



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

**Financial Statements Audit Report**  
**South Sound 911**

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

**Published January 17, 2019**

**Report No. 1022992**





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

January 17, 2019

Board of Directors  
South Sound 911  
Tacoma, Washington

**Report on Financial Statements**

Please find attached our report on South Sound 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**

**South Sound 911  
January 1, 2017 through December 31, 2017**

Board of Directors  
South Sound 911  
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Sound 911, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 17, 2018.

**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 opinion 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.



Pat McCarthy

State Auditor

Olympia, WA

December 17, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **South Sound 911 January 1, 2017 through December 31, 2017**

Board of Directors  
South Sound 911  
Tacoma, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Sound 911, Pierce County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 9.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 an opinion 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of South Sound 911, as of December 31, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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

Pat McCarthy  
State Auditor  
Olympia, WA

December 17, 2018

## **FINANCIAL SECTION**

### **South Sound 911 January 1, 2017 through December 31, 2017**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –  
2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities – 2017

Statement of Net Position – Fiduciary Funds – 2017

Notes to Financial Statements – 2017

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – 2017

Notes to Budgetary Comparison Schedule – 2017

Schedule of Employer Contributions – PERS Plan 1 – 2017

Schedule of Employer Contributions – PERS Plan 2/3 – 2017

Schedule of Employer Contributions – LEOFF Plan 2 – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS Plan 1 – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS Plan 2/3 – 2017

Schedule of Proportionate Share of Net Pension Liability – LEOFF Plan 2 – 2017

**South Sound 911**  
**Pierce County, Washington**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**

The discussion and analysis of South Sound 911's financial performance provides an overall review of the agency's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the agency's financial performance as a whole. It is designed to assist the reader in focusing on significant financial issues, provide an overview of financial activity, identify changes in financial position, and identify fund issues or concerns. Since the Management Discussion and Analysis (MD&A) is designed to focus on the report year's activities, resulting changes, and currently known facts, it should be read in conjunction with the agency's financial statements.

On November 8, 2011, voters in Pierce County approved a county-wide one-tenth of one percent local sales and use tax to fund costs associated with regional 911 system and facility improvements. Development of the regional system is being managed by South Sound 911, an interlocal agency created by Pierce County, West Pierce Fire and Rescue, and the cities of Tacoma, Lakewood, Fife, and Puyallup.

Transition of Pierce County Public Safety Answering Point (PSAP) operations to South Sound 911 continued in 2017. In January, employees of West Pierce Fire and Rescue Fire Communications became employees of South Sound 911 and all operations transferred to the Agency. In mid-2017, the former Puyallup law enforcement communications operations transitioned to the PSAP located at South 35<sup>th</sup> Street in Tacoma and Fire Communications moved to the Puyallup location. South Sound 911 now has one consolidated law enforcement PSAP and one fire PSAP. Tacoma Fire Communications continue to be operated and managed by the City of Tacoma.

### **Financial Highlights**

Key financial highlights for 2017 are as follows:

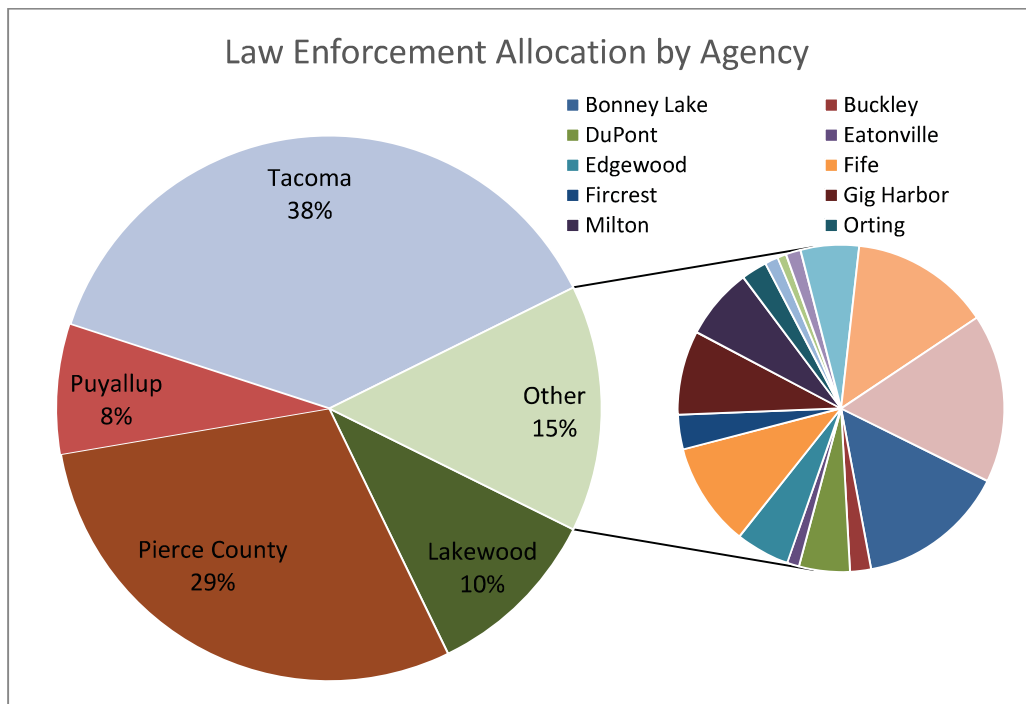
- On the Statement of Net Position, the unrestricted net asset balance in governmental funds as of December 31, 2017 is reported as \$6,067,926.
- On the Statement of Activities, the change in net position in 2017 was a decrease of \$477,534.
- The one-tenth of one percent local sales and use tax generated \$16,459,638 of revenue in 2017, of which \$5,691,252 was held by Pierce County to service outstanding debt for the Agency. The taxes received represent an increase of 8.3% from 2016.
- Revenue from the \$0.20 911 Excise Tax, which is earmarked for South Sound 911, totaled \$2,315,424 in 2017. This amount represents an increase of 5.5% from 2016.
- South Sound 911 revenues are derived from the following sources:
  - Licenses and Permits 0.78%
  - Intergovernmental 38.33%
  - Charges for Services 60.51%
  - Interest/Miscellaneous 0.38%
- Payments from South Sound 911's partner agencies for services are accounted for under Charges for Services. These payments, often referred to as Allocation Revenue, account for

approximately 61% of the Agency's total revenues. The amounts are determined through a Cost Allocation process which is based on the services provided to each agency. The governmental agencies and their portion of the cost allocation are:

**Law Enforcement:**

○ City of Tacoma	38%
○ City of Lakewood	10%
○ City of Puyallup	8%
○ Pierce County	29%
○ Other Contracted Agencies:	
Bonney Lake, Buckley, DuPont, Eatonville, Edgewood	
Fife, Fircrest, Gig Harbor, Milton, Orting, Pierce Transit,	
Roy, Ruston, Steilacoom, Sumner and University Place	15%

