



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

Valley Communications Center

King County

For the period January 1, 2013 through December 31, 2013

Published December 29, 2014

Report No. 1013348





Washington State Auditor Troy Kelley

December 29, 2014

Board of Appointed Representatives
Valley Communications Center
Kent, Washington

Report on Financial Statements

Please find attached our report on the Valley Communications Center's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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

**Valley Communications Center
King County
January 1, 2013 through December 31, 2013**

Board of Appointed Representatives
Valley Communications Center
Kent, 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 Valley Communications Center, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 23, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

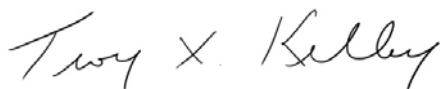
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 23, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Valley Communications Center King County January 1, 2013 through December 31, 2013

Board of Appointed Representatives
Valley Communications Center
Kent, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Valley Communications Center, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Valley Communications Center, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

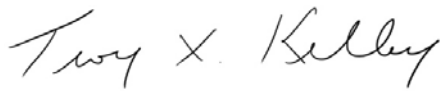
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it 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 December 23, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 23, 2014

FINANCIAL SECTION

**Valley Communications Center
King County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013 and 2012

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2013 and 2012

Comparative Statement of Revenues, Expenses and Changes in Fund Net Position – 2013
and 2012

Comparative Statement of Cash Flows – 2013 and 2012

Notes to Financial Statements – 2013 and 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Valley Communications Center (VCC) discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of VCC's financial activity
- Identify changes in VCC's financial position (ability to meet future year's challenges)
- Identify any material deviations from the approved budget

The Management Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts. Therefore, it should be read in conjunction with Valley Communications Center's financial statements.

Financial Highlights

- The assets of Valley Communications Center exceeded its liabilities at the close of 2013 by \$29.3 million. Of this amount, \$3.8 million may be used to meet VCC's ongoing operating activities and obligations and \$9 million has been restricted for equipment replacement needs, including \$3.1 million for the Computer Aided Dispatch (CAD) replacement project.
- Net position increased by \$832 thousand from last year due to an increase in charges for services from Member and Contact agencies.
- The VCC's financial position is strong and has further improved this year, as evident by the increase in the net position. Increased efficiencies in the operating fund and the continuation of the rolling replacement of critical equipment has reduced the need to spend large amounts for unexpected repairs or emergency purchases.
- VCC remains sensitive to the financial pressures its Member and Contract agencies are facing. When creating the VCC budget, rates are established to ensure fund equity balance does not accumulate. Unexpected fund balances are applied towards large, unexpected technical costs or applied towards buying down debt service of Member cities to the VCC Development Authority.

Overview of the Financial Statements

VCC's financial statements are presented in two parts:

1. Financial Statements
2. Notes to the Financial Statements

Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Fund Financial Statements

The Fund Financial Statements are the traditional reporting format for governments. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. VCC only has one fund type; proprietary fund.

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services

to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

VCC has one type of proprietary fund; an Enterprise fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

Statement of Net Position

The Statement of Net Position serves as a useful indicator of VCC's financial position. VCC's net position, assets in excess of liabilities, on December 31, 2013 totaled \$29.3 million. Following is a condensed version of the statement of net position that compares net position for years 2013, 2012, and 2011.

NET POSITION (IN THOUSANDS)

	2013	2012*	2011*
Current and other assets	\$ 17,683	\$ 16,881	\$ 16,733
Capital assets, net	13,320	13,096	12,607
Total assets	31,003	29,977	29,340
Current liabilities	1,026	871	1,039
Noncurrent liabilities	707	668	643
Total liabilities	1,733	1,539	1,682
Net position			
Invested in capital assets	13,320	13,096	12,607
Restricted	12,185	11,820	11,248
Unrestricted	3,765	3,522	3,803
Total net position	\$ 29,270	\$ 28,438	\$ 27,658

*Restated for current year classifications.

Total Assets

VCC's total assets continue to increase from year-to-year. The increase is due to an increase in cash equivalent reserves and in net capital assets. VCC is required to accumulate reserves for equipment replacement, 800MHz radio system, and for the self-insured Health and Welfare Benefits Program. In 2013, VCC cash equivalent reserves increased \$802 thousand; 4.8% compared to a 0.9% increase in prior year.

VCC's net capital assets increased 1.7% in 2013 compared to a 3.9% in prior year. Included in the 2013 \$13.3 million net capital assets total is \$4.8 million of work in progress projects for 2013

and \$3.9 million for 2012. Work in progress increased 22% from 2012 to 2013 and 14% in prior year. Work in progress projects are capitalized similarly to regular capital assets, but do not accumulate depreciation until the project status is complete. At the end of 2013, CAD project, 2 New Paging Sites project 2013, and Generator Connection project were reported in work in progress. The 2 New Paging Sites project 2013 and Generator Connection project are new projects started in 2013. The status of these projects is discussed in Note 4.B of the accompanying notes to the financial statements.

Total Liabilities

The 12.6% increase in liabilities from 2012 to 2013 is primarily attributed to an increase in accounts payable and in claims incurred but not reported (IBNR). The IBNR increased 35.8% from 2012 compared to a 3.3% decrease from prior year. The 8.5% decrease in liabilities from 2011 to 2012 is primarily attributed to a decrease in accounts payable, as available invoices from vendors were paid prior to 2012 year-end.

Beginning October 2011, the Center became partially self-insured for healthcare benefits and has reported IBNR of \$259 thousand and \$191 thousand as of December 31 of 2013 and 2012, respectively. Deposits payable include a \$157 thousand paid by Sprint Nextel Corporation towards the Rebanding Project during 2011, of which \$142 thousand remains outstanding at 2013 year-end. This amount will be reduced, as project costs are incurred.

Net Position

The largest component of VCC's net position is its investment in capital assets. These capital assets, \$13.3 million as of December 31, 2013 and \$13.1 million as of December 31, 2012, are comprised of buildings, land, and communication equipment that are used to provide services to public safety agencies and citizens. These assets are critical to our operations and as a result, are not for sale and therefore are not available to fund current and future VCC obligations.

The second largest component of net position, \$12.2 million as of December 31, 2013 and \$11.8 million as of December 31, 2012, represents restricted assets. These funds are restricted for purposes such as equipment replacement and the 800 MHz radio system. Each year, funds are set aside for the replacement of assets deemed critical to emergency response. As these assets are due to be replaced, this money is available for the purchase of this mission critical equipment. A large portion of these funds, \$3.1 million as of December 31, 2013 and \$4.1 million as of December 31, 2012, is reserved specifically for the new CAD replacement project. In November 2009, a vendor was awarded the contract and milestone payments began in December 2009. Milestone payments continued into 2013 for procurement of new hardware infrastructure.

