



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Southwest Snohomish County Public Safety Communication Agency (SNOCOM)

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

Published October 3, 2019

Report No. 1024748





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

October 3, 2019

Board of Directors
SNOCOM
Mountlake Terrace, Washington

Report on Financial Statements

Please find attached our report on the SNOCOM's financial statements.

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

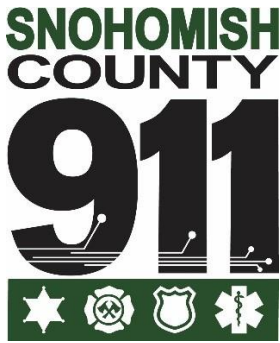
Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SNOCOM

January 1, 2016 through December 31, 2017

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

Audit Period: 2014-2015	Report Ref. No.: 1019044	Finding Ref. No.: 2015-001
Finding Caption: The Agency's internal controls over accounting and financial reporting were inadequate to ensure that financial statements were accurate and complete		
Background: In 2011, SNOCOM and the City of Mountlake Terrace entered into an interlocal agreement in which the City provides accounting services, including compliance with the BARS manual, for all of SNOCOM's activities, while SNOCOM retains the responsibility of reviewing the work of the City on its behalf. During the 2015 audit, both the Agency and the City experienced turnover within key operational positions. Agency management, the Legislature, state and federal agencies, and bondholders rely on information included in financial statements and supplemental schedules to make decisions. Agency management is responsible for designing and implementing internal controls that provide reasonable assurance regarding the reliability of financial reporting. We identified significant deficiencies in internal controls that could adversely affect the Agency's ability to produce reliable and accurate financial statements		
Status of Corrective Action: (check one) <div><input type="checkbox"/> Fully Corrected</div> <div><input checked="" type="checkbox"/> Partially Corrected</div> <div><input type="checkbox"/> Not Corrected</div> <div><input type="checkbox"/> Finding is considered no longer valid</div>		

Corrective Action Taken:

As the result of prior audit report and recommendations, SNOCOM implemented new processes including: internal review process of financial reports prior to submission, monthly cash reconciliation process which tracks revenue from receipt to deposit in the accounting system, and a reminder to staff to make sure expenditures are accrued within 20 days of fiscal year-end.

SNOCOM did not implement any process changes recommended to review year-end journal entries or to reconcile revenues to actual bank statements. The agency decided not to make these changes based upon the pending consolidation with SNOPAC

**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**

SNOCOM

January 1, 2016 through December 31, 2017

Board of Directors
SNOCOM
Mountlake Terrace, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the SNOCOM, 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 25, 2019.

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 25, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

SNOCOM

January 1, 2016 through December 31, 2017

Board of Directors
SNOCOM
Mountlake Terrace, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the SNOCOM, 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 12.

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, the SNOCOM 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 cash and investments of the SNOCOM, and its changes in cash and investments, 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 the SNOCOM, 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 25, 2019 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 25, 2019

FINANCIAL SECTION

SNOCOM

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

Notes to Financial Statements – 2017

Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017

Schedule of Liabilities – 2016

Southwest Snohomish County Public Safety Communication Agency
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	3,244,755
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,782,832
340	Charges for Goods and Services	4,408,015
350	Fines and Penalties	-
360	Miscellaneous Revenues	18,489
Total Revenues:		6,209,336

Expenditures

520	Public Safety	5,318,071
Total Expenditures:		5,318,071
Excess (Deficiency) Revenues over Expenditures:		891,265

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	362,283
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	3,773,737
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		4,136,020

Increase (Decrease) in Cash and Investments: **(3,244,755)**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	-
Total Ending Cash and Investments		-

The accompanying notes are an integral part of this statement.

