



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## South Sound 911

For the period January 1, 2021 through December 31, 2022

*Published May 9, 2024*

Report No. 1034686



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

May 9, 2024

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***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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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, 2021 through December 31, 2022**

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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 2, 2024.

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

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

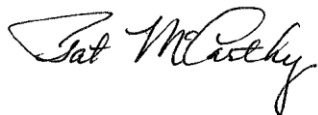
## REPORT ON COMPLIANCE AND OTHER MATTERS

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, appearing to read "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

May 2, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **South Sound 911 January 1, 2021 through December 31, 2022**

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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

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, 2022 and 2021, and the respective changes in financial position thereof for the years 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 2 to the financial statements, in 2022, the Authority adopted new accounting guidance, *Governmental Accounting Standards Board* Statement No. 87, *Leases*. 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 financial section of our report 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 May 2, 2024 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

May 2, 2024

## FINANCIAL SECTION

### **South Sound 911 January 1, 2021 through December 31, 2022**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2022

Management's Discussion and Analysis – 2021

#### **BASIC FINANCIAL STATEMENTS**

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Statement of Net Position – 2021

Statement of Activities – 2022

Statement of Activities – 2021

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Balance Sheet – Governmental Funds – 2021

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental  
Funds – 2022

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental  
Funds – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2021

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of the Governmental Funds to the Statement of Activities – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of the Governmental Funds to the Statement of Activities – 2021

Statement of Fiduciary Net Position – 2022

Statement of Fiduciary Net Position – 2021

Statement of Changes in Fiduciary Net Position – 2022

Statement of Changes in Fiduciary Net Position – 2021

Notes to Financial Statements – 2022

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## **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – 2022

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Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2021

Notes to the Schedule of Employer Contributions – 2022

Notes to the Schedule of Employer Contributions – 2021

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 2  
– 2022

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 2  
– 2021

Notes to the Schedule of Proportionate Share of Net Pension Liability – 2022

Notes to the Schedule of Proportionate Share of Net Pension Liability – 2021

**South Sound 911 Public Authority**  
**Pierce County, Washington**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022**

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, 2022. 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 2022 are as follows:

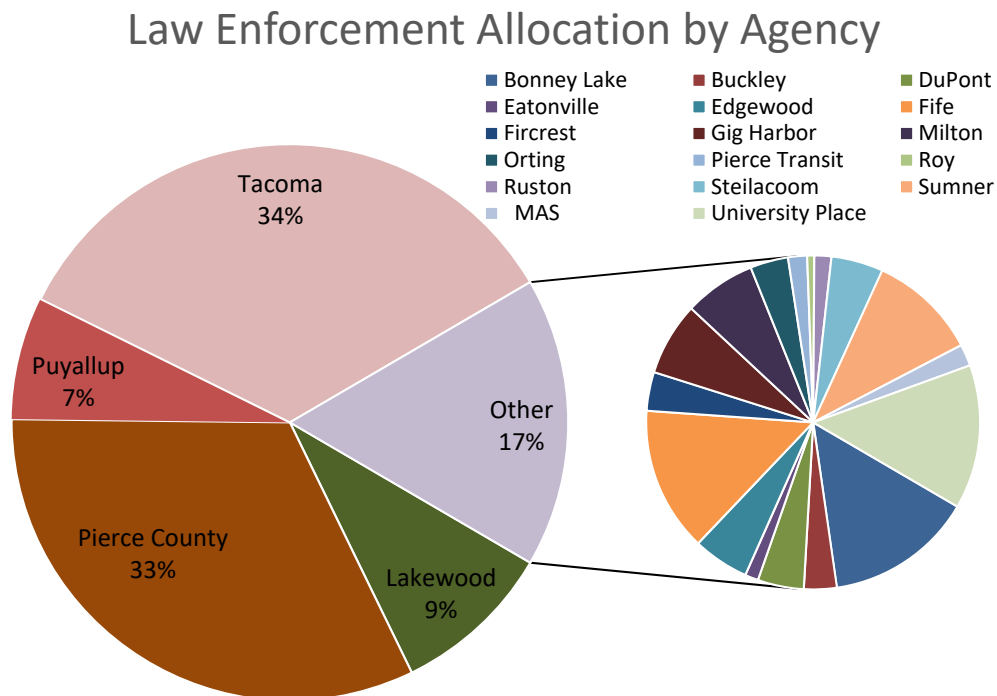
- On the Statement of Net Position, the unrestricted net position balance in governmental funds as of December 31, 2022 is reported as \$26,878,543.
- On the Statement of Activities, the change in net position in 2022 was an increase of \$5,936,297. Nearly half of the increase was related to finalization of the Public Safety Communications Center (PSCC) and improvements at the backup facility.
- The Agency implemented GASB No. 87 – Leases in 2022, resulting in a prior period adjustment of \$3,029,364 on the Statement of Activities as well as the recognition of lease assets, liabilities, and deferred inflow of resources on the Statement of Net Position.
- The one-tenth of one percent local sales and use tax generated \$24,673,600 in 2022, of which \$8,830,253 was held by Pierce County to service outstanding debt for the Agency. The tax revenue represents an increase of over 6% from 2021, and was the Agency's largest source of revenue in 2022.
- Revenue from the \$0.70 911 excise tax totaled \$7,512,956 in 2022. Pierce County designated South Sound 911 as the 911 Program Office in 2022 and submitted 82% of the tax proceeds to the Agency. This resulted in increased revenue of \$2,709,414 from the prior year, or approximately 56%. All tax proceeds will be distributed to the Agency in 2023.
- South Sound 911 revenues are derived from the following sources:
  - Licenses and Permits 0.8%

- Intergovernmental 48.7%
- Charges for Services 49.6%
- Interest/Miscellaneous 0.9%
- 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, totaled \$23,654,395 in 2022. 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 9%
- City of Puyallup 7%
- City of Tacoma 34%
- Pierce County 33%
- 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:

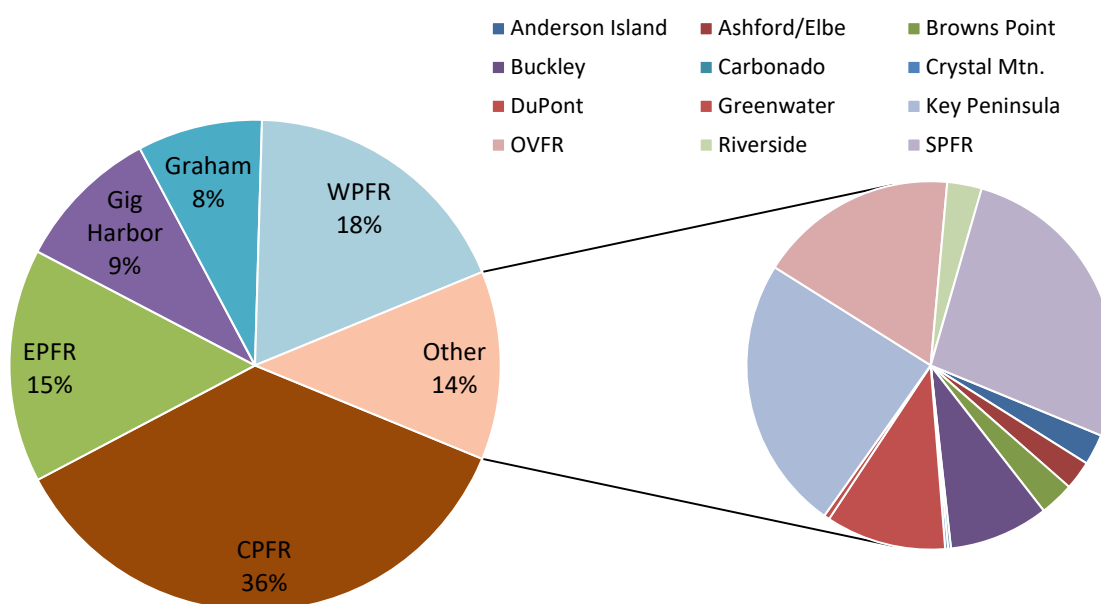
**Fire Services:**

- Central Pierce Fire & Rescue 36%
- East Pierce Fire & Rescue 15%
- Gig Harbor Fire 9%

- Graham Fire & Rescue 8%
- West Pierce Fire & Rescue 18%
- 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 14%

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

### Fire Comm 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 government-wide financial statements are prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (GAAP).

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. The Agency's fund financial statements are prepared on the modified accrual basis in accordance with GAAP.

*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.

*Fiduciary Funds* are used to account for resources held for the benefit of parties other than the Agency. Fiduciary funds are not reported in the government-wide financial statements because the resources of these funds are not available to support the Agency's own programs.

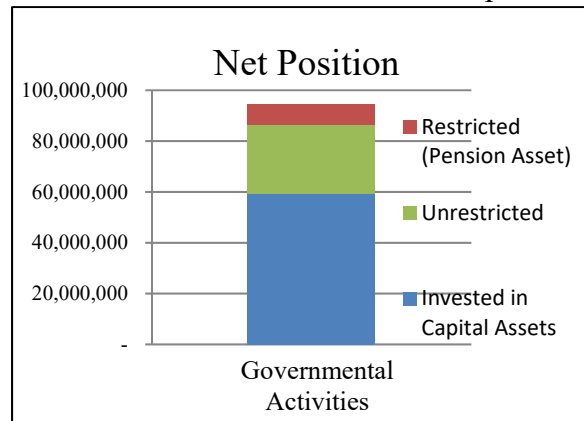
South Sound 911 has three governmental funds and two fiduciary funds. The Agency does not have any enterprise (business-type) funds to report in 2022.

*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, 2022 is \$94,305,565, of which \$59,408,934 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 \$34,896,631 of South Sound 911's net position includes \$8,018,088 restricted for pension assets and \$26,878,543 unrestricted, meaning it is available for meeting the ongoing obligations of the Agency.



The following table provides a summary of the Agency's net position for 2022 compared to 2021.

### Statement of Net Position

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current and other assets	\$34,548,383	\$30,103,145
Net pension asset	7,533,630	19,852,960
Capital assets	60,918,340	57,837,911
<b>Total Assets</b>	<b>103,000,353</b>	<b>107,794,015</b>
<b>Deferred Outflows</b>	<b>7,890,877</b>	<b>2,909,876</b>
<b>Liabilities</b>		
Long-term debt	6,749,637	3,356,634
Other liabilities	2,064,524	2,265,527
<b>Total Liabilities</b>	<b>8,814,162</b>	<b>5,622,161</b>
<b>Deferred Inflows</b>	<b>7,771,503</b>	<b>19,741,826</b>
<b>Net Position</b>		
Invested in capital	59,408,934	57,837,911
Restricted for Pension Asset	8,018,088	4,464,754
Unrestricted	26,878,543	23,037,239
<b>Total Net Position</b>	<b>\$94,305,565</b>	<b>\$85,339,904</b>

The following table shows the changes in net position for the year 2022 compared to 2021.



### Statement of Activities

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Program Revenues:		
Charges for services	\$47,780,622	\$42,495,769
Operating grants/contributions	323,298	857
Capital grants/contributions	3,294,246	18,486,735
General Revenues:		
Interest/investment earnings	419,665	19,851
Transfers	-	-
Total Revenues	<u>\$51,817,831</u>	<u>\$61,003,212</u>
Program Expenses:		
Security of persons/property	45,773,464	35,259,987
Interest on long-term debt	108,070	-
Total Expenses	<u>\$45,881,534</u>	<u>\$35,259,987</u>
Net increase (decrease) in Net Position	5,936,297	25,743,225
Net Position – Beginning of Year	85,339,904	59,596,679
Adjustment to Net Position	3,029,364	-
Net Position – End of Year	<u>\$94,305,565</u>	<u>\$85,339,904</u>

### Government-Wide Financial Analysis

In 2022, there was a net increase in net position of \$5,936,297, which is attributed to capital expenditures for completion of the PSCC and improvements to the backup facility. Additionally, a significant increase in the net pension asset also contributed to the overall increase in net position. The prior period adjustment to net position of \$3,029,364 is due to the implementation of GASB Statement No. 87 – Leases and represents the cumulative effect of recognizing leases that were in effect prior to the implementation date.