VCC's remaining net position is available for continuing operations. There was a 6.9% increase from 2012 in unrestricted net position mainly due to an increase in accumulated reserves for the self-insured Health and Welfare Benefits Program and a reduction in VCC's contribution to the VCC Development Authority debt service. Incidentally, there was a 7% decrease in 2012 from 2011 in unrestricted net position mainly due to the Administration Board's decision to contribute \$380 thousand to the VCC Development Authority debt service.

Statement of Revenues, Expenses and Changes in Fund Net Position

The condensed statement of changes in net position, which follows, shows that net position increased by \$832 thousand during 2013. This increase is primarily due to the increased revenues from Member and Contract cities for charges for services, as contribution and rate were increased. In 2012, net position increased by \$780 thousand reflecting a federal capital grant contribution and increased revenues from Member and Contract cities.

CHANGES IN NET POSITION (IN THOUSANDS)

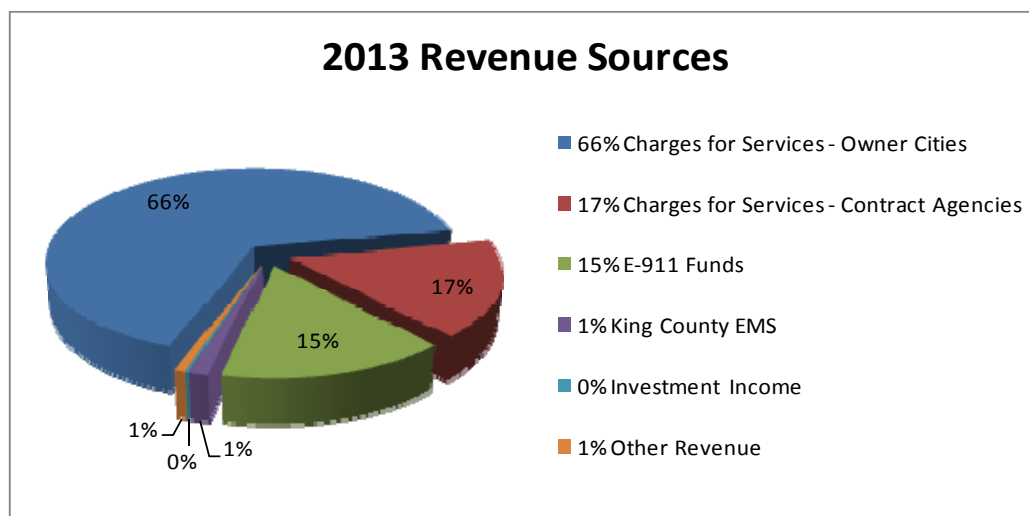
	2013	2012*	2011*
Program revenue			
Charges for service	\$ 12,680	\$ 11,865	\$ 11,407
Intergovernmental	2,501	2,495	3,154
General revenue			
Other nonoperating revenue	101	139	105
Total revenue	15,282	14,499	14,666
Operating expenses	14,248	13,656	13,290
Nonoperating expenses	202	417	321
Total expenses	14,450	14,073	13,611
Excess (deficiency) before contributions	832	426	1,055
Capital contributions	-	354	-
Change in net position	832	780	1,055
Beginning net position - Jan 1	28,438	27,658	26,603
Ending net position - Dec 31	\$ 29,270	\$ 28,438	\$ 27,658

*Restated for current year classifications.

Revenues

Total revenue increased in 2013 by 5.4% with a 6.9% increase in charges for service revenue, which offset the overall 2.7% increase in total expenses. In 2012, the increase in charges for services was 4.0%, which offset the 3.4% increase in total expenses. Valley Com's E-911 escrow account distributions during 2013 were stable, while the 2012 distribution decreased from 2011 due to an additional distribution received in 2011, reflected in the increase in 2011 and a decrease in 2012 in intergovernmental revenue.

VCC's revenues are generated primarily through charges for services. The following chart depicts VCC's revenue sources in further detail:



Expenses

Total expenses increased 2.7% in 2013 and 3.4% in 2012, which is directly attributed to an increase of 3.1% and 1.7% in 2013 and 2012, respectively, in personal services and an increase of 7.5% and 6.7% in 2013 and 2012, respectively, in other operation and maintenance. In 2013 both bargaining units had COLA and step increases, while no COLA increase for 2012. In 2013, the total benefits and payroll taxes increased 11.8% due to an increase in employer PERS and medical contribution rates, while benefit costs were mostly stable in 2012.

Long-Term Debt

At year-end, VCC had no outstanding debt. The Administration Board elected to use a portion of the net position balance to help fund the Member Cities debt obligation to the VCC Development Authority in 2013. The debt service contribution was decreased by \$200 thousand for 2013, as compared to 2012.

Budgetary Highlights

The 2013 Budget was approved (Resolution 111) for \$20.6 million in total uses, with \$13.9 million in operating expenses, which is an 8% increase from 2012 actual operating expenses. The increase was attributed mostly to personnel cost (salary and benefits) increases and an increase in professional services. Additionally, VCC contributed \$180 thousand to buy-down VCC Development Authority debt interest and principal in 2013, which is a decrease of \$200 thousand from 2012.

During the year there was a \$1.3 million increase in appropriations between the original and final amended budget. These expenses were funded with accumulated fund net position balance. Following are the main components of the budget amendment (Resolution 113):

- \$431,843 for existing CAD system hardware replacement for alpha servers; funded with a operating funds
- \$430,208 for CAD project milestone payments; funded with equipment replacement funds
- \$195,117 for CAD project infrastructure costs; funded with equipment replacement funds
- \$48,637 for 2 new paging sites project 2012; funded with operating funds
- \$45,000 for chillers; funded with equipment replacement funds
- \$44,558 for 9 existing sites paging project; funded with equipment replacement funds
- \$25,000 for exterior generator connection; funded with operating funds

The 9 existing sites paging project was budgeted for in 2011 and had not been completed; the 2012 budget amendment and subsequently 2013 budget amendment carried-forward the unspent funds from the prior years to complete this project in 2013. Similarly, CAD project milestone, CAD project infrastructure, 2 new paging sites project 2012, and chillers project carried-forward the unspent funds from 2012 into 2013.

Actual 2013 revenues were mostly stable compared to budget with 0.4% increase largely due to a 6.3% increase in charges for services revenue from contract agencies, as call volume increased. The increase from charges for services was partially offset by a change in classification of ACCESS reimbursement budgeted as revenue and actually recorded as reduction in expense. Actual 2013 expenses were 15.4% less than final amended budget, which is mostly due to delay in capital outlays for equipment replacement and CAD project. Personal services were 2.6% under budget due to position vacancies and other operation and maintenance costs were 13.1% under budget due to savings in professional services and operating supplies, as VCC spent frugally.

