dues of local governmental agencies. RTC is governed by a board of fourteen elected officials and transportation agency executives with voting privileges and twelve non-voting legislative members. RTC has no component units.

B. Basis of Accounting.

The accounting records of RTC are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW.

Funds are accounted for on a cost of services focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position. RTC is a single fund entity and uses the full-accrual method of accounting. Under this method revenues are recorded when earned and expenses are recognized as soon as they result in liabilities for the benefits provided. Capital assets are capitalized and liabilities, current and non-current, are recorded. The reported net position is segregated into invested in capital assets, net of related debt, restricted, and unrestricted net position. Operating statements present increases and decreases in net total position. RTC discloses changes in cash flows by a separate statement that presents their operating, investing and financing activities.

C. Assets, Liabilities and Net Position.

1. Cash and Cash Equivalents

On June 23, 1992, the RTC Board approved a resolution designating Clark County as Fiscal Agent for Accounting and Personnel Purposes. Per this designation and the August 25, 1992 Investment Services Agreement, all cash is processed through the Clark County Treasurer. It is the County's policy to invest all temporary cash surpluses. The table below indicates amounts held by Clark County as surplus cash and amounts held in the Clark County Investment Pool at fair market value (FMV). These amounts are included in the cash amounts as shown on the statements arising from cash transactions.

<u>Date</u>	<u>Cash Surplus</u>	<u>Investments at FMV</u>
December 31, 2012	\$ 1,074	\$ 1,392,331

RTC's deposits are entirely covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Protection Commission (PDPC).

For purposes of the statement of cash flows, RTC considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

2. Temporary Investments - See Note 1 Cash and Cash Equivalents.

3. Receivables

Accounts receivable consist of amounts billed and unbilled that are owed from government agencies, or private citizens or businesses who purchase transportation information.

4. Accumulated Unpaid Employee Leave Benefits

RTC records both accumulated unpaid vacation and sick leave in the financial statements. RTC records unpaid leave for compensated absences as an expense and liability when incurred. Unused vacation leave is recorded at 100% of hours earned and unused sick leave is recorded at 33.1% of total hours. The dollars of accrued vacation and sick leave are detailed in the table below.

<u>Year Ended</u>	<u>Accrued Vacation</u>	<u>Accrued Sick</u>
December 31, 2012	\$ 88,767	\$ 120,292

Vacation pay, which may be accumulated up to a maximum of two times the employee's annual accrual rate, is payable upon termination of employment of more than six months of service. Sick leave pay, which may be accumulated up to a maximum of 1,200 hours, is payable at the rates in the table below for employees who have a minimum of ten years of service.

<u>Accumulated Sick Hours</u>	<u>% Payable</u>	<u>Maximum Hours</u>
900 to 1,200	75% over 900	450
600 to 899	50% over 600	225
300 to 599	25% over 300	75

5. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

6. Net Position

RTC's reported net position is segregated into invested in capital assets, net of related debt, and unrestricted net position. Operating statements present increases and decreases in total net position. See Note 9 – NET POSITION, Contributed Capital.

D. Revenues, Expenditures and Expenses

The full-accrual method of accounting recognizes expenses in the period in which the benefit is provided or the liability is incurred. All expenses coded into the administrative job cost center are allocated to the grants or projects based on a cost allocation method as approved by the Washington State Department of Transportation. All accounting entries and grant billings for revenues are performed and recorded on a monthly basis.

The accompanying Schedule of Expenditures of Federal Awards provides a listing of all federal programs in which RTC participates and summarizes RTC's federal grant transactions for 2012.

NOTE 2 - DEPOSITS AND INVESTMENTS

On June 23, 1992, the RTC board approved a resolution designating Clark County as Fiscal Agent for Accounting and Personnel Purposes. Per this designation and the August 25, 1992 Investment Services Agreement all cash is processed through the Clark County Treasurer. Details are provided under Note 1 - Cash and Cash Equivalents.

NOTE 3 - INTERGOVERNMENTAL GRANTS AND ENTITLEMENT

Consolidated Revenues

Federal Consolidated Revenues are the combined Federal Highway Administration (FHWA) planning funds (PL) and Federal Transit Administration (FTA) planning funds. These funds support the basic work program elements for Southwest Washington Regional Transportation Council (RTC) as the Metropolitan Planning Organization (MPO) for the Clark County region. The basic work program elements are 1) Metropolitan Transportation Plan, 2) Metropolitan Transportation Improvement Program, 3) Regional Transportation Data and Travel Forecasting and 4) Transportation Program Coordination and Management.

RTPO Revenues

State Regional Transportation Planning Organization (RTPO) revenues provide funding for transportation planning activities carried out by RTC as the Regional Transportation Planning Organization for the 3-county region of Clark, Skamania and Klickitat.

CM/AQ Revenues

Federal Congestion Mitigation/Air Quality (CM/AQ) revenues provide funding for the Congestion Management Monitoring (CMM) and Vancouver Area Smart Trek (VAST) programs.

State Regional Revenues

State Regional revenues provide funding for the I-5 Columbia River Crossing study.

STP Revenues

Federal Surface Transportation Program (STP) revenues fund the VAST and Congestion Management Process (CMP) programs, Fourth Plain Bus Rapid Transit Alternative Analysis, and also support RTC's basic work program elements described above in Consolidated Revenues.

High Priority Revenues

Federal High Priority revenues fund the SR-35 Columbia River Crossing Feasibility study and VAST Transportation Systems Management and Operations program.