### Governmental Funds

The governmental funds, as presented on the balance sheet, reported a combined fund balance of \$32,508,433, which is 16% more than the beginning of the year. The high fund balance is being maintained until strategic planning for radio system replacement and improvements, future capital and ongoing operational support occurs with the Board of Directors.

**General Fund** – Total fund balance is \$28,445,537 on December 31, 2022, which includes \$13,461,910 set aside in reserve funds for capital, future allocations and emergency purposes. This amount is approximately \$8M more than the anticipated ending fund balance.

**911 Program Office Fund** – This fund was established in 2022 with the designation of the 911 Program Office to South Sound 911 from Pierce County. Revenue from the Pierce County \$0.70 911 Excise Tax supports the expenditures in this fund, which are authorized by Chapter 38.52 RCW and Chapter 118.66 WAC. The majority of the tax revenue is used to fund call-taking operations in the General Fund.

**Facility Capital Projects Fund** – This fund accounts for all South Sound 911 capital expenditures related to the development of the PSCC and the remodeling of the backup facility. 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. Bond proceeds were fully expended in 2022 and the ending fund balance of \$2,838,144 will support the close-out of the PSCC project and the backup facility construction and technology improvements.

### **Governmental Fund Financial Analysis**

Total governmental expenditures recorded on the Statement of Revenues, Expenditures and Changes in Fund Balances were approximately 15% less than 2021 due to the reduction in capital outlays for the PSCC project and backup facility remodel. Operational expenditures recorded in the General Fund were about 15% higher than 2021, which is attributed staffing increases, settlement of a collective bargaining agreement and inflation.

Due to the transition of the 911 Program Office from Pierce County to South Sound 911, excise tax revenue is now reported in a separate fund. \$4.9M of the 911 excise tax revenue was transferred to the General Fund to support call-taking operations and \$1M was transferred to the Facility Capital Project Fund to cover the costs of the 911 phone equipment for the PSCC. The change in the recording of this tax distribution caused a decrease in revenues reported in the General Fund in 2022. Additionally, the reduction in revenue from bond proceeds decreased significantly in 2022 due to completion of the PSCC.

### **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 2022.

- The 2022 Budget was formally amended by the Board of Directors in August 2022. Other changes to the budget were within the General Fund, and therefore, within the discretion of the Executive Director.
- Funding was increased in the General Fund for radio system support to Pierce County of \$1.3M and radio system infrastructure improvements for City of Puyallup of \$1.2M.
- General Fund expenditures for salaries and wages were increased by \$1.3M in 2022.

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 \$3.2M higher due to higher than anticipated one-tenth of one percent sales and use tax revenue and the receipt of COVID-19 funding from the Federal Emergency Management Agency (FEMA).
- Revenue from interest on investments was significantly higher than anticipated due to rising rates of return in 2022.
- Savings in salaries, wages and personnel benefits totaled approximately \$3.1M due to position vacancies.
- Supplies and other services were \$1.4M less than anticipated, of which approximately \$630K was for funds not passed through to the City of Puyallup for radio infrastructure.

- Capital outlay was less than anticipated due to incompleteness of technical projects.

The following is a brief review of the significant budgeting changes from the adopted to the final budget for the 911 Program Office Fund in 2022.

- The 911 Program Office Fund was established in 2022 and the Board of Directors approved budgeted revenues of \$7.4M and expenditures/transfers of \$6.6M.

There were no significant differences between the final budget for the 911 Program Office Fund and the actual amounts.

### **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 (CIP) of \$60K is related to improvements at the backup facility and audio/visual improvements at the PSCC. Other significant changes in capital assets is due to the addition of leased capital assets of \$1.4M and leased land of \$2.95M.

Agency debt is limited to compensated absences, net pension liability and the present value of future lease payments.

### **Other Potentially Significant Matters**

Radio system owners in Pierce County are working to develop a cost estimate for transitioning from two core radio systems to a single-system in order to improve county-wide coverage and provide more efficient dispatch services to public safety agencies. The agency set aside reserves of \$2M in 2022 and continues to plan for additional funding to support this initiative.

### **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:

3580 Pacific Avenue  
Tacoma, WA 98418  
(253) 287-4804  
[info@SouthSound911.org](mailto:info@SouthSound911.org)

**South Sound 911 Public Authority**  
**Pierce County, Washington**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2021**

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, 2021. 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.

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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 2021 are as follows:

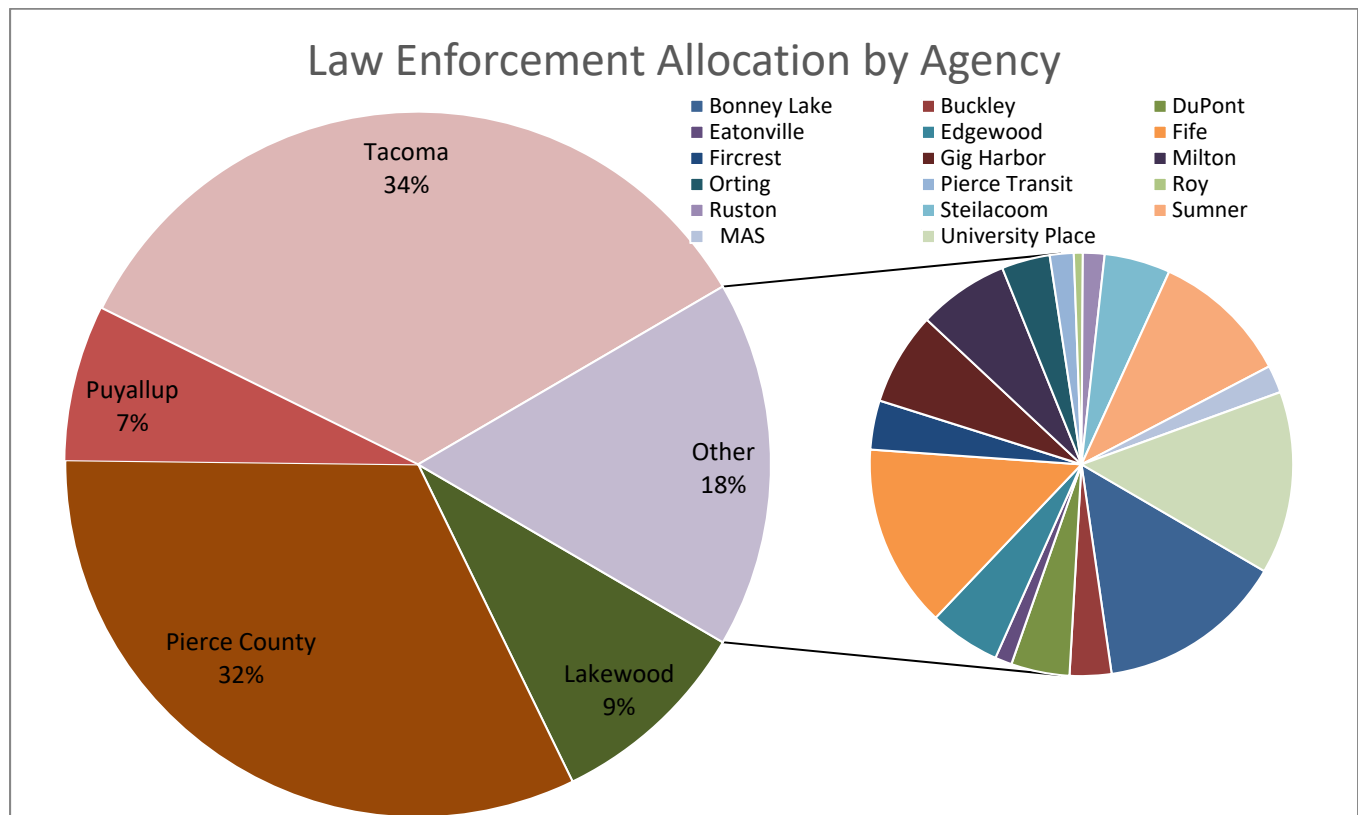
- On the Statement of Net Position, the unrestricted net position balance in governmental funds as of December 31, 2021 is reported as \$23,037,239.
- On the Statement of Activities, the change in net position in 2021 was an increase of \$25,743,225. The significant change in net position is related to the completion of the Public Safety Communications Center (PSCC).
- The one-tenth of one percent local sales and use tax generated \$23,237,072 in 2021, of which \$9,825,878 was held by Pierce County to service outstanding debt for the Agency. The tax distribution received represents an increase of over 18% from 2020, which is the largest annual increase to-date for this revenue source.
- Revenue from the \$0.70 911 excise tax, which is distributed from the Pierce County 911 Program Office, totaled \$4,803,542 in 2021. This amount represents an increase of just under 1% from 2020.
- South Sound 911 revenues are derived from the following sources:
  - Licenses and Permits 0.9%
  - Intergovernmental 43.0%
  - Charges for Services 55.8%
  - Interest/Miscellaneous 0.3%
- 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

56% 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	9%
○ City of Puyallup	7%
○ City of Tacoma	34%
○ Pierce County	32%
○ Other Contracted Agencies:	
Bonney Lake, Buckley, DuPont, Eatonville, Edgewood	
Fife, Fircrest, Gig Harbor, Milton, Orting, Pierce Transit,	
Roy, Ruston, Steilacoom, Sumner and University Place	18%

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

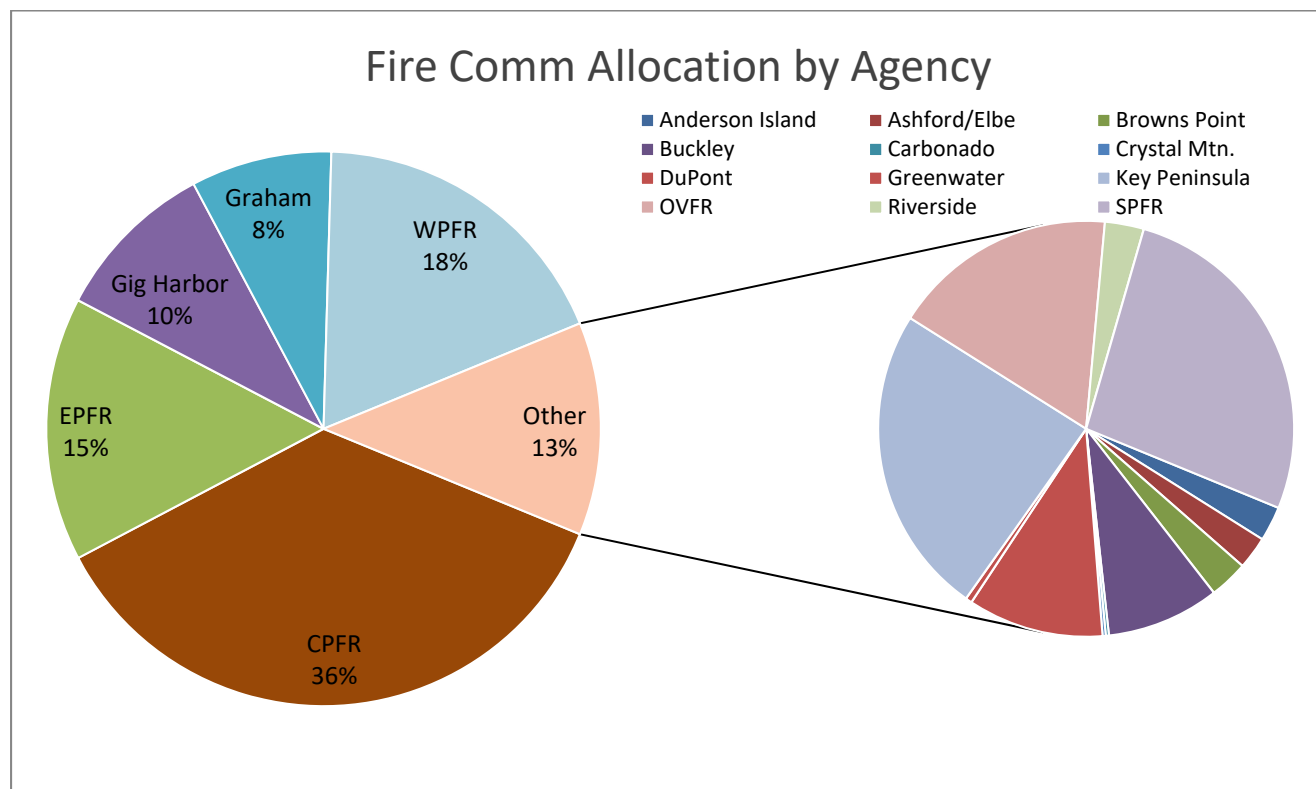


**Fire Services:**

○ Central Pierce Fire & Rescue	36%
○ East Pierce Fire & Rescue	15%
○ Gig Harbor Fire	10%
○ Graham Fire & Rescue	8%
○ West Pierce Fire & Rescue	18%

- 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 13%

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



### Overview of the Financial Statements

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

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

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

sector business. The government-wide financial statements are prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (GAAP).