Other Potentially Significant Matters

Labor Agreements

In September 2011, the Valley Communications Center Employees Association signed their new contract for 2011-2015. The contract calls for no wage increase for 2012, an increase of 1.5% for 2013, an increase of 2% for 2014, and an increase of 3% for 2015.

In September 2011, the Supervisor's Guild signed their contract for 2011-2015. The contract calls for no wage increase for 2012, an increase of 1% - 3%, depending on CPI-W, for 2013, an increase of 2% - 4% for 2014, and an increase of 3% for 2015.

Economic Factors and Next Year's Rates

- The CPI-U for the Seattle-Tacoma-Bremerton continued to fluctuate throughout 2013 and was at 1.3% annual increase as of December 2013.
- Member cities and Contract agencies are seeing modest increases in sales tax and property tax revenues, which translate into modest improvements in their public safety budgets.
- Four Communication Officer I (Call Receiver) positions remain approved but unbudgeted. Due to the long training period, these four hire-ahead positions help VCC stay adequately staffed through the end of the new CAD system implementation while minimizing overtime.
- Public Employees Retirement System (PERS) rates increased to 9.21% in September 2013 and a future increase to 10% is expected, based on the Office of the State Actuary projections.
- Medical and prescription benefit premiums increased 19% to 25% for the 10/2013 - 09/2014 plan year, depending on coverage level, and will further increase for the next plan year, as benefit plan continues to run at a high loss ratio with high claims activity.
- To gain economies-of-scale and increase overall public safety value, King County is evaluating distribution of excise taxes to projects and communication centers.
- Puget Sound Emergency Radio Network (PSERN) regional effort is underway as a replacement for the current King County Emergency Trunked Radio System (KCETRS).

All of these factors were taken into account when VCC prepared its 2014 budget, which reflects a 5.9% increase in operating expenses from the 2013 amended budget, disregarding capital expenses, transfers, and contributions. The 2014 Contract agency rate per call increased 2%, while the average cost-per-call increased 4% for Member cities. This is due to the 4% increase in call volume, which brought down the cost per call. However, Member cities are not charged on a cost per call basis, and their actual overall contribution increased 7% from 2013 to 2014.

To keep 2014 contribution increase at a minimum, the Administration Board approved to continue allocating E-911 escrow funds to be used to fund 18 call receiver positions and 3 administrative IT positions and to continue allocating E-911 funds for equipment to equipment replacement reserve. In 2014, VCC discontinued using accumulated fund net position to buy down Member cities debt service for the VCC Development Authority. An estimated \$489 thousand in ending working capital remains available for use into 2014.

VCC does not currently have any restrictions, commitments or other limitations that would significantly affect the availability of fund resources for future use.

Requests for Information

This financial report is designed to provide a general overview of Valley Communications Center's finances. Questions concerning this report, or requests for additional information, may be addressed to the Finance Manager, Valley Communications Center, 27519 108th Avenue SE, Kent, WA 98030.

Valley Communications Center
Comparative Statement of Net Position
For the Periods Ending December 31, 2013 and 2012

ASSETS

Current assets:	2013	2012
Cash and cash equivalents	\$ 8,294,271	\$ 7,675,883
Receivables:		
Accounts	9,743	5,661
Interest	640	1,107
Due from other governments	422,196	428,392
Restricted assets:		
Cash and cash equivalents	8,956,309	8,769,822
Total current assets	<u>17,683,159</u>	<u>16,880,865</u>
Noncurrent assets:		
Capital assets:		
Land	218,915	218,915
Building	8,160,384	8,242,241
Other improvements	1,099,854	1,056,708
Machinery and equipment	11,884,062	11,543,082
Work in progress	4,803,139	3,927,313
Less accumulated depreciation	(12,846,453)	(11,892,316)
Total noncurrent assets	<u>13,319,902</u>	<u>13,095,944</u>
TOTAL ASSETS	<u>31,003,061</u>	<u>29,976,809</u>

LIABILITIES

Current liabilities:		
Accounts payable	184,076	132,106
Payroll payable	582,929	547,612
Claims incurred but not reported	259,295	190,930
Total current liabilities	<u>1,026,299</u>	<u>870,648</u>
Noncurrent liabilities:		
Deposits payable	142,212	146,384
Compensated absences	564,384	521,410
Total noncurrent liabilities	<u>706,595</u>	<u>667,795</u>
TOTAL LIABILITIES	<u>1,732,895</u>	<u>1,538,442</u>

NET POSITION

Invested in capital assets	13,319,902	13,095,944
Restricted for:		
Equipment replacement	8,951,604	8,721,898
800 MHz radio	3,233,236	3,098,504
Unrestricted	3,765,424	3,522,021
TOTAL NET POSITION	<u>\$ 29,270,166</u>	<u>\$ 28,438,366</u>

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

Valley Communications Center
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Periods Ending December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Charges for services - owner cities	\$ 10,141,071	\$ 9,523,604
Charges for services - contract agencies	2,500,858	2,253,483
Other charges for services	37,593	88,254
Intergovernmental revenue	2,501,176	2,494,906
Total operating revenues	<u>15,180,698</u>	<u>14,360,248</u>
Operating expenses:		
Personal services	11,445,465	11,097,947
Other operation and maintenance	1,764,734	1,641,777
Depreciation	1,038,315	916,564
Total operating expenses	<u>14,248,514</u>	<u>13,656,289</u>
Operating income (loss)	<u>932,183</u>	<u>703,959</u>
Nonoperating revenues (expenses):		
Investment interest	27,352	27,172
Leasehold revenue	60,889	62,142
Other miscellaneous revenue	13,204	50,522
Payment of debt service on behalf of others	(180,000)	(380,000)
Gain (loss) on disposition of capital assets	(21,829)	(37,622)
Total nonoperating revenues (expenses)	<u>(100,383)</u>	<u>(277,787)</u>
Income (loss) before contributions	<u>831,800</u>	<u>426,172</u>
Capital contributions	<u>0</u>	<u>354,303</u>
Change in net position	<u>831,800</u>	<u>780,475</u>
Beginning net position - January 1	28,438,366	27,657,892
Ending net position - December 31	<u>\$ 29,270,166</u>	<u>\$ 28,438,366</u>

