Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Valley Transit

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

Published August 15, 2022

Report No. 1030913

Office of the Washington State Auditor
Pat McCarthy

August 15, 2022

Board of Directors
Valley Transit
Walla Walla, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Valley Transit's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Valley Transit
January 1, 2021 through December 31, 2021

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The results of our audit of the Valley Transit are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Transit.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Transit's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.507	COVID-19 – Federal Transit Cluster – Federal Transit Formula Grants
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs – Federal Transit Cluster

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The Transit qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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*

Valley Transit
January 1, 2021 through December 31, 2021

Board of Directors
Valley Transit
Walla Walla, 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 Valley Transit, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated August 9, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Transit'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit'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 Transit's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Transit'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 Transit'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 Transit's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

August 9, 2022

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Valley Transit
January 1, 2021 through December 31, 2021

Board of Directors
Valley Transit
Walla Walla, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Valley Transit, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Transit's major federal programs for the year ended December 31, 2021. The Transit's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Transit 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Transit's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Transit's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Transit's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Transit's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Transit's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Transit's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

December 31, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Valley Transit
January 1, 2021 through December 31, 2021

Board of Directors
Valley Transit
Walla Walla, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Valley Transit, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Valley Transit, as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Transit 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 opinion.

Matters of Emphasis

As discussed in Note 12 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Transit is unknown. Management's plans in response to this matter are also described in Note 12. 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 Transit'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 opinion. 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 Transit'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 Transit's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transit's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2022 on our consideration of the Transit'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 Transit'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 Transit's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

August 9, 2022

FINANCIAL SECTION

Valley Transit
January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL ANALYSIS SECTION

This section of the Annual Financial Report presents management's overview and analysis of Valley Transit's financial performance for the fiscal year ended December 31, 2021. This section should be read in conjunction with the financial statements which follow this section.

2021 Financial Highlights

Valley Transit's total current assets have increased by $4,768,899 or 28.6 percent during 2021. This increase is the result of steady sales tax revenue despite the COVID-19 pandemic; the receipt of CARES Act funding and Section 5307 Federal Operating Assistance funding. Valley Transit's net liabilities have decreased by $1,204,972 during 2021. Annual adjustments mandated by GASB Statements No. 68 & 75, require Valley Transit to rely on actuarial assumptions to calculate and present its long-term obligation for pension liability and net pension asset. These liability adjustments constituted the majority of the decrease to Valley Transit's net liabilities. The application of GASB Statement 68 created a net pension asset of $1,987,042. The application of GASB Statements No. 68 & 75 also created Deferred Outflows of $326,703 and Deferred Inflows $2,116,196. GASB Statement 83 – Asset Retirement Obligation created a Deferred Outflow of $33,334. Valley Transit's total net position has increased by $5,804,485 during fiscal year 2021. This increase in net position can be attributed to the reduced operating costs due to the significantly reduced service provided by the transit because of a shortage of drivers and the inability to hire replacements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Valley Transit's basic financial statements. The notes to the financial statements contain additional detail for the information presented in the financial statements. The financial statements report information about Valley Transit's use of accounting methods similar to those used by private-sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of Valley Transit's assets, liabilities, deferred outflows of resources, and deferred inflows of resources with the difference between these financial elements reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of Valley Transit is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position present information showing how Valley Transit's net assets changed during the 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 recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, sales tax collected by the State but not yet remitted to Valley Transit, and earned but unused vacation leave).

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

The Required Supplementary Information (RSI) contains other information the Governmental Accounting Standards Board deems necessary. Valley Transit's RSI contains additional information related to GASB Statement No. 68, Accounting and Financial Reporting for

Pensions, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Financial Analysis

Valley Transit is a capital-intensive enterprise with over one-third of its net position invested in capital assets. The following is a summary of Valley Transit's net position on December 31:

Summarized Statement of Net Position

	2021	2020	2021 Increase (Decrease) Over 2020
Assets:			
Current Assets	$21,471,861	$16,702,963	$4,768,898
Non-Current Assets	$8,174,307	$6,486,535	$1,687,772
Deferred Outflows of Resources	$360,037	$387,297	($27,260)
Total Assets Plus Deferred Outflows	**$30,006,205**	**$23,576,795**	**$6,429,410**
Liabilities:			
Current Liabilities	$751,827	$466,739	$285,088
Non-Current Liabilities	$3,509,547	$4,999,607	($1,490,060)
Deferred Inflows of Resources	$2,116,196	$286,298	$1,829,898
Total Liabilities Plus Deferred Inflows	**$6,377,570**	**$5,752,644**	**$624,926**
Net Position:			
Invested In Capital Assets	$6,187,265	$6,486,535	($299,270)
Unrestricted	$17,441,370	$11,337,617	$6,103,755
Net Total Position	**$23,628,635**	**$17,824,152**	**$5,804,485**