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. The Agency's fund financial statements are prepared on the modified accrual basis in accordance with GAAP.

*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.

*Fiduciary Funds* are used to account for resources held for the benefit of parties other than the Agency. Fiduciary funds are not reported in the government-wide financial statements because the resources of these funds are not available to support the Agency's own programs.

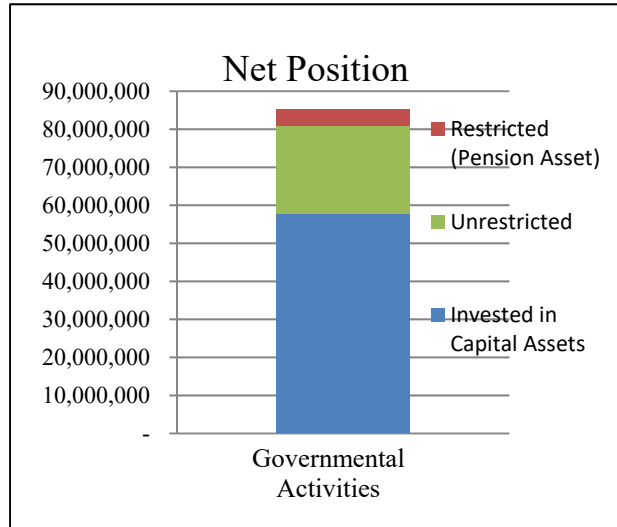
South Sound 911 has two governmental funds and two fiduciary funds. The Agency does not have any enterprise (business-type) funds to report in 2021.

*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, 2021 is \$85,339,904, of which \$57,837,911 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 \$27,501,993 of South Sound 911's net position includes \$4,464,754 restricted for pension assets and \$23,037,239 unrestricted, meaning it is available for meeting the ongoing obligations of the Agency.



The following table provides a summary of the Agency's net position for 2021 compared to 2020.

### Statement of Net Position

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current and other assets	\$30,103,145	\$26,454,461
Net pension asset	19,852,960	914,997
Capital assets	57,837,911	44,386,896
<b>Total Assets</b>	<b>107,794,015</b>	<b>71,756,353</b>
<b>Deferred Outflows</b>	<b>2,909,876</b>	<b>3,328,581</b>
<b>Liabilities</b>		
Long-term debt	3,356,634	8,984,469
Other liabilities	2,265,527	3,750,080
<b>Total Liabilities</b>	<b>5,622,161</b>	<b>12,734,549</b>
<b>Deferred Inflows</b>	<b>19,741,826</b>	<b>2,753,706</b>
<b>Net Position</b>		
Invested in capital	57,837,911	44,386,896
Restricted for Pension Asset	4,464,754	
Unrestricted	23,037,239	15,209,784
<b>Total Net Position</b>	<b>\$85,339,904</b>	<b>\$59,596,679</b>



### Statement of Activities

The following table shows the changes in net position for the year 2021 compared to 2020.

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Program Revenues:		
Charges for services	\$42,495,769	\$38,187,923
Operating grants/contributions	857	109,410
Capital grants/contributions	18,486,735	33,614,425
General Revenues:		
Interest/investment earnings	19,851	116,806
Transfers	-	-
Total Revenues	<u>\$61,003,212</u>	<u>\$72,028,564</u>
Program Expenses:		
Security of persons/property	<u>35,259,987</u>	<u>38,320,292</u>
Total Expenses	<u>\$35,259,987</u>	<u>\$38,320,292</u>
Net increase (decrease) in Net Position	25,743,225	33,708,271
Net Position – Beginning of Year	59,596,679	25,883,609
Adjustment to Net Position	-	4,799
Net Position – End of Year	<u>\$85,339,904</u>	<u>\$59,596,679</u>

### Government-Wide Financial Analysis

In 2021, there was a net increase in net position of \$25,743,225, which is mostly attributed to capital expenditures associated with the completion of the PSCC. Construction and related building costs in 2021 totaled \$15,677,568. A significant increase in the net pension asset also contributed to the overall increase in net position. CIP, which totaled \$39,990,256 on the Statement of Net Position on December 31, 2020 was reduced by a net of \$39,885,253 due to the completion of the PSCC. The remaining \$105,003 is associated with the remodel of the backup facility.

Revenues from the one-tenth of one percent sales and use tax were higher than anticipated in 2021, which added to the total Agency fund balance.

### Governmental Funds

The governmental funds, as presented on the balance sheet, reported a combined fund balance of \$27,945,656, which is 22.5% more than the beginning of the year. The high fund balance is being maintained until strategic planning for radio system replacement, future capital and ongoing operational support occurs with the Board of Directors.

**General Fund** – Total fund balance is \$25,828,652 on December 31, 2021, which includes \$7.7M set aside in reserve funds for capital, future allocations and emergency purposes. This amount is over \$5.8M 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 2021, expenditures were for final construction of the facility, moving costs and purchases of furniture, fixtures and equipment. Phase two of the facility project is the remodel of the previous law enforcement communications center, which serves 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 future capital costs for public safety emergency communications. Total expenditures recorded on the Statement of Revenues, Expenditures and Changes in Fund Balances were approximately 20% less than 2020 due to the reduction in capital outlays for the PSCC project. Operational expenditures recorded in the General Fund were about 3% less than 2020. Operational revenues for the Agency increased by nearly 11% in 2021, which was primarily due to the increase of 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 2021.

- The 2021 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.
- \$586K of the budgeted contingency of \$800K was used to cover overtime costs associated with moving to the PSCC, rental fees due to the delay in occupying the new building, COVID disinfection costs and salaries and wages for Records due to increasing volume of firearm permitting.
- 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.

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 nearly \$8M higher due to actual one-tenth of one percent sales and use tax revenue being significantly higher than the amount anticipated when the 2021 Budget was adopted.
- Revenue from interest on investments was significantly less than anticipated due to declining rates of return.
- Savings in salaries, wages and personnel benefits totaled approximately \$2.6M due to position vacancies.
- Supplies and other services were \$1.4M less than anticipated, which was primarily due to savings for service and maintenance costs associated with the PSCC.
- Capital outlay was slightly 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. CIP of \$1M is related to generator replacement work at the backup facility. The significant increases in buildings, building improvements, land improvements and machinery and equipment are related to the PSCC. There were no other significant changes in capital assets in 2021.

The Agency has no long-term debt.

### **Other Potentially Significant Matters**

The Agency continues to monitor one-tenth of one percent sales and use tax revenues, inflation and other economic factors as a result of the COVID-19 pandemic. Staffing shortages continue to affect overtime costs and attrition rates, so the Agency has made both hiring and training a priority.

In mid-2022, the Board of Directors will be providing strategic direction for the future use of the one-tenth of one percent sales and use tax revenues. In addition, the Pierce County Council has designated South Sound 911 as the 911 Program Office and all 911 excise tax revenue will be directed to South Sound 911 in 2023.

### **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:

3580 Pacific Avenue  
Tacoma, WA 98418  
(253) 287-4804  
[info@SouthSound911.org](mailto:info@SouthSound911.org)

**South Sound 911**  
**Statement of Net Position**  
December 31, 2022

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 34,290,890
Receivables, Net	257,493
Capital Assets:	
Non Depreciable	
Construction in Progress	60,161
Leased Land	2,950,000
Depreciable, Net	
Buildings	44,819,907
Property and Equipment	11,201,706
Leasehold Improvements	320,428
Intangible	150,607
Leased Assets	1,415,529
Net Pension Asset	7,533,630
 Total Assets	 <u>103,000,352</u>
 <b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	<u>7,890,877</u>
 <b>Liabilities</b>	
Accounts Payable and other Current Liabilities	636,380
Accrued Wages and Benefits Payable	1,211,816
Unearned Revenue	-
Non-Current Liabilities:	
Due Within One Year	216,328
Due in More Than One Year	<u>6,749,637</u>
 Total Liabilities	 <u>8,814,162</u>
 <b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Leases	191,752
Deferred Inflows Related to Pension	<u>7,579,750</u>
 Total Deferred Inflows of Resources	 <u>7,771,503</u>
 <b>Net Position</b>	
Investment in Capital Assets	59,408,934
Restricted for:	
Pension Asset	8,018,088
Unrestricted	<u>26,878,543</u>
 <b>Total Net Position</b>	 <u><u>\$ 94,305,565</u></u>

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

**South Sound 911**  
**Statement of Net Position**  
December 31, 2021

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 28,578,630
Receivables, Net	861,044
Due from Other Governments	663,470
Capital Assets:	
Non Depreciable	
Construction in Progress	105,003
Depreciable, Net	
Buildings	44,615,544
Property and Equipment	12,856,359
Leasehold Improvements	48,060
Intangible	212,946
Net Pension Asset	19,852,960
Total Assets	<u>107,794,015</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	<u>2,909,876</u>
<b>Liabilities</b>	
Accounts Payable and other Current Liabilities	1,005,890
Accrued Wages and Benefits Payable	1,121,629
Due to Other Governments	-
Unearned Revenue	29,970
Non-Current Liabilities:	
Due Within One Year	108,039
Due in More Than One Year	<u>3,356,634</u>
Total Liabilities	<u>5,622,161</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pension	<u>19,741,826</u>
<b>Net Position</b>	
Investment in Capital Assets	57,837,911
Restricted for:	
Pension Asset	4,464,754
Unrestricted	<u>23,037,239</u>
<b>Total Net Position</b>	<u><u>\$ 85,339,904</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Security of Persons & Property	\$ 45,773,464	47,780,622	323,298	3,294,246	\$ 5,624,701
Interest on Long-Term Debt	108,070				(108,070)
<b>Total Governmental Activities</b>	<b>\$ 45,881,534</b>	<b>\$ 47,780,622</b>	<b>\$ 323,298</b>	<b>\$ 3,294,246</b>	<b>\$ 5,516,631</b>
<b>Total Primary Government</b>	<b>\$ 45,881,534</b>	<b>\$ 47,780,622</b>	<b>\$ 323,298</b>	<b>\$ 3,294,246</b>	<b>\$ 5,516,631</b>
General Revenues:					
Interest and Investment Earnings					410,199
Interest - Leases					9,467
Transfers:					-
Total General Revenues, Special Items, and Transfers					\$ 419,666
Change in Net Position					5,936,297
Net Position Beginning of Year					85,339,904
Prior Period Adjustments					3,029,364
<b>Net Position End of Year</b>					<b>\$ 94,305,565</b>

