



Selkirks-Pend Oreille Transit Authority

Public Notice of Regular Board Meeting Agenda

11:00 am, Thursday, August 20, 2020, SPOT Office

31656 Hwy 200, Suite 102. Ponderay, ID

Zoom Meeting ID: 870 9893 5673 Password: 475120

1. Call to Order and Roll Call
2. Public comment period for items not on the Agenda (including questions from the press)
3. Approval of Minutes
 - a. Action Item: Approve Minutes of the July 16, 2020 regular meeting.
4. Financial Reports
 - a. Action Item: Accept Financial Reports for July 2020
 - b. Action Item: Approve Payment of Prepaid Bills and Outstanding Bills
5. Staff Reports
 - a. Ridership – David Sims
 - b. Operations – David Sims
6. Committee Reports
 - a. Boundary County Service Development Committee
 - b. Finance Committee Update
7. Action and Discussion Items:
 - a. Action Item: Consider driver wages for 20-21 budget year
 - b. Action Item: Adopt preliminary 2020-21 budget
 - c. Action Item: Set 2020-21 budget hearing date and authorize publication of budget
 - d. Action Item: Approve audit engagement for 2019-2020 with Anderson Brothers
8. Comments from the Chair and Board Members
9. Adjournment

Note: Public information on agenda items is available from the SPOT office at 31656 Highway 200 Suite 102, Ponderay, ID or call (208) 263-3774. Any person needing special accommodations at the above noticed meeting should contact SPOT three days prior to the meeting at (208) 263-3774.

**MEETING MINUTES
SPOT**



**SELKIRK PEND OREILLE TRANSIT
July 16, 2020**

NANCY LEWIS CALLED THE MEETING TO ORDER AT 11:04 A.M.

PRESENT: Clif Warren, Colleen Culwell, David Sims, Gary Kunzeman, Nancy Lewis, Ron Smith, Shannon Pittman, Zale Palmer

Absent: Walt Kirby

MINUTES: Approve minutes of the June 18, 2020 regular meeting as corrected.

Motion to Approve: Zale Palmer/ Ron Smith. All in favor. Approved

FINANCIAL REPORTS:

- A. Accept Financial Reports for June. The Finance Committee reviewed the financial reports. For the month of June we were over budget by around \$6,000, but year-to-date we are under budget by around \$89,000. Funding from the CARES Act has begun. June expenses include \$2,900 bill from the auditors to complete the 2018/2019 audit. COVID expenses are being run through the 5311 grant to preserve to CARES funds. We have around \$127,000 left on the current 5311 grant. **Motion to accept financial reports: Clif Warren/ Zale Palmer. All in favor. Approved**
- B. Approve payment of prepaid bills and outstanding bills.
Motion to approve payment of prepaid bills and outstanding bills: Zale Palmer/ Clif Warren. All in favor. Approved

STAFF REPORTS:

Ridership: David Sims reported that the ridership for the fixed and demand routes have continued to increase. Quest is open and has started using the van pool again. The Boundary County ridership is still down, mainly due to their Senior Center still being closed and with no plans to open any time soon.

Operations: David Sims reported the driver staff is still okay, although concerned with the increases in reported cases. One driver is still out with a knee injury and currently no plans to return to work in the near future. Buses are still being cleaned and disinfected on a regular basis. Nightly disinfecting, driver areas cleaned between shifts, deep clean weekly. Para Transit drivers have been provided with face shields. ITD sent a number of KN95 masks that we are allowed to hand out to riders. We are going through around 20/day. The Food Bank federal declaration for services expires July 20th. ITD has requested an extension, but has received no response. We have been delivering around 200 boxes of food each week to as far as Priest River. The Food Bank in Bonners Ferry has no need for delivery assistance. The driving training started in July is about half way through. A bike rack has been installed on the Boundary County bus. The ITD drivers group started this week with 4 of our staff included in the group. Meetings are held each Monday via phone with Taylor at ITD. The group is discussing ideas for increasing ridership and developing preparedness for the next emergency. ITD will be reimbursing SPOT for up to 8 hours a week. David will check to see the last time Enterprise switched out our van. It should be every 12 months.

