



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Snohomish County 911
(SNO 911)

For the period January 1, 2019 through December 31, 2019

Published December 24, 2020

Report No. 1027530





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

December 24, 2020

Board of Directors
SNO 911
Everett, Washington

Report on Financial Statements

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

We are issuing this report in order to provide information on the Agency'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**

SNO 911

January 1, 2019 through December 31, 2019

Board of Directors
SNO 911
Everett, 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 SNO 911, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated December 17, 2020.

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 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 8 to the 2019 financial statements, the Agency merged with, and received the remaining assets and liabilities from, Snohomish County Emergency Radio System (SERS), effective January 1, 2019. The financial statements include all adjustments resulting from this merger.

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Agency.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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

December 17, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

SNO 911

January 1, 2019 through December 31, 2019

Board of Directors
SNO 911
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of SNO 911, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Agency'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 audit. We conducted our audit 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, SNO 911 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 SNO 911, and its changes in cash and investments, for the year ended December 31, 2019, 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 SNO 911, as of December 31, 2019, or the changes in financial

position or cash flows thereof for the year 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 8 of the 2019 financial statements, the Agency merged with, and received the remaining assets and liabilities from, Snohomish County Emergency Radio System (SERS), effective January 1, 2019. The financial statements include all adjustments resulting from this merger. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Agency. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion 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 December 17, 2020 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.

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

December 17, 2020

FINANCIAL SECTION

SNO 911

January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019

Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

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

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	23,820,036
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	20,443,459
340	Charges for Goods and Services	17,556,742
350	Fines and Penalties	-
360	Miscellaneous Revenues	984,004
Total Revenues:		38,984,205

Expenditures

520	Public Safety	23,152,188
Total Expenditures:		23,152,188
Excess (Deficiency) Revenues over Expenditures:		15,832,017

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	2,191,887
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	176,108
Total Other Increases in Fund Resources:		2,367,995

Other Decreases in Fund Resources

594-595	Capital Expenditures	15,531,218
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		15,531,218

Increase (Decrease) in Cash and Investments: 2,668,794

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	26,488,830
Total Ending Cash and Investments		26,488,830

The accompanying notes are an integral part of this statement.

Snohomish County 911
Notes to the Financial Statements
For the year ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

Snohomish County 911 was incorporated on January 1, 2018 pursuant to the merger between Southwest Snohomish County Public Safety Communication Agency (SNOCOM) and Snohomish County Police Staff and Auxiliary Services Center (SNOPAC). An appointed, 16-member Board of Directors governs the Agency which includes 15 voting members and one non-voting member.

The Agency operates under the laws of the State of Washington applicable to a special purpose governmental unit. The Agency provides emergency communication services and all related incidental functions for communicating and dispatching services between the public and responding agencies. Operating disbursements were \$23,152,188 in 2019.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (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

The accounts of Snohomish County 911 are organized on the basis of funds, each of which is considered a separate accounting entity. 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. Snohomish County 911's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following fund types are used by Snohomish County 911:

PROPRIETARY FUND TYPES:

Enterprise Funds

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. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

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

C. Cash and Investments

It is Snohomish County 911's policy to keep all cash belonging to specific funds in accounts located at US Bank. The amounts are included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these funds remains in the same fund accounts. See Note 4, Deposits and Investments.

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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Snohomish County 911 does not have vacation or sick leave, but does have Paid Time Off (PTO). PTO may be accumulated indefinitely. Upon separation or retirement, employees may receive payment up to 750 hours. Payments are recognized as expenditures when paid.

F. Reserved Portion of Ending Cash and Investments

Snohomish County 911 has two established Reserve funds that are funded by carryover dollars from the Operating budget. These funds were established in 2018 and 2019 and the legislative body must approve any use of funds. Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Snohomish County 911 Board of Directors. When expenditures that meet restrictions are incurred, Snohomish County 911 intends to use reserved resources first before using unreserved amounts.

REPORTING

Note 2 – Budget Compliance

A. Budgets

Snohomish County 911 adopts annual appropriated budgets for Operating and Capital funds. These budgets are appropriated at the fund 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.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Operating Fund 70	\$ 20,942,515	\$ 20,828,890	\$ 113,625
Capital Fund 80	\$ 2,043,900	\$ 1,401,658	\$ 642,242
Operating Fund 100	\$ 2,515,088	\$ 2,323,298	\$ 191,790
Capital Fund 110	\$ 368,944	\$ 112,876	\$ 256,068

Budgeted amounts are authorized to be transferred between line items of any fund/object classes; 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 Snohomish County 911 Board of Directors. Variances are due to expenditures coming in under budget and Capital projects being carried on to the next year or postponed for a future date. For reporting purposes, management funds have been combined into a single fund.

Note 3 – Joint Ventures

Upon the dissolution of Snohomish County 911, all real or personal property purchased and all unexpended funds or reserve funds, net of all outstanding Snohomish County 911 liabilities, shall be distributed to those Principals still participating in Snohomish County 911 on the day prior to the termination date and shall be apportioned between Principals based on the ratio of each Principals' contributions to the operating budget. The Governing Board shall have the discretion to allocate the real or personal property and funds as it deems appropriate, and the apportionment, determined consistent with the preceding sentence, need not be exact. In the event outstanding liabilities of the Snohomish County 911 exceed the value of personal and real property and funds on hand, all Principals shall contribute to retirement of those liabilities in the same manner as which they would share in the distribution of properties and funds.