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Security of Persons & Property	\$ 35,259,987	42,495,769	857	18,486,735	\$ 25,723,374
Interest on Long-Term Debt	-				-
<b>Total Governmental Activities</b>	<b>\$ 35,259,987</b>	<b>\$ 42,495,769</b>	<b>\$ 857</b>	<b>\$ 18,486,735</b>	<b>\$ 25,723,374</b>
<b>Total Primary Government</b>	<b>\$ 35,259,987</b>	<b>\$ 42,495,769</b>	<b>\$ 857</b>	<b>\$ 18,486,735</b>	<b>\$ 25,723,374</b>
General Revenues:					
Interest and Investment Earnings					19,851
Transfers:					-
Total General Revenues, Special Items, and Transfers					\$ 19,851
Change in Net Position					25,743,225
Net Position Beginning of Year					59,596,679
<b>Net Position End of Year</b>					<b>\$ 85,339,904</b>

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

**South Sound 911**  
**Balance Sheet - Governmental Funds**  
December 31, 2022

	<u>General</u>	<u>911 Program Office</u>	<u>Facility Capital Project</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 30,098,161	\$ 1,239,775	\$ 2,952,955	\$ 34,290,890
Receivables, Net	248,131	9,362	-	257,493
Due from Other Governments	-	-	-	-
	<u>30,346,292</u>	<u>1,249,137</u>	<u>2,952,955</u>	<u>34,548,383</u>
Total Assets				
	30,346,292	1,249,137	2,952,955	34,548,383
Deferred Outflows of Resources	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 30,346,292</u></b>	<b><u>\$ 1,249,137</u></b>	<b><u>\$ 2,952,955</u></b>	<b><u>\$ 34,548,383</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	505,829	15,740	114,810	636,380
Accrued Wages and Benefits Payable	1,203,172	8,644	-	1,211,816
Unearned Revenue	-	-	-	-
	<u>1,709,002</u>	<u>24,385</u>	<u>114,810</u>	<u>1,848,197</u>
Total Liabilities				
	1,709,002	24,385	114,810	1,848,197
Deferred Inflows of Resources	191,752	-	-	191,752
Fund Balances:				
Restricted	-	-	-	-
Assigned	14,091,706	1,224,752	2,838,144	18,154,601
Unassigned	14,353,832	-	-	14,353,832
	<u>28,445,537</u>	<u>1,224,752</u>	<u>2,838,144</u>	<u>32,508,433</u>
Total Fund Balances				
	28,445,537	1,224,752	2,838,144	32,508,433
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 30,346,292</u></b>	<b><u>\$ 1,249,137</u></b>	<b><u>\$ 2,952,955</u></b>	<b><u>\$ 34,548,383</u></b>

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



**South Sound 911**  
**Balance Sheet - Governmental Funds**  
December 31, 2021

	<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	\$ 26,651,858	\$ 1,926,772	\$ -	\$ 28,578,630
Receivables, Net	861,044	-	-	861,044
Due from Other Governments	-	663,470	-	663,470
<b>Total Assets</b>	<b><u>\$ 27,512,903</u></b>	<b><u>\$ 2,590,242</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,103,145</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	532,652	473,238	-	1,005,890
Accrued Wages and Benefits Payable	1,121,629	-	-	1,121,629
Unearned Revenue	29,970	-	-	29,970
<b>Total Liabilities</b>	<b><u>1,684,250</u></b>	<b><u>473,238</u></b>	<b><u>-</u></b>	<b><u>2,157,489</u></b>
Fund Balances:				
Assigned	7,733,320	2,117,004	-	9,850,324
Unassigned	18,095,332	-	-	18,095,332
<b>Total Fund Balances</b>	<b><u>25,828,652</u></b>	<b><u>2,117,004</u></b>	<b><u>-</u></b>	<b><u>27,945,656</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 27,512,903</u></b>	<b><u>\$ 2,590,242</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,103,145</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, 2022**

Fund Balances - Total Governmental Funds		\$ 32,508,433
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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	\$ 60,161	
Leased Land	2,950,000	
Buildings, Net of Depreciation	44,819,907	
Property and Equipment, Net of Depreciation	11,201,706	
Leasehold Improvements, Net of Depreciation	320,428	
Intangible Assets, Net of Depreciation	150,607	
Leased Assets, Net of Depreciation	<u>1,415,529</u>	60,918,340

Pension assets are not financial resources and therefore are not reported in the governmental funds.	<u>7,533,630</u>	7,533,630
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Deferred outflows/(inflows) related to pension are not reported in the governmental funds.	<u>311,127</u>	311,127
--	----------------	---------

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>(6,965,965)</u>	(6,965,965)
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<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 94,305,565</u></u></b>
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See the notes to the financial statements

**South Sound 911**  
**Reconciliation of the Balance Sheet**  
**to the Statement of Net Position**  
**Governmental Funds**  
**December 31, 2021**

Fund Balances - Total Governmental Funds		\$ 27,945,656
--	--	---------------

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	\$ 105,003	
Buildings, Net of Depreciation	44,615,544	
Property and Equipment, Net of Depreciation	12,856,359	
Leasehold Improvements, Net of Depreciation	48,060	
Intangible Assets, Net of Depreciation	<u>212,946</u>	57,837,911

Pension assets are not financial resources and therefore are not reported in the governmental funds.	<u>19,852,960</u>	19,852,960
--	-------------------	------------

Deferred outflows/(inflows) related to pension are not reported in the governmental funds.	<u>(16,831,951)</u>	(16,831,951)
--	---------------------	--------------

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>(3,464,672)</u>	(3,464,672)
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<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 85,339,904</u></u></b>
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See the notes to the financial statements

**South Sound 911**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	<b>General</b>	<b>911 Program Office</b>	<b>Facility Capital Project</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Licenses and Permits	\$ 385,875	\$ -	\$ -	\$ 385,875
Intergovernmental	16,200,016	7,544,621	3,294,246	27,038,882
Charges for Services	23,654,395	-	-	23,654,395
Investment Earnings	419,666	-	-	419,666
Miscellaneous	275,419	-	-	275,419
Total Revenues	<u>40,935,371</u>	<u>7,544,621</u>	<u>3,294,246</u>	<u>51,774,237</u>
<b>Expenditures</b>				
Current:				
Security of Persons & Property	42,694,761	416,439	809,196	43,920,396
Debt Service:				
Principal	108,320	-	-	108,320
Interest and Other Charges	108,070	-	-	108,070
Capital Outlay	310,765	-	2,763,909	3,074,674
Total Expenditures	<u>43,221,916</u>	<u>416,439</u>	<u>3,573,105</u>	<u>47,211,460</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>(2,286,545)</u>	<u>7,128,182</u>	<u>(278,860)</u>	<u>4,562,777</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,903,430	-	1,000,000	5,903,430
Transfers Out	<u>-</u>	<u>(5,903,430)</u>	<u>-</u>	<u>(5,903,430)</u>
Total Other Financing Sources (Uses)	<u>4,903,430</u>	<u>(5,903,430)</u>	<u>1,000,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	2,616,885	1,224,752	721,140	4,562,777
Fund Balances Beginning of Year	25,828,652	-	2,117,004	27,945,656
<b>Fund Balances End of Year</b>	<u><u>\$ 28,445,537</u></u>	<u><u>\$ 1,224,752</u></u>	<u><u>\$ 2,838,144</u></u>	<u><u>\$ 32,508,433</u></u>

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

**South Sound 911**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2021**

	<b>General</b>	<b>Facility Capital Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Licenses and Permits	\$ 390,194	\$ -	-	\$ 390,194
Intergovernmental	18,266,453	18,486,735	-	36,753,188
Charges for Services	23,676,638	-	-	23,676,638
Investment Earnings	19,851	-	-	19,851
Miscellaneous	109,873	-	-	109,873
Total Revenues	<u>42,463,009</u>	<u>18,486,735</u>	<u>-</u>	<u>60,949,744</u>
<b>Expenditures</b>				
Current:				
Security of Persons & Property	37,074,319	2,918,235	-	39,992,554
Debt Service:				-
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	141,151	15,677,568	-	15,818,719
Total Expenditures	<u>37,215,470</u>	<u>18,595,803</u>	<u>-</u>	<u>55,811,273</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>5,247,539</u>	<u>(109,068)</u>	<u>-</u>	<u>5,138,471</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	5,247,539	(109,068)	-	5,138,471
Fund Balances Beginning of Year	20,581,114	2,226,072	-	22,807,185
Prior Period Adjustments	-	-	-	-
<b>Fund Balances End of Year</b>	<u><u>\$ 25,828,652</u></u>	<u><u>\$ 2,117,004</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,945,656</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, 2022**

Net Changes in Fund Balances - Total Governmental Funds		\$ 4,562,777
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	\$ 3,074,674	
Less Current Year Depreciation	<u>(4,359,775)</u>	(1,285,101)
Amortization Expense for leases 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>(173,240)</u>	(173,240)
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>169,915</u>	169,915
Pension Revenue reported in the Statement of Activities is not yet available and therefore, is not reported as revenue in governmental funds.		
	<u>43,593</u>	43,593
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>2,618,352</u>	2,618,352
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 5,936,297</u></b>

See the notes to the financial statements

**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, 2021**

Net Changes in Fund Balances - Total Governmental Funds		\$ 5,138,471
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	\$ 15,818,719	
Less Current Year Depreciation	<u>(2,367,704)</u>	13,451,015
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>(87,233)</u>	(87,233)
Pension Revenue reported in the Statement of Activities is not yet available and therefore, is not reported as revenue in governmental funds.		
	<u>53,468</u>	53,468
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>7,187,504</u>	7,187,504
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 25,743,225</u></b>

See the notes to the financial statements

**South Sound 911**  
**Statement of Fiduciary Net Position**  
December 31, 2022

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 341,623	46,658
Accounts Receivable		39,678
Total Assets	<u>341,623</u>	<u>86,337</u>
<b>Liabilities</b>		
Accounts Payable and other Current Liabilities	5,949	-
Due to Other Governments	<u>-</u>	<u>76,249</u>
Total Liabilities	<u>5,949</u>	<u>76,249</u>
<b>Net Position</b>		
Restricted for:		
Held in Trust for Pension and OPEB	335,674	-
Individuals, Organizations and Other Governments	<u>-</u>	<u>10,087</u>
<b>Total Net Position</b>	<u><u>\$ 335,674</u></u>	<u><u>\$ 10,087</u></u>

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



**South Sound 911**  
**Statement of Fiduciary Net Position**  
December 31, 2021

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 253,723	189,793
Total Assets	<u>253,723</u>	<u>189,793</u>
<b>Liabilities</b>		
Accounts Payable and other Current Liabilities	4,637	-
Due to Other Governments	<u>-</u>	<u>158,190</u>
Total Liabilities	<u>4,637</u>	<u>158,190</u>
<b>Net Position</b>		
Restricted for:		
Held in Trust for Pension and OPEB	249,085	-
Individuals, Organizations and Other Governments	<u>-</u>	<u>31,603</u>
<b>Total Net Position</b>	<u><u>\$ 249,085</u></u>	<u><u>\$ 31,603</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, 2022

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 154,746	\$ -
Plan Members	41,299	-
Permit and License Fees Collected for Other Governments	-	545,606
	<hr/>	<hr/>
Total Additions	196,045	545,606
	<hr/>	<hr/>
<b>Deductions:</b>		
Benefits Paid to Participants or Beneficiaries	109,456	-
Permit and License Fees Paid to Other Governments	-	567,122
Total Deductions	109,456	567,122
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	86,589	(21,516)
	<hr/>	<hr/>
Net Position - Beginning of Year	249,085	31,603
	-	-
<b>Net Position - End of Year</b>	<b>\$ 335,674</b>	<b>\$ 10,087</b>
	<hr/> <hr/>	<hr/> <hr/>

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, 2021

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 94,000	\$ -
Plan Members	22,978	-
Licensing Fees Collected for Other Governments	-	526,065
	<hr/>	<hr/>
Total Additions	116,978	526,065
	<hr/>	<hr/>
<b>Deductions:</b>		
Benefits Paid to Participants or Beneficiaries	88,100	-
Receipts Distributed to Other Governments	-	553,102
Total Deductions	88,100	553,102
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	28,878	(27,037)
	<hr/>	<hr/>
Net Position - Beginning of Year	220,207	-
Adjustment to Beginning Balance for Change in Accounting Principle	-	58,640
<b>Net Position - End of Year</b>	<b>\$ 249,085</b>	<b>\$ 31,603</b>
	<hr/> <hr/>	<hr/> <hr/>

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, 2022 through December 31, 2022**

***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**

South Sound 911 Public Authority (“South Sound 911” or “Agency”) was chartered by the City of Tacoma on July 9, 2019 and operates under the laws of the state of Washington applicable to a Public Development Authority. The Agency was originally established as an interlocal agency following approval of Proposition 1 by Pierce County voters on November 8, 2011. South Sound 911 provides a modern, unified emergency communication and response system to partner agencies and the residents of Pierce County, including:

1. Enhanced 911 operations, call-taking, and dispatch services;
2. Law enforcement records management services;
3. Performing public records and licensing services;
4. Managing the 911 Program Office for Pierce County.