Valley Transit's total net position has increased by $5,804,485 in fiscal year 2021. The following Summarized Statement of Revenues, Expenses, and Changes in Net Position presents how the increase or decrease in net position occurred.

Summarized Statement of Revenues, Expenses, and Changes in Net Position

	2021	2020	2021 Increase (Decrease) Over 2020
Operating Revenues	$104,367	$75,244	$29,123
Operating Expenses	$4,216,594	$6,324,304	($2,107,710)
Operating Loss	**($4,112,227)**	**($6,249,060)**	**($2,136,833)**
Gain (Loss) on Disposal of Assets	$0	$0	$0
Taxes	$7,825,465	$6,343,699	$1,481,766
Other Non-Operating Revenues (net)	$1,919,245	$3,517,758	($1,598,513)
Total Non-Operating Revenues	**$9,744,710**	**$9,861,457**	**($116,747)**
Net Income (Loss)- Before Contributions	**$5,632,483**	**$3,612,396**	**$2,020,087**
Capital Contributions-Grants	**$172,000**	**$861,204**	**($689,204)**
Net Position-Beginning of Period	**$17,824,152**	**$13,350,551**	**$4,473,601**
Net Position-End of Period	**$23,628,635**	**$17,824,151**	**$5,804,484**

Valley Transit expended $172,000 in federal funding to upgrade the Compressed Natural Gas Dispensing and Monitoring System.

Operating Revenues

During the fiscal year ending December 31, 2021, fare revenues increased 38.7 percent or $29,123. The increase is directly related to reinstating fare collection in March 2021 in response to the lifting of certain COVID-19 pandemic mandates.

During 2021, local sales tax revenues increased by 23.4 percent or $1,481,767. This reflects growth in the local economy which was driven by increased new construction projects.

Valley Transit also received external operating subsidies in the form of federal and state operating assistance grants. The following table presents funding received from operating assistance grants:

External Subsidies - Operating Assistance Grants	2021	2020	2021 Increase (Decrease) Over 2020
Federal Transit Administration Operating Assistance			
Section 5307 Operating Assistance	$731,541	$0	$731,541
Section 5307 CARES Act Operating Assistance	$302,456	$3,149,997	($2,847,541)
Section 5310 Planning	$23,049	$25,269	($2,220)
Total Federal Operating Assistance	**$1,057,046**	**$3,175,266**	**($2,118,220)**
State Operating Assistance			
Rural Mobility - Special Transportation Needs	$285,752	$0	$285,752
Rural Mobility – Formula Funding	$0	$0	$0
Rural Mobility - Transit Formula	$488,926	$254,342	$234,584
Total State Operating Assistance	**$774,678**	**$254,342**	**$520,336**
Private Operating Assistance			
WSTIP – Safety & Security Grant	$2,500	$2,500	$0
WSTIP – Cyber Security Grant	$2,000	$2,500	($500)
Total Private Operating Assistance	**$4,500**	**$5,000**	**($500)**
Total External Subsidies - Operating Assistance	**$1,836,224**	**$3,434,608**	**($1,598,384)**

Valley Transit's external operating subsidies decreased by $1,598,384 in 2021.

During 2021, Valley Transit expended $488,926 of Rural Mobility – Transit Formula funding. The Rural Mobility – Transit Formula grant program provides additional funding for rural transit agencies located in areas where sales tax collections are less than 80% of the state-wide average per-capita. Rural Mobility –Transit Formula funding provides funding sufficient to increase the rural transit sales tax collections plus any Transit Formula Funding to the 80% average per-capita threshold. Slower growth in local sales tax collections within Valley Transit's Public Transportation Benefit Area during the year when compared to the state average, caused the amount of transit formula funding awarded to Valley Transit to increase so that sales tax collections plus the formula funding approximates the 80% average per-capital threshold.