Before payment of all costs, expenses and charges validly incurred, the amount that would be returned for 2019 would have been as follows:

Agency	Equity:
Snohomish County	\$ 5,650,951
Everett	\$ 5,498,931
Marysville	\$ 1,832,659
Edmonds	\$ 1,707,177
SCRFA	\$ 1,689,945
Lynnwood	\$ 1,376,601
FD # 7	\$ 1,147,384
Marysville Fire District	\$ 1,077,620
Mukilteo	\$ 871,691
Arlington	\$ 816,428
Mountlake Terrace	\$ 789,633
Mill Creek	\$ 666,641
Lake Stevens	\$ 643,852
FD # 8	\$ 516,246
Monroe	\$ 488,778
FD # 4	\$ 396,015
NCRFA	\$ 358,471
Brier	\$ 207,132
FD # 17	\$ 165,699
FD # 5	\$ 102,061
FD # 21	\$ 94,998
FD # 26	\$ 70,315
FD # 15	\$ 67,014
FD # 22	\$ 56,834
FD # 19	\$ 46,853
Woodway	\$ 46,550
FD # 24	\$ 43,044
FD # 16	\$ 34,143
FD # 25	\$ 14,418
FD # 23	\$ 6,170
FD # 27	\$ 4,576
Totals	\$ 26,488,830

Note 4 – Deposits and Investments

It is Snohomish County 911's policy to keep all cash belonging to specific funds in accounts located at US Bank. The amounts are included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these funds remains in the same fund accounts.

Snohomish County 911's deposits are covered by Washington Public Deposit Protection Commission. Investments are reported at cash value. Investments by type at December 31, 2019 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Cash	\$26,488,830

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Snohomish County 911's full-time and qualifying part-time employees participate in PERS 1 and PERS 2/3 plan(s) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (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.

In addition to this, employees have the option of participating in supplemental retirement plans. Great West Life, T. Rowe Price, ICMA-RC and WA state DCP plan. Additionally, Snohomish County 911 offers a matching contribution. In 2019, Snohomish County 911 offered an Employer Retirement Matching resulting in a total expense of \$715,738. Snohomish County 911 offered a contribution of 3.5% and up to a 2.9% match. The plan administrator is Angie Baird, Director of Finance and Human Resources.

At June 30, 2019 (the measurement date of the plans), Snohomish County 911'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	\$675,468	% 0.094202	\$3,622,401
PERS 2/3	\$993,441	% 0.121636	\$1,181,499

Note 6 – Risk Management

Snohomish County 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. 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 sub limits. 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 sub limits. 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 sub limits.

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 – Health & Welfare

Snohomish County 911 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, 2019, 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 carriers: 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 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. 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 8 - Merger of Snohomish County 911 and Snohomish County Emergency Radio System (SERS)

Articles of Incorporation due to merger were dated on January 01, 2019, and filed with the Washington Secretary of State on December 19, 2018. The purpose was to merge two existing non-profit corporations: Snohomish County Emergency Radio System ("SERS"), and Snohomish County 911. The plan of merger was approved by each Board of Directors and memorialized under separate Resolutions. The purpose for which Snohomish County 911 is organized is to provide police, fire and emergency medical services support communications to its Principals and other public and private agencies that may contract with Snohomish County 911 for such services pursuant to the terms of the Snohomish County Regional Public Safety Communications Agency Interlocal Agreement. SERS owns and operates a radio system necessary to support the emergency communications services provided by Snohomish County 911. The governing boards of Snohomish County 911 and SERS have investigated the means by which the combination of the two agencies may be accomplished for the purpose and benefit of enhancing public safety and the safety of police, fire and emergency medical services staff responding to emergencies, and determined that it is in the public interest to merge SERS into Snohomish County 911 in order to improve public safety and achieve economies of scale. The merger became effective January 1, 2019 and resulted in additional cash of approximately \$2.2M and no transferred debt.

Note 9 – Radio Replacement Project

The Radio Replacement Project is a multi-year project that upgrades and/or replaces all of the major system components that comprise Snohomish County's Emergency Radio System. This project also replaces all of the first-responder radio equipment and creates a pathway for continuous upgrades and expansions to adapt to the growing needs of our first responders. The total project is estimated at \$66 million dollars and is funded through the collection of a Sales Tax that was authorized by the citizens of Snohomish County in November of 2018. The project is currently focused on ensuring that the radio coverage provided will meet the original criteria as changes in the performance of the selected technology have been discovered and warrant further investigation to ensure that the system will meet the requirements that it was created to fulfill. The estimated project cutover will likely be in 2022, but is subject to change based on a wide variety of factors. Cumulative expenditures through 12/31/19 totaled \$17,385,330.

Note 10 – Covid-19

Actual Covid-19 expenditures at May 5, 2020 were \$55,000. This amount includes personnel, M&O and Capital related expenses. SNO911 management is confident that there will be more expenditures, however at this point, there is no definitive way to determine how much or for how long this will last. Additionally, management has entered into a lease for a tertiary location, beginning on May 1st, 2020, for six months totaling \$40,000 with an option to extend for up to two years, should this emergency continue for longer than expected, resulting in a total expenditure of \$201,000. Utilization of a tertiary location assists with the County's readiness for a number of uses, including the ability to relocate all staff from a facility that requires immediate cleaning, overflow if activity spikes, integration of Police or Fire Operations Command, joint response to staffing emergencies with other regional ECCs, and potentially for asymptomatic employees who have valid reasons to request self-isolation but still desire to work. These measures will be in place primarily for as long as the Governor of the state of Washington deems necessary and thereafter, for as long as the management of SNO911 deems necessary. SNO911 management does not expect this state of emergency to, in any way, affect the ability of the organization to continue its operations.

**Snohomish County 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	Leave Liability		1,427,391	120,875	-	1,548,266
264.30	Pension Liabilities		6,066,725	-	1,262,825	4,803,900
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,494,116	120,875	1,262,825	6,352,166
Total Liabilities:			7,494,116	120,875	1,262,825	6,352,166

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.

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