Southwest Snohomish County Public Safety Communication Agency
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	4,091,202
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,776,140
340	Charges for Goods and Services	4,303,558
350	Fines and Penalties	-
360	Miscellaneous Revenues	25,555
Total Revenues:		6,105,253

Expenditures

520	Public Safety	4,750,057
Total Expenditures:		4,750,057
Excess (Deficiency) Revenues over Expenditures:		1,355,196

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	2,201,642
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		2,201,642

Increase (Decrease) in Cash and Investments: (846,446)

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	3,244,755
Total Ending Cash and Investments		3,244,755

The accompanying notes are an integral part of this statement.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

Note 1 – Summary of Significant Accounting Policies

The Snohomish County Public Safety Communications Center (SNOCOM) was incorporated on January 1, 2014 and operates under the laws of the state of Washington applicable to a nonprofit corporation. SNOCOM is special purpose local government that provides Enhanced 9-1-1 services and consolidated law enforcement, fire and emergency medical dispatch to the citizens of Southwest Snohomish County. Member agencies that comprise the interlocal agency include the Cities of Brier, Edmonds, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway, and South Snohomish County Fire and Rescue Regional Fire Authority.

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

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

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General Fund

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

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

b. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

c. Budgets

The Agency's budget procedures are mandated by the interlocal agency agreements. The Board of Directors shall consider and give tentative approval to the Agency's annual operating budget prior to October 1st of each year.

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

	Final		
Fund	Appropriated	Actual	Variance
	Amounts	Expenditures	
General Fund	\$ 6,099,276	\$ 5,861,669	\$ 237,607

The Director is authorized to transfer budgeted amounts between fund/object classes, however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions or salary ranges must be approved by the Board of Directors.

The Board of Directors must approve any revisions that alter the total expenditures of the fund, or that affect the number of authorized employee positions. The funds that accumulate in the reserve accounts may be used only with the approval of the Board of Directors.

d. Cash and Investments

See Note 4, Deposits and Investments

e. Capital Assets

Capital Assets are long-lived assets of SNOCOM and are recorded as expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 320 hours and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees receive payment for a portion of unused sick leave.

Compensatory Time may be taken in lieu of overtime pay with the approval of Management. Compensatory Time may not accumulate more than 48 hours at a given time.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

g. Long-Term Debt

See Note 5, Debt Service Requirements.

h. Reserved Portion of Ending Cash and Investments

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

As of December 31, 2016, SNOCOM did not have any reserved amounts of Ending Cash and Investments to report.

Note 2 – Joint Venture Information

SNOCOM was established via an interlocal agreement between the Cities of Brier, Edmonds, Lynwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway and Fire District 1. Each member city and the Regional Fire Authority provide voting members to the SNOCOM board of directors and has an equity interest in the joint venture. Effective October 1, 2017, voters approved the consolidation of the City of Lynnwood and Fire District 1 into the South Snohomish County Fire and Rescue Regional Fire Authority.

As of December 31, 2017, the equity interest of each member was as follows.

	Beginning Balance Net Equity Interest	Change in Equity O&M for the Year Ended 12/31/2017	Ending Balance Net Equity Interest @ 12/31/2017	Percentage Share*
Brier	\$ 84,364	\$ 13,753	\$ 98,117	2.6%
Edmonds	\$ 743,049	\$ 136,232	\$ 879,281	23.3%
South Snohomish County Fire and Rescue RFA	\$ 447,776	\$ 306,971	\$ 754,747	20.0%
Lynnwood	\$ 863,105	\$ (78,168)	\$ 784,937	20.8%
Mill Creek	\$ 343,944	\$ 37,203	\$ 381,147	10.1%
Mountlake Terrace	\$ 356,923	\$ 50,641	\$ 407,564	10.8%
Mukilteo	\$ 376,392	\$ 68,909	\$ 445,301	11.8%
Woodway	\$ 25,958	\$ (3,316)	\$ 22,642	0.6%
Year-End Adj.	\$ 3,244	\$ (3,244)	\$ -	
Total	\$ 3,244,755	\$ 528,982	\$ 3,773,737	100%

The Board of Directors of SNOCOM approved the consolidation of SNOCOM and SNOPAC into a new countywide public dispatch agency to be known as “Snohomish County 911” effective January 1, 2018. The members of SNOCOM and SNOPAC desiring to become members or associate agencies of Snohomish County 911 can do so through adoption of the an interlocal agreement by their legislative bodies.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

Note 3 – Compliance and Accountability

There have been no material violations of financial related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in any of the funds of the Agency.

Note 4 – Deposits & Investments

It is SNOCOM's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits by SNOCOM are made into the City of Mountlake Terrace US Bank account. This account is established by the City of Mountlake Terrace, and is supervised by the Mountlake Terrace Finance Director who has been established as SNOCOM's Treasurer.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission.