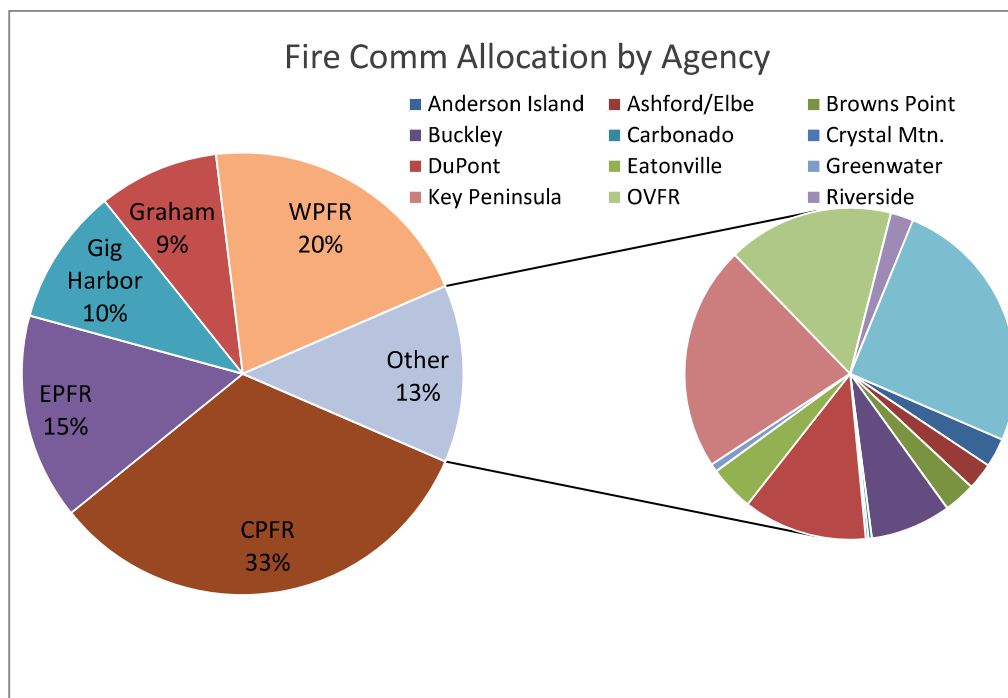
The following graph illustrates the Law Enforcement Cost Allocation by agency:



**Fire Services:**

○ West Pierce Fire & Rescue	20%
○ Central Pierce Fire & Rescue	33%
○ East Pierce Fire & Rescue	15%
○ Gig Harbor Fire	10%
○ Graham Fire & Rescue	9%
○ Other Contracted Fire Districts:	
Anderson Island, Ashford-Elbe, Browns Point, Buckley,	
Carbonado, Crystal Mtn., DuPont, Eatonville, Greenwater,	
Key Peninsula, Orting Valley Fire & Rescue,	
Riverside, South Pierce Fire & Rescue	13%

The following graph illustrates the Fire Services Cost Allocation by agency:



## Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand South Sound 911 as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The focus is on both the agency as a whole and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (whether year to year or government to government), and enhance the agency's accountability.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of South Sound 911's finances, in a manner similar to a private sector business.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole agency, presenting both an aggregate view of the agency's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what dollars remain for future spending.

The Statement of Net Position presents information on all the agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the agency is improving or deteriorating.



The Statement of Activities presents information showing how the agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The Statement of Activities is focused on both the gross and net costs of various activities. This is intended to summarize and simplify the reader's analysis of the revenues and costs of various activities and the degree to which activities either contribute to or take away from the agency's general revenue.

**Fund Financial Statements** – A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. South Sound 911 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the agency are governmental.

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for use in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the agency's general government operations and the services it provides.

South Sound 911 has six governmental funds, two internal service funds and two fiduciary funds. The Agency does not have any enterprise (business-type) funds to report in 2017.

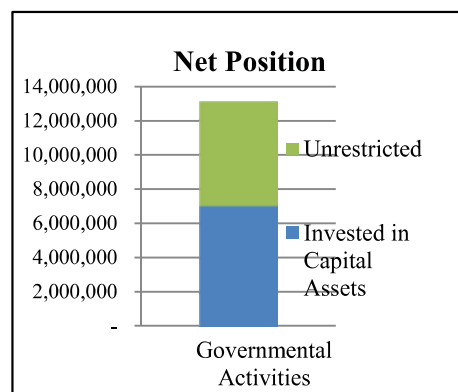
*Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other required information* is in addition to the discussion and analysis that presents required supplementary information on budgetary comparisons.

## Government-Wide Statements

### Statement of Net Position

The Statement of Net Position looks at the agency as a whole. South Sound 911's total net position at December 31, 2017 is \$13,091,285, of which \$7,023,359 reflects the Agency's investment in capital, less any debt used to acquire the assets. South Sound 911 uses these capital assets to provide services to the units of local government participating in this joint venture and the citizens therein; thus, they do not represent resources available for future spending. The remaining \$6,067,926 of South Sound 911's net position is unrestricted, meaning it is available for meeting the ongoing obligations of the agency. The unrestricted portion of net position includes net pension liability of \$12,676,112.



The following table provides a summary of the agency's net position for 2017 compared to 2016.

### Statement of Net Position

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current and other assets	\$21,835,630	\$21,268,566
Net Pension Asset	443,820	-
Capital assets	7,023,359	7,533,437
Total Assets	29,302,809	28,802,003
<b>Deferred Outflows</b>	2,833,611	3,187,524
<b>Liabilities</b>		
Long-term debt	13,936,306	15,907,441
Other liabilities	2,683,436	2,252,240
Total Liabilities	16,619,742	18,159,681
<b>Deferred Inflows</b>	2,425,393	261,028
<b>Net Position</b>		
Invested in capital	7,023,359	7,533,437
Unrestricted	6,067,926	6,035,381
Total Net Position	\$13,091,285	\$13,568,819

### Statement of Activities

The following table shows the changes in net position for the year 2017 compared to 2016.

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Program Revenues:		
Charges for Services	\$39,094,122	\$37,902,796
Operating Grants/Contributions	-	-
Capital Grants/Contributions	95,531	431,400
General Revenues:		
Interest/Investment Earnings	132,877	62,736
Transfers	-	-
Total Revenues	\$39,322,530	\$38,396,932
Program Expenses:		
Security of Persons/Property	39,800,063	40,372,005
Total Expenses	\$39,800,063	\$40,372,005
Net increase (decrease) in Net Position	(477,534)	(1,975,074)
Net Position – Beginning of Year	13,568,819	15,556,958
Adjustment to Net Position	-	(13,066)
Net Position – End of Year	\$13,091,285	\$13,568,819

## Governmental Funds

The governmental funds, as presented on the balance sheet, reported a combined fund balance of \$19,232,632, which is under 1% more than the beginning of the year. The high fund balance is due to the continuation of several planned capital projects in 2018 and beyond.