**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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) 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. Taxes 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 the latter 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:

- 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.
- The 911 Program Office Fund is a special revenue fund used to account for the financial resources that support the 911 Program Office. *See note 2.*

- **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.

Additionally, the Agency reports the following fund types:

- The pension and other benefit trust fund is used to account for employee contributions to a Flexible Spending Account (FSA) and employer contributions to a Health Reimbursement Arrangement (HRA) that are held in trust.
- The custodial fund is used to account for fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

### **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.

### **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.

**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, 2022, South Sound 911 was holding \$35,453,634 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 private individuals or organizations for goods or services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Outstanding customer accounts and lease receivable balances on December 31, 2022 were \$49,760 and \$198,371, respectively.

**4. 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 the Agency as assets with an estimated useful life of more than one year and an individual cost in excess of the applicable asset threshold. 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.

In 2022, the Agency established capitalization thresholds for different classes of capital assets to align with best practices recommended by the Government Finance Officers Association (GFOA). This is a significant change from prior years, which utilized a single capitalization threshold of \$5,000. The objective of this change was to allow the Agency to report and depreciate substantially all capital asset value while eliminating the cost of tracking a large number of small-value items, without a material effect on the financial statements. The Agency applied the changes in capitalization thresholds prospectively to new capital asset acquisitions, effective fiscal year 2022. There were no adjustments made to assets capitalized under the previous threshold.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years	Capitalization Thresholds	
		Effective 2022	Prior Periods
Land	No limit	All	All
Buildings	50 - 80	\$ 100,000	\$ 5,000
Improvements	5 - 25	\$ 100,000	\$ 5,000
Equipment:			
Machinery & equipment	2 - 10	\$ 10,000	\$ 5,000
Network & communications	5 - 10	\$ 25,000	\$ 5,000
Intangible Assets	2 - 10	\$ 50,000	\$ 5,000

## 5. Leases

### *Lessee*

South Sound 911 is a lessee for noncancelable leases. The Agency recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Agency recognizes lease liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

### *Lessor*

South Sound 911 is a lessor for noncancelable leases. The Agency recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Agency uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

## **6. 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 75 percent 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.

## **7. Pensions – See Note #6**

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

For purposes of calculating the restricted net position related to the net pension asset, the Agency includes the net pension asset and the related deferred outflows and deferred inflows.

## **8. Other Accrued Liabilities**

These accounts consist of accrued wages and accrued employee benefits.

## **9. Fund Balance Classification and Details**

In the fund financial statements, governmental funds report fund classification that comprise a hierarchy based on the extent to which the Agency is bound to honor constraints on how the amounts in those funds can be spent.



Amounts that are restricted by specific purposes stipulated by external resource providers, imposed by law through constitutional provisions or enabling legislation are classified as restricted 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, 2022 were for an emergency strategic reserve, allocation reduction, capital replacement, future radio improvements/replacements, the 911 Program Office, 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.

#### **10. Minimum Fund Balance**

The South Sound 911 Public Authority Financial Policies require a minimum fund balance of no less than 15 percent of budgeted general operating expenditures.

#### **11. Net Position Classification**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### ***NOTE 2 – ACCOUNTING AND REPORTING CHANGES***

**New Fund:** The Agency established the following fund in 2022:

#### Special Revenue Fund:

The 911 Program Office Fund was introduced upon the transition of the 911 Program Office from Pierce County to the South Sound 911. The fund is primarily supported by the county-wide \$0.70 911 excise tax revenue.

**New GASB Standards:** In 2022, the Agency implemented the following new accounting standard:

GASB Statement No. 87, Leases, is effective for fiscal years beginning after June 15, 2021. The primary objective of this Statement is to improve accounting and financial reporting for leases by establishing a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities that were previously classified as operating. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Agency recorded a prior period adjustment of \$3,029,364 on the Statement of Activities to increase the beginning net position to record the impact of reporting leases that were in effect prior to the implementation date.

**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, 2022, South Sound 911 had \$950 in imprest accounts.

As of December 31, 2022, \$10,495,291 was on deposit with the Pierce County Treasurer.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Agency would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Agency's deposits and certificates of deposit are mostly 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). The Agency does not have a deposit policy for custodial credit risk.

**B. INVESTMENTS**

All surplus cash is held with Pierce County Treasury and invested on behalf of South Sound 911. As of December 31, 2022, South Sound 911 has the following investments and maturities:

Investment Type	Amortized Cost	Investment Maturities (In Months)				
		Less than 1	2 to 3	4 to 6	7 to 12	More than 12
Local Government Investment Pool	\$24,958,343	24,958,343	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$24,958,343</b>	<b>\$24,958,343</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>.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency does not have a formal policy that addresses credit risk.

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2022 was as follows:

<b>Governmental Activities</b>	<b>Balance 1/1/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2022</b>
Capital Assets, not being depreciated:				
Construction in Progress	\$ 105,003	\$ 60,161	\$ (105,003)	\$ 60,161
Leased Land*	2,950,000	-	-	2,950,000
	<u>3,055,003</u>	<u>60,161</u>	<u>(105,003)</u>	<u>3,010,161</u>
Capital Assets, being depreciated:				
Building	45,294,588	1,934,600	(5,374)	47,223,815
Machinery & Equipment	22,997,457	673,525	(824,903)	22,846,079
Improvements other than Buildings	347,583	297,739	-	645,322
Intangible Assets	1,031,232	219,025	(191,584)	1,058,673
Leased Assets*	1,817,984	-	-	1,817,984
Total Capital Assets being depreciated	<u>71,488,844</u>	<u>3,124,889</u>	<u>(1,021,861)</u>	<u>73,591,872</u>
Less Accumulated Depreciation for:				
Building	(679,044)	(1,724,863)	-	(2,403,907)
Machinery & Equipment	(10,145,898)	(2,287,957)	789,481	(11,644,373)
Improvements other than Buildings	(299,524)	(25,370)	-	(324,894)
Intangible Assets	(818,286)	(281,364)	191,584	(908,066)
Leased Assets*	(229,214)	(173,240)	-	(402,454)
Total Accumulated Depreciation	<u>(12,171,966)</u>	<u>(4,492,794)</u>	<u>981,065</u>	<u>(15,683,695)</u>
Total Capital Assets being depreciated, net	<u><b>59,316,878</b></u>	<u><b>(1,367,905)</b></u>	<u><b>(40,796)</b></u>	<u><b>57,908,177</b></u>
Governmental Activities				
Capital Assets, net	<u>\$ 62,371,881</u>	<u>\$ (1,307,744)</u>	<u>\$ (145,799)</u>	<u>\$ 60,918,338</u>

\*Asset balances recorded on 1/1/2022 are a result of the implementation of GASB Statement No. 87 – Leases. Leases include outstanding liabilities of \$1,509,405 presented on the Statement of Net Position. See Note #9.

Depreciation expense of \$4,359,775 was charged to Security of Persons and Property.

**NOTE 5 – LEASES****Lessor***PSCC Office Space*

The City of Tacoma rents office space from South Sound 911. The 1,906 square footage area resides in the Public Safety Communications Center (“PSCC”), the Agency’s primary facility. The lease term commenced on January 1, 2022 and expires on December 31, 2036. The rent is based on an annual rate of \$23 per square ft for 2022, with an annual 3% escalator for subsequent years within the lease term.

In 2022, the Agency recognized \$40,990 of lease revenue and \$9,467 of interest revenue from this lease.

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	37,475	7,678	45,153
2024	40,779	5,729	46,508
2025	44,293	3,610	47,903
2026	48,029	1,311	49,340
<b>Total</b>	<b>\$ 170,576</b>	<b>\$ 18,328</b>	<b>\$ 188,904</b>

## Lessee

### *Land*

South Sound 911 has a ground lease with Pierce County for the property on which the Agency constructed its new facility (PSCC). In 2019, the County issued bonds to finance the construction of the PSCC with the agreement that the County deducts the bond payments from the one-tenth of one percent emergency communications sales tax revenue prior to distributing the revenue to South Sound 911. The lease provides the Agency the right to purchase the land as improved for the purchase price of \$2.95 million in rent, contingent on South Sound 911's repayment of the bond proceeds. South Sound 911 prepaid the entirety of the \$2.95 million rent and; as such, ownership will transfer to the Agency upon the bond maturity and retirement in 2036. The Agency reports an intangible right-to-use asset for this lease, but does not amortize the lease as the underlying asset is nondepreciable, in accordance with GASB 87, Paragraph 32. Furthermore, South Sound 911 does not report an associated lease liability since no future payments are due on the lease.

### *Building*

The Agency leases a building from Pierce County, with the authority to remodel the existing facility for use as a back-up communications center ("Backup Facility"). This is a 14-year operating lease that expires on June 30, 2036, with an option to terminate no sooner than April 1, 2024, with prior notice of ninety (90) days. The current lease contains a tenant option to extend for up to two additional five-year terms.

In 2022, lease payments for the Backup Facility totaled \$131,544.

### *Equipment*

The Agency leases three servers for computer-aided dispatch (CAD) and network operations. The terms are five years, the earliest of which expires in 2023 and remaining agreements ending in 2024. South Sound 911 will not exercise the purchase option allowed in the lease agreements.

In 2022, lease payments for the three servers totaled \$84,846.

### *Lessee Summary*

As of December 31, 2022, the Agency reported the following lease assets:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Leased Land	2,950,000	-	-	2,950,000
Leased Building	1,391,681	-	-	1,391,681
Leased Equipment	197,089	-	-	197,089
<b>Total</b>	<b>\$ 4,538,770</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,538,770</b>
Accumulated Depreciation:				
Leased Building	(189,223)	(95,978)	-	(285,201)
Leased Equipment	(39,991)	(77,262)	-	(117,253)
<b>Total</b>	<b>\$ (229,214)</b>	<b>\$ (173,240)</b>	<b>\$ -</b>	<b>\$ (402,454)</b>

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	118,484	101,854	220,338
2024	91,290	94,981	186,271
2025	54,450	89,286	143,736
2026	62,840	85,210	148,050
2027	71,973	80,523	152,496
2028 - 2032	526,976	306,940	833,916
2033 - 2036	437,571	41,169	478,740
<b>Total</b>	<b>\$ 1,363,583</b>	<b>\$ 799,964</b>	<b>\$ 2,163,547</b>

## **NOTE 6 – PENSION PLANS**

### **DEFINED CONTRIBUTION PLAN**

The Agency provides a defined contribution plan under Section 401(a) of the Internal Revenue Code, which is administered by Mission Square (formerly known as ICMA) through a qualifying trust. The name of the plan is South Sound 911 Public Authority Social Security Replacement Plan (“401(a) Plan”). The Agency makes contributions on behalf of all eligible employees to the 401(a) Plan, in addition to mandatory contributions made by the employee. Contribution rates are established under the authority of the Agency and mirror the Social Security tax rate of 6.2% of wages up to the annual Social Security Wage Base maximum. All contributions to the 401(a) Plan are 100 percent vested.

