



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Cowlitz 911
(Cowlitz 911 Public Authority)

For the period March 13, 2018 through December 31, 2019

Published July 23, 2020

Report No. 1026662





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

July 23, 2020

Board of Directors
Cowlitz 911 Public Authority
Kelso, Washington

Report on Financial Statements

Please find attached our report on Cowlitz 911 Public Authority's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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

**Cowlitz 911 Public Authority
March 13, 2018 through December 31, 2019**

Board of Directors
Cowlitz 911 Public Authority
Kelso, 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 Cowlitz 911 Public Authority, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated July 15, 2020.

We issued an unmodified opinion on the fair presentation of the Authority'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 Authority using accounting practices prescribed by state law 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.

As discussed in Note 5 to the financial statements, during the year ended December 31, 2018, the Authority was established as a separate legal entity.

As also discussed in Note 5 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority's financial statements are free from material misstatement, we performed tests of the Authority'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

Authority'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 Authority'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, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

July 15, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Cowlitz 911 Public Authority **March 13, 2018 through December 31, 2019**

Board of Directors
Cowlitz 911 Public Authority
Kelso, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Cowlitz 911 Public Authority, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 11.

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 state law 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 Authority'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 Authority'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, Cowlitz 911 Public Authority has prepared these financial statements to meet the financial reporting requirements of state law 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 Cowlitz 911 Public Authority, and its changes in cash and investments, for the years ended December 31, 2019 and 2018, 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 Authority 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 Cowlitz 911 Public Authority, as of December 31, 2019 and 2018, or the changes in financial position or cash flows thereof 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.

Matters of Emphasis

As discussed in Note 5 to the financial statements, during the year ended December 31, 2018, the Authority was established as an independent legal entity. Our opinion is not modified with respect to this matter.

As also discussed in Note 5 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority. Our opinion is not modified with respect to this matter.

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 Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 July 15, 2020 on our consideration of the Authority'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 Authority'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, stylized initial "P".

Pat McCarthy
State Auditor
Olympia, WA

July 15, 2020

FINANCIAL SECTION

Cowlitz 911 Public Authority March 13, 2018 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2019 and 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

Cowlitz 911
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	38,017
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	2,993,122
340	Charges for Goods and Services	2,174,687
350	Fines and Penalties	-
360	Miscellaneous Revenues	102,113
Total Revenues:		5,269,922

Expenditures

520	Public Safety	3,768,964
530	Utilities	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		3,768,964
Excess (Deficiency) Revenues over Expenditures:		1,500,958

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	4,793,183
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		4,793,183

Other Decreases in Fund Resources

594-595	Capital Expenditures	582,358
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	(5,005)
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		577,353

Increase (Decrease) in Cash and Investments: **5,716,788**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	5,754,802
Total Ending Cash and Investments		5,754,802

The accompanying notes are an integral part of this statement.

Cowlitz 911
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	-
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		-

Expenditures

520	Public Safety	41,983
530	Utilities	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		41,983
Excess (Deficiency) Revenues over Expenditures:		(41,983)

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	80,000
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		80,000

Other Decreases in Fund Resources

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

Increase (Decrease) in Cash and Investments: **38,017**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	38,017
Total Ending Cash and Investments		38,017

The accompanying notes are an integral part of this statement.

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The Cowlitz 911 Public Authority was incorporated on March 13, 2018 and operates under the laws of the state of Washington applicable to a Public Development Authority. The authority is a special purpose local government and provides “enhanced 911 operations and emergency dispatch services to local governments and citizens in Cowlitz County, Washington.”

The authority 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. (see note to 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, 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:

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.

C. Cash and Investments

See Note 3 - Deposits and Investments.

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Cowlitz 911 did not have employees during 2018.

Dispatch employees are compensated with the following breakdown: vacation leave may be accumulated up to 248 hours and is payable upon separation or retirement after 6 months of employment. Sick leave may be accumulated up to 1296 hours. Upon separation or retirement employees receive payment for unused sick leave up to 720 hours at a 50% cash out rate. Comp time may be accumulated up to 50 hours and is payable upon separation or retirement. Floating Holiday is not payable upon separation or retirement. Payments are recognized as expenditures when paid.

Admin employees hired prior to Jan 2, 2020 are compensated with the following breakdown: vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave upon separation or retirement employees receive payment for unused sick leave up to 720 hours at a 50% cash out rate. Comp time may be accumulated up to 50 hours and is payable upon separation or retirement. Floating Holiday and holidays are not payable upon separation or retirement. Payments are recognized as expenditures when paid.

Admin employees hired after Jan 2, 2020 are compensated with the following breakdown: vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave upon separation or retirement employees receive payment for unused sick leave based on the following breakdown: 10-15 years of service 12.5%, 15-20 years of service 15%, 20-25 years of service 25%, more than 25 years of service 50%. Comp time may be accumulated up to 50 hours and is payable upon separation or retirement. Floating Holiday and holidays are not payable upon separation or retirement. Payments are recognized as expenditures when paid.