**General Fund** – Total fund balance is \$13,652,748 on December 31, 2017. This amount is over \$3M more than the anticipated ending fund balance.

**Facility Reserve Fund** – This fund holds money allocated for future debt service payments for the South Sound 911 Public Safety Communications Center (PSCC). \$2.7M was transferred from the General Fund in 2017.

**Radio User Fee Fund** – This fund distributes excess 1/10<sup>th</sup> of 1% Sales Tax revenue to offset radio user fees for public safety. \$1M was allocated in 2017.

**Radio Capital Projects Fund** – This fund accounts for all South Sound 911 capital expenditures related to the radio system. Implementation of the VHF Overlay project, which is being managed by Pierce County, began in 2016 and is scheduled for completion in 2018. The total budget for the project is approximately \$5 million.

## Budgetary Highlights

The following is a brief review of the significant budgeting changes from the adopted to the final budget for the General Fund in 2016.

- Intergovernmental revenue was decreased by \$1,000,000 due to E911 Program Office revenue that was anticipated to mitigate radio fees for public safety users.
- Intergovernmental revenue was increased by a total of \$1,445,450 due to higher than anticipated funds collected from the 1/10th of 1% Sales Tax.
- Allocation revenue was decreased by \$2,744,280 to reflect the non-transition of Tacoma Fire Communications.
- Intergovernmental expenditures were decreased by a net of \$2,744,280 due to the non-transition of Tacoma Fire Communications.
- Intergovernmental expenditures were increased by \$300,000 for indirect fees due to Pierce County.
- Capital expenditures were increased to account for the purchase and installation of the expansion 911 phone system for Tacoma Fire Communications.

The following is a brief review of the significant differences between the final budget for the General Fund and the actual amounts.

- Intergovernmental revenue was approximately \$450,000 higher due to higher than anticipated sales tax revenue, and E911 excise tax revenue (\$0.20 portion) and lower than anticipated distribution of excise tax from the E911 Program Office (\$0.50 portion).
- Revenue from Concealed Pistol License (CPL) processing was approximately \$100,000 more than anticipated.
- Savings in Salaries, Wages and Personnel Benefits totaled approximately \$2M due to position vacancies and lower than anticipated increases in benefit premiums.

- Savings in Supplies and Services totaled just over \$300,000.

**Capital Assets and Long-Term Debt**

Detailed capital asset activity is presented in Note 5 of the Notes to the Financial Statements. The increase in Machinery and Equipment was due to the transition of equipment supporting Fire Communications operations from West Pierce Fire & Rescue. These assets, which were funded by Fire Communications users and valued at \$95,531, were donated to South Sound 911. There were no other significant changes in capital assets in 2017.

South Sound 911 has no outstanding long-term debt other than compensated absences of \$1,340,632 and net pension liability of \$12,676,112.

**Requests for Information**

This financial report is designed to provide a general overview of South Sound 911's finances and to show accountability for the money received. If you have any questions concerning the information provided in this report or would like additional information, please contact the Assistant Director of Administration at:

955 Tacoma Avenue South, Suite 102  
Tacoma, WA 98402  
(253) 798-2970  
[info@SouthSound911.org](mailto:info@SouthSound911.org)

**South Sound 911**  
**Statement of Net Position**  
December 31, 2017

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 21,172,115
Receivables, Net	283,762
Due from Other Governments	379,753
Capital Assets:	
Non Depreciable	
Construction in Progress	-
Depreciable, Net	
Property, Plant and Equipment	6,807,419
Leasehold Improvements	146,622
Improvements other than Buildings	-
Intangible	69,318
Net Pension Asset	443,820
Total Assets	<u>29,302,809</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	<u>2,833,611</u>
<b>Liabilities</b>	
Accounts Payable and other Current Liabilities	1,517,684
Accrued Wages and Benefits Payable	1,015,350
Due to Other Governments	69,963
Retainage Payable	-
Non-Current Liabilities:	
Due Within One Year	80,438
Due in More Than One Year	<u>13,936,306</u>
Total Liabilities	<u>16,619,742</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pension	<u>2,425,393</u>
<b>Net Position</b>	
Net Invested in Capital Assets	7,023,359
Unrestricted	<u>6,067,926</u>
<b>Total Net Position</b>	<u><u>\$ 13,091,285</u></u>

The notes to the financial statements are an integral part of this statement.

**South Sound 911**  
**Statement of Activities**  
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Security of Persons & Property	\$ 39,800,063	39,094,122	-	95,531	\$ (610,411)
Interest on Long-Term Debt	-				-
<b>Total Governmental Activities</b>	<u>\$ 39,800,063</u>	<u>\$ 39,094,122</u>	<u>\$ -</u>	<u>\$ 95,531</u>	<u>\$ (610,411)</u>
<b>Total Primary Government</b>	<u>\$ 39,800,063</u>	<u>\$ 39,094,122</u>	<u>\$ -</u>	<u>\$ 95,531</u>	<u>\$ (610,411)</u>
General Revenues:					
Interest and Investment Earnings					132,877
Transfers:					-
Total General Revenues, Special Items, and Transfers					<u>\$ 132,877</u>
Change in Net Position					(477,534)
Net Position Beginning of Year					13,568,819
Prior Period Adjustments					-
<b>Net Position End of Year</b>					<u><b>\$ 13,091,285</b></u>

The notes to the financial statements are an integral part of this statement.

**South Sound 911**  
**Balance Sheet - Governmental Funds**  
December 31, 2017

	<u>General</u>	<u>Facility Reserve</u>	<u>Radio User Fee</u>	<u>Radio Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 14,528,525	\$ 2,700,000	\$ 560,000	\$ 1,823,913	\$ 1,451,117	\$ 21,063,555
Receivables, Net	283,762	-	-	-	-	283,762
Due from Other Governments	379,753	-	-	-	-	379,753
<b>Total Assets</b>	<b>\$ 15,192,040</b>	<b>\$ 2,700,000</b>	<b>\$ 560,000</b>	<b>\$ 1,823,913</b>	<b>\$ 1,451,117</b>	<b>\$ 21,727,070</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable	538,009	-	560,000	352,126	43,020	1,493,155
Accrued Wages and Benefits Payable	931,319	-	-	-	-	931,319
Due to Other Governments	69,963	-	-	-	-	69,963
Deferred Revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,539,292</b>	<b>-</b>	<b>560,000</b>	<b>352,126</b>	<b>43,020</b>	<b>2,494,438</b>
Fund Balances:						
Unassigned	13,652,748	2,700,000	-	1,471,787	1,408,097	19,232,632
<b>Total Fund Balances</b>	<b>13,652,748</b>	<b>2,700,000</b>	<b>-</b>	<b>1,471,787</b>	<b>1,408,097</b>	<b>19,232,632</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,192,040</b>	<b>\$ 2,700,000</b>	<b>\$ 560,000</b>	<b>\$ 1,823,913</b>	<b>\$ 1,451,117</b>	<b>\$ 21,727,070</b>

The notes to the financial statements are an integral part of this statement.