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

Valley Communications Center
Comparative Statement of Cash Flows
For the Periods Ending December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from customers and users	\$ 15,182,812	\$ 16,211,658
Cash paid to suppliers for goods and services	(1,716,937)	(1,793,404)
Cash paid to employees	(11,298,810)	(11,090,084)
Net cash provided (used) by operating activities	2,167,065	3,328,170
Cash flows from capital and related financing activities:		
Payment of debt service on behalf of others	(180,000)	(380,000)
Purchases of capital assets	(1,284,102)	(1,088,832)
Leasehold revenue	60,889	62,142
Other miscellaneous revenue	13,204	50,522
Other receipts (payments)	-	-
Net cash provided (used) by capital and related financing activities	(1,390,009)	(1,356,168)
Cash flows from investing activities:		
Interest on investments	27,818	26,677
Net Cash provided (used) by investing activities	27,818	26,677
Net increase (decrease) in cash and cash equivalents	804,875	1,998,678
Cash and cash equivalents - January 1	16,445,705	14,447,027
Cash and cash equivalents - December 31	\$ 17,250,580	\$ 16,445,705
Reconciliation of operating Income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	932,183	703,959
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,038,315	916,564
Changes in assets and liabilities:		
(Increase) decrease in receivables	(4,082)	23,796
(Increase) decrease in due from other governments	6,197	1,827,614
Increase (decrease) in accounts payable	51,970	(140,949)
Increase (decrease) in payroll payable	35,317	(21,146)
Increase (decrease) in claims incurred but not reported	68,365	(6,587)
Increase (decrease) in deposits payable	(4,173)	(10,678)
Increase (decrease) in compensated absences	42,973	35,596
Total adjustments	1,234,882	2,624,211
Net cash provided (used) by operating activities	\$ 2,167,065	\$ 3,328,170
Schedule of noncash investing, capital and related financing activities		
Contributions of capital assets	\$ -	354,303

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

**Valley Communications Center
Notes to Financial Statements
January 1, 2013 through December 31, 2013**

NOTE 1 – Summary of Significant Accounting Policies

Valley Communications Center (VCC), a 911 call receiving and dispatch operation, was established August 20, 1976, when an Interlocal Agreement was entered into by four participating municipal governments; the cities of Renton, Kent, Auburn and Tukwila, by the authority of the "Interlocal Cooperation Act" (R.C.W. 39.34). The duration of the initial agreement was five years, and thereafter automatically extending for consecutive two-year periods, unless terminated by one or more of the participating cities. Any such termination must be in writing and served upon the other cities on or before July 1 in any one year, and such termination shall then become effective on the last day of such year.

On August 4, 1999 the Administration Board of Valley Communications Center voted to include the City of Federal Way as a full participating member city effective January 1, 2000. A new Interlocal Agreement pursuant to RCW 39.34, et seq., was executed by the five participating municipal corporations; the cities of Auburn, Federal Way, Kent, Renton, and Tukwila on April 17, 2000. The agreement reaffirmed Valley Communications Center as a governmental administration agency pursuant to RCW 39.34.030 (3) (b). The Administration Board governs VCC and VCC's powers include, but are not limited to the following:

- a. Recommend action to the legislative bodies of the participating members;
- b. Review and approve budget expenditures;
- c. Establish policies for expenditures of budget items for the Center;
- d. Review and adopt a personnel policy for the Valley Com Center;
- e. Establish a fund or special fund or funds as authorized by RCW 39.34.030 for the operation of the Valley Com Center;
- f. Conduct regular meetings as may be designated by the Administration Board;
- g. Determine what services shall be offered and under what terms they shall be offered;
- h. Enter into agreements with third parties for goods and services necessary to fully implement the purposes of this agreement;
- i. Establish rates for services provided to other members, subscribers or participating agencies;
- j. Direct and supervise the activities of the Operations Board and the Center Director;
- k. Incur debt in the name of the Center to make purchases or contract for services necessary to fully implement the purposes of this agreement;
- l. Enter into agreements with, and receive and distribute funds, from any federal, state, or local agencies;
- m. Receive all funds allocated to the Center from its members;
- n. To purchase, take, receive, lease, take by gift, or otherwise acquire, own, hold, improve, use and otherwise deal in and with real or personal property, or any interest therein, in the name of Valley Communications Center;

- o. To sell, convey, mortgage, pledge, lease, exchange, transfer and otherwise dispose of all of its property and assets;
- p. To sue and be sued, complain and defend, in all courts of competent jurisdiction in the Center's name;
- q. To make and alter by-laws for the administration and regulation of its affairs;
- r. Enter into contracts with future participating members and subscribers to provide communications services;
- s. To hold radio frequency licenses to enable the Center to operate radio communications and dispatch systems to meet its public safety responsibilities;
- t. Any and all other acts necessary to further Valley Communication Center's goals and purpose.

The duration of the agreement was for five (5) years from its effective date, January 1, 2000 and shall automatically be extended for an additional five (5) year period unless terminated as provided. However, the agreement shall not be terminated until all bonds issued by the Valley Communications Center Development Authority have been paid and retired.

Any member city may withdraw its membership and terminate its participation in the agreement by providing written notice and serving that notice on the other member cities on or before December 31 in any one year. After providing notice the member's withdrawal shall become effective on the last day of the year following delivery and service of appropriate notice to all other member cities.

Three (3) or more member cities may, at any one time, by written notice provided to all member cities, call for a complete termination of Valley Communications Center and the agreement. Upon an affirmative supermajority vote (majority plus one) by the member cities, VCC shall be directed to complete business and a date will be set for final termination, which shall be at least one (1) year from the date of the vote to terminate the agreement.

In the event any member city fails to budget and provide the required annual membership funding for VCC, the remaining member cities may, by majority vote, immediately declare the underfunding city to be terminated from this agreement and to have forfeited all its rights under the agreement. The remaining member cities may, at their option, withdraw VCC's emergency communications support with that City or, alternatively enter into a Contracting Agency Agreement under terms and conditions as the remaining member cities accept.

In August 1993, VCC entered into an Interlocal Cooperation Agreement with the sub-regions of King County, Seattle, and Eastside Public Safety Communications Agency (EPSCA). This agreement governs the development, acquisition and installation of the 800 MHz Emergency Radio Communications System funded by a \$57 million King County levy approved in November 1992.

This agreement provides that upon voluntary termination of any sub-region's participation in the System, it surrenders its radio frequencies, relinquishes its equipment and transfers any unexpended levy proceeds and associated equipment replacement reserves to another sub-region or consortium of sub-regions.

In accordance with this agreement, the participating cities of VCC have no equity interest in VCC's 800 MHz Radio System or the fund net position balance of \$5,255,495 and \$5,284,587 as of December 31, 2013 and 2012, respectively.

On July 30, 2009 VCC entered into an Interlocal Cooperative Agreement with King County for the purpose of establishing joint project in support of the regional emergency radio communications system.

This agreement defined the preventative and restorative maintenance and repair services to be provided by King County on reimbursement basis for the VCC owned portion of jointly implemented and maintained part of the regional system.

The financial statements of VCC 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 principles of the Center are described below.