For the year ended December 31, 2022, the employee and employer contributions to the 401(a) Plan were approximately \$1,537,070. The Social Security Wage Base maximum for the 2022 fiscal year was \$147,000.

### **DEFINED BENEFIT PLAN**

The following table represents the aggregate pension amounts for all plans for the year 2022.

<b>Aggregate Pension Amounts – All Plans</b>	
Pension Liabilities	(\$3,825,832)
Pension Assets	7,533,630
Deferred Outflows of Resources	7,890,862
Deferred Inflows of Resources	(7,579,746)
Pension Expense/Expenditures	(141,610)

### **STATE SPONSORED PENSION PLANS**

Substantially all South Sound 911 full-time and qualifying part-time employees participate in one of the following 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 2022, 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 2022. Total employer contributions were \$30,590 for the year ended December 31, 2022.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR 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 annual comprehensive financial report (ACFR) 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).

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

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.

**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.

#### Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

#### **PERS Plan 1**

<u>Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee*</u>
<i>January – August 2022</i>		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
<i>September – December 2022</i>		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

*\*For employees participating in JBM, the contribution rate was 12.26%*

**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.

### Contributions

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 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
<i>January – August 2022</i>		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
<i>September – December 2022</i>		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

*\*For employees participating in JBM, the contribution rate was 15.90%*

The Agency's actual PERS Plan 2/3 contributions were \$901,189 to PERS Plan 1 and \$1,525,361 to PERS Plan 2/3 for the year ended December 31, 2022.

## **B. 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.

### Contributions

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 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

#### LEOFF Plan 2

<u>Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
<i>January – December 2022</i>		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.71%</b>	<b>8.53%</b>

The Agency's actual contributions to the plan were \$50,192 for the year ended December 31, 2022.

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, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the Agency as its proportionate share of this amount is \$43,593.

## C. ACTUARIAL ASSUMPTIONS

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age 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 of 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 their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

#### **D. DISCOUNT RATE**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

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 7.0% was used to determine the total liability.

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

The long-term expected rate of return on the DRS pension plan investments of 7.0% 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 (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

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

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

**G. 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%, 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% or 1-percentage point higher (8%) than the current rate.

	<b>1% Decrease (6%)</b>	<b>Current Discount Rate (7%)</b>	<b>1% Increase (8%)</b>
PERS 1	5,111,258	3,825,832	2,703,955
PERS 2/3	7,831,499	(6,650,215)	(18,547,859)
LEOFF 2	(40,680)	(883,415)	(1,573,121)

**H. 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.

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

At June 30, 2022, the Agency reported its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 3,825,832
PERS 2/3	(6,650,215)
LEOFF 2	(883,415)

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	\$ (883,415)
State's proportionate share of the net pension asset associated with the employer	(572,257)
<b>Total</b>	<b>\$ (1,455,672)</b>

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

	<b>Proportionate Share 6/30/21</b>	<b>Proportionate Share 6/30/22</b>	<b>Change in Proportion</b>
PERS 1	0.136258%	0.137404%	0.001146%
PERS 2/3	0.175052%	0.179310%	0.004258%
LEOFF 2	0.041577%	0.032506%	(0.009071%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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 2022, the State of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

#### J. PENSION EXPENSE

For the year ended December 31, 2022, the Agency recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 1,792,581
PERS 2/3	(2,081,873)
LEOFF 2	147,682
<b>TOTAL</b>	<b>\$ (141,610)</b>

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

At December 31, 2022, 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	-	(634,053)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	460,711	-
<b>TOTAL</b>	<b>\$ 460,711</b>	<b>\$ (634,053)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,647,768	\$ (150,544)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,916,553)
Changes of assumptions	3,706,577	(970,514)
Changes in proportion and differences between contributions and proportionate share of contributions	339,830	(217,342)
Contributions subsequent to the measurement date	770,661	-
<b>TOTAL</b>	<b>\$ 6,464,835</b>	<b>\$ (6,254,953)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 209,914	\$ (8,197)
Net difference between projected and actual investment earnings on pension plan investments	-	(295,801)
Changes of assumptions	223,794	(76,921)
Changes in proportion and differences between contributions and proportionate share of contributions	506,524	(309,821)
Contributions subsequent to the measurement date	25,083	-
<b>TOTAL</b>	<b>\$ 965,316</b>	<b>\$ (690,740)</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, 2022. 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>	<b>Year ended 12/31:</b>	<b>PERS 2/3</b>	<b>Year ended 12/31:</b>	<b>LEOFF 2</b>
2023	(268,318)	2023	(1,414,143)	2023	(90,251)
2024	(243,702)	2024	(1,317,205)	2024	(77,880)
2025	(305,717)	2025	(1,614,546)	2025	(104,522)
2026	183,684	2026	2,246,965	2026	130,243
2027	-	2027	767,767	2027	49,581
Thereafter	-	Thereafter	770,384	Thereafter	342,312
<b>Total</b>	<b>(634,053)</b>	<b>Total</b>	<b>(560,779)</b>	<b>Total</b>	<b>249,492</b>

## **NOTE 7 - RISK MANAGEMENT**

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

South Sound 911 is a member of the Washington Cities Insurance Agency (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 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

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 2022, payment of claims totaled \$7,426.35.

## **NOTE 8 – 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, 2022, 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 2022, 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.

**South Sound 911 Public Authority**  
**Notes to the Financial Statements**  
**January 1, 2021 through December 31, 2021**

***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.

Additionally, the Agency reports the following fund types:

- The pension and other benefit trust fund is used to account for employee and employer contributions Health Savings Account (HSA) and employer contributions to a Health Reimbursement Arrangement (HRA) that are held in trust.
- The custodial fund is used to account for fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

**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.

## **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.

## **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, 2021, South Sound 911 was holding \$29,022,146 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The entire amount was held by Pierce County Treasury.

### **2. Investments – See Note #4**

### **3. Receivables**

Customer accounts receivable consist of amounts owed from other governmental agencies for services. Outstanding customer accounts receivable balances on December 31, 2021 were \$861,044.

### **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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### **5. Restricted Assets and Liabilities**

These accounts contain resources for construction and debt service. On December 31, 2021, there were no restricted assets or current portions of related liabilities to record.

### **6. Capital Assets – See Note #5**

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

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and Structures	80
Building Improvements	10 - 25
Improvements Other than Buildings	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 75 percent 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 #6

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

For purposes of calculating the restricted net position related to the net pension asset, the Agency includes the net pension asset and the related deferred outflows and deferred inflows.

## 9. Other Accrued Liabilities

The balance sheet includes \$1,121,629 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 \$29,970 represents funds collected through this program prior to the Agency providing services as of December 31, 2021.

**12. Fund Balance Classification and Details**

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, 2021 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, 2021.

**13. Minimum Fund Balance**

The South Sound 911 Public Authority Financial Policies require a minimum fund balance of no less than 15 percent of budgeted general operating expenditures.

**14. Net Position Classification**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

During 2021, the Agency implemented the following new accounting standard issued by GASB:

*GASB 84 – Fiduciary Activities.* The primary objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes. The requirements of this statement enhance financial reporting by improving consistency and comparability of fiduciary activity reporting by state and local governments. The statement is also intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. As a result of implementing this statement, the Agency reports Custodial Funds and Pension and Other Employee Benefit Trust Funds as fiduciary activities on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

**NOTE 3 – 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 4 - 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, 2021, South Sound 911 had \$1,200 in imprest accounts.

As of December 31, 2021, \$4,543,839 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).

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Agency would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Agency's deposits and certificates of deposit are mostly 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). The Agency does not have a deposit policy for custodial credit risk.

## B. INVESTMENTS

All surplus cash is held with Pierce County Treasury and invested on behalf of South Sound 911. As of December 31, 2021, 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	\$24,547,574	24,547,574	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$24,547,574</b>	<b>\$24,547,574</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, 2021, South Sound 911 had the following investments measured at fair value:

Investments Measured at Amortized Cost	12/31/2021	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	\$24,547,574	\$24,547,574	\$ -	\$ -
<b>Total Investments Measured at Amortized Cost</b>	<b>\$24,547,574</b>	<b>\$24,547,574</b>	<b>\$ -</b>	<b>\$ -</b>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency does not have a formal policy that addresses credit risk.

#### **NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2021 was as follows:

Governmental Activities	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital Assets, not being depreciated:				
Construction in Progress	\$39,990,256	\$105,003	(\$39,990,256)	\$105,003
Capital Assets, being depreciated:				
Building	-	25,082,396	-	25,082,396
Building Improvements	-	16,339,828	-	16,339,828
Land Improvements	-	3,872,365	-	3,872,365
Intangible Assets	1,132,500	266,464	(367,732)	1,031,232
Improvements other than Buildings	347,583	-	-	347,583
Machinery and Equipment	12,964,624	10,147,824	(110,191)	23,002,257
Total Capital Assets being depreciated	\$14,444,707	\$55,708,877	(\$477,924)	\$69,675,660
Less Accumulated Depreciation for:				
Building	-	(130,637)	-	(130,637)
Building Improvements	-	(448,530)	-	(448,530)
Land Improvements	-	(99,877)	-	(99,877)
Intangible Assets	(1,097,059)	(88,959)	367,732	(818,286)
Improvements other than Buildings	(274,884)	(24,641)	-	(299,525)
Machinery and Equipment	(8,676,125)	(1,575,056)	105,283	(10,145,898)
Total Accumulated Depreciation	(\$10,048,067)	(\$2,367,700)	\$473,015	(\$11,942,752)
Total Capital Assets, being depreciated, net	\$4,396,640	\$53,341,177	(\$4,909)	\$57,732,908
Governmental Activities Capital Assets, net	\$44,386,896	\$53,446,180	(\$39,995,165)	\$57,837,911



Depreciation expense of \$2,367,704 was charged to Security of Persons and Property.

In June 2021, the Agency completed construction of the new Public Safety Communications Center (PSCC), which allowed the Agency to relocate employees from four locations to one building. The capital asset balances noted in the table above reflect the financial impacts of these events, including the capitalization of construction costs once the building and related machinery and equipment were placed in service.

## **NOTE 6 – PENSION PLANS**

### **DEFINED CONTRIBUTION PLAN**

The Agency provides a defined contribution plan under Section 401(a) of the Internal Revenue Code, which is administered by Mission Square (formerly known as ICMA) through a qualifying trust. The name of the plan is South Sound 911 Public Authority Social Security Replacement Plan (“401(a) Plan”). The Agency makes contributions on behalf of all eligible employees to the 401(a) Plan, in addition to mandatory contributions made by the employee. Contribution rates are established under the authority of the Agency and mirror the Social Security tax rate of 6.2% of wages up to the annual Social Security Wage Base maximum. All contributions to the 401(a) Plan are 100 percent vested.

For the year ended December 31, 2021, the employee and employer contributions to the 401(a) Plan were approximately \$1,425,932. The Social Security Wage Base maximum for the 2021 fiscal year was \$142,800.

### **DEFINED BENEFIT PLAN**

The following table represents the aggregate pension amounts for all plans for the year 2021.

<b>Aggregate Pension Amounts – All Plans</b>	
Pension Liabilities	(\$1,664,029)
Pension Assets	19,852,960
Deferred Outflows of Resources	2,909,864
Deferred Inflows of Resources	(19,741,822)
Pension Expense/Expenditures	(4,686,155)

### **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 2021, 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 2021. Total employer contributions were \$28,886.

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).

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

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.

### **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.

#### Contributions

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 2021 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2021:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>
July – December 2021:		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>

### 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.

### Contributions

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 2021 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>

The Agency's actual PERS Plan 2/3 contributions were \$2,421,432 (\$908,568 to PERS Plan 1 UAAL and \$1,512,864 to PERS Plan 2/3) for the year ended December 31, 2021.