**South Sound 911**  
**Reconciliation of the Balance Sheet**  
**to the Statement of Net Position**  
**Governmental Funds**  
**December 31, 2017**

Fund Balances - Total Governmental Funds		\$ 19,232,632
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Construction in Progress	\$ -	
Property, Plant and Equipment, Net of Depreciation	6,807,419	
Leasehold Improvements, Net of Depreciation	146,622	
Improvements, other than Buildings, Net of Depreciation	-	
Intangible Assets, Net of Depreciation	69,318	7,023,359

Pension assets are not financial resources and therefore are not reported in the governmental funds.	443,820	443,820
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Deferred outflows/(inflows) related to pension are not reported in the governmental funds.	408,218	408,218
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Long-term liabilities, including compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	(14,016,744)	(14,016,744)
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<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 13,091,285</u></u></b>
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See the notes to the financial statements



**South Sound 911**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2017

	General	Facility Reserve	Radio User Fee	Radio Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Licenses and Permits	\$ 307,957	\$ -	\$ -	\$ -	-	\$ 307,957
Intergovernmental	15,001,578	-	-	-	-	15,001,578
Charges for Services	23,737,435	-	-	-	-	23,737,435
Investment Earnings	132,877	-	-	-	-	132,877
Miscellaneous	14,377	-	-	-	-	14,377
Total Revenues	<u>39,194,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,194,224</u>
<b>Expenditures</b>						
Current:						
Security of Persons & Property	33,762,504	-	973,702	887,023	2,778,152	38,401,381
Debt Service:						-
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Capital Outlay	606,243	-	-	-	40,373	646,616
Total Expenditures	<u>34,368,747</u>	<u>-</u>	<u>-</u>	<u>887,023</u>	<u>2,818,524</u>	<u>39,047,997</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>4,825,477</u>	<u>-</u>	<u>-</u>	<u>(887,023)</u>	<u>(2,818,524)</u>	<u>146,227</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	2,138	2,700,000	973,702	401,400	300,000	4,377,240
Transfers Out	(3,401,400)	-	-	(973,702)	(2,138)	(4,377,240)
Total Other Financing Sources (Uses)	<u>(3,399,262)</u>	<u>2,700,000</u>	<u>-</u>	<u>(572,302)</u>	<u>297,862</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,426,215	2,700,000	-	(1,459,325)	(2,520,663)	146,227
Fund Balances Beginning of Year	12,226,533	-	-	2,931,112	3,928,759	19,086,405
Prior Period Adjustments	-	-	-	-	-	-
<b>Fund Balances End of Year</b>	<u>\$ 13,652,748</u>	<u>\$ 2,700,000</u>	<u>\$ -</u>	<u>\$ 1,471,787</u>	<u>\$ 1,408,097</u>	<u>\$ 19,232,632</u>

The notes to the financial statements are an integral part of this statement.

**South Sound 911**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2017**

Net Changes in Fund Balances - Total Governmental Funds	\$	146,227
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for Capital Assets	\$	646,616	
Donated Asset		95,531	
Less Current Year Depreciation		(1,252,225)	(510,078)

Compensated Absences reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		(172,653)	(172,653)
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Pension Revenue reported in the Statement of Activities is not yet available and therefore, is not reported as revenue in governmental funds.		32,775	32,775
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Pension Expense reported in the Statement of Activities does not require the use of current financial resources and therefore, is not reported as an expenditure in governmental funds.		26,195	26,195
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<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(477,534)</u></b>
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See the notes to the financial statements

**South Sound 911**  
**Statement of Fiduciary Net Position**  
December 31, 2017

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 108,560
Receivables, Net	<u>-</u>
Total Assets	<u>108,560</u>
<b>Liabilities</b>	
Accounts Payable and other Current Liabilities	108,560
Refunds Payable and Others	<u>-</u>
Total Liabilities	<u>108,560</u>
<b>Net Position</b>	
Held in Trust for Other Purposes	<u>-</u>
<b>Total Net Position</b>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

**South Sound 911**  
**Notes to the Financial Statements**  
**January 1, 2017 through December 31, 2017**

**The accompanying notes are an integral part of the financial statements.**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of South Sound 911 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. REPORTING ENTITY**

On November 8, 2011, voters in Pierce County approved a county-wide one-tenth of one percent local sales and use tax to fund costs associated with regional 911 system and facility improvements. Development of the regional system is being managed by South Sound 911, an interlocal agency created by Pierce County, West Pierce Fire and Rescue and the cities of Tacoma, Lakewood, Fife and Puyallup pursuant to RCW 39.34.

The South Sound 911 Policy Board consists of ten voting members. Members of the Policy Board include:

- One member of the Pierce County Council;
- The Pierce County Executive;
- The Mayor of Tacoma or designee;
- One member of the Tacoma City Council;
- The Mayor or one member of the Lakewood City Council;
- The Pierce County Sheriff;
- The Mayor or one member of the Fife City Council;
- The Mayor or one member of the Puyallup City Council
- One Fire Commissioner of West Pierce Fire & Rescue;
- One Mayor or Councilmember of a city or town within Pierce County with a population under (50,000) fifty-thousand residents, provided that such city or town contracts with South Sound 911 or a Member Agency. Such position shall be filled for a two-year term by appointment through a vote of the Policy Board.

South Sound 911 also established an Operations Board under the authority of the Policy Board. The members of the Operations Board are the members of the Law Enforcement Services and Fire Services Committees. Each committee will have (1) one vote. If the Operations Board cannot reach consensus, the deciding vote will be cast by the Policy Board.

**B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to not allocate indirect costs to a specific function or segment. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Internally dedicated resources are reported as general revenues rather than program revenues.

As a general rule the effect of interfund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency reports the following major governmental funds:

- General Fund: The General Fund is the Agency's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Facility Reserve Fund: This fund holds resources allocated to service debt payments for the Public Safety Communications Center (PSCC).
- Radio User Fee Fund: This fund distributes excess 1/10<sup>th</sup> of 1% Sales Tax to radio system owners to offset fees assessed to public safety users. System owners are the City of Tacoma and the Combined Communications Network (CCN).
- Radio Capital Projects Fund: This capital projects fund accounts for all infrastructure improvements funded by the Agency. Radio subscriber units and infrastructure improvements funded with bonds issued by Pierce County are assets of Pierce County until the debt is retired.