COMMITTEE REPORTS:

- A. Boundary County Service Development Committee:** Nothing to report. Need to have increased ridership before any additional services can be considered.
- B. Finance Committee Update:** Zale Palmer reported the committee met to discuss the financial reports. The budget for 2020/2021 that is being worked on will be updated to reflect the hazard pay, lost wages, and other COVID-related expenses, CARES funding, increased audit fees, and anticipated lower match receipts. The bus shelter grant has been extended to Sept. 2021. The employee handbook still needs to be revised, especially in regards to holiday pay and when SPOT recognizes holidays.

ACTION & DISCUSSION ITEMS:

- A. Action Item: Consider extending hazard pay using CARES Act funding.** Discussion to extend the \$3/hour hazard pay for all drivers/maintenance/cleaning hours plus a 10% increase for office administration previously approved through July 31, 2020. There have been a number of new cases reported in the area.
Motion to extend to September 30, 2020 the hazard pay previously authorized. Ron Smith/ Clif Warren. All in favor. Approved.
- B. Action Item: Approve Area Agency on Aging agreement for 20-21.** The agreement runs July – June and expired June 30, 2020. They are anticipating maximum funding of \$26,200 for 7/20-6/21. Since we invoice on a per ride basis, funding has been down as a reflection of the elderly ridership numbers.
Motion to approve the Area Agency on Aging agreement for 20/21. Gary Kunzeman/ Ron Smith. All in favor. Approved.
- C. Action Item: Select ICRMP agent.** Our current agent is no longer representing ICRMP. We have the option to bypass having an agent and dealing with ICRMP directly. We could save around 10% going direct. Our options for available agents are located in Coeur d'Alene and Bonners Ferry. According to David Sims, our past agent has not been very useful and would prefer using the agent in Bonners Ferry if we use one at all. Most interactions he has had with ICRMP have been direct. There was discussion about whether using an agent is beneficial. David to confirm whether we can elect to use an agent at a later date.
Motion to deal with ICRMP directly. Gary Kunzeman/ Clif Warren. All in favor. Approved.

COMMENTS FROM THE CHAIR AND BOARD MEMBERS: Nancy Lewis asked about the possibility to construct a shelter for our buses in the rear parking lot area. Or if the landlord would agree to build one for increased rent. Gary Kunzeman mentioned the slab for the bus stop at WalMart is getting close to being started. No update on the Home Depot site. Might need to consider moving that stop to in front of Fiesta Bonita as the owner of that business has already agreed to have the stop there. The bus route may need to be revised to avoid upcoming road work near the Ponderay City Hall.

Meeting adjourned 12:05 a.m.

7:57 AM
08/13/20
Accrual Basis

Selkirks-Pend Oreille Transit Authority
Summarized Balance Sheet
As of July 31, 2020

ASSETS	Bonner County	Boundary County	Van Pool	Total
Current Assets				
Checking/Savings	289,660.96	13,364.86	5,588.99	308,614.81
Accounts Receivable	1,534.25	288.00	0.00	1,822.25
Grant Funds Receivable	71,922.55	4,890.82	0.00	76,813.37
Total Other Current Assets	34,505.49	2,646.00	0.00	37,151.49
Total Current Assets	397,623.25	21,189.68	5,588.99	424,401.92
Total Fixed Assets	1,034,368.01	72,360.37	0.00	1,106,728.38
TOTAL ASSETS	1,431,991.26	93,550.05	5,588.99	1,531,130.30
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities	31,242.48	2,069.87	1,257.96	34,570.31
Equity	1,400,748.78	91,480.18	4,331.03	1,496,559.99
TOTAL LIABILITIES & EQUITY	1,431,991.26	93,550.05	5,588.99	1,531,130.30