The Rural Mobility – Special Transportation Needs funding was awarded to Valley Transit to provide additional transportation services for those who are unable to provide their own transportation services due to age, disability or income level. Valley Transit expended $285,752 of Rural Mobility – Special Transportation Needs (STN) funding in 2021. Seniors age 65 and over are eligible to receive a Reduced Fare Permit which allows them to pay one-half regular cash fare on the Fixed-Route and Evening and Saturday Services.

Valley Transit was awarded $3,452,453 in Coronavirus Aid, Relief, and Economic Security Act federal operating assistance funding and expended the remaining $302,456 during fiscal year 2021. Valley Transit also received $48,318 in federal funding to conduct a Comprehensive Operational Analysis; Valley Transit expended the remaining $23,049 on this project in 2021.

The following table presents Valley Transit's revenues (excluding capital assistance grants) by source and their percentage of total transit revenues for fiscal years 2020 and 2021:

Revenue Source	2021	Percent of Total Revenue	2020	Percent of Total Revenue
Operating Revenues:				
Passenger Fares	$104,367	1.1%	$75,244	0.8%
Supplementary Transportation (Advertising)	$0	0%	$0	0%
Other Operating Revenues	$0	0%	$0	0%
Total Operating Revenues	**$104,367**	**1.1%**	**$75,244**	**0.8%**
Non-Operating Revenues:				
Gain (Loss) on Disposal of Assets	$0	0%	$0	0%
Sales Tax	$7,825,465	79.5%	$6,343,699	63.8%
External Operating Subsidies:				
Federal Operating Assistance	$1,057,046	10.7%	$3,175,266	31.9%
State Operating Assistance	$774,678	7.8%	$254,342	2.6%
Private Operating Assistance	$4,500	0.05%	$5,000	0.05%
Investment Income	$82,080	0.8%	$82,733	0.8%
Other Non-Operating Revenue	$942	0.05%	$417	0.05%
Total Non-Operating Revenues	**$9,744,711**	**98.9%**	**$9,861,457**	**99.2%**
Total Revenues (Excluding Capital Grants)	**$9,849,078**	**100%**	**$9,936,701**	**100%**

Operating Expenses

Total Operating Expenses decreased 33.3 percent during fiscal year 2021.

Operations Department expenses decreased 37.9 percent in 2021. The decrease reflects changes in labor force and transportation services that were provided as a result of the restrictions set forth due to the COVID-19 pandemic. The decrease can also be attributed to the recording of non-cash transactions related to GASB 68 and GASB 75.

Maintenance Department expenses decreased 43.8 percent in 2021 which is attributable to the recording of non-cash transactions related to GASB 68 and GASB 75.

Administration Department expenses decreased 34.9 percent during the year, which is attributable to the recording of non-cash transactions related to GASB 68 and GASB 75.

Depreciation Expense increased 11.2 percent in 2021. The increase is the result of the completion of the Compressed Natural Gas Dispenser and Monitory System project and the Compressed Nature Gas Compressor replacement project.

Other Operating Expenses remained the same in 2021 as the Asset Retirement Obligation (ARO) expense is equally distributed over six years. Valley Transit has one asset, an underground fuel storage tank that meets the requirements of the ARO.

The relationship of each major operating expense classification as compared to total operating expenses is presented in the following table:

Operating Expenses:	**2021**	**Percent of Total Expenses**	**2020**	**Percent of Total Expenses**
Operations	$1,928,974	45.7%	$3,108,255	49.2%
Maintenance	$889,438	21.1%	$1,582,216	25.0%
Administration	$589,506	14.0%	$905,526	14.3%
Depreciation	$800,343	19.0%	$719,974	11.4%
Other Operating Expenses	$8,333	.2%	$8,333	.1%
Total Operating Expenses	**$4,216,594**	**100%**	**$6,324,304**	**100%**

Capital Assets

Valley Transit's capital assets consist of land, vehicles, equipment, passenger facilities, administration and maintenance facility, and projects in progress, with an acquisition value of more than $5,000 and a useful life of more than one year. Valley Transit's investment in capital assets net of depreciation as of December 31, 2021, totaled $6,039,124. Capital assets decreased by 4.5 percent or a total of $283,516 due to an increase in accumulated depreciation greater than the assets purchased. Assets purchased in 2021 include the Compressed Natural Gas Dispenser/Monitoring System for $234,988, the Compressed Natural Gas Compressor for $242,860 and the pneumatic tire, clean diesel-powered forklift in the amount of $32,856. For more detailed information, please see Note 3 of the Notes to the Financial Statements.

