



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Whitman County Regional
Communications Center
(WHITCOM)

For the period January 1, 2017 through December 31, 2018

Published January 23, 2020

Report No. 1025484





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

January 23, 2020

Executive Board
WHITCOM
Pullman, Washington

Report on Financial Statements

Please find attached our report on WHITCOM's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Summary Schedule of Prior Audit Findings	4
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.....	5
Independent Auditor's Report on Financial Statements.....	8
Financial Section.....	12
About the State Auditor's Office.....	28

WHITCOM Emergency 911 Center

2325 NE Hopkins Court - Pullman, WA 99163

Tel 509-332-2521 Fax 509-332-3023



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

WHITCOM

January 1, 2017 through December 31, 2018

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

Audit Period: January 1, 2015 through December 31, 2016	Report Ref. No.: 1021247	Finding Ref. No.: 2016-001
Finding Caption: The Center's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.		
Background: Staff responsible for financial reporting had not attended recent BARS trainings and used the Center's prior year financial statements, notes and schedules as a template for reporting without reviewing the current BARS Manual to determine if it required changes to financial reporting. Although Center personnel performed a review of the financial statements, the review was not effective to identify errors included in the financial statements, notes and schedules submitted for audit.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Staff responsible for financial reporting began attending BARS trainings and other financial conferences, and continually looks for updates and receives any BARS or GASB updates as they are implemented. Staff uses the help desk option with the SAO to ensure a clear understanding of policies and procedures are followed. With additional training and understanding of BARS and other tools used for financial reporting, the staff responsible for financial reporting has a clear understanding on how to accurately prepare and upload the required financial documents. Past practice was to have the Center director perform a review of the statements prior to submission. As part of the audit finding and turn over in the organization, it became a new practice to review the documents as a group as well as submitting to, or meeting with, two of the members of our board. They have a chance to review the rules, any changes from the prior period, and review the financial reports before submission.</i>		

**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**

WHITCOM

January 1, 2017 through December 31, 2018

Executive Board
WHITCOM
Pullman, 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 WHITCOM, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Center's financial statements, and have issued our report thereon dated December 18, 2019.

We issued an unmodified opinion on the fair presentation of the Center'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 Center 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 Center'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 Center's

internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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.

In addition, we noted certain matters that we will report to the management of the Center in a separate letter dated January 15, 2020.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of the Center'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 Center'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 Center'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 style with a large initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

December 18, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

WHITCOM

January 1, 2017 through December 31, 2018

Executive Board
WHITCOM
Pullman, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of WHITCOM, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Center'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 Center'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 Center'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, WHITCOM 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 WHITCOM, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, 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 Center 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 WHITCOM, as of December 31, 2018 and 2017, 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 December 18, 2019 on our consideration of the Center’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 Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

December 18, 2019

FINANCIAL SECTION

WHITCOM

January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018

Fund Resources and Uses Arising from Cash Transactions – 2017

Notes to the Financial Statements – 2018

Notes to the Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

Schedule of Liabilities – 2017

**Whitman County Regional Communications Center
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	1,282,311
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,295,423
340	Charges for Goods and Services	1,601,447
350	Fines and Penalties	-
360	Miscellaneous Revenues	4,601
Total Revenues:		2,901,471

Expenditures

520	Public Safety	3,085,495
Total Expenditures:		3,085,495
Excess (Deficiency) Revenues over Expenditures:		(184,024)

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	11,293
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		11,293

Increase (Decrease) in Cash and Investments: **(195,317)**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	1,086,994
Total Ending Cash and Investments		1,086,994

The accompanying notes are an integral part of this statement.

**Whitman County Regional Communications Center
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017**

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	1,244,644
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,074,954
340	Charges for Goods and Services	1,657,483
350	Fines and Penalties	-
360	Miscellaneous Revenues	33,816
Total Revenues:		<u>2,766,253</u>

Expenditures

520	Public Safety	2,724,639
Total Expenditures:		<u>2,724,639</u>
Excess (Deficiency) Revenues over Expenditures:		41,614

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:		<u>-</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	3,948
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		<u>3,948</u>

Increase (Decrease) in Cash and Investments: 37,666

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	1,282,311
Total Ending Cash and Investments		<u>1,282,311</u>

The accompanying notes are an integral part of this statement.

WHITMAN COUNTY REGIONAL COMMUNICATIONS CENTER (WHITCOM)

**Notes to the Financial Statements
For the year ended December 31, 2018**

Note 1 - Summary of Significant Accounting Policies

Whitcom, was established May 1, 2004 and operates under the laws of the State of Washington applicable to a Primary Safety Answering Point (PSAP) and E-911 emergency communications and dispatch center for all of Whitman County and the surrounding areas under the jurisdiction of the inter-local members of Whitman County, Washington State University and the City of Pullman. The Whitman County Regional Communications Center, doing business as WHITCOM, provides Emergency 9-1-1 communication services to citizens in Whitman County, Asotin County, the City of Moscow, Idaho, and the Nez Perce Tribal Police Department. The Center is governed by an eight-member Executive Board composed of two voting members from each governing agency: Whitman County, Washington State University and the city of Pullman, and one voting member each from Asotin County and the City of Moscow, ID. The Board appoints a Director to oversee the Center's day-to-day operations as well as its 27 employees. The Center oversees fiscal activities of approximately \$3 million annually.