The Agency has two fiduciary funds to account for employee contributions to a Health Savings Account (HSA) and employer contributions to a Health Reimbursement Account (HRA) that are held in trust.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current

period. For this purpose, South Sound 911 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated within the current period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

## **D. BUDGETARY INFORMATION**

### **1. Scope of Budget**

Annual appropriated budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting. Budgets for capital project funds are adopted at the level of the individual project and for fiscal periods that correspond to the lives of the projects.

Other budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the division level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

### **2. Amending the Budget**

The Executive Director is authorized to transfer budgeted amounts between departments or divisions 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 Policy Board.

When the Policy Board determines that it is in the best interest of the Agency to increase or decrease the appropriation for a particular fund, it may do so by resolution.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all

reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

**3. Excess of Expenditures Over Appropriations**

Expenditures did not exceed appropriations in any of the funds in 2017.

**4. Deficit Fund Net Position**

There were no funds with a deficit Fund Net Position on December 31, 2017.

**E. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION**

**1. Cash and Cash Equivalents**

It is the Agency's policy to invest all temporary cash surpluses. On December 31, 2017, South Sound 911 was holding \$21,063,555 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The entire amount was held by Pierce County Treasury.

**2. Investments – See Note #4**

**3. Receivables**

Customer accounts receivable consist of amounts owed from other governmental agencies for services. Outstanding customer accounts receivable balances on December 31, 2017 were \$283,762.

**4. Amounts Due to and from Other Funds and Governments, Interfund Loans, and Advances Receivable**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

**5. Restricted Assets and Liabilities**

These accounts contain resources for construction and debt service. On December 31, 2017, there were no restricted assets or current portions of related liabilities to record.

**6. Capital Assets – See Note #5**

Capital assets, which include property, plant, equipment and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by South Sound 911 as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Improvements	5 – 15
Machinery and Equipment	2 – 10
Intangible Assets	2 - 5

## **7. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

Vacation pay, which may be accumulated up to a maximum accrual equal to the vacation earned in a two-year period, is payable upon resignation, retirement or death.

Employees accumulate sick leave at the rate of one day per month with no maximum accumulation. In rare instances, employees with excessive overtime hours may be eligible for additional sick leave accruals based on the recent change in state law which requires one (1) hour of sick leave for every forty (40) hours worked. Upon retirement or death, the employee or his/her estate receives a sliding scale percentage payment ranging from 25% to 75% of the sick leave value, not to exceed 1,600 hours. If an employee in good standing is terminated for any other reason, he/she will receive 10% of the sick leave value, not to exceed 1,600 hours. For financial reporting purposes, sick leave is computed at 10 percent, which is considered the material amount vested. The average payment above 10 percent is considered immaterial.

## **8. Pensions – See Note #6**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **9. Long - Term Debt – See Note #9**

## **10. Fund Balance**

The Agency considers restricted or unrestricted fund balance amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. There were no restricted fund balances on December 31, 2017.

Although a minimum fund balance policy has not been formally adopted by the Policy Board, South Sound 911 maintains a minimum fund balance of at least 15% of budgeted general operating expenditures.



**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS****A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

The governmental funds' Balance Sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position.

Amounts reported for governmental activities in the Statement of Net Position are different from the Balance Sheet because:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds; and
- Pension assets are not financial resources and therefore are not reported in the governmental funds; and
- Deferred outflows and inflows or resources related to pension are not reported in the governmental funds; and
- Long-term liabilities, including compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities.

Amounts reported for changes in net position are different from the changes in fund balances because:

- Governmental funds report capital outlays as expenditures and in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives; and
- Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds; and
- Pension revenue reported in the Statement of Activities is not yet available and therefore, is not reported as revenue in governmental funds.
- Pension expense reported in the Statement of Activities does not require the use of current financial resources and therefore, is not reported as an expenditure in governmental funds.

**NOTE 3 - DEPOSITS AND INVESTMENTS****A. DEPOSITS**

In accordance with the South Sound 911 Interlocal Agreement, Pierce County is the Treasurer for the agency. Pierce County Treasurer holds all of South Sound 911's cash and short-term

investments except for imprest accounts. At December 31, 2017, South Sound 911 had \$1,200 in imprest accounts.

As of December 31, 2017, \$2,154,957 was on deposit with the Pierce County Treasurer. All deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

## B. INVESTMENTS

All surplus cash is held with Pierce County Treasury and invested on behalf of South Sound 911. As of December 31, 2017, South Sound 911 has the following investments and maturities:

Investment Type	Total Fair Value	Investment Maturities (In Months)				
		Less than 1	2 to 3	4 to 6	7 to 12	More than 12
Local Government Investment Pool	\$ 16,000,000	\$ 16,000,000	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 16,000,000</b>	<b>\$ 16,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Pierce County is a participant in the Local Government Investment Pool (LGIP), which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

South Sound 911 measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2017, South Sound 911 had the following investments measured at fair value:

Investments Measured at Amortized Cost	12/31/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local Government Investment Pool	\$ 16,000,000	\$ 16,000,000	\$ -	\$ -
<b>Total Investments Measured at Amortized Cost</b>	<b>\$ 16,000,000</b>	<b>\$ 16,000,000</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Capital Assets, not being depreciated:				
Construction in Progress	-	-	-	-
Capital Assets, being depreciated:				
Intangible Assets	\$1,159,364	\$65,030	(\$13,769)	\$1,210,625
Improvements other than Buildings	347,583	-	-	347,583
Machinery and Equipment	12,193,525	677,604	(287,521)	12,583,608
Total Capital Assets being depreciated	\$13,700,472	\$742,634	(\$301,290)	\$14,141,816
Less Accumulated Depreciation for:				
Intangible Assets	(1,120,428)	(34,648)	13,769	(1,141,307)
Improvements other than Buildings	(176,321)	(24,640)	-	(200,961)
Machinery and Equipment	(4,870,287)	(1,192,937)	287,034	(5,776,190)
Total Accumulated Depreciation	(\$6,167,036)	(\$1,252,225)	\$300,803	(\$7,118,458)
Total Capital Assets, being depreciated, net	\$7,533,437	(\$509,591)	(\$487)	\$7,023,359
Governmental Activities Capital Assets, net	\$7,533,437	(\$509,591)	(\$487)	\$7,023,359

Depreciation expense of \$1,252,225 was charged to Security of Persons and Property.

In 2017, South Sound 911 acquired assets from West Pierce Fire & Rescue. The assets were funded by the Fire Communications users and were therefore transferred to South Sound 911 after the transition of communications operations. This transaction is considered Contributed Capital and is shown as Capital Grants and Contributions on the Statement of Activities.

**NOTE 5 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017.

<b>Aggregate Pension Amounts – All Plans</b>	
Pension Liabilities	(\$12,676,112)
Pension Assets	443,820
Deferred Outflows of Resources	2,833,611
Deferred Inflows of Resources	(2,425,393)
Pension Expense/Expenditures	2,135,397

Substantially all South Sound 911 full-time and qualifying part-time employees participate in either one of the statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. In 2017, two South Sound 911 employees participated in the Tacoma Employees' Retirement System (TERS). Participation in TERS is not an option for new employees.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The Tacoma Employees' Retirement System (TERS) issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to: Tacoma Employees' Retirement System, 3628 35<sup>th</sup> Street, Tacoma, WA 98409; or it may be downloaded from the City of Tacoma website at [www.cityoftacoma.org](http://www.cityoftacoma.org).

## **PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2, AND 3**

### **A. PLAN DESCRIPTION**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

### **B. PERS PLAN 1**

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%

The Agency's actual contributions to the plan were \$20,078 (PERS Plan 1) and \$842,630 (PERS Plan 1 UAAL) for the year ended December 31, 2017.

### **C. PERS PLAN 2/3**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years



of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%

The Agency's actual contributions to the plan were \$2,021,997 (including \$842,630 for PERS Plan 1 UAAL) for the year ended December 31, 2017.

#### **D. LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF)**

LEOFF membership includes all full-time fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans. South Sound 911 acquired dispatch employees with LEOFF Plan 2 status on January 1, 2017 from West Pierce Fire and Rescue. Changes in current fire dispatch employee status or new employees filling fire dispatch positions will be enrolled in PERS.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53

with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included and administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%

The Agency's actual contributions to the plan were \$119,517 for the year ended December 31, 2017.

## **E. ACTUARIAL ASSUMPTIONS**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3.0% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 1, how terminated and vested member benefits are valued was updated.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

#### **F. DISCOUNT RATE**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent. To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

#### **G. LONG-TERM EXPECTED RATE OF RETURN**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

#### **H. ESTIMATED RATES OF RETURN BY ASSET CLASS**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.



Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.30%
	<b>100%</b>	

**I. SENSITIVITY OF NET PENSION LIABILITY/(ASSET)**

The table below presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$8,085,062	\$6,636,941	\$5,382,557
PERS 2/3	16,270,159	6,039,171	(2,343,606)
LEOFF 2	96,042	(443,820)	(883,678)

**J. PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**K. PENSION LIABILITIES (ASSETS), PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2017, the Agency reported a total pension liability of \$12,676,112 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$6,636,941
PERS 2/3	6,039,171
LEOFF 2	(443,820)

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the Agency. The amount recognized by the Agency as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the Agency were as follows:

	LEOFF 2 Asset
Employer's proportionate share	(\$443,820)
State's proportionate share of the net pension asset associated with the employer	(287,898)
Total	(\$731,718)

At June 30, the Agency's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.128525%	0.139870%	0.011345%
PERS 2/3	0.157046%	0.173813%	0.016767%
LEOFF 2	-	0.031983%	0.031983%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

In fiscal year 2017, the State of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

#### L. PENSION EXPENSE

For the year ended December 31, 2017, the Agency recognized pension expense as follows:

	Pension Expense
PERS 1	\$139,344
PERS 2/3	(44,713)
LEOFF 2	(120,826)
TOTAL	(\$26,195)

#### M. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At December 31, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(247,672)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	\$441,513	-
TOTAL	\$441,513	(\$247,672)

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$611,910	(\$198,618)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,609,898)
Changes of assumptions	64,148	-
Changes in proportion and differences between contributions and proportionate share of contributions	995,626	-
Contributions subsequent to the measurement date	641,428	-
<b>TOTAL</b>	<b>\$2,313,112</b>	<b>(\$1,808,516)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$19,507	(\$16,830)
Net difference between projected and actual investment earnings on pension plan investments	-	(99,641)
Changes of assumptions	534	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(252,734)
Contributions subsequent to the measurement date	58,945	-
<b>TOTAL</b>	<b>\$78,986</b>	<b>(\$369,205)</b>

<b>ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$631,417	(\$215,448)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,957,211)
Changes of assumptions	64,682	-
Changes in proportion and differences between contributions and proportionate share of contributions	995,626	(252,734)
Contributions subsequent to the measurement date	1,141,886	-
<b>TOTAL</b>	<b>\$2,833,611</b>	<b>(\$2,425,393)</b>

Deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended 12/31:</b>	<b>PERS 1</b>
2018	(\$167,410)
2019	52,854
2020	(12,272)
2021	(120,843)
2022	
Thereafter	
	(\$247,672)

<b>Year ended 12/31:</b>	<b>PERS 2/3</b>
2018	(\$336,068)
2019	418,323
2020	(19,980)
2021	(549,548)
2022	152,366
Thereafter	198,076
	(\$136,832)

<b>Year ended 12/31:</b>	<b>LEOFF 2</b>
2018	(\$72,373)
2019	(16,231)
2020	(33,437)
2021	(69,876)
2022	(28,080)
Thereafter	(129,167)
	(\$349,163)

## **NOTE 6 - RISK MANAGEMENT**

### **A. PUBLIC ENTITY RISK POOL**

South Sound 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 161 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 \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 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, 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.

## **B. UNEMPLOYMENT INSURANCE**

South Sound 911 provides unemployment insurance through the Washington State Employment Security Department on a reimbursable basis. In 2017, payment of claims totaled \$7,039.

## ***NOTE 7 – HEALTH & WELFARE***

South Sound 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, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical 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 an application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million 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 with a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities and towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110 WAC.

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

#### **NOTE 8 - LONG-TERM DEBT**

The only outstanding long-term debt on December 31, 2017 was compensated absences in the amount of \$1,340,632 and net pension liability of \$12,676,112. The change in compensated absences from December 31, 2016 to December 31, 2017 was an increase of \$172,653.



**NOTE 9 – OPERATING LEASES**

South Sound 911 has two lease agreements with Pierce County for current facilities. The Law Enforcement Communications Center land lease is negotiated annually and the Records building lease expires on September 30, 2020 with an option to terminate with prior written notice. The Administration building is owned by BRC Associates, LLC and the current lease expires on February 28, 2020, with an option to terminate after February 28, 2019 with prior written notice. The Fire Communications Center is owned by the City of Puyallup with the current lease expiring on June 30, 2019. Total cost for building/land leases in 2017 was \$521,566. Future minimum lease payments are as follows:

<b>Year Ending December 31</b>	<b>Pierce County Records Bldg.</b>	<b>BRC Associates Admin Bldg.</b>	<b>Puyallup Comm Center</b>	<b>Total</b>
2018	\$ 196,411	\$ 229,366	\$ 121,778	\$ 547,555
2019	202,336	238,193	60,889	501,418
2020	155,128	39,917		195,045
<b>Total</b>	<b>\$ 553,875,</b>	<b>\$ 507,476</b>	<b>\$ 182,667</b>	<b>\$ 1,244,018</b>

**NOTE 10- CONTINGENCIES AND LITIGATION**

The Agency has recorded in its financial statements all material liabilities. There are no material contingent liabilities to record.