Future Outlook

Valley Transit's operations are funded primarily through the collection of a locally approved transit sales tax (6 tenths of one percent). Due to the nature of its funding, Valley Transit is heavily reliant on sales tax revenues and susceptible to fluctuations in the local economy. Sales tax revenues have grown in recent years as we have experienced the longest economic growth in history. Valley Transit relies on the transit portion of the local sales tax to maintain services at their present level and it is unknown what continued effect COVID-19 will have on future sales tax revenues. In addition, the changes implemented by the Census Bureau may have a future effect on Valley Transit's Small Urban status and as a result funding opportunities.

In 2021, Valley Transit was still considered a small-urban transit system and eligible to receive Federal Transit Administration (FTA) Section 5307 Urbanized Area Formula funding. This funding may be used to fund operations or capital projects such as vehicle replacement. FTA Section 5307 funding was programmed during the development of the six-year Transit Development Plan (TDP) to fund the replacement of Valley Transit service vehicles as they reach the end of their useful life. Capital investments will focus on vehicle replacement as funds allow and maintaining a state of good repair of existing assets for safe and reliable transit operations.

In 2021, Senate Bill 5974 (Move Ahead Washington) passed providing a new funding source for public transit operations. The new funding program, Transit Support Grants, are formulized funding with specific requirements to be met to be eligible for the funding. Two known requirements are: an agency must maintain (or increase) the sales tax collection level they were at as of 1/1/2022; and by 10/1/2022 an agency must adopt a fare policy that has a minimum bench mark of zero fares for riders who are 18 years of age and under on all service modes. Valley Transit is currently in the process of holding the required public hearings in order to change the fare structure.

As in all regions, Walla Walla County has many unmet transportation needs. If Valley Transit's services were expanded to meet the regions other transportation needs, local revenues alone will not be sufficient to address them. Adding new transportation projects such as, a downtown parking shuttle, expanding service hours, Sunday Service, or expansion of the Dial-A-Ride service area, will likely require funding from new revenue sources and would also be contingent on the long-term effects of the COVID-19 Pandemic of 2020. Valley Transit will continue to work collaboratively with community partners, social service organizations, and federal and state agencies to identify and prioritize needs as well as stable long-term funding solutions to address the community's growing transportation needs.

Request for Information

This financial report is designed to provide a general overview of Valley Transit's finances. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Valley Transit, Attention: General Manager, 1401 West Rose Street, Walla Walla, WA 99362.

VALLEY TRANSIT

MCAG NO. 0375 | Statement A-1

STATEMENT OF NET POSITION
As of December 31, 2021

ASSETS

CURRENT ASSETS:		**2021**
Cash and Cash Equivalents	$	18,935,404
Investments		0
Taxes Receivable		1,340,206
Accounts Receivable		4,814
Interest Receivable		473
Grants Receivable		377,205
Inventories		620,465
Prepaid Expenses		193,294
TOTAL CURRENT ASSETS	$	**21,471,861**
NONCURRENT ASSETS:		
Capital Assets Not Being Depreciated		
Land	$	262,848
Construction in Progress		148,141
Capital Assets Being Depreciated		
Facilities/Improvements		4,651,988
Equipment		12,373,331
Less Accumulated Depreciation		(11,249,043)
Pension Asset		1,987,042
TOTAL NONCURRENT ASSETS	$	**8,174,307**
TOTAL ASSETS	$	**29,646,168**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Related to OPEB	$	63,832
Deferred Outflows - Related to Pensions		262,871
Deferred Outflows - Related to Asset Retirement Obligation		33,334
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	**360,037**

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375 | Statement A-1

STATEMENT OF NET POSITION
As of December 31, 2021

LIABILITIES

CURRENT LIABILITIES:		**2021**
Accounts/Warrants Payable	$	558,753
Current Portion of Long-Term Obligations		193,074
TOTAL CURRENT LIABILITIES		**751,827**
NON-CURRENT LIABILITIES:		
Employee Leave Benefits	$	69,965
Long-Term Pension Obligation		189,670
Long-Term OPEB Obligation		3,199,912
Asset Retirement Obligation		50,000
TOTAL NON-CURRENT LIABILITIES		**3,509,547**
TOTAL LIABILITIES	$	**4,261,374**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Related to OPEB		0
Deferred Inflows - related to Pensions		2,116,196
TOTAL DEFERRED INFLOWS OF RESOURCES	$	**2,116,196**
NET POSITION:		
Invested in Capital Assets		6,187,265
Unrestricted Assets		17,441,370
TOTAL NET POSITION	$	**23,628,635**