A. REPORTING ENTITY

In 1985 Valley Communications Center (hereafter referred to as VCC), was determined to be a joint venture of the cities of Renton, Kent, Auburn and Tukwila. Shares of equity are included in the financial statements of said cities, beginning in 1985. Commencing January 1, 2000 the City of Federal Way was included as a participant in the joint venture. The shares of equity are now included in the financial statements of Auburn, Federal Way, Kent, Renton, and Tukwila. The purpose of the joint operation is to provide improved consolidated emergency communications (dispatch) services on a 24-hour basis for police, fire, and medical aid, to the five participating cities and to the several subscribing agencies which include King County Fire Districts #2, #20, #43, #44, #47; City of Pacific Police Department; City of Algona Police Department; City of Des Moines Police Department; City of Black Diamond Police Department; SeaTac Fire Department; North Highline Fire Department; Vashon Island Fire Department; King County EMS Units, and SCORE. Separate agreements between Valley Com and the subscribing agencies have been executed which set forth conditions of services and rates charged.

Valley Com is served by an Administration Board composed of the Mayors or designated representatives of the five participating cities of Auburn, Federal Way, Kent, Renton, and Tukwila. The Administration Board is authorized to establish bylaws that govern procedures of the Board and VCC's general operations. Principal functions of the Board include:

- Review and approval of Valley Communications Center's budget (note: VCC's budget is also distributed to each member city and contract agency for incorporation into each entity's budget).
- Appointment and supervision of the Director.
- Approval of administrative and personnel policies.
- Review and approval of contracts and agreements.
- Review and approval of disbursement of funds by VCC.
- Approval or disapproval of recommendations from the Director and the Operations Board.
- Setting of the long term strategic vision for the organization.

In addition, an Operations Board provides recommendations and consists of members from each member city's police and fire departments, including the directors of said departments or their designees. Also on the Operations Board, is an appointed representative of the police and fire contract agencies. The Operations Board performs the following functions:

- Responsible for operational policies and procedures.
- Assists staff and the Administration Board with strategic planning.
- Makes recommendations on the selection of the Director.
- Members serve on supporting groups including the Finance Committee and The Advisory Committee on Technology (ACT).

The five member cities are billed for their assessments on a bi-monthly basis. Payments are to be received in February, April, June, August, October, and December. Contract agencies are billed on a monthly basis for dispatch services based on the actual billable calls. Payments to

vendors are from invoices and are certified by the Director or designee. The Director or designee also approve payroll.

B. MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION

The accounts of VCC are organized on an activity basis, with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. VCC's resources are allocated to and accounted for in a fund, as reported in the financial statements, for the years 2013 and 2012, included in this Annual Report. Following is a description of the proprietary fund type used by VCC.

Proprietary Fund Types

Proprietary funds are reported using the economic resources measurement focus and accrual basis of accounting. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on the statement of net position (balance sheet). The reported net position is segregated into net investment in capital assets, restricted, and unrestricted components. Proprietary fund statement of revenues, expenses, and changes in fund net position (income statement) present increases (revenues and gains) and decreases (expenses and losses) in net fund position. The proprietary fund measurement focus is upon the determination of financial position, net income, and cash flow.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of VCC is charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VCC is comprised of one enterprise fund. For budgetary purposes, VCC's activities are tracked separately by: operating, equipment replacement, contingencies, 800 MHz Radio System, King County E-911 escrow, and healthcare insurance. Equipment replacement tracking was established by Resolution #14, amended by Resolution #34. These assets are reserved for equipment additions/replacements. 800 MHz Radio System tracking was established to segregate the accounting associated with the 800 MHz project's distribution and disbursement of levy proceeds for the development, implementation, and operation of the system. The King County E-911 escrow account was established to segregate the accounting for the excise tax revenues received from land line and cellular phone users that are in escrow for 911 call answering functions. The healthcare insurance fund was established during 2011 to account for healthcare costs of VCC employees and their dependents, as VCC became partially self-insured.

Although budgeted and monitored separately, the six primary activities of VCC are reported as one enterprise fund.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements.

Accrual Basis of Accounting

The accrual basis of accounting is followed in Proprietary Funds. Revenues are recognized when earned and expenses are recognized when incurred.

The member cities provide the majority of revenue to VCC. Financial participation is allocated among the five member cities based on each member city's percent of dispatchable calls, for the period of July 1 through June 30 of the year during budget development.

The following is the 2013 and 2012 calls for service cost distribution of the five member cities:

Member City	2013 Assessment	2012 Assessment
<i>Renton</i>	\$ 2,047,482	\$ 1,946,860
<i>Kent</i>		
Police	2,275,238	2,114,870
Fire RFA	458,156	394,491
<i>Auburn</i>		
Police	1,595,668	1,531,145
Valley Regional Fire	270,054	237,935
<i>Tukwila</i>	956,718	874,543
<i>Federal Way</i>		
Police	1,630,843	1,620,969
South King Fire	432,080	381,754
Totals	\$ 9,666,238	\$ 9,102,567

Earned but unbilled revenues at year-end are accrued and reported in the financial statements. Capital asset purchases are capitalized, and long term liabilities are accounted for. VCC maintains two checking accounts and payments are made by check, electronic fund transfers, and wires.

D. BUDGETARY INFORMATION

Annual appropriated budgets are adopted for proprietary funds. NCGA Statement No. 1 affirmed by GASB Statement No. 1 does not require, and the financial statements do not present, budgetary comparisons for these funds.

Annual appropriated budgets are adopted as one fund. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control tool, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

VCC's budget procedures are in accordance with Section 8.0 of the Interlocal Agreement, as adopted April 17, 2000, and include:

1. The Director solicits future budget goals and feedback from the Operations Board, Finance Committee, and the Administration Board for the future year budget development.
2. The Director submits a proposed budget to the Operations Board and Finance Committee on or before August 15th of each year, and the Boards submit their feedback.
3. The budget is submitted to the Administration Board by September 1st of each year.
4. The member cities are informed of the proposed budget and the required financial participation for the ensuing year. VCC may expend no funds until proper funds have been appropriated by each member city in their budget.

The Director is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenses of the fund, or that affect the number of authorized employee positions, salary ranges, or other conditions of employment must be approved by the Administration Board. VCC does not use encumbrance accounting.

The following are budget resolutions adopted for the year 2013 and 2012:

2013 Budget	
Budget adopted by Resoultion #111	\$ 20,559,849
Budget admendments adopted by Resolution #113	1,288,992
2013 Budget as amended	\$ 21,848,841

2012 Budget	
Budget adopted by Resoultion #107	\$ 18,141,869
Budget admendments adopted by Resolution #110	1,094,380
2012 Budget as amended	\$ 19,236,249

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes all monies in checking and savings accounts, petty cash funds, the Local Government Investment Pool, and the King County Residual Investment Pool.

It is VCC's policy to invest all temporary cash surpluses. As of December 31, 2013, all cash surpluses were invested in the Local Government Investment Pool (LGIP) and King County Residual Investment Pool. The Center considers all highly liquid investments (including restricted assets) to be cash equivalents.