7:57 AM
08/13/20
Accrual Basis

**Selkirks-Pend Oreille Transit Authority
Summary Profit & Loss Budget vs. Actual
July 2020**

	Bonner County		Boundary County		Mountain Route		Van Pool		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Total Income	37,821.91	27,568.13	2,873.53	4,717.99	510.00	963.26	1,525.00	1,525.00	42,730.44	34,774.38
Expenses:										
Administration	8,426.85	7,609.89	923.03	606.68	0.00	1,189.70	0.00	0.00	9,349.88	9,406.27
Operations	30,845.62	26,759.14	2,279.16	3,526.64	37.34	20.00	1,297.53	1,525.00	34,459.65	31,830.78
Preventative Maintenance	10,722.37	4,718.73	433.05	416.67	524.91	0.00	0.00	0.00	11,680.33	5,135.40
Total Expenses	49,994.84	39,087.76	3,635.24	4,549.99	562.25	1,209.70	1,297.53	1,525.00	55,489.86	46,372.45
Net Ordinary Income	-12,172.93	-11,519.63	-761.71	168.00	-52.25	-246.44	227.47	0.00	-12,759.42	-11,598.07
Other Income/Expense	30.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.93	0.00
Net Income	-12,142.00	-11,519.63	-761.71	168.00	-52.25	-246.44	227.47	0.00	-12,728.49	-11,598.07

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**Selkirks-Pend Oreille Transit Authority
Summary Profit & Loss Budget vs. Actual
October 2019 - July 2020**

	Bonner County		Boundary County		Mountain Route		Van Pool		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Total Income	461,970.04	481,838.06	45,825.82	62,319.94	242,690.33	237,330.35	14,275.00	15,250.00	764,761.19	796,738.35
Expenses:										
Administration	90,890.51	83,898.76	9,234.45	7,126.84	7,661.62	21,708.60	0.00	0.00	107,786.58	112,734.20
Operations	257,435.82	284,258.40	29,173.83	44,236.15	66,027.83	123,755.12	12,906.19	15,250.00	365,543.67	467,499.67
Preventative Maintenance	63,794.98	47,907.03	2,931.62	5,316.66	30,332.58	17,056.20	0.00	0.00	97,059.18	70,279.89
Total Expenses	412,121.31	416,064.19	41,339.90	56,679.65	104,022.03	162,519.92	12,906.19	15,250.00	570,389.43	650,513.76
Net Ordinary Income	49,848.73	65,773.87	4,485.92	5,640.29	138,668.30	74,810.43	1,368.81	0.00	194,371.76	146,224.59
Other Income/Expense	-2,527.95	-38,650.00	0.00	0.00	-117,517.86	-85,000.00	0.00	0.00	-120,045.81	-123,650.00
Net Income	47,320.78	27,123.87	4,485.92	5,640.29	21,150.44	-10,189.57	1,368.81	0.00	74,325.95	22,574.59

- (0.00)

Selkirks-Pend Oreille Transit Authority
Unpaid Bills Detail
As of August 12, 2020

Type	Date	Num	Open Balance
Double Map.com			
Bill	07/06/2020	CINV-000954	313.25
Total Double Map.com			313.25
Goldenwest Mobility			
Bill	07/22/2020	21156	182.95
Bill	07/28/2020	WO for 115	441.05
Total Goldenwest Mobility			624.00
Multicare Centers of Occupational Medicin			
Bill	07/01/2020	138350	65.00
Bill	07/31/2020	139483	175.00
Total Multicare Centers of Occupational Medicin			240.00
Oxarc Inc.			
Bill	07/15/2020	31013816	95.40
Total Oxarc Inc.			95.40
State of Idaho Interagency			
Bill	08/04/2020	1224	97.56
Total State of Idaho Interagency			97.56
TOTAL			1,370.21

Selkirks-Pend Oreille Transit Authority
Paid Bills Detail
As of August 3, 2020

	Type	Date	Num	Open Balance
Coleman Oil				
	Bill	07/12/2020	CL84866	957.02
	Bill	07/19/2020	CL86270	1,136.62
	Bill	07/26/2020	CL87088	1,144.23
	Bill	07/31/2020	CL87813	910.34
Total Coleman Oil				4,148.21
Idaho Department of Labor				
	Bill	07/20/2020	Qtr 2 SUI	1,246.75
Total Idaho Department of Labor				1,246.75
Les Schwab				
	Bill	07/28/2020	10800567083	1,643.76
Total Les Schwab				1,643.76
Mike White Ford of Sandpoint				
	Bill	07/13/2020	12147	41.66
	Bill	07/22/2020	12343	38.83
	Bill	07/28/2020	12435	42.14
	Bill	07/29/2020	12444	69.95
	Bill	07/30/2020	12495	69.95
Total Mike White Ford of Sandpoint				262.53
Verizon Wireless				
	Bill	07/13/2020	9858665880	225.33
Total Verizon Wireless				225.33
Ziply Fiber				
	Bill	07/22/2020		170.46
Total Ziply Fiber				170.46
Ziply Fiber - BF				
	Bill	07/13/2020		38.48
Total Ziply Fiber - BF				38.48
TOTAL				7,735.52