Investments are reported at original cost. SNOCOM did not have any investments as of December 31, 2017.

SNOCOM's investments are managed by the City of Mountlake Terrace.

Note 5 – Debt Service Requirements

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

Note 6 – Federal Grants

The Agency did not receive any indirect federal grants in 2017.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

Note 7 – Pension Plans

State Sponsored Pension Plans

Substantially all SNOCOM'S full-time and qualifying part-time employees participate in PERS 1, 2 or 3 plans administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to SNOCOM's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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 (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

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

At June 30, 2017 (the measurement date of the plans), SNOCOM's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation	Liability (Asset)
PERS 1	.025662%	\$1,217,682
PERS 2/3	.033008%	\$1,146,870

Other Retirement Systems

SNOCOM does not participate in the Federal Social Security System. A substitute 457(b) deferred compensation Plan was set up under Internal Revenue Code requirements.

The plan is administered by ICMA-RC and SNOCOM and the participants are not required to contribute. Employees can contribute up to 3.5% of their base monthly wage and SNOCOM will match the individual employee's contribution up to 2.9% of their base monthly wage.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

Note 8 – Insurance

State Industrial Insurance

SNOCOM is covered by State Industrial Insurance.

Medical, Dental, and Vision Insurance

SNOCOM 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, 2017, 261 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: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington 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 2017, 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 Kaiser ISL at \$1 million through Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

Medical, Dental, and Vision Insurance (continued)

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 9 – Risk Management

Liability Insurance – Risk Pool

SNOCOM is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 161 Members.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2017

Liability Insurance – Risk Pool (continued)

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$21 million in limits above the self-insured layer is provided reinsurance. Total limits are \$25 million per occurrence subject to aggregate sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

State Unemployment Compensation – Self-Insured

SNOCOM uses the "in-lieu contribution" basis for making payments to the Department of Employment Services (DES). Under this option, DES pays the unemployment claims, and then bills the Agency for reimbursement. \$412.64 in claims were submitted and paid in 2017.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016

Note 1 – Summary of Significant Accounting Policies

The Snohomish County Public Safety Communications Center (SNOCOM) was incorporated on January 1, 2014 and operates under the laws of the state of Washington applicable to a nonprofit corporation. SNOCOM is special purpose local government that provides Enhanced 9-1-1 services and consolidated law enforcement, fire and emergency medical dispatch to the citizens of Southwest Snohomish County. Member agencies that comprise the interlocal agency include the Cities of Brier, Edmonds, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway, and Snohomish County Fire District 1.

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

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

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General Fund

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

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016

b. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

c. Budgets

The Agency's budget procedures are mandated by the interlocal agency agreements. The Board of Directors shall consider and give tentative approval to the Agency's annual operating budget prior to October 1st of each year.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 5,212,492	\$ 4,750,057	\$ 462,435

The Director is authorized to transfer budgeted amounts between fund/object classes, however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions or salary ranges must be approved by the Board of Directors.

The Board of Directors must approve any revisions that alter the total expenditures of the fund, or that affect the number of authorized employee positions. The funds that accumulate in the reserve accounts may be used only with the approval of the Board of Directors.

d. Cash and Investments

See Note 4, Deposits and Investments

e. Capital Assets

Capital Assets are long-lived assets of SNOCOM and are recorded as expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 320 hours and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees receive payment for a portion of unused sick leave.

Compensatory Time may be taken in lieu of overtime pay with the approval of Management. Compensatory Time may not accumulate more than 48 hours at a given time.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016

g. Long-Term Debt

See Note 5, Debt Service Requirements.

h. Risk Management

Liability Insurance – Risk Pool

SNOCOM is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

**Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016**

State Unemployment Compensation – Self-Insured

SNOCOM uses the “in-lieu contribution” basis for making payments to the Department of Employment Services (DES). Under this option, DES pays the unemployment claims, and then bills the Agency for reimbursement. No claims were submitted or paid in 2016.

i. Reserved Portion of Ending Cash and Investments

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

As of December 31, 2016, SNOCOM did not have any reserved amounts of Ending Cash and Investments to report.