The total cost of compensated absences for 2019 is:

Vacation:	97,276
Sick:	118,684
<u>Comp:</u>	<u>9,205</u>
Total Compensation:	225,166

Note 2 – Budget Compliance

The authority adopts annual appropriated budgets for one fund. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

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

2018 BUDGET

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
GENERAL FUND:			
001 OPERATIONS DEPARTMENT	\$ 80,000.00	\$ 41,982.53	\$ 38,017.47
TOTAL GENERAL FUND	\$ 80,000.00	\$ 41,982.53	\$ 38,017.47

2019 BUDGET

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
GENERAL FUND:			
001 OPERATIONS DEPARTMENT	\$ 4,098,072.00	\$3,452,622.03	\$ 645,449.97
002 EQUIPMENT DEPARTMENT	\$ 380,000.00	\$ 214,240.95	\$ 165,759.05
003 RADIO OPERATIONS DEPARTMENT	\$ 166,425.00	\$ 241,886.70	\$ (75,461.70)
004 RADIO RESERVE DEPARTMENT	\$ 1,313,201.00	\$ 381,485.97	\$ 931,715.03
005 SALES TAX DEPARTMENT	\$ 925,000.00	\$ 56,084.47	\$ 868,915.53
TOTAL GENERAL FUND	\$ 6,882,698.00	\$4,346,320.12	\$ 2,536,377.88

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the authority's legislative body.

The 2019 budgeted excludes \$554,254.84 of inter-fund transfers due to consolidation.

The variance in the general fund is due to the following:

- 001: Vacant positions, training, software costs
- 002,004,005: Capital projects not started or completed
- 003: Higher lease and maintenance cost than anticipated

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

Note 3 – Deposits and Investments

There were no investments for 2018.

Investments are reported at original cost. Investments by type at December 31, 2019 are as follows:

It is the authority’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Type of Deposit or Investment	Public Authority's own deposits & investments	Deposits & investments held by the county as an agent for other local governments, individuals, or private organizations.	Total
LGIP	\$ 5,395,045.81		\$ 5,395,045.81
<i>Totals</i>	\$ 5,395,046	\$ -	\$ 5,395,046

Investments in the State Local Government Investment Pool (LGIP)

The authority is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with [Chapter 43.250 RCW](#). Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4- Related Parties

Cowlitz County

Cowlitz 911 is involved in related party transactions with Cowlitz County. Cowlitz County collects telephone excise tax, sales tax, and grant funds. Excise taxes and sales tax are to be used for qualifying 911 expenses and all taxes through December 31, 2019 were used for qualifying expenses. The grant funds are used for reimbursing the agency for qualifying expenses related to the grant. All grant funds received by the agency were used to the qualifying expenses. \$926,248.33 was transferred for excise tax, \$67,508.29 was transferred for grant revenues, and \$1,999,364.63 was transferred for sales tax, in addition to the special revenue items.

In addition, during 2019, Cowlitz 911 paid Cowlitz County \$245,149.50. These fees covered our lease agreement, I.T. services, purchasing services, and our treasurer services offered by the county.

Note 5 - Other Disclosures

Subsequent events

- a. In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The situation is rapidly evolving and the extent of the financial and or operating impact is unknown at this time. The length of time these measures will be in place and the full extent of the financial impact on the public authority is unknown.

- b. The Authority approved the official intent certificate for the issuance of \$4.5M in reimbursement bonds on 4/22/2020.

Government Combinations

Cowlitz 911 Public Authority became an independent entity on March 18th, 2018 but we did not have our own employees until Jan 1, 2019.

Special item

We separated all of our cash from the county into our own general fund account. These two major transfers were recorded as special revenue items in January and April of 2019 for \$4,793,183.

Significant commitment or obligations

Cowlitz 911 Public Authority is committed to the construction of a new building that we anticipate to begin in 2020 and extend for the next 3 years. This will impose restrictions on some of our future use of financial resources.

Note 6 – Pension Plans

A. **State Sponsored Pension Plans**

Substantially all authority’s full-time employees participate in the following statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under multiple-employer public employee defined benefit and defined contribution retirement plan Public Employees Retirement System (PERS).

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

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

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

At June 30, 2019 (the measurement date of the plans), the authority’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL
PERS 1 UAAL	40235.57	3,845,355,000	0.00561100%	215,763
PERS 2/3	58981.17	971,340,000	0.00722200%	70,150
			<i>Totals</i>	\$ 285,913

B. Defined Contribution Pension Plans

We have a LEOFF retiree that receives a deferred compensation contribution instead of the contribution to a PERS plan. We are enrolled in One America as out deferred compensation plan. The employee receives the 12.86% contribution into deferred comp that would have gone into PERS.

For 2019, Cowlitz 911 contributed a total of \$14,771.80.

Note 7 – Risk Management

We belong to the Washington Cities Insurance Authority (WCIA)) risk pool for property and liability. The financial statements can be found at:

<https://www.wciapool.org/communications/annual-reports>

Cowlitz 911 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 163 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 [1]. 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

Cowlitz 911
Notes to the Financial Statements
For March 13, 2018 -December 31, 2019

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.

**Cowlitz 911
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Abscenses		-	225,166	-	225,166
264.30	Pension Liability		-	285,913	-	285,913
	Total Revenue and Other (non G.O.) Debt/Liabilities:		-	511,079	-	511,079
	Total Liabilities:		-	511,079	-	511,079

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	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov