



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## South Sound 911

For the period January 1, 2020 through December 31, 2020

*Published August 15, 2022*

Report No. 1030919



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

August 15, 2022

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 Authority's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### 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, 2020 through December 31, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 13, 2022.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above 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 or significant deficiencies may exist that were not identified.

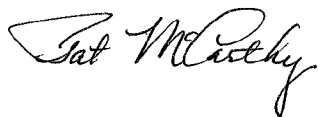
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

July 13, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **South Sound 911 January 1, 2020 through December 31, 2020**

Board of Directors  
South Sound 911  
Tacoma, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of South Sound 911, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matters of Emphasis**

As discussed in Note 13 to the 2020 financial statements, as a result of the COVID-19 pandemic, the full extent of the direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 13. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards*, includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be 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 July 13, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on



compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

July 13, 2022

## **FINANCIAL SECTION**

### **South Sound 911 January 1, 2020 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental  
Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of the Governmental Funds to the Statement of Activities – 2020

Statement of Fiduciary Net Position – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – 2020

Notes to the Budgetary Comparison Schedule – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3,  
LEOFF 2 – 2020

**South Sound 911 Public Authority**  
**Pierce County, Washington**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2020**

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, 2020. 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 recognize 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, which originally was an interlocal agency created by Pierce County, West Pierce Fire and Rescue, and the cities of Tacoma, Lakewood, Fife, and Puyallup.

Since the creation of South Sound 911, all Public Safety Answering Points (PSAPs), with the exception Tacoma Fire Communications, combined operations. In 2019, the Agency changed its governance structure to a Public Authority, chartered by the City of Tacoma.

**Financial Highlights**

Key financial highlights for 2020 are as follows:

- On the Statement of Net Position, the unrestricted net position balance in governmental funds as of December 31, 2020 is reported as \$15,209,784.
- On the Statement of Activities, the change in net position in 2020 was an increase of \$33,708,271. The substantial change in net position is due to construction in progress for the Public Safety Communications Center (PSCC).
- The one-tenth of one percent local sales and use tax generated \$19,628,163 in 2020, of which \$9,825,376 was held by Pierce County to service outstanding debt for the Agency. The tax distribution received represents an increase of 2.1% from 2019.
- Revenue from the \$0.70 Enhanced 911 Excise Tax, which is distributed from the Pierce County E911 Program Office, totaled \$4,772,080 in 2020. This amount represents an increase of 10.4% from 2019.
- South Sound 911 revenues are derived from the following sources:

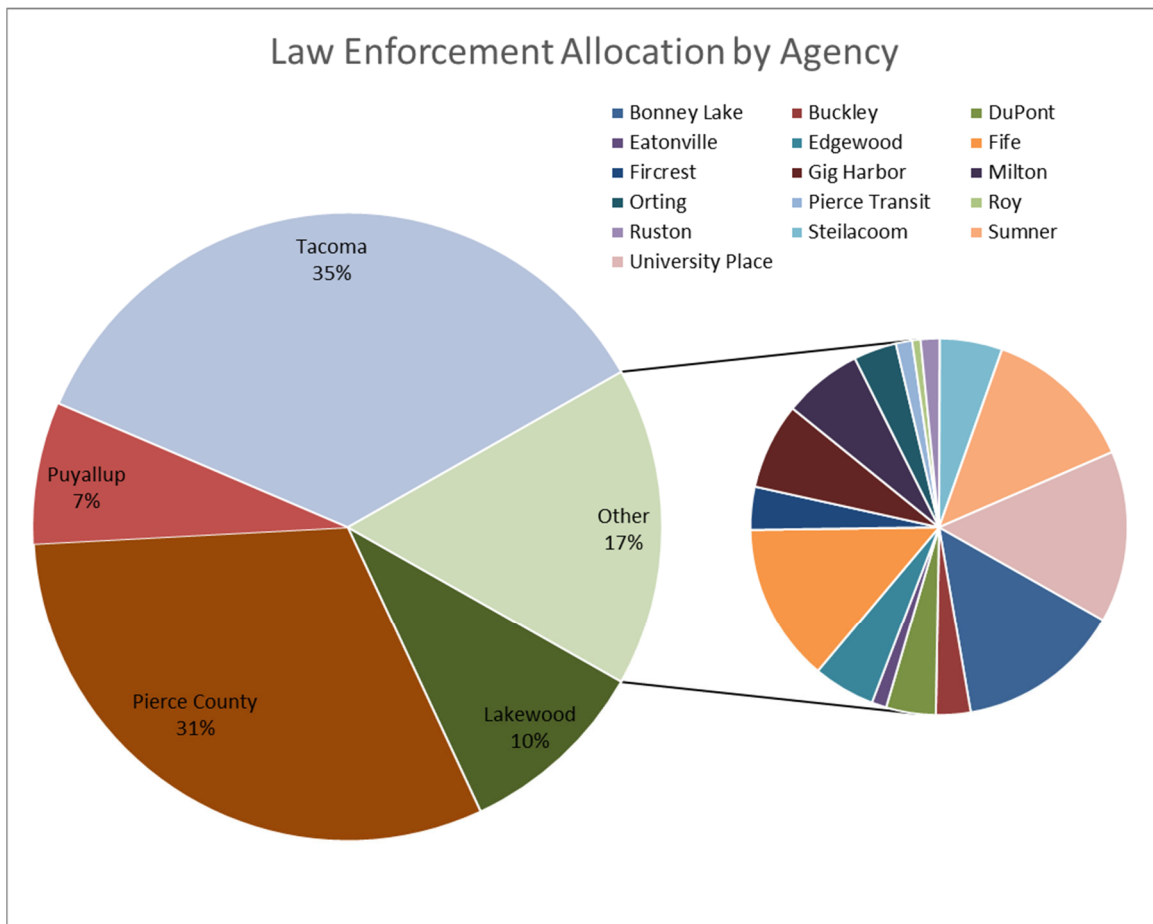
○ Licenses and Permits	0.7%
○ Intergovernmental	38.2%
○ Charges for Services	60.7%
○ Interest/Miscellaneous	0.4%
- Payments from South Sound 911's partner agencies for services are accounted for under Charges for Services. These payments, often referred to as Allocation Revenue, account for approximately 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 Lakewood	10%
○ City of Puyallup	7%
○ City of Tacoma	35%
○ Pierce County	31%
○ Other Contracted Agencies:	
Bonney Lake, Buckley, DuPont, Eatonville, Edgewood	
Fife, Fircrest, Gig Harbor, Milton, Orting, Pierce Transit,	
Roy, Ruston, Steilacoom, Sumner and University Place	17%

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

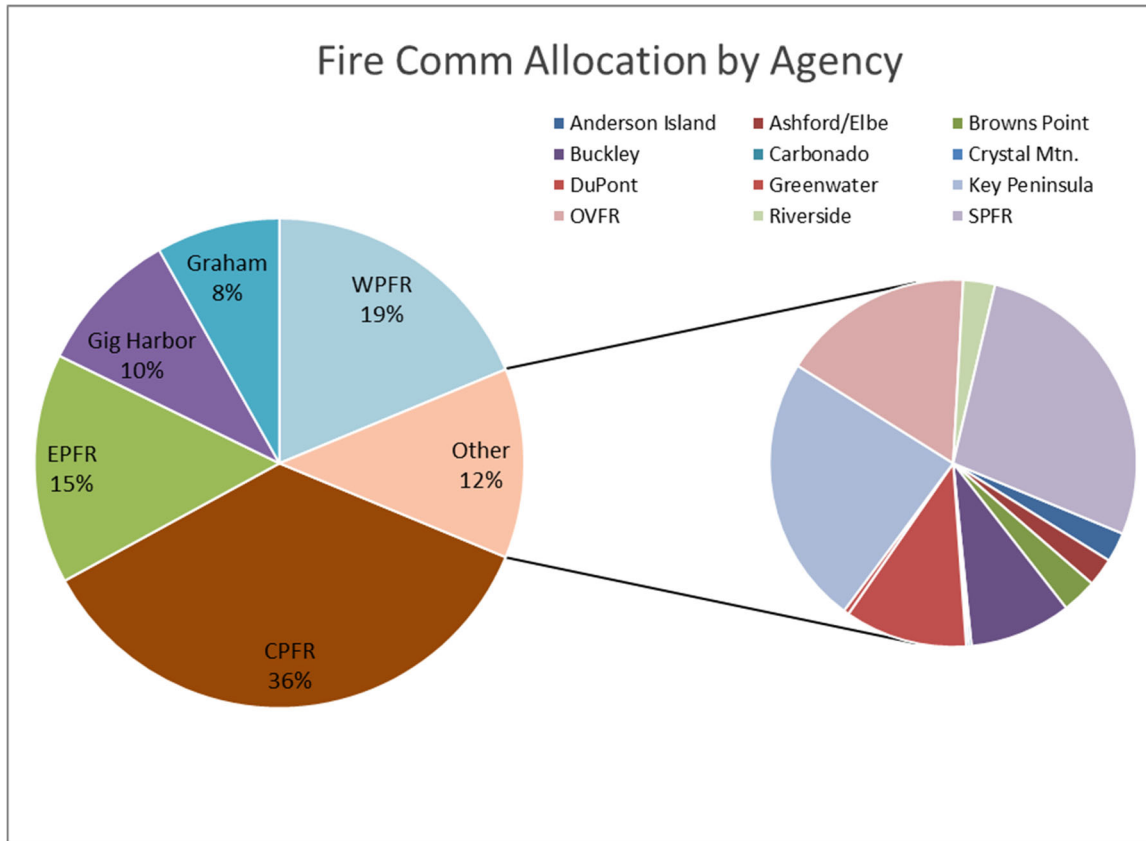


**Fire Services:**

○ Central Pierce Fire & Rescue	36%
○ East Pierce Fire & Rescue	15%
○ Gig Harbor Fire	10%

- Graham Fire & Rescue 8%
- West Pierce Fire & Rescue 19%
- Other Contracted Fire Districts:  
Anderson Island, Ashford-Elbe, Browns Point, Buckley,  
Carbonado, Crystal Mtn., DuPont, Greenwater, Key Peninsula,  
Orting Valley Fire & Rescue, Riverside,  
South Pierce Fire & Rescue 12%

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.

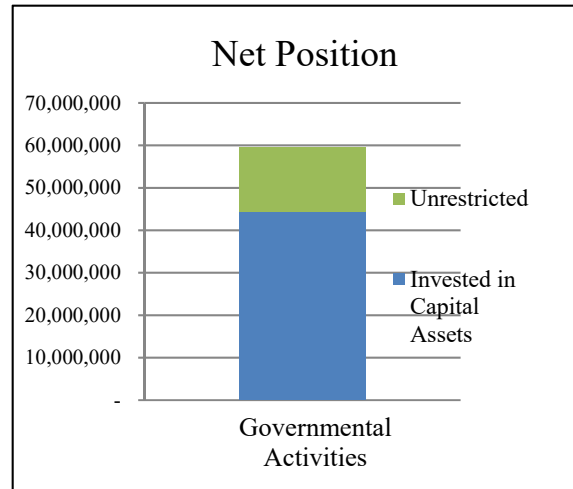
South Sound 911 has three governmental funds and two fiduciary funds. The Agency does not have any enterprise (business-type) funds to report in 2020.

*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

The Statement of Net Position looks at the agency as a whole. South Sound 911's total net position at December 31, 2019 is \$59,596,679, of which \$44,386,896 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 contracting with the public authority and the citizens therein; thus, they do not represent resources available for future spending. The remaining \$15,209,784 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 \$7,373,863.



The following table provides a summary of the agency's net position for 2020 compared to 2019.

### Statement of Net Position

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current and other assets	\$26,454,461	\$24,768,409
Net pension asset	914,997	1,241,446
Capital assets	44,386,896	14,504,268
<b>Total Assets</b>	<b>71,756,353</b>	<b>40,514,123</b>
<b>Deferred Outflows</b>	<b>3,328,581</b>	<b>2,704,610</b>
<b>Liabilities</b>		
Long-term debt	8,984,469	8,418,031
Other liabilities	3,750,080	3,912,033
<b>Total Liabilities</b>	<b>12,734,549</b>	<b>12,330,064</b>
<b>Deferred Inflows</b>	<b>2,753,706</b>	<b>5,005,060</b>
<b>Net Position</b>		
Invested in capital	44,386,896	14,504,268
Unrestricted	15,209,784	11,379,340
<b>Total Net Position</b>	<b>\$59,596,679</b>	<b>\$25,883,609</b>

### Statement of Activities

The following table shows the changes in net position for the year 2020 compared to 2019.

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Program Revenues:		
Charges for services	\$38,187,923	\$41,476,821
Operating grants/contributions	109,410	18,086
Capital grants/contributions	33,614,425	4,348,322
General Revenues:		
Interest/investment earnings	116,806	386,541
Transfers	-	-
Total Revenues	<u>\$72,028,564</u>	<u>\$46,229,770</u>
Program Expenses:		
Security of persons/property	<u>38,320,292</u>	<u>38,147,550</u>
Total Expenses	<u>\$38,320,292</u>	<u>\$38,147,550</u>
Net increase (decrease) in Net Position	33,708,271	8,082,219
Net Position – Beginning of Year	25,883,609	17,801,390
Adjustment to Net Position	4,799	-
Net Position – End of Year	<u>\$59,596,679</u>	<u>\$25,883,609</u>

### Government-Wide Financial Analysis

In 2020, there was a net increase in Net Position of \$33,708,271, which is in large part attributed to capital expenditures associated with the construction of the PSCC. Construction and related building costs in 2020 added \$30,734,957 to Construction in Progress (CIP), which totals \$39,990,256 on the Statement of Net Position as of December 31, 2020.

Although increases in Net Position were anticipated in 2020 due to the construction of the PSCC, decreases in fund balance were expected due to the COVID-19 Pandemic. Since revenues from the one-tenth of one percent sales and use tax remained slightly above the anticipated budget, projected decreases in fund balance did not occur.

### Governmental Funds

The governmental funds, as presented on the balance sheet, reported a combined fund balance of \$22,807,185, which is approximately 8.9% more than the beginning of the year. The high fund balance has been maintained due to the expected increase in debt service payments for the PSCC project, which are funded from the revenues of the one-tenth of one percent sales and use tax. It is anticipated the balances will be spent down considerably in 2021 and 2022 until the two radio bonds are fully paid in 2022 and 2023.

**General Fund** – Total fund balance is \$20,581,114 on December 31, 2020, which includes \$5.3M set aside for PSCC debt service. This amount is over \$6M more than the anticipated ending fund balance.



**Facility Capital Projects Fund** – This fund accounts for all South Sound 911 capital expenditures related to the development of the PSCC. In 2020, expenditures were for continued construction of the facility and purchases of furniture, fixtures and equipment. The first phase of the project is anticipated to be completed in June 2021. Phase two is the remodel of the existing Law Enforcement communications center, which will serve as a back-up facility for the Agency. The full project is funded with bond proceeds of \$59M issued by Pierce County on behalf of South Sound 911 and prior contributions from the General Fund.

### **Governmental Fund Financial Analysis**

Fund balance in the General Fund includes resources to support the future debt services payments for the PSCC. Total expenditures recorded on the Statement of Revenues, Expenditures and Changes in Fund Balances were approximately 50% higher than 2019 due to capital outlays for the PSCC project. Operational expenditures recorded in the General Fund were about 2% higher than 2019. Operational revenues for the agency decreased by approximately 8.3% in 2020, which was due to the larger deduction of debt service for the PSCC from the proceeds of the one-tenth of one percent sales and use tax.

### **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 2020.

- The 2020 Budget was not formally amended by the Board of Directors. All changes to the budget were within the General Fund, and therefore, within the discretion of the Executive Director.
- Budgeted contingency of \$750K was used to transfer funding to Pierce County for higher than anticipated PSCC debt service payments and for funding a transfer to Tacoma Fire Communications for a revenue share of the one-tenth of one percent sales and use tax.
- Allocation revenue and pass-through expenditures for the operations of Tacoma Fire Communications were removed from the Budgetary Comparison Schedule since Tacoma Fire Communications was operated by the City of Tacoma. Budgetary information in 2020 was included for informational purposes only.

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 \$942K higher due to higher than anticipated sales tax revenue and E911 excise tax revenue (\$0.20 portion).
- Charges for Services were less than anticipated due to closure of the Records front counter for fingerprinting services due to the COVID-19 pandemic and one public safety agency opting out of services that were anticipated in 2020.
- Revenue from interest on investments was approximately \$83K less than anticipated due to declining rates of return.
- Savings in Salaries, Wages and Personnel Benefits totaled approximately \$2.3M due to position vacancies.
- Supplies and other services were \$1.6M less than anticipated, which was partially due to cost reduction measures in anticipation of reduced tax revenue due to the COVID-19 pandemic.
- Capital outlay was less than anticipated.

### **Capital Assets and Long-Term Debt**

Detailed capital asset activity is presented in Note 4 of the Notes to the Financial Statements. Construction in Progress of \$40M includes construction of the PSCC at approximately 70% completion. The increase in Machinery and Equipment was for network storage replacement, upgrades of logging recorder equipment and a maintenance van. There were no other significant changes in capital assets in 2020.

The agency has no long-term debt.

### **Other Potentially Significant Matters**

Reductions to the one-tenth of one percent sales and use tax collected by Pierce County for South Sound 911 were anticipated to occur in 2020 as a result of the COVID-19 pandemic. Although this source of revenue has remained strong, potential long-term economic impacts are unknown. The Agency has consistently used a portion of this revenue source to offset the costs of operations, which could impact future assessments to the public safety agencies served by South Sound 911.

In mid-2021, South Sound 911 will relocate employees from four locations to the PSCC. Financial impacts of relocating operations and providing operations from one consolidated facility are unknown at this time.

### **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 Finance Director at:

955 Tacoma Avenue South, Suite 102  
Tacoma, WA 98402  
(253) 287-4804  
[info@SouthSound911.org](mailto:info@SouthSound911.org)

**South Sound 911**  
**Statement of Net Position**  
December 31, 2020

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 22,899,395
Receivables, Net	102,940
Due from Other Governments	3,452,126
Capital Assets:	
Non Depreciable	
Construction in Progress	39,990,256
Depreciable, Net	
Property, Plant and Equipment	4,288,498
Leasehold Improvements	72,700
Intangible	35,441
Net Pension Asset	914,997
 Total Assets	 <u>71,756,353</u>
 <b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	<u>3,328,581</u>
 <b>Liabilities</b>	
Accounts Payable and other Current Liabilities	2,106,427
Accrued Wages and Benefits Payable	1,067,790
Due to Other Governments	179,393
Unearned Revenue	73,458
Non-Current Liabilities:	
Due Within One Year	102,805
Due in More Than One Year	<u>8,984,469</u>
 Total Liabilities	 <u>12,514,342</u>
 <b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pension	<u>2,753,706</u>
 <b>Net Position</b>	
Net Invested in Capital Assets	44,386,896
Unrestricted	<u>15,209,784</u>
 <b>Total Net Position</b>	 <u><u>\$ 59,596,679</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, 2020**

Functions/Programs Primary Government	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Security of Persons & Property	\$ 38,320,292	38,187,923	109,410	33,614,425	\$ 33,591,465
Interest on Long-Term Debt	-				-
<b>Total Governmental Activities</b>	<b>\$ 38,320,292</b>	<b>\$ 38,187,923</b>	<b>\$ 109,410</b>	<b>\$ 33,614,425</b>	<b>\$ 33,591,465</b>
<b>Total Primary Government</b>	<b>\$ 38,320,292</b>	<b>\$ 38,187,923</b>	<b>\$ 109,410</b>	<b>\$ 33,614,425</b>	<b>\$ 33,591,465</b>
General Revenues:					
Interest and Investment Earnings					116,806
Transfers:					-
Total General Revenues, Special Items, and Transfers					\$ 116,806
Change in Net Position					33,708,271
Net Position Beginning of Year					25,883,609
Prior Period Adjustments					4,799
<b>Net Position End of Year</b>					<b>\$ 59,596,679</b>

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

**South Sound 911**  
**Balance Sheet - Governmental Funds**  
December 31, 2020

	<u>General</u>	<u>Facility Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 22,040,463	\$ 636,576	\$ -	\$ 22,677,039
Receivables, Net	102,940	-	-	102,940
Due from Other Governments	-	3,452,126	-	3,452,126
<b>Total Assets</b>	<b><u>\$ 22,143,403</u></b>	<b><u>\$ 4,088,702</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,232,106</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	241,648	1,862,631	-	2,104,279
Accrued Wages and Benefits Payable	1,067,790	-	-	1,067,790
Due to Other Governments	179,393	-	-	179,393
Unearned Revenue	73,458	-	-	73,458
<b>Total Liabilities</b>	<b><u>1,562,290</u></b>	<b><u>1,862,631</u></b>	<b><u>-</u></b>	<b><u>3,424,920</u></b>
Fund Balances:				
Assigned	5,300,000	2,226,072	-	7,526,072
Unassigned	15,281,114	-	-	15,281,114
<b>Total Fund Balances</b>	<b><u>20,581,114</u></b>	<b><u>2,226,072</u></b>	<b><u>-</u></b>	<b><u>22,807,185</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 22,143,403</u></b>	<b><u>\$ 4,088,702</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,232,106</u></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, 2020

Fund Balances - Total Governmental Funds		\$ 22,807,185
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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	\$ 39,990,256	
Property, Plant and Equipment, Net of Depreciation	4,288,498	
Leasehold Improvements, Net of Depreciation	72,700	
Intangible Assets, Net of Depreciation	<u>35,441</u>	44,386,896

Pension assets are not financial resources and therefore are not reported in the governmental funds.	<u>914,997</u>	914,997
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Deferred outflows/(inflows) related to pension are not reported in the governmental funds.	<u>574,875</u>	574,875
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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.	<u>(9,087,274)</u>	(9,087,274)
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<b>Net Position of Governmental Activities</b>		<b><u>\$ 59,596,679</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, 2020

	<u>General</u>	<u>Facility Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Licenses and Permits	\$ 251,695	\$ -	-	\$ 251,695
Intergovernmental	14,701,976	33,614,425	-	48,316,400
Charges for Services	23,252,509	-	-	23,252,509
Investment Earnings	116,806	-	-	116,806
Miscellaneous	35,045	-	-	35,045
Total Revenues	<u>38,358,031</u>	<u>33,614,425</u>	<u>-</u>	<u>71,972,455</u>
<b>Expenditures</b>				
Current:				
Security of Persons & Property	38,327,193	681,249	-	39,008,442
Debt Service:				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	364,798	30,733,586	-	31,098,384
Total Expenditures	<u>38,691,991</u>	<u>31,414,835</u>	<u>-</u>	<u>70,106,826</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(333,961)</u>	<u>2,199,590</u>	<u>-</u>	<u>1,865,630</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	161,333	-	76,899	238,232
Transfers Out	(76,899)	-	(161,333)	(238,232)
Total Other Financing Sources (Uses)	<u>84,434</u>	<u>-</u>	<u>(84,434)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(249,526)	2,199,590	(84,434)	1,865,630
Fund Balances Beginning of Year	20,830,640	26,482	84,434	20,941,556
Prior Period Adjustments	-	-	-	-
<b>Fund Balances End of Year</b>	<u><u>\$ 20,581,114</u></u>	<u><u>\$ 2,226,072</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,807,185</u></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, 2020**

Net Changes in Fund Balances - Total Governmental Funds	\$	1,865,630
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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	\$	31,098,384	
Less Current Year Depreciation		<u>(1,220,555)</u>	29,877,828

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.		<u>(293,743)</u>	(293,743)
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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.		<u>56,108</u>	56,108
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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.		<u>2,202,449</u>	2,202,449
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<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>33,708,271</u></u></b>
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See the notes to the financial statements



**South Sound 911**  
**Statement of Fiduciary Net Position**  
December 31, 2020

	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 222,355
Total Assets	<u>222,355</u>
<b>Liabilities</b>	
Accounts Payable and other Current Liabilities	2,148
Total Liabilities	<u>2,148</u>
<b>Net Position</b>	
Held in Trust for Pension and OPEB	<u>220,207</u>
<b>Total Net Position</b>	<u><u>\$ 220,207</u></u>

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

**South Sound 911**  
**Statement of Changes in Fiduciary Net Position**  
For the Year Ended December 31, 2020

	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 107,333
Plan Members	25,540
Total Additions	<u>132,873</u>
<b>Deductions:</b>	
Benefits Paid to Participants or Beneficiaries	<u>105,475</u>
Total Deductions	<u>105,475</u>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	<u>27,398</u>
Net Position - Beginning of Year	192,809
Prior Period Adjustments	-
<b>Net Position - End of Year</b>	<u><u>\$ 220,207</u></u>

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

**South Sound 911 Public Authority**  
**Notes to the Financial Statements**  
**January 1, 2020 through December 31, 2020**

**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 was to be 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.

On July 9, 2019, the City of Tacoma chartered a public development authority named South Sound 911 Public Authority at the request of Pierce County, West Pierce Fire & Rescue and the cities of Fife, Lakewood and Puyallup. The purpose of South Sound 911 Public Authority was to assume the rights and responsibilities of and to otherwise serve as the successor to the interlocal agency. The Public Authority is governed by an eleven-member Board of Directors.

The governing board of South Sound 911 Public Authority (Board of Directors) is appointed as follows:

- Two board seats from City/County contract agency with the largest communications assessment;
- Two board seats from City/County contract agency with the second largest communications assessment;
- One board seat from City/County contract agency with the third largest communications assessment;
- One board seat from City/County contract agency with the fourth largest communications assessment;
- Two board seats from cities with the 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> largest communications assessment;
- One board seat from Fire District contract agency with the largest communications assessment;
- One board seat from Fire District contract agency with the second largest communications assessment;
- One board seat representing all other Fire Districts.

The process for the appointment of members of the Board of Directors is detailed in the South Sound 911 Public Authority Bylaws.

## **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. Interest and other items not properly included among program revenues are reported instead as general 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 Capital Projects Fund: This capital projects fund accounts for all costs associated with the development of the Public Safety Communications Center (PSCC) and the remodeling of the backup facility. Funding for the improvements is provided by proceeds from bonds issued by Pierce County in September 2019. By agreement, Pierce County issued bonds on behalf of the Agency, the land for the PSCC will remain an asset of Pierce County until the debt is retired and all improvements will be assets of the Agency.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the fiduciary fund financial statements. 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.

Licenses and interest associated within the current period are considered to be susceptible to accrual and so have 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 Board of Directors.

When the Board of Directors 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 2020.

**4. Deficit Fund Net Position**

There were no funds with a deficit Fund Net Position on December 31, 2020.

**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, 2020, South Sound 911 was holding \$22,899,395 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 #3**

**3. Receivables**

Customer accounts receivable consist of amounts owed from other governmental agencies for services. Outstanding customer accounts receivable balances on December 31, 2020 were \$102,940.

**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, 2020, there were no restricted assets or current portions of related liabilities to record.

**6. Capital Assets – See Note #4**

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 or 480 hours (depending on the collective bargaining agreement representing the employee), is payable upon resignation, retirement or death.

Full-time 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 state law which requires one (1) hour of sick leave for every forty (40) hours worked. Upon retirement, disability or death, the employee or his/her estate receives a sliding scale percentage payment ranging from 25 percent to 75percent of the sick leave value, not to exceed 1,600 hours. Employees represented by the Guild of Pierce County Fire Communications who have completed at least twelve months of employment prior to separation, will be classified as a retiree for the purposes of determining sick leave pay. If an employee in good standing is terminated for any other reason, he/she will receive 10 percent of the sick leave value, not to exceed 1,600 hours. For financial reporting purposes, sick leave is computed based on the sliding scale for employees represented by the Guild of Pierce County Fire Communications and at 10 percent for all other employees, which is considered the material amount vested. The average payment above this computation is considered immaterial.

## **8. Pensions – See Note #5**

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. Other Accrued Liabilities**

The balance sheet includes \$1,264,833 in accrued wages and accrued employee benefits.

## **10. Long - Term Debt**

The Agency has no long-term debt.

## **11. Unearned Revenues**

In mid-2020, the Agency began using an online application program for firearm licensing. Unearned revenue of \$73,458 represents funds collected through this program prior to the Agency providing services as of December 31, 2020.

## **12. Fund Balance**

Through the budgetary process, the Board of Directors is authorized to assign fund balance amounts to a specific purpose. Assigned fund balances on December 31, 2020 were for an emergency strategic reserve, future debt service payments for the PSCC and facilities capital. Unassigned fund balance on the balance sheet is the residual classification for the Agency's General Fund and includes all spendable amounts not contained in other classifications.

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, 2020.

The South Sound 911 Public Authority Financial Policies require a minimum fund balance of no less than 15 percent 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**

Pierce County is the Treasurer for South Sound 911. The Pierce County Treasurer holds all of the Agency's cash and short-term investments except for imprest accounts. At December 31, 2020, South Sound 911 had \$1,200 in imprest accounts.

As of December 31, 2020, \$6,137,299 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, 2020, 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	\$18,527,738	\$18,527,738	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$18,527,738</b>	<b>\$18,527,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or 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, 2020, South Sound 911 had the following investments measured at fair value:

Investments Measured at Amortized Cost	12/31/2020	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	\$18,527,738	\$18,527,738	\$ -	\$ -
<b>Total Investments Measured at Amortized Cost</b>	<b>\$18,527,738</b>	<b>\$18,527,738</b>	<b>\$ -</b>	<b>\$ -</b>

#### **NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2020 was as follows:

Governmental Activities	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital Assets, not being depreciated:				
Construction in Progress	\$9,255,299	\$30,734,957	-	\$39,990,256
Capital Assets, being depreciated:				
Intangible Assets	\$1,097,669	\$34,831	-	\$1,132,500
Improvements other than Buildings	347,583	-	-	347,583
Machinery and Equipment	12,631,229	333,395	-	12,964,624
Total Capital Assets being depreciated	\$14,076,481	\$368,226	-	\$14,444,707
Less Accumulated Depreciation for:				
Intangible Assets	(1,079,806)	(17,253)	-	(1,097,059)
Improvements other than Buildings	(250,243)	(24,641)	-	(274,884)
Machinery and Equipment	(7,497,463)	(1,178,662)	-	(8,676,125)
Total Accumulated Depreciation	(\$8,827,512)	(\$1,220,555)	-	(\$10,048,067)
Total Capital Assets, being depreciated, net	\$5,248,969	(\$852,329)	-	\$4,396,640
Governmental Activities Capital Assets, net	\$14,504,268	\$29,882,628	-	\$44,386,896

Depreciation expense of \$1,220,555 was charged to Security of Persons and Property.

#### **NOTE 5 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2020.

<b>Aggregate Pension Amounts – All Plans</b>	
Pension Liabilities	(\$7,373,863)
Pension Assets	914,997
Deferred Outflows of Resources	3,328,581
Deferred Inflows of Resources	(2,753,706)
Pension Expense/Expenditures	543,010

#### **STATE SPONSORED PENSION PLANS**

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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. In 2020, two South Sound 911 employees participated in the Tacoma Employees' Retirement System (TERS). Participation in TERS is not an option for new or other existing employees. Contribution rates for employees and the employer were 9.66% and 11.34% respectively in 2020. Total employer contributions were \$27,296.

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 that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report 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 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 (OSA) 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 2020 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.86%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
<b>PERS Plan 1</b>		
September – December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

The Agency had no active PERS Plan 1 members in 2020. Contributions to PERS Plan 1 UAAL from PERS 2/3 contributions were \$1,017,344 for the year ended December 31, 2020.

## 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 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

The Agency's actual PERS Plan 2/3 contributions were \$2,665,857 (\$1,017,344 to PERS Plan 1 UAAL and \$1,648,513 to PERS Plan 2/3) for the year ended December 31, 2020.

#### **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 require enrollment 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 includes an 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – December 2020:		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%

The Agency's actual contributions to the plan were \$79,602 for the year ended December 31, 2020.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2020, the state contributed

\$76,297,643 to LEOFF Plan 2. The amount recognized by the Agency as its proportionate share of this amount is \$56,108.

#### **E. ACTUARIAL ASSUMPTIONS**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation.
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.



## F. DISCOUNT RATE

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4 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 7.4 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 at various future times.

## 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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
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 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$6,299,427	\$5,029,254	\$3,921,533
PERS 2/3	14,588,788	2,344,609	(7,738,478)
LEOFF 2	(18,114)	(914,997)	(1,649,365)



## **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, 2019, the Agency reported a total pension liability of \$7,083,544 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$5,029,254
PERS 2/3	2,344,609
LEOFF 2	(914,997)

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 is as follows:

	<b>LEOFF 2 Asset</b>
Employer's proportionate share	(\$914,997)
State's proportionate share of the net pension asset associated with the employer	(585,071)
Total	(\$1,500,068)

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

	<b>Proportionate Share 6/30/19</b>	<b>Proportionate Share 6/30/20</b>	<b>Change in Proportion</b>
PERS 1	0.139421%	0.142450%	0.003029%
PERS 2/3	0.177313%	0.183324%	0.006011%
LEOFF 2	0.053587%	0.044856%	(0.008731%)

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 2020, the State of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

**L. PENSION EXPENSE**

For the year ended December 31, 2020, the Agency recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$293,465
PERS 2/3	251,914
LEOFF 2	(2,369)
<b>TOTAL</b>	<b>\$543,010</b>

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

At December 31, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(28,001)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	515,008	-
<b>TOTAL</b>	<b>\$515,008</b>	<b>(\$28,001)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$839,336	(\$293,836)
Net difference between projected and actual investment earnings on pension plan investments	-	(119,072)
Changes of assumptions	33,394	(1,601,571)
Changes in proportion and differences between contributions and proportionate share of contributions	656,844	(112,014)
Contributions subsequent to the measurement date	844,155	-
<b>TOTAL</b>	<b>\$2,373,729</b>	<b>(\$2,126,493)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$126,605	(\$16,228)
Net difference between projected and actual investment earnings on pension plan investments	-	(10,198)
Changes of assumptions	1,326	(141,682)
Changes in proportion and differences between contributions and proportionate share of contributions	270,310	(431,099)
Contributions subsequent to the measurement date	41,593	-
<b>TOTAL</b>	<b>\$439,834</b>	<b>(\$599,207)</b>

<b>ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$965,941	(\$310,064)
Net difference between projected and actual investment earnings on pension plan investments	-	(157,271)
Changes of assumptions	34,720	(1,743,253)
Changes in proportion and differences between contributions and proportionate share of contributions	927,154	(543,113)
Contributions subsequent to the measurement date	1,400,756	-
<b>TOTAL</b>	<b>\$3,328,571</b>	<b>(\$2,753,701)</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, 2021. 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>
2021	(\$127,069)
2022	(3,997)
2023	38,772
2024	64,292
2025	
Thereafter	
	(\$28,001)

<b>Year ended 12/31:</b>	<b>PERS 2/3</b>
2021	(\$840,823)
2022	(100,501)
2023	173,721
2024	274,364
2025	(29,453)
Thereafter	(74,227)
	(\$596,919)

Year ended 12/31:	LEOFF 2
2021	(\$97,923)
2022	(39,303)
2023	(16,707)
2024	365
2025	(36,400)
Thereafter	(11,000)
	(\$200,967)

**NOTE 6 - RISK MANAGEMENT**

The Agency has had no settlements that exceeded insurance coverage for each of the past three fiscal years.

**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 162 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 \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

## **B. UNEMPLOYMENT INSURANCE**

South Sound 911 provides employees of the Agency unemployment insurance through the Washington State Employment Security Department on a reimbursable basis. In 2020, payment of claims totaled \$43,698.

### ***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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the State of

Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's Office.

***NOTE 8 – CHANGE IN LONG-TERM LIABILITIES***

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 1/1/2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2020</b>	<b>Due Within One Year</b>
Governmental Activities:					
Pension Liabilities	\$7,083,544	\$290,319	-	\$7,373,863	-
Compensated Absences	1,419,667	514,616	220,872	1,713,411	102,805
Governmental Activity Long-Term Liabilities	\$8,503,211	\$804,935	\$220,872	\$9,087,274	\$102,805

**NOTE 9 – INTERFUND TRANSFERS**

In 2020, South Sound 911 transferred \$76,899 from the General Fund to the Radio Capital Projects Fund support an agreement with the City of Puyallup to fund certain public safety radio system operational costs incurred in prior years.

**NOTE 10 – 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, 2021 with an option to terminate with prior written notice of thirty (30) days. The Administration building is owned by King Hwa AMC, LLC, and the current lease expires on September 30, 2021, with an option to terminate no sooner than May 31, 2021 with prior written notice of ninety (90) days. The Fire Communications Center is owned by the City of Puyallup and the current lease contains a tenant option to extend on a month-to-month basis to December 31, 2021. Total cost for building/land leases in 2020 was \$644,920. Future lease payments, assuming options to terminate are not exercised, are as follows:

<b>Year Ending December 31</b>	<b>Pierce County Records Bldg.</b>	<b>King Hwa, AMC Admin Bldg.</b>	<b>Total</b>
2021	\$157,455	\$179,252	\$336,707

**NOTE 11- CONTINGENCIES AND LITIGATION**

The Agency has recorded in its financial statements all material liabilities. There are no material contingent liabilities to record. In the opinion of management, the Agency's insurance policies are adequate to pay all know or pending claims.

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 12 – PRIOR PERIOD ADJUSTMENTS**

The Statement of Activities includes a prior period adjustment of \$4,799, which is due to an incorrect valuation of an asset acquired in 2019.

**NOTE 13- COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

South Sound 911 provides essential emergency communications services to Pierce County residents. Employees providing these services continued to work throughout the pandemic. Additionally, the Agency provides law enforcement support services to include the issuance of concealed pistol licenses (CPLs). For approximately three months in 2020, the office providing fingerprinting and permitting services was closed to the public. During the period of the closure, Pistol transfer applications (PTAs) and CPL renewals continue to be processed online or by mail and all public disclosure requests were processed electronically.

The Agency is supported by a county-wide one-tenth of one percent sales and use tax and significant reductions were anticipated during the development of the 2021 Budget. Actual revenues exceeded the original 2020 Budget and have continued to trend at or above normal in 2021. Costs for personal protective equipment, additional disinfection and overtime were either eligible for federal funding or immaterial.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Agency is unknown at this time.

***NOTE 14 – SUBSEQUENT EVENTS***

In mid-2021, the Agency will complete construction of a new Public Safety Communications Center (PSCC), which will relocate employees from four locations to one building. Financial impacts of relocating operations and providing operations from one consolidated facility are unknown at this time.



**South Sound 911**  
**Budgetary Comparison Schedule**  
**General Fund**  
For the Year Ended December 31, 2020

	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original Budget 2020</b>	<b>Revised Budget 2020</b>	<b>12/31/2020 (Budgetary Basis)</b>	<b>Variance</b>
<b>Resources (Inflows):</b>				
Licenses and Permits	\$ 250,000	\$ 250,000	\$ 251,695	\$ 1,695
Intergovernmental	13,760,440	13,760,440	14,701,976	941,536
Charges for Services	23,426,790	23,426,790	23,252,509	(174,281)
Interest	200,000	200,000	116,806	(83,194)
Miscellaneous	-	-	35,045	35,045
Transfers from Other Funds	-	-	161,333	161,333
Amounts Available for Appropriation	<u>37,637,230</u>	<u>37,637,230</u>	<u>38,519,364</u>	<u>882,134</u>
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	34,407,870	34,501,970	32,217,340	2,284,630
Supplies, Other Services	7,757,760	7,676,160	6,109,853	1,566,307
Capital Outlay	741,000	648,500	364,798	283,702
Transfer to Other Funds	-	80,000	76,899	3,101
Total Charges to Appropriations	<u>42,906,630</u>	<u>42,906,630</u>	<u>38,768,890</u>	<u>4,137,740</u>
<b>Budgetary Fund Balance Excess (Use)</b>	<u>(5,269,400)</u>	<u>(5,269,400)</u>	<u>(249,526)</u>	<u>5,019,874</u>

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, 2020 through December 31, 2020**

**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:

- All changes to the 2020 Budget adopted by the Board of Directors were within the total amount approved for the General Fund, and therefore, within the discretion of the Executive Director.

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

- Intergovernmental revenue was approximately \$940K higher due to higher than anticipated sales tax revenue and E911 excise tax revenue and reimbursements for COVID-19 related expenditures.
- Public counter services were less than anticipated due to closures related to COVID-19 and a transition to an online application program for firearm licensing.
- Interest revenue was less than anticipated due to a decline in investment pool rates.
- A transfer from the Radio Capital Projects Fund occurred due to inactivity.
- Savings in Salaries, Wages and Personnel Benefits totaled approximately \$2.3M due to position vacancies.

# South Sound 911

## Schedule of Employer Contributions

### Public Employees' Retirement System - Plan 1

As of December 31, 2020  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Statutorily or Contractually Required Contributions	\$ 1,003,254	\$ 970,208	\$ 963,756	\$ 862,708	\$ 824,446	\$ 626,312	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contributions	(1,003,254)	(970,208)	(963,756)	(862,708)	(824,446)	(626,312)	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employer Payroll	\$20,915,784	\$19,433,310	\$18,839,603	\$17,369,067	\$16,855,083	\$13,861,565				
Contributions as a Percentage of Covered Employee Payroll	4.80%	4.99%	5.12%	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, 2020  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Statutorily or Contractually Required Contributions	\$ 1,656,532	\$ 1,490,958	\$ 1,403,138	\$ 1,179,367	\$ 1,029,616	\$ 765,927
Contributions in Relation to the Statutorily Required Contributions	(1,656,532)	(1,490,958)	(1,403,138)	(1,179,367)	(1,029,616)	(765,927)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employer Payroll	\$20,915,784	\$19,320,045	\$18,708,438	\$17,198,411	\$16,526,338	\$13,553,952
Contributions as a Percentage of Covered Employee Payroll	7.92%	7.72%	7.50%	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**

As of December 31, 2020  
Last 10 Fiscal Years

	2020	2019	2018	2017
Statutorily or Contractually Required Contributions	\$ 79,920	\$ 89,997	\$ 102,075	\$ 119,517
Contributions in Relation to the Statutorily Required Contributions	(79,920)	(89,997)	(102,075)	(119,517)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employer Payroll	\$ 1,551,835	\$ 1,729,693	\$ 1,944,291	\$ 2,322,211
Contributions as a Percentage of Covered Employee Payroll	5.15%	5.20%	5.25%	5.15%

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

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**South Sound 911**  
**Notes to the Schedule of Employer Contributions**  
**January 1, 2020 through December 31, 2020**

**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 12.86% from January 1, 2020 through August 31, 2020 and 12.97% from September 1, 2020 through December 31, 2020. Both rates include an administrative fee of 0.18%.

In 2020, PERS Plan 1 contributions were only Unfunded Actuarial Accrued Liability (UAAL) from PERS Plan 2/3 members. There were no active PERS Plan 1 members employed by South Sound 911 in 2020.

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 5.33% from January 1, 2020 through December 31, 2020. The rate includes 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, 2020  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Employer's Proportion of Net Pension Liability (asset)	0.142450%	0.139421%	0.135396%	0.139870%	0.128525%	0.119424%
Employer's Proportionate Share of Net Pension Liability	\$ 5,477,708	\$ 6,226,589	\$ 6,424,646	\$ 7,511,678	\$ 6,902,398	\$ 6,246,986
Employer's Covered Employee Payroll	\$ 20,915,784	\$ 19,433,310	\$ 18,839,603	\$ 17,369,067	\$ 16,855,083	\$ 13,861,565
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	26.19%	32.04%	34.10%	43.25%	40.95%	45.07%
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	68.64%	67.12%	63.22%	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, 2020  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Employer's Proportion of Net Pension Liability (asset)	0.183324%	0.177313%	0.169159%	0.173813%	0.157046%	0.145879%
Employer's Proportionate Share of Net Pension Liability	\$ 1,780,699	\$ 3,027,462	\$ 5,877,467	\$ 8,751,347	\$ 7,907,142	\$ 5,212,340
Employer's Covered Employee Payroll	\$ 20,915,784	\$ 19,320,045	\$ 18,708,438	\$ 17,198,411	\$ 16,526,338	\$ 13,553,952
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	8.51%	15.67%	31.42%	50.88%	47.85%	38.46%
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	97.22%	97.77%	95.77%	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, 2020  
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Employer's Proportion of Net Pension Liability (asset)	0.044856%	0.053587%	0.065153%	0.031983%		
Employer's Proportionate Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -		
State's Proportionate Share of Net Pension Liability (Asset) Associated with the Employer	(1,039,176)	\$ (1,087,933)	\$ (904,113)	\$ (186,023)		
Total	\$ (1,039,176)	\$ (1,087,933)	\$ (904,113)	\$ (186,023)		
Employer's Covered Employee Payroll	\$ 1,551,835	\$ 1,729,693	\$ 1,944,291	\$ 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	115.83%	119.43%	118.50%	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, 2020 through December 31, 2020**

**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 7.2 years.

The valuation measurement date for PERS Plan 1 and PERS Plan 2/3 was June 30, 2020.

***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 2026 financial statements.

LEOFF Plan 2 has a recognition period of 10.6 years.

The valuation measurement date for LEOFF Plan 2 was June 30, 2020.

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The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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