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375 | Statement D-1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For The Year Ended December 31, 2021

		2021
OPERATING REVENUES:		
Passenger Fares	$	104,367
Supplementary Transportation		0
Other Operating Revenues		0
TOTAL OPERATING REVENUES	$	**104,367**
OPERATING EXPENSES:		
Operations	$	1,928,974
Maintenance		889,438
Administration		589,506
Depreciation/Amortization		800,343
Other Operating Expenses		8,333
TOTAL OPERATING EXPENSES	$	**4,216,594**
OPERATING INCOME (LOSS)	$	**(4,112,227)**
NON-OPERATING REVENUES (EXPENSES):		
Gain (Loss) on Disposal of Assets	$	0
Sales Tax		7,825,465
External Operating Subsidies		1,836,223
Investment Income		82,080
Other Non-Operating Revenues (Expenses)		942
TOTAL NON-OPERATING REVENUES (EXPENSES)	$	**9,744,710**
INCOME (LOSS) BEFORE CONTRIBUTIONS	$	**5,632,483**
Capital Contributions - Federal Grants		172,000
INCREASE (DECREASE) IN NET POSITION	$	**5,804,483**
NET POSITION - BEGINNING OF PERIOD		17,824,152
NET POSITION - END OF PERIOD	$	**23,628,635**

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375 — Statement E-1B

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2021

		2021 Business Type Activities Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	$	101,125
Payments to Suppliers		(919,040)
Payments to Employees		(3,897,950)
Internal Activities		0
Claims Paid to Outsiders		0
Other Receipts (payments)		0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	(4,715,865)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Assessments & Tax Levies	$	7,622,311
External Operating Subsidies		2,565,992
Other Non-Operating Revenues (Expenses)		942
NET CASH PROVIDED FROM NON-CAPITAL FINANCING ACTIVITIES	$	10,189,244
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of Capital Assets	$	(501,073)
Disposal of Capital Assets		0
Capital Contributions - Grants		722,569
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	$	221,496
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investments	$	0
Interest and Dividends on Investments		82,507
NET CASH PROVIDED BY INVESTING ACTIVITIES	$	82,507
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$	5,777,383
BALANCE - BEGINNING OF YEAR		13,158,021
BALANCE - END OF YEAR	$	18,935,404

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375 Statement E-1B

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2021

		2021 Business Type Activities
		Enterprise Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (loss)	$	(4,112,227)
ADJUSTMENTS TO RECONCILE OPERATING INCOME		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation		800,343
CHANGE IN ASSETS AND LIABILITIES:		
(Increase) Decrease in Accounts Receivable		(3,243)
(Increase) Decrease in Inventory		(49,520)
(Increase) Decrease in Prepaid Expense		(16,362)
(Decrease) Increase in Warrants Payable		282,144
(Decrease) Increase in Employee Leave Accrual		6,068
(Increase) Decrease in Pension Asset		(1,987,042)
(Increase) Decrease in Net Defered Flows		1,857,158
(Decrease) Increase in Pension Obligations		(1,493,184)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	(4,715,865)

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Valley Transit

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Valley Transit have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governments. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are presented below.

A. Reporting Entity

Valley Transit was incorporated in April of 1979, and operates under the laws of the State of Washington applicable to a Public Transportation Benefit Authority (PTBA). A Public Transportation Benefit Authority is a special purpose government and as such, Valley Transit provides Fixed Route, Demand Responsive Paratransit (Dial-A-Ride), Evening & Saturday Flex-Routes, Connector, and Job Access transportation services to the general public and is supported primarily through locally generated sales taxes and user fees. Valley Transit also provides Vanpool service which is primarily supported through user fees. Valley Transit is governed by an eight-member board.

Valley Transit is a separate entity and is fiscally independent of other state and local government entities. Per criteria of Government Accounting Standards Board (GASB) 14, Valley Transit is a primary government for reporting and there are no additional entities or funds for which Valley Transit has reporting responsibilities.

As required by Generally Accepted Accounting Principles (GAAP), management has considered all potential component units in defining the reporting entity. Valley Transit has no component units.