Selkirks-Pend Oreille Transit Authority

Paid Bills Detail

As of August 12, 2020

	Type	Date	Num	Open Balance
Coleman Oil				
	Bill	08/02/2020	CL91644	216.78
	Bill	08/09/2020	CL92456	1,319.90
Total Coleman Oil				1,536.68
Enterprise				
	Bill	07/31/2020	L45E021-21	1,134.84
Total Enterprise				1,134.84
First Bankcard				
	Bill	07/28/2020		2,558.45
Total First Bankcard				2,558.45
Mike White Ford of Sandpoint				
	Bill	08/11/2020	12632	503.28
Total Mike White Ford of Sandpoint				503.28
Mountain Ledgers				
	Bill	07/31/2020	5140	618.75
Total Mountain Ledgers				618.75
Napa Auto Parts				
	Bill	08/10/2020	987126	8.80
	Bill	07/24/2020	983976	179.25
	Bill	07/24/2020	983975	45.96
Total Napa Auto Parts				234.01
TOTAL				6,586.01

SPOT Ridership

2020	Fixed	Demand	Van Pool	Bonnars Ferry	Mountain Route	Total	
January	4,869	397	258	320	18,478	24,322	
February	4,820	404	226	267	13,992	19,709	
March	3,463	319	182	140	6,139	10,243	
April	1,702	101	0	90	0	1,893	
May	2,575	164	8	86	0	2,833	
June	3,045	287	94	97	0	3,523	
July	3,009	387	124	123	0	3,643	
August						0	
September						0	
October						0	
November						0	
December						0	
TOTAL YTD	23,483	2,059	892	1,123	38,609	66,166	

2019	Fixed	Demand	Van Pool	Bonnars Ferry	Mountain Route	Total	
January	4,579	439	236	271		5,525	
February	3,847	373	262	215	5,963	10,660	
March	4,776	443	276	253	11,583	17,331	
April	4,846	452	332	257	1,699	7,586	
May	4,618	446	254	245		5,563	
June	4,129	381	244	256		5,010	
July	4,189	460	284	249		5,182	
August	7,984	389	272	225	1,594	10,464	*2,934
September	4,042	401	268	230	1,269	6,210	Festival
October	4,310	457	294	239		5,300	
November	4,473	395	232	226	393	5,719	
December	4,806	383	212	258	13,013	18,672	
TOTAL	56,599	5,019	3,166	2,924	35,514	103,222	

2018	Fixed	Demand	Van Pool	Bonnars Ferry	Total	
January	5,201	391	204	207	6,003	
February	4,885	341	322	233	5,781	
March	5,931	345	320	247	6,843	
April	5,962	367	324	188	6,841	
May	4,742	351	270	212	5,575	
June	4,578	335	146	253	5,312	
July	4,704	363	224	216	5,507	
August	8,173	302	256	237	8,968	*2,907
September	4,390	358	192	214	5,154	Festival
October	4,324	401	232	193	5,150	
November	4,084	457	242	241	5,024	
December	4,295	392	244	167	5,098	
TOTAL	61,269	4,403	2,976	2,608	71,256	

2017	Fixed	Demand	Van Pool	Bonnars Ferry	Gold Rt	Total	
January	5,016	543	302	165	0	6,026	
February	5,386	474	260	170	0	6,290	
March	6,500	531	382	244	0	7,657	
April	5,518	424	324	207	74	6,473	
May	5,129	431	318	226	42	6,104	
June	5,904	388	278	225	34	6,829	
July	4,667	381	254	208	0	5,510	
August	7,343	406	303	231	0	8,283	*2729
September	4,530	319	260	167	0	5,276	Festival
October	4,585	444	288	209	0	5,526	
November	5,033	462	274	204	0	5,973	
December	5,032	381	266	154	0	5,833	
TOTAL	64,643	5,184	3,509	2,410	150	75,780	

SPOT Agenda Item Summaries

Meeting Date: August 20, 2020

Agenda Item: 7A

From: David Sims

Topic: Consider driver wages for 20-21 budget year

Background: The finance committee will have a driver wage recommendation for the board to consider at the meeting. I will forward it to the board on Wednesday after the finance committee meets.