## B. 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.

### Contributions

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 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>
July – December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>

The Agency's actual contributions to the plan were \$79,912 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the Agency as its proportionate share of this amount is \$53,468.

## C. ACTUARIAL ASSUMPTIONS

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

#### **D. 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.

#### **E. 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.

#### F. 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, 2021, 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>	

#### G. 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	2,834,767	1,664,029	643,025
PERS 2/3	(4,967,746)	(17,437,996)	(27,707,252)
LEOFF 2	(1,522,878)	(2,414,964)	(3,145,405)

#### H. 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.

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

At June 30, 2021, the Agency reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$1,664,029
PERS 2/3	(17,437,996)
LEOFF 2	(2,414,964)



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	(\$2,414,964)
State's proportionate share of the net pension asset associated with the employer	(1,557,916)
<b>Total</b>	<b>(\$3,972,880)</b>

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

	<b>Proportionate Share 6/30/20</b>	<b>Proportionate Share 6/30/21</b>	<b>Change in Proportion</b>
PERS 1	0.142450%	0.136258%	(0.006192%)
PERS 2/3	0.183324%	0.175052%	(0.008272%)
LEOFF 2	0.044856%	0.041577%	(0.003279%)

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 2021, the State of Washington contributed 39% of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61% of employer contributions.

## **J. PENSION EXPENSE**

For the year ended December 31, 2021, the Agency recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	(\$525,898)
PERS 2/3	(3,837,373)
LEOFF 2	(322,884)
<b>TOTAL</b>	<b>(\$4,686,155)</b>



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

At December 31, 2021, 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	-	(1,846,515)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	402,764	-
<b>TOTAL</b>	<b>\$402,764</b>	<b>(\$1,846,515)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$846,938	(\$213,773)
Net difference between projected and actual investment earnings on pension plan investments	-	(14,574,074)
Changes of assumptions	25,482	(1,238,386)
Changes in proportion and differences between contributions and proportionate share of contributions	498,337	(219,522)
Contributions subsequent to the measurement date	689,866	-
<b>TOTAL</b>	<b>2,060,624</b>	<b>(16,245,756)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$109,534	(\$12,763)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,151,472)
Changes of assumptions	1,044	(114,856)
Changes in proportion and differences between contributions and proportionate share of contributions	297,883	(370,460)
Contributions subsequent to the measurement date	38,012	-
<b>TOTAL</b>	<b>\$446,473</b>	<b>(\$1,649,551)</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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended 12/31:	PERS 1	Year ended 12/31:	PERS 2/3	Year ended 12/31:	LEOFF 2
2022	(\$489,142)	2022	(\$3,877,342)	2022	(\$331,939)
2023	448,232)	2023	(3,615,494)	2023	(310,996)
2024	(423,822)	2024	(3,522,487)	2024	(295,172)
2025	(485,319)	2025	(3,812,957)	2025	(329,248)
2026	-	2026	(43,830)	2026	(28,971)
Thereafter	-	Thereafter	(2,887)	Thereafter	55,235

## **NOTE 7 - 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 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$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 2021, payment of claims totaled \$22,034.

## **NOTE 8 – 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, 2021, 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 9 – CHANGE IN LONG-TERM LIABILITIES**

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 1/1/2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2021</b>	<b>Due Within One Year</b>
Governmental Activities:					
Pension Liabilities	\$7,373,863	-	\$5,709,834	\$1,664,029	-
Compensated Absences	1,713,411	350,363	263,130	1,800,644	108,039
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$9,087,274</b>	<b>\$350,363</b>	<b>\$5,972,964</b>	<b>\$3,464,673</b>	<b>\$108,039</b>

**NOTE 10 – OPERATING LEASES**

South Sound 911 has one lease agreement with Pierce County for current facilities, herein referred to as “35<sup>th</sup> Street”. The agreement authorizes the Agency to remodel the existing facility for use as a back-up communications center. This is a 14-year operating lease that expires on June 30, 2036, with an option to terminate no sooner than April 1, 2024, with prior notice of ninety (90) days. The current lease contains a tenant option to extend for up to two additional five-year terms. The lease payments for 35<sup>th</sup> Street totaled \$54,000 in 2021. Future lease payments, assuming options to terminate are not exercised, are as follows:

<b>Year Ending December 31</b>	<b>Amount</b>
2022	\$131,544
2023	\$135,492
2024	\$139,554
2025	\$143,736
2026	\$148,050
2027 – 2036	\$1,647,240

**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 known 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 Agency reported an adjustment of \$58,640 in the Custodial Fiduciary Funds. The Agency implemented GASB 84 in 2020 and this adjustment was necessary to more correctly align a portion of the liability and equity balances from 2020 to 2021.

**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 COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

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). 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 2021 Budget. 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 2022, Pierce County designated the Agency as the 911 Program Office, which was previously managed by the Pierce County Department of Emergency Management. As such, the County will remit the entire 70-cent 911 excise tax to the Agency beginning in 2023 as agreed to in an amended interlocal funding agreement. The resulting financial impact of the increased revenue and additional program costs are unknown.

**NOTE 9 - CHANGE IN LONG-TERM LIABILITIES**

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
Pension Liabilities	\$1,664,029	\$2,161,803	-	\$ 3,825,832	-
Compensated Absences	1,800,644	254,003	423,918	1,630,728	97,844
Leases	1,617,726	-	108,320	1,509,405	118,484
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$5,082,398</b>	<b>\$2,415,806</b>	<b>\$532,238</b>	<b>\$ 6,965,965</b>	<b>\$ 216,328</b>

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS**

Interfund transfers at December 31, 2022 were as follows:

<b>Transfer To</b>	<b>Transfer From:</b>	
	<b>911 Program Office</b>	<b>Total</b>
General Fund	\$ 4,903,440	\$ 4,903,440
Capital	1,000,000	1,000,000
<b>Total</b>	<b>\$ 5,903,440</b>	<b>\$ 5,903,440</b>

The purpose of the transfer from the 911 Program Office to the General Fund was to support 911 call-taking functions. The Agency also transferred \$1,000,000 to the Facilities Capital Project Fund for the 911 phone system in the PSCC.

**South Sound 911**  
**Budgetary Comparison Schedule**  
**General Fund**  
For the Year Ended December 31, 2022

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Variance</b>
<b>Resources (Inflows):</b>				
Licenses and Permits	\$ 300,000	\$ 350,000	\$ 385,875	\$ 35,875
Intergovernmental	17,902,820	12,999,390	16,200,016	3,200,626
Charges for Services	23,561,250	23,569,000	23,654,395	85,395
Interest	25,000	70,000	419,666	349,666
Miscellaneous	116,160	116,160	275,419	159,259
Transfers from Other Funds	-	4,903,430	4,903,430	-
Amounts Available for Appropriation	41,905,230	42,007,980	45,838,801	3,830,821
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	36,378,440	37,658,440	34,516,224	3,142,216
Supplies, Other Services	6,982,640	9,784,970	8,394,927	1,390,043
Capital Outlay	420,000	620,000	310,765	309,235
Transfer to Other Funds	-	-	-	-
Total Charges to Appropriations	43,781,080	48,063,410	43,221,916	4,841,494
<b>Budgetary Fund Balance Excess (Use)</b>	<b>(1,875,850)</b>	<b>(6,055,430)</b>	<b>2,616,885</b>	<b>8,672,315</b>

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



**South Sound 911**  
**Budgetary Comparison Schedule**  
**General Fund**  
For the Year Ended December 31, 2021

	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original Budget 2021</b>	<b>Revised Budget 2021</b>	<b>12/31/2021 (Budgetary Basis)</b>	<b>Variance</b>
<b>Resources (Inflows):</b>				
Licenses and Permits	\$ 300,000	\$ 300,000	\$ 390,194	\$ 90,194
Intergovernmental	10,313,030	10,313,030	18,266,453	7,953,423
Charges for Services	23,603,710	23,603,710	23,676,638	72,928
Interest	150,000	150,000	19,851	(130,149)
Miscellaneous	-	-	109,873	109,873
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	<u>34,366,740</u>	<u>34,366,740</u>	<u>42,463,009</u>	<u>8,096,269</u>
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	34,358,920	34,682,230	32,026,699	2,655,531
Supplies, Other Services	6,807,720	6,506,130	5,047,620	1,458,510
Capital Outlay	165,000	143,280	141,151	2,129
Transfer to Other Funds	-	-	-	-
Total Charges to Appropriations	<u>41,331,640</u>	<u>41,331,640</u>	<u>37,215,470</u>	<u>4,116,170</u>
<b>Budgetary Fund Balance Excess (Use)</b>	<u>(6,964,900)</u>	<u>(6,964,900)</u>	<u>5,247,539</u>	<u>12,212,439</u>

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

**South Sound 911**  
**Budgetary Comparison Schedule**  
**911 Program Office**  
For the Year Ended December 31, 2022

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Variance</b>
<b>Resources (Inflows):</b>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	7,392,860	7,544,621	151,761
Charges for Services	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	-	7,392,860	7,544,621	151,761
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Security of Persons & Property:				
Salaries, Wages & Personnel Benefits	-	209,240	172,772	36,468
Supplies, Other Services	-	470,350	243,667	226,683
Capital Outlay	-	-	-	-
Transfer to Other Funds	-	5,903,430	5,903,430	-
Total Charges to Appropriations	-	6,583,020	6,319,869	263,151
<b>Budgetary Fund Balance Excess (Use)</b>	-	809,840	1,224,752	414,912

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, 2022 through December 31, 2022**

**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:

- In June 2022, South Sound 911 was delegated as the 911 Program Office for Pierce County. Upon this transition, the Board of Directors passed Resolution 2022-04 to introduce the 911 Program Office fund, which was established to track resources and expenditures applicable to the program. This resulted in the reclassification of the county-wide \$0.70 911 excise tax revenue and associated program costs from the General Fund to the 911 Program Office fund to align resources accordingly.

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

- Intergovernmental revenue exceeded the final budget by \$3,000,000 due to actual one-tenth of one percent sales and use tax revenue being significantly higher than the amount anticipated when the 2022 Budget was adopted.
- Revenue from interest on investments was significantly higher than anticipated due to increasing rates of return.
- Savings in salaries, wages and personnel benefits totaled approximately \$2.4M due to position vacancies.
- Supplies and other services were \$1.4M less than anticipated, of which approximately \$630K was for funds not passed through to the City of Puyallup for radio infrastructure.
- Capital outlay was less than anticipated due to incompleteness of technical projects.

Significant changes between the original and final budget in the 911 Program Office Fund are as follows:

- The fund was established in 2022 and the Board of Directors approved budgeted revenues of \$7.4M and expenditures/transfers of \$6.6M.

There were no significant differences between the final budget for the 911 Program Office Fund and the actual amounts.

**South Sound 911**  
**Notes to the Budgetary Comparison Schedule**  
**January 1, 2021 through December 31, 2021**

**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 2021 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 nearly \$8M higher due to actual one-tenth of one percent sales and use tax revenue being significantly higher than the amount anticipated when the 2021 Budget was adopted.
- Revenue from interest on investments was significantly less than anticipated due to declining rates of return.
- Savings in salaries, wages and personnel benefits totaled approximately \$2.6M due to position vacancies.
- Supplies and other services were \$1.4M less than anticipated, which was primarily due to savings for service and maintenance costs associated with the PSCC.