B. Basis of Presentation – Government-Wide Financial Statements

The government-wide financial statements of Valley Transit report all information on activities in accordance with GASB and the Washington State Budget, Accounting, and Reporting System (BARS) requirements for Transit Districts, which are considered Enterprise funds. Valley Transit uses one general fund to account for all of its financial resources. The Transit has no other funds or component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting and Measurement Focus

The accounting records of Valley Transit are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. Funds are accounted for on a cost of services or an economic resources measurement focus.

This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statements of net position. Their reported fund net position is segregated into invested in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position.

Valley Transit discloses changes in cash flows by a separate statement that presents their operating, non-capital financing, capital and related financing and investing activities.

Valley Transit uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

Valley Transit distinguishes between operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a transit's principal ongoing operations. The principal operating revenues of Valley Transit are charges to customers for transportation. The Transit also recognizes income from facility rentals as revenue. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

Annual appropriated budgets include the Operating and Capital budgets which are adopted for the general fund using the accrual basis of accounting. Appropriations lapse at the year-end.

The General Manager is authorized to transfer budgeted amounts between departments and object class; however, any revisions that alter the total expenditures of Valley Transit, or affect the number of authorized employee positions, salary ranges, employee benefits or other conditions of employment must be approved by the Board of Directors.

All budget amounts presented are the final authorized amounts as revised during the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents
   It is Valley Transit's policy to invest all temporary cash surpluses. On December 31, 2021, the Walla Walla County Treasurer was holding $18,554,643 of cash from maturing short-term investments. These amounts are classified on the statement of net position as cash and cash equivalents and investments. For purposes of the statement of cash flows, Valley Transit considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

		2021
Petty Cash	$	5,000
Advanced Travel		5,000
Fare Revenue Transfer		10,688
Credit Card Merchant Svc		1,264
Accounts Payable		250,938
Payroll		107,871
Total Revolving Funds	$	380,761
Deposits Held By		
Walla Walla County Treasurer	$	18,554,643
Total Cash and Cash Equivalents	**$**	**18,935,404**

2. Investments
   In accordance with State statutes, Walla Walla County Treasurer is the ex-officio treasurer for Valley Transit and holds all deposits and investments with the exception of working capital revolving funds that are held by local financial institutions. See Note 2 (Deposits and Investments).

3. Receivables
   Taxes receivable and accrued interest receivable consist of sales tax and related interest. Accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared, as well as, employee owed benefits paid on their behalf. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Inventories
   Inventory consists of fuel, tires, repair parts, and supplies. Inventories are valued by the weighted average method (which approximates the market value).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Restricted Assets and Liabilities
   Restricted assets are temporarily restricted cash and cash equivalents resulting from the sale of property in which the FTA restricts the use of proceeds to the investment of approved capital assets. Valley Transit had no restricted assets or liabilities during the reporting period.

6. Capital Assets and Depreciation
   Capital assets, which include property, facilities, and equipment, are defined by Valley Transit as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs of normal maintenance and repairs are not capitalized. No depreciation is provided on works in progress until the work is completed and the asset is placed in service. See Note 3 (Capital Assets and Depreciation).

7. Other Property and Investments
   See Note 2 (Deposits and Investments).

8. Other Assets and Debits
   Prepaid expenses consist of normal operating expenses for which payment is due at the first of the period, and are expensed throughout the period as the benefit is received.

9. Deferred Outflows/Inflows of Resources
   GASB Statement No. 68, requires Valley Transit to rely on actuarial assumptions to calculate and present the long-term obligation for pension liability. Timing differences in the accrual of the liabilities and payment create Deferred Inflows and Deferred Outflows. Valley Transit recognized Deferred Outflows of $262,870 and Deferred Inflows of $2,116,196 related to GASB Statement No. 68. See Note 5 (Pensions) Valley Transit reported GASB Statement No. 75 which recognized Deferred Outflows of $63,832. See Note 6 (OPEB). Valley Transit reported GASB Statement No. 83 which recognized Deferred Outflow of $33,334. See Note 10 (Asset Retirement Obligations).

10. Compensated Absences
    Compensated absences are absences for which employees will be paid, such as vacation and in some cases, sick leave. Valley Transit reports unpaid leave for compensated absences as an expense and liability when incurred.