The amounts reported as cash and cash equivalents also include modest compensating balances maintained with certain banks in lieu of payment for services rendered.

F. RECEIVABLES & DUE FROM OTHER GOVERNMENTS

Accounts receivable and due from other governments consist of amounts owed from organizations for services received, including amounts owed for which billings have not been prepared. Accrued interest due on investments is also included.

G. CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include land, buildings, equipment and other improvements, are defined by VCC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation. See Note 4 for additional information.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Work in progress costs are transferred to their respective capital asset category upon completion.

Depreciation is charged to operations using the straight-line method based on the estimated useful life. The estimated useful lives of depreciable assets are as follows:

Buildings	25-50 years
Other Improvements	5-40 years
Equipment	3-20 years

H. COMPENSATED ABSENCES

VCC has two labor contracts with employees. Both contracts call for the accumulation of vacation, personal holiday, and sick leave. At termination of employment, employees may receive cash payments for accumulated vacation and personal holiday leave, based on current wages at termination.

The Employee Association contract states that the maximum accrued vacation and holiday leave carry over from one year to another is 180 hours. Twice per year, employees are given an option to sellback their accrued holiday hours up to 88 hrs. Sick leave maximum accrual is 960 hours. There is no payment for accrued sick leave at termination for Association employees. However, there is a provision for a partial payment upon retirement after 10 years of service, with a \$4,500 maximum payout. The Association contract expires 12/31/2015.

The Supervisor's Guild contract states that the maximum accrued vacation carry over from one year to another is 240 hours. Sick leave maximum accrual is 960 hours. There is no payment for accrued sick leave at termination for Guild employees. However, there is a provision for a partial payment upon retirement after 10 years of service, with a \$4,500 maximum payout. The Guild contract expires 12/31/2015.

Non-represented employees are covered under Administrative Employee Salary & Benefits standard operating procedures, which state that the maximum accrued vacation is 360 hours. Sick leave maximum accrual is 720 hours and upon termination sick leave may be compensated on a one-for-three basis to a maximum of 240 hours of unused sick leave.

Accumulated amounts of vacation, personal holiday, and sick leave are accrued as expenses when incurred in proprietary funds, and included in liabilities under accrued payroll payable and compensated absences, as applicable.

I. PERSONNEL BENEFIT CONTRIBUTIONS

VCC contributes to personnel benefit plans. The plans include medical, dental, and vision; retirement; industrial insurance, and unemployment compensation; Social Security (Medicare portion only); life insurance and disability for non-represented and supervisor employees only. In November 1977, VCC's employees elected not to participate in the Federal Social Security

System. Retirement, industrial insurance, unemployment compensation, and social security are established by federal/state regulations.

J. NET POSITION

Portions of net position are restricted for equipment replacement and 800 MHz radio use, as reflected in the financial statements as follows:

Net Position:	2013	2012
Invested in Capital Assets	\$ 11,297,643	\$ 10,909,861
Invested in Capital Assets (800 MHz)	2,022,259	2,186,083
Restricted for Equipment Replacement	8,951,604	8,721,898
Restricted for 800 MHz	3,233,236	3,098,504
Unrestricted	3,765,424	3,522,021
Total Net Position	\$ 29,270,166	\$ 28,438,366

K. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations.

NOTE 3– Deposits and Investments

Valley Communications Center's bank 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). The deposits are not subject to additional legal or contractual provisions. VCC's deposits are the highest safety category, which are insured, registered, or held by the Center or its agent in the Center's name. The book value of deposits does not differ materially from the bank balance of deposits.

Cash in excess of anticipated needs for operations, including self insured healthcare benefits reserves, and equipment replacement is invested under the guidelines of RCW 35A.40.050 and the proceeds are returned to the investing source. Investments are held only in qualified institutions and reported at fair value. The Center, by state law, is authorized to purchase certificates of deposit issues by Washington State depositories that participate in PDPC, U.S. Treasury and Agency securities, banker's acceptances, and repurchase agreements.

VCC voluntarily invests in the Washington State Treasurer's LGIP. The amount is carried at cost, which approximates fair value. The LGIP is a 2a7-like unrated pool overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office. LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless does operate in a manner consistent with the SEC rule 2a7 of the Investment Company Act of 1940.

VCC's funds held in E-911 escrow are invested in the King County Residual Investment Pool. The pool is not registered with the SEC as an investment company and oversight is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC, which reviews pool performance monthly, consists of the Chair of the County Council, the County Executive, the Director of the Office of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. All investments are subject to written policies adopted by the EFC and are reported at fair value.

VCC's deposits and investment position at fair value at the end of fiscal years 2013 and 2012 are:

Source	December 31, 2013		December 31, 2012	
	Operations	Restricted	Operations	Restricted
Petty Cash	\$ 100		\$ 100	
Checking	1,627,417	\$ 667,693	1,810,927	\$ 943,047
Savings	276,866	100,579	281,573	1,100,563
E-911 Escrow	1,351,973	551,943	1,402,784	551,943
LGIP - Operations	1,225,649		888,977	
LGIP - Equipment Replacement		7,636,095		6,174,268
LGIP - Contingency	689,313		680,303	
LGIP - 800 MHz	3,022,811		2,426,215	
LGIP - Health Insurance	100,140		185,004	
Total	\$ 8,294,271	\$ 8,956,309	\$ 7,675,883	\$ 8,769,822

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction, the Center would not be able to recover the value of the investment or collateral securities. While VCC has investments that are exposed to custodial credit risk, the exposure is minimal.

NOTE 4– Capital Assets

A. CAPITAL ASSETS

Capital assets of proprietary funds are capitalized in the statement of net position. These assets are stated at cost or estimated cost when original cost is not available, or fair market value at the time received as in the case of donations. Depreciation expense is charged to operations of proprietary funds to allocate the cost of fixed assets over their estimated useful lives, using the straight-line method with useful lives of 3 to 60 years.