**South Sound 911**  
**Schedule of Employer Contributions**  
**For the Year Ended December 31**  
**Last 10 Fiscal Years\***

	<b>Public Employees' Retirement System - Plan 1</b>									
	2022	2021	2020	2019	2018	2017	2016	2015		
Statutorily or Contractually Required Contributions	\$ 842,096	\$ 1,014,967	\$ 1,003,254	\$ 970,208	\$ 963,756	\$ 862,708	\$ 824,446	\$ 626,312		
Contributions in Relation to the Statutorily or Contractually Required Contributions	(842,096)	(1,014,967)	(1,003,254)	(970,208)	(963,756)	(862,708)	(824,446)	(626,312)		
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered Payroll	\$ 24,747,602	\$ 21,090,461	\$ 20,773,037	\$ 19,433,310	\$ 18,839,603	\$ 17,369,067	\$ 16,855,083	\$ 13,861,565		
Contributions as a Percentage of Covered Payroll	3.40%	4.81%	4.80%	4.99%	5.12%	4.97%	4.89%	4.52%		

	<b>Public Employees' Retirement System - Plans 2/3</b>									
	2022	2021	2020	2019	2018	2017	2016	2015		
Statutorily or Contractually Required Contributions	\$ 1,440,521	\$ 1,658,215	\$ 1,656,532	\$ 1,490,958	\$ 1,403,138	\$ 1,179,367	\$ 1,029,616	\$ 765,927		
Contributions in Relation to the Statutorily or Contractually Required Contributions	(1,440,521)	1,658,215	(1,656,532)	(1,490,958)	(1,403,138)	(1,179,367)	(1,029,616)	(765,927)		
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered Payroll	\$ 24,747,602	\$ 21,090,461	\$ 20,773,037	\$ 19,320,045	\$ 18,708,438	\$ 17,198,411	\$ 16,526,338	\$ 13,553,952		
Contributions as a Percentage of Covered Payroll	5.82%	7.86%	7.92%	7.72%	7.50%	6.86%	6.23%	5.65%		

\* The accompanying Notes to the Schedule of Employer Contributions are an integral part of this schedule.

**South Sound 911**  
**Schedule of Employer Contributions**  
**For the Year Ended December 31**  
**Last 10 Fiscal Years\***

	<b>Law Enforcement Officers' &amp; Fire Fighters' Retirement System - Plan 2</b>					
	2022	2021	2020	2019	2018	2017
Statutorily or Contractually Required Contributions	\$ 67,297	\$ 82,882	\$ 79,920	\$ 89,997	\$ 102,075	\$ 119,517
Contributions in Relation to the Statutorily or Contractually Required Contributions	(67,297)	(82,882)	(79,920)	(89,997)	(102,075)	(119,517)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,034,931	\$ 1,549,737	\$ 1,545,924	\$ 1,729,693	\$ 1,944,291	\$ 2,322,211
Contributions as a Percentage of Covered Payroll	6.50%	5.35%	5.15%	5.20%	5.25%	5.15%

\* The accompanying 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 1**

For the year ended December 31, 2021  
Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015
Statutorily or Contractually Required Contributions	\$ 1,014,967	\$ 1,003,254	\$ 970,208	\$ 963,756	\$ 862,708	\$ 824,446	\$ 626,312
Contributions in Relation to the Statutorily or Contractually Required Contributions	(1,014,967)	(1,003,254)	(970,208)	(963,756)	(862,708)	(824,446)	(626,312)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 21,090,461	\$ 20,773,037	\$ 19,433,310	\$ 18,839,603	\$ 17,369,067	\$ 16,855,083	\$ 13,861,565
Contributions as a Percentage of Covered Payroll	4.81%	4.80%	4.99%	5.12%	4.97%	4.89%	4.52%

**South Sound 911**  
**Schedule of Employer Contributions**  
**Public Employees' Retirement System - Plan 2/3**

For the year ended December 31, 2021  
Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015
Statutorily or Contractually Required Contributions	\$ 1,658,215	\$ 1,656,532	\$ 1,490,958	\$ 1,403,138	\$ 1,179,367	\$ 1,029,616	\$ 765,927
Contributions in Relation to the Statutorily or Contractually Required Contributions	1,658,215	(1,656,532)	(1,490,958)	(1,403,138)	(1,179,367)	(1,029,616)	(765,927)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 21,090,461	\$ 20,773,037	\$ 19,320,045	\$ 18,708,438	\$ 17,198,411	\$ 16,526,338	\$ 13,553,952
Contributions as a Percentage of Covered Payroll	7.86%	7.92%	7.72%	7.50%	6.86%	6.23%	5.65%



**South Sound 911**  
**Schedule of Employer Contributions**  
**Law Enforcement Officers'/Fire Fighters' Retirement System - Plan 2**

For the year ended December 31, 2021

Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017
Statutorily or Contractually Required Contributions	\$ 82,882	\$ 79,920	\$ 89,997	\$ 102,075	\$ 119,517
Contributions in Relation to the Statutorily or Contractually Required Contributions	(82,882)	(79,920)	(89,997)	(102,075)	(119,517)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,549,737	\$ 1,545,924	\$ 1,729,693	\$ 1,944,291	\$ 2,322,211
Contributions as a Percentage of Covered Payroll	5.35%	5.15%	5.20%	5.25%	5.15%

**South Sound 911**  
**Notes to the Schedule of Employer Contributions**  
**January 1, 2022 through December 31, 2022**

**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 & PLANS 2/3***

PERS Plan 1 and Plans 2/3 employer contribution rates were 10.25% from January 1 through August 31, 2022 and 10.39% from September 1 through December 31, 2022. Both rates include an administrative fee of 0.18%.

In 2022, 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 2022.

Until a full 10-year trend is compiled, only information for those years available is presented. South Sound 911 will present employer contribution information for year 2015 and thereafter. As such, 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 5.30% from January 1 through December 31, 2022. This 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. Until a full 10-year trend is compiled, only information for those years available is presented. As such, a full 10-year trend will be available with the 2026 financial statements.

**South Sound 911**  
**Notes to the Schedule of Employer Contributions**  
**January 1, 2021 through December 31, 2021**

**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 12.97% from January 1, 2021 through June 30, 2021 and 10.25% from July 1, 2021 through December 31, 2021. Both rates include an administrative fee of 0.18%.

In 2021, 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 2021.

Until a full 10-year trend is compiled, only information for those years available is presented. South Sound 911 will present employer contribution information for year 2015 and thereafter. As such, 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, 2021 through June 30, 2021 and 5.30% from July 1, 2021 – December 31, 2021. Both rates include an administrative fee of 0.18%.

South Sound 911 transitioned employees from West Pierce Fire & Rescue on January 1, 2017. The Washington State Department of Retirement Systems (DRS) allowed the continuation of LEOFF membership for only those employees employed by West Pierce Fire & Rescue on December 31, 2016. South Sound 911's participation in LEOFF will be phased out through attrition. Until a full 10-year trend is compiled, only information for those years available is presented. As such, 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**  
As of June 30  
Last 10 Fiscal Years\*

Public Employees' Retirement System - Plan 1									
	2022	2021	2020	2019	2018	2017	2016	2015	
Employer's Proportion of the Net Pension Liability (Asset)	0.137404%	0.136258%	0.142450%	0.139421%	0.135396%	0.139870%	0.128525%	0.119424%	
Employer's Proportionate Share of Net Pension Liability (Asset)	\$ 1,678,024	\$ 4,810,643	\$ 5,477,708	\$ 6,226,589	\$ 6,424,646	\$ 7,511,678	\$ 6,902,398	\$ 6,246,986	
Covered Payroll	\$ 22,473,637	\$ 20,937,026	\$ 21,464,790	\$ 19,474,337	\$ 17,925,530	\$ 17,035,959	\$ 15,074,731	\$ 13,861,565	
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	7.47%	22.98%	25.52%	31.97%	35.84%	44.09%	45.79%	45.07%	
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	

Public Employees' Retirement System - Plans 2/3									
	2022	2021	2020	2019	2018	2017	2016	2015	
Employer's Proportion of the Net Pension Liability (Asset)	0.179310%	0.175052%	0.183324%	0.177313%	0.169159%	0.173813%	0.157046%	0.145879%	
Employer's Proportionate Share of Net Pension Liability (Asset)	\$ (17,862,161)	\$ 2,238,815	\$ 1,780,699	\$ 3,027,462	\$ 5,877,467	\$ 8,751,347	\$ 7,907,142	\$ 5,212,340	
Covered Payroll	\$ 22,473,637	\$ 20,937,026	\$ 21,404,157	\$ 19,299,638	\$ 17,769,897	\$ 16,753,163	\$ 14,765,181	\$ 13,553,952	
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	-79.48%	10.69%	8.32%	15.69%	33.08%	52.24%	53.55%	38.46%	
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	

\* The accompanying Notes to the Schedule of Proportionate Share of Net Pension Liability are an integral part of this schedule.

# South Sound 911

## Schedule of Proportionate Share of the Net Pension Liability

As of June 30  
Last 10 Fiscal Years\*

	Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2					
	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.032506%	0.041577%	0.044856%	0.053587%	0.065153%	0.031983%
Employer's Proportionate Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset)	(1,888,083)	(848,110)	(1,039,176)	\$ (1,087,933)	\$ (904,113)	\$ (186,023)
Associated with the Employer						
TOTAL	<u>\$ (1,888,083)</u>	<u>\$ (848,110)</u>	<u>\$ (1,039,176)</u>	<u>\$ (1,087,933)</u>	<u>\$ (904,113)</u>	<u>\$ (186,023)</u>
Covered Payroll	1,314,074	1,609,341	\$ 1,701,079	\$ 1,866,831	\$ 2,117,694	\$ 1,199,450
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%

\* The accompanying Notes to the Schedule of Proportionate Share of Net Pension Liability 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, 2021  
Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.175052%	0.183324%	0.177313%	0.169159%	0.173813%	0.157046%	0.145879%
Employer's Proportionate Share of Net Pension Liability	2,238,815 \$	1,780,699 \$	3,027,462 \$	5,877,467 \$	8,751,347 \$	7,907,142 \$	5,212,340 \$
Covered Payroll	20,937,026 \$	21,404,157 \$	19,299,638 \$	17,769,897 \$	16,753,163 \$	14,765,181 \$	13,553,952 \$
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	10.69%	8.32%	15.69%	33.08%	52.24%	53.55%	38.46%
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

# **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, 2021  
Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.041577%	0.044856%	0.053587%	0.065153%	0.031983%
Employer's Proportionate Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(848,110)	(1,039,176)	\$ (1,087,933)	\$ (904,113)	\$ (186,023)
<b>TOTAL</b>	<b>\$ (848,110)</b>	<b>\$ (1,039,176)</b>	<b>\$ (1,087,933)</b>	<b>\$ (904,113)</b>	<b>\$ (186,023)</b>
Covered Payroll	1,609,341	\$ 1,701,079	\$ 1,866,831	\$ 2,117,694	\$ 1,199,450
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of Net Pension Liability	142.00%	115.83%	119.43%	118.50%	113.36%

**South Sound 911**  
**Notes to the Schedule of Proportionate Share of Net Pension Liability**  
**As of June 30, 2022**

**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***

Until a full 10-year trend is compiled, only information for those years available is presented. 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 years.

***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.

Until a full 10-year trend is compiled, only information for those years available is presented. 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 10.1 years.



**South Sound 911**  
**Notes to the Schedule of Proportionate Share of Net Pension Liability**  
**As of June 30, 2021**

**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***

Until a full 10-year trend is compiled, only information for those years available is presented. 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 6.8 years.

***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.

Until a full 10-year trend is compiled, only information for those years available is presented. 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 10.3 years.

***NOTE 4 – VALUATION MEASUREMENT DATE***

The valuation measurement date for was June 30, 2021. Therefore, the 2021 covered payroll amounts reported in the schedules are comprised of employee compensation from July 1, 2020 – June 30, 2021. This is a change to the RSI from prior years, which reported covered payroll attributed to January 1<sup>st</sup> – December 31<sup>st</sup>. As such, the covered payroll amounts shown on the Schedule have been updated to reflect the reporting period of July 1<sup>st</sup> – June 30<sup>th</sup> for fiscal years 2015 through 2020.

## ABOUT THE STATE AUDITOR'S OFFICE

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.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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