    Sick leave may be accumulated to a maximum of 960 hours. Sick leave is compensated upon termination. Upon voluntary separation, regular employees shall be paid for 25 percent of their accumulated sick leave for balances from 181 to 480 hours, regular employees shall be paid 30 percent

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for balances from 481 to 960 hours. Employees eligible to retire through the transit's retirement plan shall receive 55 percent of their accumulated sick leave for balances from 181 to 480 hours, regular employees shall be paid 70 percent for balances from 481 to 960 hours. Upon death, employees' estate or beneficiary shall receive 5 percent of their accumulated sick leave for balances up to 180 hours, 30 percent for balance from 181 to 480 hours, or 35 percent for balance from 481 to 960 hours.

Vacation leave, which may be accumulated to a maximum of 360 hours, is payable in full upon resignation, retirement, or death.

11. Other Accrued Liabilities
    These accounts consist of accrued wages and accrued employee benefits.

12. Long-Term Debt
    Valley Transit had no capital leases, or long-term debt, other than accrued Employee Leave Benefits, Long-Term Pension Obligations, and OPEB during the year ended December 31, 2021. See Note 9 (Long-term Debt and Leases).

13. Pensions
    For purposes of measuring the net pension liability, net pension asset, 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, Valley Transit includes the net pension asset and the related deferred outflows and deferred inflows. See Note 5 (Pension Plans).

NOTE 2 - DEPOSITS AND INVESTMENTS

The Walla Walla County Treasurer is the ex-officio treasurer for Valley Transit and holds all deposits and investments with the exception of working capital revolving funds held by local financial institutions. Valley Transit directs the County Treasurer to invest all financial resources that have been determined to be in excess of the Transit's current financial obligations. Excess funds are invested in certificates of deposit or the Local Government Investment Pool.

As required by State law, all investments of Valley Transit's funds are obligations of the US. Government, the Walla Walla County Treasurer's

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investment Pool, Local Government Investment Pool, bankers' acceptance, or deposits with Washington State banks and savings and loan institutions.

Valley Transit is a participant in the Walla Walla County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Participation in the in the pool is voluntary. Investments in the Pool are reported at amortized cost, which is the same as the value of the pool per share. The pool requires a 90-day notice for withdrawal of funds over $2,000,000. If a 90-day notice is not received, any fees to liquidate investments will be the responsibility of the local government requesting the withdrawal. For investments over $2,000,000 withdrawn within the last thirty-day period and invested outside the Walla Walla County Investment Pool, a penalty will be assessed as if the 90-day notice was not received.

The investment pool is audited as part of the County's annual audit which can be found under the County Auditor/accounting at www.co.walla-walla.wa.us.

The Local Government Investment Pool (LGIP) operates in a manner consistent with SEC Rule 2a7. Participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited, as most investments are either obligations of the US government, government-sponsored enterprises, or insured demand-deposit accounts and certificates of deposit. There is no statutory regulatory oversight of the LGIP other than annual audits through the Washington State Auditor's Office. As a 2a7-like pool, investments in the LGIP are reported at amortized cost. The fair value of Valley Transit's shares in the LGIP is dollar for dollar equal to the value of pool shares.

DEPOSITS

Valley Transit's deposits and certificates of deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of December 31, 2021, Valley Transit held certificates of deposit totaling $18,554,643 of which all were considered cash equivalents with no investments having a maturity greater than 90 days.

INVESTMENTS

As of December 31, 2021, Valley Transit held no certificates of deposit considered to be investments due to having a maturity greater than 90 days. As of December 31, Valley Transit had no investments.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, Valley Transit would not be able to recover the value of the investment or collateral securities. Per GASB Statement 3, investments in pools managed by another government and in mutual funds need not be categorized as to credit risk. For the year ended December 31, all of Valley Transit's certificates of deposit and investments were held by the Walla Walla County Treasurer.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Major expenses for capital assets, including capital leases, and major repairs over $5,000 that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Valley Transit had no capital leases during calendar year 2021. All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets). Valley Transit has acquired certain assets with funding provided by federal financial assistance programs passed through the State of Washington's Department of Transportation. Depending on the terms of the agreements involved, the Department of Transportation could retain an equity interest in these assets. However, Valley Transit has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from Valley Transit's asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and any net gain or loss on the disposition is credited or charged to income.

An allowance for funds used during construction is capitalized as part of the cost of the asset. The procedure is intended to remove the cost of financing construction activity from the operating statements and to treat such cost in the same manner as construction labor and material costs.

