



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

RiverCom 911

For the period January 1, 2016 through December 31, 2017

Published October 15, 2018

Report No. 1022282





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

October 15, 2018

Board of Directors
RiverCom 911
Wenatchee, Washington

Report on Financial Statements

Please find attached our report on RiverCom 911's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**RiverCom 911
January 1, 2016 through December 31, 2017**

Board of Directors
RiverCom 911
Wenatchee, 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 RiverCom 911, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated September 18, 2018.

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 Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

RiverCom 911 **January 1, 2016 through December 31, 2017**

Board of Directors
RiverCom 911
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of RiverCom 911, for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, 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 the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, RiverCom 911 has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of RiverCom 911, for the years ended December 31, 2017 and 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Agency used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of RiverCom 911, as of December 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 18, 2018

FINANCIAL SECTION

RiverCom 911 January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fund Resources and Uses Arising from Cash Transactions – 2016
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
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RiverCom 911
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Beginning Cash and Investments

30810	Reserved	7,831,759
30880	Unreserved	1,172,961
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	338,984
340	Charges for Goods and Services	6,682,314
350	Fines and Penalties	-
360	Miscellaneous Revenues	101,822
Total Revenues:		7,123,120

Expenditures

520	Public Safety	4,173,630
Total Expenditures:		4,173,630
Excess (Deficiency) Revenues over Expenditures:		2,949,490

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

Other Decreases in Fund Resources

594-595	Capital Expenditures	1,638,613
591-593, 599	Debt Service	177,700
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		1,816,313

Increase (Decrease) in Cash and Investments: 1,133,177

Ending Cash and Investments

5081000	Reserved	8,765,959
5088000	Unreserved	1,371,938
Total Ending Cash and Investments		10,137,897

The accompanying notes are an integral part of this statement.

RiverCom 911
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

Beginning Cash and Investments

30810	Reserved	5,983,919
30880	Unreserved	946,389
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	349,121
340	Charges for Goods and Services	6,744,590
350	Fines and Penalties	-
360	Miscellaneous Revenues	45,405
Total Revenues:		<u>7,139,116</u>

Expenditures

520	Public Safety	<u>4,182,212</u>
Total Expenditures:		<u>4,182,212</u>
Excess (Deficiency) Revenues over Expenditures:		2,956,904

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	1,165,000
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>1,165,000</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	690,679
591-593, 599	Debt Service	1,356,812
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		<u>2,047,491</u>

Increase (Decrease) in Cash and Investments: 2,074,413

Ending Cash and Investments

5081000	Reserved	7,831,759
5088000	Unreserved	<u>1,172,961</u>
Total Ending Cash and Investments		9,004,720

The accompanying notes are an integral part of this statement.

RiverCom 911

Notes to Financial Statements For Fiscal Year Ending December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In early 2002, elected officials and representatives from public safety organizations in Chelan and Douglas counties held a series of meetings to explore the feasibility of consolidating the area's four 911 centers into one organization.

After considerable discussion, the group determined that there would be three primary benefits to consolidation:

1. The processing and dispatching of emergency calls for assistance from the public would be more efficient and timely.
2. The coordination of responses when more than one public safety agency was involved in an incident would be significantly improved.
3. Taxpayer funds for facilities, technical systems and personnel costs would be used more effectively.

Four jurisdictions; Chelan County, Douglas County, East Wenatchee and Wenatchee, each contributed funds to move the project forward and to hire a consulting company to estimate costs, examine technical system needs and to assist with forming the organization.

RiverCom was incorporated in October of 2002, under the authority granted under Title 39 of the Revised Code of Washington (RCW), the four jurisdictions noted above created RiverCom as an independent municipal corporation.

RiverCom 911 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.

- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classification defined in GAAP.

1. Reporting Entity

RiverCom is a special purpose government and provides emergency response to the general public and is supported primarily through user charges, taxes and grants.

The following is a summary of the significant policies, including identification of those policies which result in material departures from generally accepted accounting principles (GAAP).

2. Basis Of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Rivercom911 financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized only when cash is received and expenditures when paid, including those properly chargeable against the report year budget appropriations as required by state law.

In accordance with state law RiverCom911 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

3. Budget

The RiverCom Board adopts an annual budget. The Director must request approval from the Administrative Board to transfer budget amounts between object classes. In addition, any revisions that alter the total expenditures, or that affect the number of authorized positions, salary ranges, or other conditions of employment must also be approved by the RiverCom Administrative Board.

The appropriated and actual expenditures for the legally adopted 2017 budget were as follows:

Final Appropriated Amount	Actual Expenditures	Variance
\$11,698,657	\$5,989,943	\$5,708,714

4. Cash

It is RiverCom's policy to invest all temporary cash surpluses. At December 31, 2017, the treasurer was holding \$9,798,373.72 in short-term residual investments of surplus cash. The amount is included on the statement of fund resources and uses arising from cash transactions as net cash and investments.