Local Match Revenues

Local Match Revenues are contributed by RTC's member agencies to support the work of RTC and to provide local matching funds required for federal transportation programs.

Miscellaneous Project Revenues

Miscellaneous Project Revenues are funds provided by local jurisdictions/agencies/consultants for RTC's assistance in technical transportation studies.

All amounts due from other governments are included in the accounts receivable as explained in Note 1- Receivables.

The accompanying Schedule of Expenditures of Federal Awards provides a listing of all federal programs in which RTC participates and summarizes RTC's federal grant transactions for 2012.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Major expenditures for capital assets of \$1,000 or more are capitalized. Maintenance and repairs are accounted for as expenses when incurred. RTC has no obligations under capital leases.

All capital assets are valued at historical cost. RTC has not directly acquired assets with funding provided by federal financial assistance. All of RTC's capital assets are in the category of machinery and equipment as the office space is rented.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives of 3 years using the straight-line method. At the time an asset is retired or disposed of, the original cost is removed from the RTC capital asset account, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

The table below summarizes the capital assets activity for the year ended December 31, 2012.

	<u>Beg Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Machinery and Equipment	\$ 18,865	\$ 1,591	\$ 0	\$ 20,456
Accumulated Depreciation	(18,475)	(567)	0	(19,042)
Capital Assets, Net of Depreciation	\$ 390	\$ 1,024	\$ 0	\$ 1,414

NOTE 5 - PENSION PLANS

All RTC full-time and qualifying part-time employees participate in PERS Plan 2 of the statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by August 31, 2002 are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after September 1, 2002 have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

All RTC employees participate in PERS Plan 2 as described below.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit amount is two percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates for PERS Plan 2, expressed as a percentage of current-year covered payroll, as of December 31, 2012, are 7.21% for employer and 4.64% for employees. The employer rate includes the employer administrative expense fee currently set at 0.16%. Both RTC and the employees made the required contributions. RTC's required contribution is detailed in the table below.

<u>Year Ended</u>	<u>RTC PERS Plan 2 Contribution</u>
December 31, 2012	\$ 54,031

NOTE 6 - SHORT AND LONG TERM DEBT

RTC has no short or long term debt obligations or capital leases.

NOTE 7 - RISK MANAGEMENT

RTC maintains a business insurance policy for coverage against most normal hazards, including employee dishonesty coverage. This insurance policy is paid on an annual basis, but expensed out for each month of coverage.

NOTE 8 - CONTINGENCIES AND LITIGATION

RTC has had no matters involved in litigation, nor does management know of any potential legal liabilities.

NOTE 9 – NET POSITION

Included in the unrestricted portion of net position is a working capital fund of \$175,209. In 1993 and 1994 the RTC Board authorized contributions of \$90,499 each year in excess of the annual dues from the member agencies to establish a working capital fund for the normal operation of the agency. In 2002, the RTC Board approved the use of these contributions to pay for one-time costs associated with the relocation of the agency to the new Public Service Center in downtown Vancouver. The following table summarizes the activity and balance of the contributed funds.

1993 and 1994 Contributions	\$ 180,998
2002/2003 Relocation Costs	<u>5,789</u>
Balance at December 31, 2012	\$ 175,209

The remaining \$1,056,491 consists of local match funds not expended due to alternative sources of matching funds available over the years, and the interest earned on those funds as well as the interest earned on the working capital contributions from member agencies discussed above.

**SOUTHWEST WASHINGTON REGIONAL TRANSPORTATION COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

Grantor or Pass Through Agency	Program Title	Federal CFDA Number	Other Identification Number	Current Year Expenditures		Foot-note Ref.
				Direct	Pass Through	
<u>U.S. Dept of Transportation</u>						
WSDOT	Highway Planning and Construction	20.205	CM 2006 (045)	\$ -	\$ 36,470	\$ 36,470 2
	Highway Planning and Construction	20.205	CM 9906 (030)		84,795	84,795 2
	Highway Planning and Construction	20.205	HPP 0035 (005)		25,434	25,434
	Highway Planning and Construction	20.205	HPP 1350 (015)		24,682	24,682
	Highway Planning and Construction	20.205	STPUL 9906 (023)		1,394	1,394 2
	Highway Planning and Construction	20.205	STPUL 9906 (029)		96,093	96,093 2
	Highway Planning and Construction	20.205	STPUL 9906 (033)		23,920	23,920 2
	Highway Planning and Construction	20.205	STPUL 2006 (061)		17,625	17,625 2
	Highway Planning and Construction	20.205	STPUL 2006 (062)		101,239	101,239 2
	Highway Planning and Construction	20.205	GCA 6786, PN 5476		37,997	37,997 2
	Highway Planning and Construction	20.205	GCA 6786, PN 5445		531,424	531,424 2,3
	Total CFDA Number	20.205		-	981,075	981,075
WSDOT	Metropolitan Transportation Planning	20.505	GCA 6786, PN 5445		152,818	152,818 2
	Total CFDA Number	20.505		-	152,818	152,818
	Total U.S. Department of Transportation			-	1,133,893	1,133,893
	Total Federal Financial Assistance			\$ -	\$ 1,133,893	\$ 1,133,893

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as the Southwest Washington Regional Transportation Council's (RTC's) financial statements. RTC uses the full-accrual basis of accounting.

Note 2 - Program Costs

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

Note 3 - Amounts Awarded to Subrecipients

Included in the total amount expended for this program is \$11,500 that was passed through to a subrecipient that administered its own project.



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Director of State and Local Audit
Director of Performance Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
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