Note 2 – Joint Venture Information

SNOCOM was established via an interlocal agreement between the Cities of Brier, Edmonds, Lynwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway and Fire District 1. Each member city and the Fire District provide voting members to the SNOCOM board of directors and has an equity interest in the joint venture. As of December 31, 2016, the equity interest of each member was as follows.

2016 Equity Interest As of 12/31/2016 Member Agencies	Beginning Balance Net Equity Interest	Change in Equity O&M for the Year Ended 12/31/2016	Ending Balance Net Equity Interest @ 12/31/2016	Percentage Share*
Brier	\$ 106,371	\$ (22,008)	\$ 84,364	2.6%
Edmonds	\$ 965,523	\$ (222,474)	\$ 743,049	22.9%
Fire District 1	\$ 560,495	\$ (112,718)	\$ 447,776	13.8%
Lynnwood	\$ 1,088,259	\$ (225,155)	\$ 863,105	26.6%
Mill Creek	\$ 425,485	\$ (81,541)	\$ 343,944	10.6%
Mountlake Terrace	\$ 437,758	\$ (80,835)	\$ 356,923	11.0%
Mukilteo	\$ 474,579	\$ (98,188)	\$ 376,392	11.6%
Woodway	\$ 32,730	\$ (6,772)	\$ 25,958	0.8%
Total	\$ 4,091,201	\$ (849,691)	\$ 3,244,755	100%

Note 3 – Compliance and Accountability

There have been no material violations of financial related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in any of the funds of the Agency.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016

Note 4 – Deposits & Investments

It is SNOCOM's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits by SNOCOM are made into the City of Mountlake Terrace US Bank account. This account is established by the City of Mountlake Terrace, and is supervised by the Mountlake Terrace Finance Director who has been established as SNOCOM's Treasurer.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission. Investments are reported at original cost. Investments by type at As of December 31, 2016 are as follows:

Investment Type	Cost
Federal Farm Credit Bank	\$ 1,000,000
Federal Home Loan Bank	\$ 2,000,000
Total Investments	\$ 3,000,000

SNOCOM's investments are managed by the City of Mountlake Terrace.

Note 5 – Debt Service Requirements

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

Note 6 – Federal Grants

The Agency did not receive any indirect federal grants in 2016.

Note 7 – Pension Plans

State Sponsored Pension Plans

Substantially all SNOCOM'S full-time and qualifying part-time employees participate in PERS 1, 2 or 3 plans administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016

contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to SNOCOM's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

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 (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

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

At June 30, 2016 (the measurement date of the plans), SNOCOM's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation	Liability (Asset)
PERS 1	.026205%	\$1,407,332
PERS 2/3	.033535%	\$1,688,461

Other Retirement Systems

SNOCOM does not participate in the Federal Social Security System. A substitute 457(b) deferred compensation Plan was set up under Internal Revenue Code requirements.

The plan is administered by ICMA-RC and SNOCOM and the participants are not required to contribute. Employees can contribute up to 3.5% of their base monthly wage and SNOCOM will match the individual employee's contribution up to 2.9% of their base monthly wage.

Note 8 – Insurance

State Industrial Insurance

SNOCOM is covered by State Industrial Insurance.

Snohomish County Public Safety Communications Center
SNOCOM
Notes to Financial Statement/Schedules
2016

Medical, Dental, and Vision Insurance

SNOCOM 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 insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases 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.

Snohomish County Public Safety Communications Center
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Notes to Financial Statement/Schedules
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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.

Southwest Snohomish County Public Safety Communication Agency
Schedule of Liabilities
For the Year Ended December 31, 2017

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		373,354	23,795	-	397,149
264.30	Pension Liabilities		3,095,793	-	731,241	2,364,552
	Total Revenue and Other (non G.O.) Debt/Liabilities:		3,469,147	23,795	731,241	2,761,701
	Total Liabilities:		3,469,147	23,795	731,241	2,761,701

Southwest Snohomish County Public Safety Communication Agency
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		390,127	-	16,773	373,354
264.30	Pension Liabilities		2,688,611	407,182	-	3,095,793
	Total Revenue and Other (non G.O.) Debt/Liabilities:		3,078,738	407,182	16,773	3,469,147
	Total Liabilities:		3,078,738	407,182	16,773	3,469,147

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