A summary of VCC's property, plant and equipment at December 31, 2013 and 2012 is shown below:

Asset Type	Beginning Balance		Additions	Deletions	Ending Balance
	1/1/2013				12/31/2013
<i>Capital Assets, non-depreciable</i>					
Work in Progress	\$ 3,927,313	\$ 1,086,254	210,428	\$ 4,803,139	
Land	218,915	-	-	\$ 218,915	
<i>Non-depreciable assets, net</i>	<i>\$ 4,146,228</i>	<i>\$ 1,086,254</i>	<i>210,428</i>	<i>\$ 5,022,054</i>	
<i>Capital Assets, depreciable</i>					
Building	8,242,241	-	81,857	8,160,384	
Machinery and Equipment	11,543,082	365,130	24,150	11,884,062	
Other Improvements	1,056,708	43,146	-	1,099,854	
Less: Accumulated Depreciation	(11,892,316)	(1,038,315)	(84,179)	(12,846,453)	
<i>Capital Assets, net</i>	<i>8,949,715</i>	<i>(630,039)</i>	<i>21,829</i>	<i>8,297,848</i>	
All Capital Assets, net	\$ 13,095,944	\$ 456,215	\$ 232,256	\$ 13,319,902	

Asset Type	Beginning Balance		Additions	Deletions	Ending Balance
	1/1/2012				12/31/2012
<i>Capital Assets, non-depreciable</i>					
Work in Progress	\$ 3,446,759	\$ 480,554	-	\$ 3,927,313	
Land	218,915	-	-	218,915	
<i>Non-depreciable assets, net</i>	<i>\$ 3,665,674</i>	<i>\$ 480,554</i>	<i>-</i>	<i>\$ 4,146,228</i>	
<i>Capital Assets, depreciable</i>					
Building	8,242,241	-	-	8,242,241	
Machinery and Equipment	12,329,835	962,580	1,749,333	11,543,082	
Other Improvements	1,056,708	-	-	1,056,708	
Less: Accumulated Depreciation	(12,687,463)	(916,564)	(1,711,710)	(11,892,316)	
<i>Capital Assets, net</i>	<i>8,941,322</i>	<i>46,016</i>	<i>37,622</i>	<i>8,949,715</i>	
All Capital Assets, net	\$ 12,606,996	\$ 526,571	\$ 37,622	\$ 13,095,944	

B. CONSTRUCTION COMMITMENTS

VCC's work in progress projects for 2013 and 2012 were as follows:

Project	1/1/2013	Additions	Deletions	12/31/2013
CAD Project	\$ 3,775,951	\$ 940,987	-	\$ 4,716,938
2 New Site Paging Project 2012	151,363	59,065	(210,428)	-
2 New Paging Sites Project 2013	-	85,764	-	85,764
Generator Connection Project	-	438	-	438
Total	\$ 3,927,313	\$ 1,086,254	\$ (210,428)	\$ 4,803,139

Project	1/1/2012	Additions	Deletions	12/31/2012
CAD Project	\$ 3,446,759	\$ 329,192	-	\$ 3,775,951
2 New Site Paging Project 2012	-	151,363	-	151,363
Total	\$ 3,446,759	\$ 480,554	\$ -	\$ 3,927,313

Outstanding Projects

CAD – In 2007 the Administration Board authorized the start of the Computer Aided Dispatch (CAD) replacement project. The goal of this project is to replace the existing CAD system used by VCC and its agencies with a new system that meets current requirements and allows for future growth. This project is funded with money set aside in the equipment replacement and VCC's E-911 escrow account. As of December 31, 2013, \$3,099,051 in project costs remains unspent, including contingency.

2 New Paging Sites Project 2013 – 2013 adopted budget authorized two additional paging sites. Lakeland Hills was selected as a new site and it was determined that an existing VCC site will be enhanced, instead of building another new site. As of December 31, 2013, \$114,236 in project costs remains unspent.

Generator Connection Project – In 2013 budget adjustment, the Administration Board authorized a generator connection project to establish a means of connecting an external generator to the VCC building. As of December 31, 2013, \$24,563 in project costs remains unspent.

NOTE 5– Retirement System

Substantially all Valley Communications Center's 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, Accounting for Pensions by State and Local Government Employers and 50, Pension Disclosures, an Amendment of GASB Statements 25 and 27.

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

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%**
Employee	6.00%	4.92%	***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both VCC and the employees made the required contributions. The Center's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$6,236	\$634,021	\$82,990
2012	\$5,248	\$551,112	\$70,200
2011	\$11,379	\$455,463	\$59,615

NOTE 6 – Deferred Compensation Plan
As of July 1, 1990, VCC offered its employees a deferred compensation plan. This plan was established in accordance with the Internal Revenue Code Section 457. The independent plan administrator was Mass Mutual Financial Group (formerly Hartford Life Insurance).

A second plan was offered to the VCC employees in accordance with the same provisions. The independent plan administrator of the second deferred compensation is ICMA Retirement Trust, which has become the primary Trust employees use. All employees are eligible to participate in the plan. The plan permits employees to defer a portion on their salary until future years. The deferred compensation becomes available in the event of termination of employment, retirement, death or unforeseen emergency.

In March 2011, VCC offered employee's a third option for retirement planning; Roth IRAs which are also managed by ICMA Retirement Trust. The funds are available to employees at anytime without penalty.

Per VCC's Resolutions #64 & #65 the compensation deferred under the plan and all income attributable to the plan are solely the property of the trust, for the exclusive benefit of the plan participants and their beneficiaries. VCC has no liability for losses under the plan, but does have the duty of due care that would be required of any prudent investor.

As of December 31, 2013 and 2012, employee contributions to the deferred compensation plans were distributed as follows:

Item	2013	2012
ICMA Retirement Trust	\$3,088,567	\$2,377,698
ICMA Roth IRA	52,251	28,196
Mass Mutual Financial Group	252,829	191,901
Total	\$3,393,647	\$2,597,795

NOTE 7– Risk Management

VCC became a member of the Washington Cities Insurance Authority (WCIA) in June of 1993.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

VCC insures with WCIA under a liability program, property program, boiler and machinery program, crime/fidelity program, and specialized insurance for underground storage tank. Programs have various limits, sub-limits, and deductibles.

Health and Welfare Benefit Program

The Center established a self-insured Health and Welfare Benefit Program in 2011. As of October 2011, it self-insures for medical and prescription benefits through First Choice Health, while staying fully insured for dental and vision benefits. During 2012, the Center switched its dental and vision insurance from Reliance Standard to Washington Dental Service and Vision Service Plan for dental and vision coverage, respectively. VCC has a Health Review Committee and the program is administered by the Human Resources, with claims being processed by Meritain Health, a third-party administrator. VCC has a stop-loss policy with HCC Life Insurance Company, which provides individual deductible limits of \$50,000 and a plan limit of \$1,329,990 and \$1,280,893 for expenses incurred from 10/1/13 through 9/30/14 and 10/1/12 through 9/30/13, respectively. As of December 31, 2013 VCC had accrued claims liabilities, claims incurred but not reported (IBNR), of \$259,295. IBNR was estimated using information provided by LBG Advisors, who assist VCC with benefits administration, claims paid after year end for prior years, and WAC 200.110.040 Standards for solvency – Program funding requirements.

Self-Insured Medical and Prescription Claims		
Item	2013	2012
Claims Liabilities at Beginning of Year	190,930	\$ 197,517
Claims expenses:		
Current year and changes in estimates	\$ 1,431,032	1,234,457
Claims payments and expenses	(1,362,667)	(1,241,045)
Claims Liabilities at End of Year	\$ 259,295	\$ 190,930

NOTE 8 – Leases

VCC is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property right or lease obligations, and therefore the results of the lease agreements are not reflected in the Center's statement of net position. For the year ended December 31, 2013 and December 31, 2012, the cost of such leases was \$37,068 and \$35,756, respectively.