Whitcom is a special purpose government and provides emergency response to the general public and is supported primarily through contracts, taxes, grants and interlocal member fees.

Whitcom reports financial activity using the revenue and expenditure classifications, statements and schedules contained in 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 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 an individual fund. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The governments resources are allocated to and accounted for in indivial funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used.

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.

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.

Whitcom recognizes expenditures paid through the closing date of December 31 of the closing year for claims incurred during the year. If payment is received after January 1 of the next annual year, these revenues are reported during the year it is received.

C. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of five years. Capital assets and inventory are recorded as capital expenditures when purchased.

D. Compensating Balances

Vacation leave for dispatchers may be accumulated up to 240 hours and is payable upon separation or retirement. Administrative personnel can accrue up to 352 hours of leave and is also payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Under the provisions of RCW 41.04.340 and WAC 251-22-124, in January of the year following any year in which a minimum of sixty days (480 hours) of sick leave is accrued, and each January thereafter, any eligible employee may receive remuneration for unused sick leave accumulated in the previous year at a rate equal to one day’s monetary compensation of the employee’s current pay rate for each four full days of accrued sick leave in excess of sixty days (480 hours).

Upon retirement or death, eligible retirees or a deceased employee’s estate or survivor can receive 25% of all the accrued sick leave balance.

Note 2 – Budget Compliance

Budgets

The budget, as adopted, constitutes the legal authority for expenditures. The agency’s Executive Board adopts an annual appropriated budget at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Annual appropriations lapse at year-end.

The annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget for the year ended December 31, 2018 were as follows:

Fund	Final Appropriated	Actual Expenditures	Variance
General Fund:	\$3,142,218	\$3,096,789	\$45,429
Total General Fund	\$3,142,218	\$3,096,789	\$45,429

The Director of Whitcom is authorized to transfer budgeted amounts between sub-funds; however, any revisions that alter the total expenditure of the fund, or that affect the number of authorized employee positions, salary ranges, hours, or other condition of employment must be approved by the Agency’s Executive Board.

Note 3 – Deposits and Investments

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by Whitcom or its agent in the government’s name.

A. Cash and Investments

Whitcom’s Executive Board directs the amount of surplus cash to invest. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest of these investments is posted to the general (current expense) fund.

There were no cash investments made as of and for the year ending December 31, 2018.

Note 4 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

Whitcom is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. Whitcom had (23) twenty-three active plan members and (1) one retired plan members as of December 31, 2018. Whitcom contributed \$39,035 to the plan for the year ended December 31, 2018. Whitcom’s total OPEB Liability for 2018 was \$555,592.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Whitcom full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS II/III.

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 98540-8380

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

Whitcom has contracted with Washington State University to provide payroll services and benefits to its employees since June 30, 2004. Whitcom used to be located on the University campus prior to moving locations in 2004.

Payroll is completed on a semi-monthly lagged pay cycle basis, while Whitcom provides three timesheets to WSU throughout the month to ensure timely payment of overtime and training pay to our dispatchers.

Washington State University has provided Whitcom with its own accounting fund/sub fund, so the financial and pension liabilities are easily pulled and not calculated in WSU's whole figures.

Reporting for 2018 was calculated by contributions reported to Whitcom from WSU. To calculate the liability for PERS 1, the full employer contribution was divided by 43.36%, the totals were then split into PERS 1 and PERS 2/3. Each remainder was divided by the state total on the PEFI, which provided Whitcom the allocation and liability below.

Whitcom is on track to receive their own ORG number for the 2019 report and filing.

At December 31, 2018, Whitcom's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$88,147	0.013063%	\$583,397
PERS 2/3	\$115,144	0.014790%	\$252,526

Note 6– Risk Management

Whitcom 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 160 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage 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, reinsurance and other 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.

Note 7 - Other Disclosures

A. TIAA CREF

Whitcom had one employee who was grandfathered into TIAA retirement account when the agency separated from Washington State University. During 2018, the total contribution from Jan 1 through Dec 31 was \$800.80. Since Whitcom reports in cash-basis, it has been determined the amount is non-material and there is no need for a valuation on this amount. Employment for this employee ended January 2018. There will be no further contribution into the retirement account.

WHITMAN COUNTY REGIONAL COMMUNICATIONS CENTER (WHITCOM)

Notes to the Financial Statements

For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

Whitcom, was established May 1, 2004 and operates under the laws of the State of Washington applicable to a Primary Safety Answering Point (PSAP) and E-911 emergency communications and dispatch center for all of Whitman County and the surrounding areas under the jurisdiction of the inter-local members of Whitman County, Washington State University and the City of Pullman. The Whitman County Regional Communications Center, doing business as WHITCOM, provides Emergency 9-1-1 communication services to citizens in Whitman County, Asotin County, the City of Moscow, Idaho, and the Nez Perce Tribal Police Department. The Center is governed by an eight-member Executive Board composed of two voting members from each governing agency: Whitman County, Washington State University and the city of Pullman, and one voting member each from Asotin County and the City of Moscow, ID. The Board appoints a Director to oversee the Center's day-to-day operations as well as its 27 employees. The Center oversees fiscal activities of approximately \$3 million annually.