Meeting Date: August 20, 2020

Agenda Item: 7B

From: David Sims

Topic: Adopt 2020-21 preliminary budget and authorize publication

Background: Attached is the draft 2020-21 budget summary for the board to consider.

Meeting Date: August 20, 2020

Agenda Item: 7C

From: David Sims

Topic: Set 2020-21 budget hearing date and authorize publication of budget

Background: The board needs to set a public hearing date for the budget and authorize publication of the budget.

Meeting Date: August 20, 2020

Agenda Item: 7D

From: David Sims

Topic: Approve audit engagement for 2019-2020 with Anderson Brothers

Background: Attached is the audit engagement letter from Anderson Brothers for board consideration.

12:12 PM
08/14/20
Accrual Basis

Selkirks-Pend Oreille Transit Authority
Summary Proposed Budget
October 2020 - September 2021

	Bonner County				Boundary County	Van Pool	Total
	Fixed	Demand	Mountain	Total			
Total Income	679,848	108,867	195,294	984,009	76,489	0	1,060,499
Expenses:							
Administration	122,459	442	24,088	146,989	8,377	0	155,367
Operations	319,306	86,835	133,905	540,046	55,044	0	595,090
Preventative Maintenance	66,295	13,494	24,778	104,567	8,152	0	112,719
Total Expenses	508,061	100,771	182,770	791,602	71,573	0	863,175
Net Ordinary Income	171,788	8,096	12,523	192,407	4,917	0	197,324
Other Income/Expense	-171,788	-8,096	-12,523	-192,407	-4,917	0	-197,324
Net Income	-0	0	-0	0	0	0	0



1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099

AUDIT ENGAGEMENT LETTER

August 14, 2020

Board of Commissioners
Selkirks-Pend Oreille Transit Authority
31656 Hwy 200 Box 8
Ponderay, ID 83852

Dear Board of Commissioners

We are pleased to confirm our understanding of the services we are to provide the Selkirks-Pend Oreille Transit Authority (SPOT) for the year ended September 30, 2020. We will audit the financial statements of the governmental activities and major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of SPOT, as of and for the year ended September 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement SPOT's 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. As part of our engagement, we will apply certain limited procedures to SPOT's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

1. Management's Discussion and Analysis
2. Schedule of SPOT's Share of Net Pension Liability
3. Schedule of SPOT's Contributions
4. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – All Governmental Fund Types

We have also been engaged to report on supplementary information other than RSI that accompanies SPOT's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

1. Statement of Revenues, Expenditures, and Changes in Fund Balances – by Department

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of SPOT and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of SPOT's financial statements. Our report will be addressed to the Board of Commissioners of SPOT. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that SPOT is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste and abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial

reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of SPOT's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also provide the following services:

1. We will prepare a draft of your financial statements and related notes in conformity with U.S. generally accepted accounting principles based on information provided by you.
2. We will prepare a depreciation schedule based on the estimated useful lives that you have provided to us for your fund assets.
3. We will assist with GASB 68 adjustments based on information provided by PERSI and by you.

These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for

providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to SPOT; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Anderson Bros. CPAs and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Federal or State officials or their designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Anderson Bros. CPAs personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by Federal or State officials. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately October 1, 2020 and to issue our reports no later than February 28, 2021. Christina Laurie is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$5,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to SPOT and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign on the lines indicated and return it to us.

Sincerely

A handwritten signature in cursive script that reads "Anderson Bros".

Anderson Bros. CPAs

RESPONSE:

This letter correctly sets forth the understanding of SPOT:

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____