The Agency participates in a number of federal–assisted and state–assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. South Sound 911 management believes that such disallowances, if any, will be immaterial.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

South Sound 911 is a member of the Association of Washington Cities (AWC) Employee Benefit Trust.

The Trust provides that contribution requirements of Participating Employer and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the Agency receiving medical benefits from the Trust contribute the following monthly amounts:

**AWC HealthFirst® 1000**

- \$863.64 for non-Medicare enrolled retiree coverage
- \$871.18 for non-Medicare enrolled spouse coverage
- \$244.22 for non-Medicare enrolled dependent coverage (first dependent)
- \$193.14 for non-Medicare enrolled dependent coverage (second and all other dependents)

**AWC HealthFirst® 2500**

- \$754.08 for non-Medicare enrolled retiree coverage
- \$759.56 for non-Medicare enrolled spouse coverage
- \$213.52 for non-Medicare enrolled dependent coverage (first dependent)

- \$169.02 for non-Medicare enrolled dependent coverage (second and all other dependents)

Medicare Advantage Plan

- \$395.23 for Medicare enrolled retiree coverage
- \$395.23 for Medicare enrolled spouse coverage

Participating Employers are not contractually required to contribute an assessed rate each year by the Trust for the non-LEOFF I retirees. The retiree pays for 100% of the premium.

A copy of the GASB 43/45 Compliance Report for the AWC Employee Benefit Trust with a valuation date of January 1, 2017, for year-end December 31, 2016 can be obtained by calling 1-800-562-8981.

***NOTE 12 – OTHER DISCLOSURES – SUBSEQUENT EVENTS***

South Sound 911 will continue to consolidate emergency communications operations as a result of the creation of the regional Agency. All local law enforcement emergency communications in Pierce County are provided by South Sound 911 and all fire emergency communications, except services provided by City of Tacoma Fire Department, are provided by South Sound 911.



**South Sound 911**  
**Budgetary Comparison Schedule**  
**General Fund**  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original Budget 2017</u>	<u>Revised Budget 2017</u>	<u>12/31/2017 (Budgetary Basis)</u>	<u>Variance</u>
<b>Resources (Inflows):</b>				
Licenses and Permits	\$ 200,000	\$ 200,000	\$ 307,957	\$ 107,957
Intergovernmental	14,104,780	14,550,230	15,001,578	451,348
Charges for Services	26,641,200	23,896,920	23,737,435	(159,485)
Interest	25,000	25,000	132,877	107,877
Miscellaneous	-	-	14,377	14,377
Transfers from Other Funds	-	-	2,138	2,138
Amounts Available for Appropriation	<u>40,970,980</u>	<u>38,672,150</u>	<u>39,196,362</u>	<u>524,212</u>
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	31,040,350	30,596,070	28,550,902	2,045,168
Supplies, Other Services	3,663,720	4,254,060	3,952,623	301,437
Intergovernmental	3,873,900	1,415,660	1,258,979	156,681
Capital Outlay	254,600	760,300	606,243	154,057
Transfer to Other Funds	4,401,400	3,401,400	3,401,400	-
Total Charges to Appropriations	<u>43,233,970</u>	<u>40,427,490</u>	<u>37,770,147</u>	<u>2,657,343</u>
<b>Budgetary Fund Balance Excess (Use)</b>	<u>(2,262,990)</u>	<u>(1,755,340)</u>	<u>1,426,215</u>	<u>3,181,555</u>

The notes to the Budgetary Comparison Schedule are an integral part of this schedule.

**South Sound 911**  
**Budgetary Comparison Schedule**  
**Facility Reserve Fund**  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original Budget 2017</u>	<u>Revised Budget 2017</u>	<u>12/31/2017 (Budgetary Basis)</u>	<u>Variance</u>
<b>Resources (Inflows):</b>				
Transfers from Other Funds	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,700,000</u>	<u>-</u>
Amounts Available for Appropriation	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,700,000</u>	<u>-</u>
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	-	-	-	-
Supplies, Other Services	-	-	-	-
Intergovernmental	-	-	-	-
Capital Outlay	-	-	-	-
Transfer to Other Funds	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Budgetary Fund Balance Excess (Use)</b>	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,700,000</u>	<u>-</u>

The notes to the Budgetary Comparison Schedule are an integral part of this schedule.

**South Sound 911**  
**Budgetary Comparison Schedule**  
**Radio User Fee Fund**  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original Budget 2017</u>	<u>Revised Budget 2017</u>	<u>12/31/2017 (Budgetary Basis)</u>	<u>Variance</u>
<b>Resources (Inflows):</b>				
Transfers from Other Funds	1,000,000	1,000,000	973,702	(26,298)
Amounts Available for Appropriation	1,000,000	1,000,000	973,702	(26,298)
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	-	-	-	-
Supplies, Other Services	-	-	-	-
Intergovernmental	1,000,000	1,000,000	973,702	26,298
Capital Outlay	-	-	-	-
Transfer to Other Funds	-	-	-	-
Total Charges to Appropriations	1,000,000	1,000,000	973,702	26,298
<b>Budgetary Fund Balance Excess (Use)</b>	-	-	-	-

The notes to the Budgetary Comparison Schedule are an integral part of this schedule.

**South Sound 911**  
**Notes to the Budgetary Comparison Schedule**  
**January 1, 2017 through December 31, 2017**

**The accompanying notes are an integral part of the Budgetary Comparison Schedule.**

***NOTE 1 – BASIS OF ACCOUNTING***

This schedule is prepared on the same basis of accounting as South Sound 911's financial statements. The Agency uses the modified accrual basis of accounting.

***NOTE 2 – BUDGETARY COMPARISON***

Significant changes between the original and final budget in the General Fund are as follows:

- Intergovernmental revenue was decreased by \$1,000,000 due to E911 Program Office revenue that was anticipated to mitigate radio fees for public safety users.
- Intergovernmental revenue was increased by a total of \$1,445,450 due to higher than anticipated funds collected from the 1/10<sup>th</sup> of 1% Sales Tax.
- Allocation revenue was decreased by \$2,744,280 to reflect the non-transition of Tacoma Fire Communications.
- Intergovernmental expenditures were decreased by a net of \$2,744,280 due to the non-transition of Tacoma Fire Communications.
- Intergovernmental expenditures were increased by \$300,000 for indirect fees due to Pierce County.
- Capital expenditures were increased to account for the purchase and installation of the expansion 911 phone system for Tacoma Fire Communications.

There were no significant changes between the original and final budget in the Facility Reserve Fund or the Radio User Fee Fund.