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

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.

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.

Whitcom recognizes expenditures paid through the closing date of December 31 of the closing year for claims incurred during the year. If payment is received after January 1 of the next annual year, these revenues are reported during the year it is received.

C. Budgets

The budget, as adopted, constitutes the legal authority for expenditures. The agency's Executive Board adopts an annual appropriated budget at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Annual appropriations lapse at year-end.

The annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget for the year ended December 31, 2017 were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
	\$3,015,456	\$2,728,588	\$286,868
Total General Fund	\$3,015,456	\$2,728,588	\$286,868

The Director of Whitcom is authorized to transfer budgeted amounts between sub-funds; however, any revisions that alter the total expenditure of the fund, or that affect the number of authorized employee positions, salary ranges, hours, or other condition of employment must be approved by the Agency's Executive Board.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave for dispatchers may be accumulated up to 240 hours and is payable upon separation or retirement. Administrative personnel are allowed to accrue up to 352 hours of leave and is also payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Under the provisions of RCW 41.04.340 and WAC 251-22-124, in January of the year following any year in which a minimum of sixty days (480 hours) of sick leave is accrued, and each January thereafter, any eligible employee may receive remuneration for unused sick leave accumulated in the previous year at a rate equal to one day's monetary

compensation of the employee's current pay rate for each four full days of accrued sick leave in excess of sixty days (480 hours).

Upon retirement or death, eligible retirees or a deceased employee's estate or survivor can receive 25% of all the accrued sick leave balance.

Note 2 – Deposits and Investments

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by Whitcom or its agent in the government's name.

A. Cash and Investments

Whitcom's Executive Board directs the amount of surplus cash to invest. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest of these investments is posted to the general (current expense) fund.

There were no cash investments made as of and for the year ending December 31, 2017.

Note 3 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Whitcom full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS II/III.

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 98540-8380

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

Whitcom has contracted with Washington State University to provide payroll services and benefits to its employees since June 30, 2004. Whitcom used to be located on the University campus prior to moving locations in 2004.

Payroll is completed on a semi-monthly lagged pay cycle basis, while Whitcom provides three timesheets to WSU throughout the month to ensure timely payment of overtime and training pay to our dispatchers.

Washington State University has provided Whitcom with its own accounting fund/sub fund, so our financial and pension liabilities are easily pulled and not calculated in WSU's whole figures.

Reporting for 2017 was calculated by contributions reported to Whitcom from WSU. To calculate the liability for PERS 1, the full employer contribution was divided by 43.36%, the totals were then split into PERS 1 and PERS 2/3. Each remainder was divided by the state total on the PEFI, which provided Whitcom the allocation and liability below.

Whitcom has requested an organization identification number from DRS and are working together with WSU on a system to ensure Whitcom's own ORG number for 2019 reporting.

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	74,496	0.012227%	\$580,169
PERS 2/3	97,295	0.015644%	\$543,558

Note 4 – Risk Management

Whitcom 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 175 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 in the 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 t to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The executive Board 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 amount by the purchase of insurance.

In-house services include risk management consultation loss control field services, claims and litigation administration and loss analysis. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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.

Note 5 - Other Disclosures

A. OPEB

Whitcom has a commitment to pay for post-employment benefits for employees that belong to PEBB. These benefits include medical, vision, nursing care, etc. zero retirees received benefits during the year and \$0.00 was paid out for those benefits during the year.

B. TIAA CREF

Whitcom had one employee who was grandfathered into TIAA retirement account when the agency separated from Washington State University. During 2017, the total contribution from Jan 1 through Dec 31 was \$9,485. Since Whitcom reports in cash-basis, it has been determined the amount is non-material and there is no need for a valuation on this amount.

C. MATERIAL CHANGE IN SCHEDULE OF LIABILITIES

Whitcom did not disclose Pension liabilities in 2015 or 2016. Due to this, there was no balance to carry forward into the 2017 reporting year, concluding the additions for 2017 are high. The total additions for 2017 are \$1,123,735.

**Whitman County Regional Communications Center
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Balances		114,999	7,279	-	122,278
264.40	OPEB		-	555,592	-	555,592
264.30	Pension Liabilities		1,123,729	-	287,805	835,924
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,238,728	562,871	287,805	1,513,794
Total Liabilities:			1,238,728	562,871	287,805	1,513,794

**Whitman County Regional Communications Center
Schedule of Liabilities
For the Year Ended December 31, 2017**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absenses		132,060	-	17,061	114,999
264.30	Net Pension Liability		-	1,123,735	-	1,123,735
	Total Revenue and Other (non G.O.) Debt/Liabilities:		132,060	1,123,735	17,061	1,238,734
	Total Liabilities:		132,060	1,123,735	17,061	1,238,734

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