5. Investments See Note 2

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation pay, which may be accumulated up to 200 hours, is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours, and Guild members are paid at 25% upon resignation, retirement or death.

7. Debt Service Requirements See Note 5

8. Capital Assets

Capital Assets are assets with an initial cost of more than \$2,500 that are not consumed within one year. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are recorded as expenses when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. Maintenance, repairs, and minor renewals are accounted for as expenses when paid.

9. Risk Management See Note 4

10. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution of the Rivercom 911 board. Rivercom had \$8,765,959 in reserves at the end of 2017 consisting of: a voted communication tax balance of \$7,684,680, a board designated capital reserve of \$366,131, a board designated operating equipment reserve of \$490,741, a board designated building reserve of \$68,850, and a state contract mandated reserve for E911/NG911 of 155,557.

NOTE 2 – DEPOSITS AND INVESTMENTS

It is Rivercom's policy to invest all temporary cash surpluses. The Douglas County Treasurer acts as the Treasurer for RiverCom. RiverCom's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

RiverCom's investments are insured, registered or held by RiverCom or its agent in RiverCom's name.

Investments are presented at cost.

Investment balances by type at December 31, are as follows:

<u>Type of Investment</u>	<u>2017 Balance</u>
L.G.I.P.	\$9,798,374

The Local Government Investment Pool (LGIP) is an un-rated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as category 1 risk level investments. They are either insured or held by a third-party custody provider in the LGIP's name.

NOTE 3 – PENSION PLANS

Substantially all RiverCom full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CARF) that includes financial statements and required supplementary information for each plan. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

At June 30, 2017, Rivercom's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation Percentage	Liability (Asset)
PERS 1 UAAL	\$ 104,042	0.017296%	820,709
PERS 2 and 3	\$ 135,883	0.022247%	772,977

NOTE 4 – RISK MANAGEMENT

RiverCom is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 99 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2017, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of RiverCom and summarizes the district's debt transactions for year ended December 31, 2017.

In 2016, Chelan County, who holds the 2002 Limited Tax General Obligation for Rivercom, issued \$1,130,000 of general obligation bonds to refinance the 2002 Limited Tax General Obligation Bond of 1,165,000.

Principal payments on this 2016 refinancing bond issue range between \$150,000 and \$175,000 at interest rates in the range of 2% to 3%. The final maturity of this bond issue is December 1, 2022. .

The annual debt service requirement to maturity for the bond, for the year ending 2017 is as follows:

Year Ending December 31	Principal	Interest	Total
2018	160,000	23,200	183,200
2019	160,000	18,400	178,400
2020	165,000	13,600	178,600
2021	170,000	8,650	178,650
2022	175,000	5,250	180,250
Total	830,000	69,100	899,100

NOTE 6 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations.

RiverCom participates in a number of state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

RiverCom 911

Notes to Financial Statements For Fiscal Year Ending December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In early 2002, elected officials and representatives from public safety organizations in Chelan and Douglas counties held a series of meetings to explore the feasibility of consolidating the area's four 911 centers into one organization.

After considerable discussion, the group determined that there would be three primary benefits to consolidation:

1. The processing and dispatching of emergency calls for assistance from the public would be more efficient and timely.
2. The coordination of responses when more than one public safety agency was involved in an incident would be significantly improved.
3. Taxpayer funds for facilities, technical systems and personnel costs would be used more effectively.

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RiverCom was incorporated in October of 2002, under the authority granted under Title 39 of the Revised Code of Washington (RCW), the four jurisdictions noted above created RiverCom as an independent municipal corporation.

RiverCom 911 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
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- 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 classification defined in GAAP.

1. Reporting Entity

RiverCom is a special purpose government and provides emergency response to the general public and is supported primarily through user charges, taxes and grants.

The following is a summary of the significant policies, including identification of those policies which result in material departures from generally accepted accounting principles (GAAP).

2. Basis Of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Rivercom911 financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized only when cash is received and expenditures when paid, including those properly chargeable against the report year budget appropriations as required by state law.

In accordance with state law RiverCom911 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

3. Budget

The RiverCom Board adopts an annual budget. The Director must request approval from the Administrative Board to transfer budget amounts between object classes. In addition, any revisions that alter the total expenditures, or that affect the number of authorized positions, salary ranges, or other conditions of employment must also be approved by the RiverCom Administrative Board.