Significant changes between the final budget in the General Fund and actual amounts are as follows:

- Intergovernmental revenue was approximately \$450,000 higher due to higher than anticipated sales tax revenue, and E911 excise tax revenue (\$0.20 portion) and lower than anticipated distribution of excise tax from the E911 Program Office (\$0.50 portion).
- Revenue from Concealed Pistol License (CPL) processing was approximately \$100,000 more than anticipated.
- Savings in Salaries, Wages and Personnel Benefits totaled approximately \$2M due to position vacancies and lower than anticipated increases in benefit premiums.
- Savings in Supplies and Services totaled just over \$300,000.

There were no significant changes between the final budget and actual amounts in the Facility Reserve Fund.

The significant change between the final budget and actual amounts in the Radio User Fee fund of \$26,298 was due to a lower offset amount needed from the City of Tacoma.

**South Sound 911**  
**Schedule of Employer Contributions**  
**Public Employees' Retirement System - Plan 1**  
As of December 31, 2017  
Last 10 Fiscal Years

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or Contractually Required Contributions	\$ 862,708	\$ 824,446	\$ 626,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contributions	(862,708)	(824,446)	(626,312)	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employer Payroll	\$17,369,067	\$16,855,083	\$13,861,565							
Contributions as a Percentage of Covered Employee Payroll	4.97%	4.89%	4.52%							

The notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Schedule of Employer Contributions**  
**Public Employees' Retirement System - Plan 2/3**  
As of December 31, 2017  
Last 10 Fiscal Years

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or Contractually Required Contributions	\$ 1,179,367	\$ 1,029,616	\$ 765,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contributions	(1,179,367)	(1,029,616)	(765,927)	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employer Payroll	\$ 17,198,411	\$ 16,526,338	\$ 13,553,952							
Contributions as a Percentage of Covered Employee Payroll	6.86%	6.23%	5.65%							

The notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Schedule of Employer Contributions**  
**Law Enforcement Officers'/Fire Fighters' Retirement System - Plan 2**  
As of December 31, 2017  
Last 10 Fiscal Years

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or Contractually Required Contributions	\$ 119,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contributions	(119,517)	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employer Payroll	\$ 2,322,211									
Contributions as a Percentage of Covered Employee Payroll	5.15%									

The notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Notes to the Schedule of Employer Contributions**  
**January 1, 2017 through December 31, 2017**

**The accompanying notes are an integral part of the Schedule of Employer Contributions.**

***NOTE 1 – BASIS OF ACCOUNTING***

This schedule is prepared on the same basis of accounting as South Sound 911's financial statements. The Agency uses the modified accrual basis of accounting.

***NOTE 2 – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) – PLAN 1, PLAN 2 AND PLAN 3***

PERS Plan 1, Plan 2 and Plan 3 employer contribution rates were 11.18% from January 1, 2017 through June 30, 2017 and 12.70% from July 1, 2017 through December 31, 2017. Both rates include an administrative fee of 0.18%.

South Sound 911 will present employer contribution information for year 2015 and thereafter. A full 10-year trend will be available with the 2024 financial statements.

***NOTE 3 – LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) – PLAN 2***

LEOFF Plan 2 employer contribution rates were 5.23% from January 1, 2017 through June 30, 2017 and 5.43% from July 1, 2017 through December 31, 2017. Both rates include an administrative fee of 0.18%.

South Sound 911 transitioned employees from West Pierce Fire & Rescue on January 1, 2017. The Washington State Department of Retirement Systems (DRS) allowed the continuation of LEOFF membership for only those employees employed by West Pierce Fire & Rescue on December 31, 2016. South Sound 911's participation in LEOFF will be phased out through attrition. A full 10-year trend will be available with the 2026 financial statements.



**South Sound 911**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System - Plan 1**  
As of June 30, 2017  
Last 10 Fiscal Years

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's Proportion of Net Pension Liability (asset)	0.139870%	0.128525%	0.119424%							
Employer's Proportionate Share of Net Pension Liability	\$ 7,511,678	\$ 6,902,398	\$ 6,246,986							
Employer's Covered Employee Payroll	\$ 17,369,067	\$ 16,855,083	\$ 13,861,565							
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	43.25%	40.95%	45.07%							
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	61.24%	57.03%	59.10%							

The notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System - Plan 2/3**  
As of June 30, 2017  
Last 10 Fiscal Years

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's Proportion of Net Pension Liability (asset)	0.173813%	0.157046%	0.145879%							
Employer's Proportionate Share of Net Pension Liability	\$ 8,751,347	\$ 7,907,142	\$ 5,212,340							
Employer's Covered Employee Payroll	\$ 17,198,411	\$ 16,526,338	\$ 13,553,952							
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	50.88%	47.85%	38.46%							
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	90.97%	85.82%	89.20%							

The notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Law Enforcement Officers'/Fire Fighters' Retirement System - Plan 2**  
As of June 30, 2017  
Last 10 Fiscal Years

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's Proportion of Net Pension Liability (asset)	0.031983%									
Employer's Proportionate Share of Net Pension Liability	\$ -									
State's Proportionate Share of Net Pension Liability (Asset) Associated with the Employer	\$ (186,023)									
Employer's Covered Employee Payroll	\$ 2,322,211									
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll										
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	113.36%									

The notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Notes to the Schedule of Proportionate Share of Net Pension Liability**  
**January 1, 2017 through December 31, 2017**

**The accompanying notes are an integral part of the Schedule of Proportionate Share of Net Pension Liability.**

***NOTE 1 – BASIS OF ACCOUNTING***

This schedule is prepared on the same basis of accounting as South Sound 911's financial statements. The Agency uses the modified accrual basis of accounting.

***NOTE 2 – PUBLIC EMPLOYEES' RETIREMENT SYSTEM – PLAN 1, PLAN 2 AND PLAN 3***

South Sound 911 will present employer contribution information for year 2015 and thereafter. A full 10-year trend will be available with the 2024 financial statements.

PERS Plan 1 has a recognition period of one year as of the beginning of the measurement period. As a result, all changes in proportion for this plan are expensed in the current year with no need to amortize. PERS Plan 2/3 has a recognition period of 4.2 years.

The valuation measurement date for PERS Plan 1 and PERS Plan 2/3 was June 30, 2017.

***NOTE 3 – LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) – PLAN 2***

South Sound 911 transitioned employees from West Pierce Fire & Rescue on January 1, 2017. The Washington State Department of Retirement Systems (DRS) allowed the continuation of LEOFF membership for only those employees employed by West Pierce Fire & Rescue on December 31, 2016. South Sound 911's participation in LEOFF will be phased out through attrition.

South Sound 911 will present employer contribution information for year 2017 and thereafter. A full 10-year trend will be available with the 2024 financial statements.

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>