VCC leases office equipment under a non-cancelable operating lease. The operating lease is effective May 2012 for 60 months. Total cost of operating lease was \$20,877 and \$19,565 for the years ended December 31, 2013 and 2012, respectively. The future minimum lease payments for this lease are as of December 31 of each year as follows:

Year	Amount
2014	\$ 19,069
2015	\$ 19,069
2016	\$ 19,069
2017	\$ 6,356
Total	\$ 63,563

NOTE 9 – Accounts Receivable & Due From Other Governments

Receivable balances for 2013 decreased slightly from 2012. No material account balances are past due. Receivables at December 31, 2013 and 2012 were as follows:

Agency	2013	2012
Auburn School District	\$ 120	\$ 120
Cedar River Water District	330	300
City of Black Diamond Police	9,842	7,537
City of Covington	75	150
City of Algona	9,392	8,118
City of Auburn Parks	195	195
City of Auburn Police	14,433	45,690
City of Des Moines Police	54,937	88,386
City of Federal Way Police	2,888	3,037
City of Kent Police	13,903	12,238
City of Maple Valley	150	150
City of Pacific Police	16,267	12,503
City of Renton Fire and Police	13,572	13,667
City of SeaTac Fire	14,193	11,138
City of Tukwila Fire, Police & P/W	8,088	7,126
Covington Water District	570	570
FBI - Dept of Justice Lease	5,981	6,644
Kent Fire RFA	5,499	4,703
Kent School District	5,220	5,160
King Co E-911 Program Office	9,588	6,855
King Co Emergency Management	40,454	54,620
King Co Fire District #2	54,300	24,893
King Co Fire District #20	8,069	6,630
King Co Fire District #43	19,068	8,255
King Co Fire District #44	10,783	5,343
King Co Fire District #47	634	413
King Co Medic One	90,189	79,859
King County Metro Transit	-	1,258
Multicare Health Systems	150	75
North Highline Fire	167	74
Other - Refunds	9,667	5,586
Renton School Security	75	75
Soos Creek Water District	705	705
South Correctional Entity	841	1,105
South King Fire and Rescue	4	-
Tahoma School District	45	45
Valley Medical Center	75	75
Valley Regional Fire Authority	2,912	2,667
Vashon Island Fire & Life Safety	8,560	8,088
Total 2013 and 2012 Receivables	\$ 431,939	\$ 434,053

NOTE 10 – Apportionment of Equity

The member/participating cities share in the equity of VCC based on their respective percent of call distribution for the current year. The equity as of December 31, 2013 and 2012 belonging to the five participating cities is as follows:

Participating City	Total Calls	% of Calls	2012 Equity Balance	2013 Distribution	2013 Equity Balance	Percent Equity
Kent	97,579	28%	\$ 7,139,778	\$ 239,013	\$ 7,378,791	31%
Renton	72,740	21%	5,062,434	178,173	5,240,607	22%
Auburn	71,881	20%	4,783,577	176,069	4,959,646	21%
Tukwila	34,192	10%	2,843,407	83,751	2,927,158	12%
Federal Way	75,073	21%	3,324,584	183,886	3,508,470	15%
Total	351,464	100%	\$ 23,153,780	\$ 860,892	\$ 24,014,671	100%

Participating City	Total Calls	% of Calls	2011 Equity Balance	2012 Distribution	2012 Equity Balance	Percent Equity
Kent	96,126	28%	\$ 7,052,093	\$ 87,685	\$ 7,139,778	31%
Renton	72,004	21%	4,996,753	65,681	5,062,434	22%
Auburn	65,612	19%	4,723,727	59,850	4,783,577	21%
Tukwila	33,645	10%	2,812,717	30,690	2,843,407	12%
Federal Way	72,547	21%	3,258,408	66,176	3,324,584	14%
Total	339,934	100%	\$ 22,843,697	\$ 310,082	\$ 23,153,780	100%

NOTE 11 – Material Related Party Transactions

The Valley Communications Center Development Authority, hereafter referred to as the “Authority”, was formed by the City of Kent, pursuant to RCW 35.21.730 through 35.21.757, Resolution No. 1564 and Ordinance No. 3510 of the City of Kent. The Authority was formed to provide an independent legal entity to finance the acquisition, construction, and equipping of a new dispatch facility for the operations of the Valley Communications Center through the issuance and servicing of up to \$12,758,000 of bonds, and to perform other functions specified in its charter. All bonded debt held by the Authority is the liability of Valley Communications Center/Valley Communications Center Development Authority’s member cities.

The Authority is an independent legal entity exclusively responsible for its own debts, obligations and liabilities. All liabilities incurred by the Authority shall be satisfied exclusively from the assets and credit of the Authority. No creditor or other persons shall have any recourse to the assets, credit, or services of the Valley Communication Center’s member cities on account of any debts, obligations, liabilities, acts or omissions of the Authority. The member cities are liable for all debt issued by the Authority.

Pursuant to RCW 35.21.730 through 35.21.757, Resolution No. 12 of the Authority, adopted March 5, 2010 provided for the issuance and sale of the Bonds and refunding a portion of the Authority’s outstanding bonds, in the amount of \$5,325,000.

Since the creation of the Authority in 2000, Valley Communication Center has been responsible for billing and collecting the annual debt service payments from the Center/Authority’s member cities. Once VCC

has received the debt service payments from the member cities, Valley Communications Center remits the semi-annual debt service payments on behalf of the Authority to the Bank of New York.

On April 5, 2010 a portion of the original 2000 General Obligation Bonds were refunded. Below is a summary of debt service due in 2013 and 2012 for the new 2010 Refunding Bonds.

Debt Service Obligation			
Valley Communications Development Authority			
2010 Refunding Bonds			
	Interest	Principal	Total
6/1/2013	\$ 64,700		\$ 64,700
12/1/2013	64,700	\$ 1,075,000	1,139,700
Total	\$ 129,400	\$ 1,075,000	\$ 1,204,400
6/1/2012	\$ 79,775		\$ 79,775
12/1/2012	79,775	\$ 1,005,000	1,084,775
Total	\$ 159,550	\$ 1,005,000	\$ 1,164,550

NOTE 12 – Contingencies and Litigations

The Center has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probably that the Center will have to make payment. In the opinion of management, the Center's insurance policies and reserves are adequate to pay all known or pending claims.

NOTE 13 – Reporting Changes

The 2012 financial information is restated to report noncurrent deposits payable under the noncurrent liabilities in the statement of net position.

END OF FOOTNOTES

A copy of this report is available at the offices of Valley Communications Center, 27519 108th Ave SE Kent, WA 98030.

ABOUT THE STATE AUDITOR'S OFFICE

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

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