The appropriated and actual expenditures for the legally adopted 2016 budget were as follows:

Final Appropriated Amount	Actual Expenditures	Variance
\$9,363,835	\$6,229,704	\$3,134,131

4. Cash

It is RiverCom's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding \$8,213,374 in short-term residual investments of surplus cash. The amount is included on the statement of fund resources and uses arising from cash transactions as net cash and investments.

5. Investments See Note 2

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation pay, which may be accumulated up to 200 hours, is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours, and Guild members are paid at 25% upon resignation, retirement or death.

7. Debt Service Requirements See Note 5

8. Capital Assets

Capital Assets are assets with an initial cost of more than \$2,500 that are not consumed within one year. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are recorded as expenses when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. Maintenance, repairs, and minor renewals are accounted for as expenses when paid.

9. Risk Management See Note 4

10. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution of the Rivercom 911 board. Rivercom had \$7,831,759 in reserves at the end of 2016 consisting of: a voted communication tax balance of \$6,893,697, a board designated capital reserve of \$363,097, a board designated operating equipment reserve of \$420,792, and a state contract mandated reserve for E911/NG911 of 154,173.

NOTE 2 – DEPOSITS AND INVESTMENTS

It is Rivercom's policy to invest all temporary cash surpluses. The Douglas County Treasurer acts as the Treasurer for RiverCom. RiverCom's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

RiverCom's investments are insured, registered or held by RiverCom or its agent in RiverCom's name.

Investments are presented at cost.

Investment balances by type at December 31, are as follows:

<u>Type of Investment</u>	<u>2016 Balance</u>
L.G.I.P.	\$8,213,374

The Local Government Investment Pool (LGIP) is an un-rated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as category 1 risk level investments. They are either insured or held by a third-party custody provider in the LGIP's name.

NOTE 3 – PENSION PLANS

Substantially all RiverCom full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CARF) that includes financial statements and required supplementary information for each plan. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

At June 30, 2016, Rivercom's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation Percentage	Liability (Asset)
PERS 1	0.018571%	997,350
PERS 2 and 3	0.023765%	1,196,549

NOTE 4 – RISK MANAGEMENT

RiverCom is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all

coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of RiverCom and summarizes the district's debt transactions for year ended December 31, 2016.

In 2016, Chelan County, who holds the 2002 Limited Tax General Obligation for Rivercom, issued \$1,130,000 of general obligation bonds to refinance the 2002 Limited Tax General Obligation Bond of 1,165,000.

Principal payments on this 2016 refinancing bond issue range between \$150,000 and \$175,000 at interest rates in the range of 2% to 3%. The final maturity of this bond issue is December 1, 2022. The financial statements reflect other financing sources of \$1,165,000 and other financing uses of \$1,165,000 pertaining to this transaction.

The annual debt service requirement to maturity for the bond, for the year ending 2016 is as follows:

Year Ending December 31	Principal	Interest	Total
2017	150,000	27,700	177,700
2018	160,000	23,200	183,200
2019	160,000	18,400	178,400
2020	165,000	13,600	178,600
2021	170,000	8,650	178,650
2022	175,000	5,250	180,250
Total	980,000	96,800	1,076,800

NOTE 6 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations.

RiverCom participates in a number of state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 7 – SUBSEQUENT EVENTS

RCW 82.09.986 provides a retail sales tax exemption for certain purchases by data centers. One such center located in Douglas County was approved for this exemption. They have indicated that they have been making qualifying purchases in Douglas County and not using their exemption certificate. They have requested a refund of sales tax paid for purchases that should have been exempted. The total taxable amount of their refund request is \$135 million. The total Rivercom911 taxes paid on \$135 million would be about \$135,000. Washington State Department of Revenue Audit Division is validating the accuracy of this refund request. This will include validating the amounts, the vendors, and where the sales tax was paid.

RiverCom 911
Schedule of Liabilities
For the Year Ended December 31, 2017

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LGO BOND	12/22/2018	980,000	-	150,000	830,000
	Total General Obligation Debt/Liabilities:		980,000	-	150,000	830,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compenstaed Absences		213,731	368,315	346,085	235,961
264.30	Net Pension Liability		2,193,899	-	600,213	1,593,686
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,407,630	368,315	946,298	1,829,647
	Total Liabilities:		3,387,630	368,315	1,096,298	2,659,647

RiverCom 911
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LGO BOND	12/31/2022	1,165,000	-	1,165,000	-
251.11	LGO BOND	12/31/2022	-	1,130,000	150,000	980,000
Total General Obligation Debt/Liabilities:			1,165,000	1,130,000	1,315,000	980,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	COMPENSATED ABSENCES		224,017	346,243	356,529	213,731
264.30	NET PENSION LIABILITY		1,805,562	388,337	-	2,193,899
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,029,579	734,580	356,529	2,407,630
Total Liabilities:			3,194,579	1,864,580	1,671,529	3,387,630

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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