During 2021, Valley Transit did not incur or capitalize any interest costs for construction of capital assets. No funds were borrowed to finance the construction of capital assets during this reporting period.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives. Depreciation is computed using the straight-line method over estimated useful lives as follows:

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (continued)

Asset	Years
Vehicles	5 - 12
Buildings and Structures	10 - 40
Equipment and Furnishings	2 - 20
Land Improvements	5 - 15

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

	December 31, 2020	Add Increases	Less Decreases	December 31, 2021
Capital assets, not being depreciated:				
Land	$262,848	$0	$0	$262,848
Construction / Work in Progress	$163,895	$0	$15,754	$148,141
Total capital assets, not being depreciated	**$426,743**	**$0**	**$15,754**	**$410,989**
Capital assets, being depreciated:				
Buildings and structures	$4,174,140	$477,849	$0	$4,651,989
Machinery and equipment	$12,334,352	$38,978	$0	$12,373,330
Total capital assets, being depreciated	**$16,508,492**	**$516,826**	**$0**	**$17,025,319**
Less accumulated depreciation for:				
Buildings and structures	($2,147,203)	($130,096)	$0	($2,277,299)
Machinery and equipment	($8,301,497)	($670,247)	$0	($8,971,744)
Total accumulated depreciation	**($10,448,700)**	**($800,343)**	**$0**	**($11,249,043)**
Total capital assets, being depreciated (net)	**$6,059,792**	**($283,517)**	**$0**	**$5,776,276**

A. Impaired Capital Assets — None.
B. Collections Not Capitalized — None.
C. Construction Commitments — None.
D. Discretely Presented Component Unit(s) — None.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2021:

NOTE 5 - PENSION PLANS (continued)

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(189,670)
Pension assets	$	1,987,042
Deferred outflows of resources	$	262,870
Deferred inflows of resources	$	(2,116,194)
Pension expense/expenditures	$	(565,691)

Substantially all Valley Transit'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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (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 obtained by writing to:

Department of Retirement Systems,
Communications Unit, P.O. Box 48380,
Olympia, WA 98504-8380

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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 legislative committees; employees of district and municipal courts; and 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

NOTE 5 - PENSION PLANS (continued)

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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July - December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
PERS Plan 1		

* For employees participating in the 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 2021 were as follows:

NOTE 5 - PENSION PLANS (continued)

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
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
Total	**12.97%**	**7.90%**
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
Total	**10.25%**	**6.36%**

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

Valley Transit's actual PERS contributions to PERS Plan 1 were $111,060 and to PERS Plan 2/3 were $185,136 for the year ended December 31, 2021.

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 Demographic Experience Study and the 2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 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 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 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.

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.

NOTE 5 - PENSION PLANS (continued)

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 OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents Valley Transit's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what Valley Transit'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 – 2021	$323,113	$189,670	$73,293
PERS 2/3 – 2021	($566,070)	($1,987,042)	($3,157,214)

NOTE 5 - PENSION PLANS (continued)

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.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	Liability (or Asset)
PERS 1	$189,670
PERS 2/3	($1,987,042)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.018275%	0.015531%	.002744%
PERS 1	($645,206)	($548,328)	$96,878

PERS 2/3	0.023755%	0.019947%	0.003808%
PERS 2/3	($303,813)	($255,111)	$48,702

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30,2021 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.

Pension Expense

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

	Pension Expense
PERS 1 - 2021	($123,884)
PERS 2/3 - 2021	($441,808)

NOTE 5 - PENSION PLANS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, Valley Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	($210,470)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$51,369	$0
TOTAL	$51,369	($210,470)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$96,508	($24,359)
Net difference between projected and actual investment earnings on pension plan investments	$0	($1,660,701)
Changes of assumptions	$2,904	($141,113)
Changes in proportion and differences between contributions and proportionate share of contributions	$24,028	($79,551)
Contributions subsequent to the measurement date	$88,062	$0
TOTAL	$211,501	($1,905,724)

NOTE 5 - PENSION PLANS (continued)

Total All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$96,508	($24,359)
Net difference between projected and actual investment earnings on pension plan investments	$0	($1,871,171)
Changes of assumptions	$2,904	($141,113)
Changes in proportion and differences between contributions and proportionate share of contributions	$24,028	($79,551)
Contributions subsequent to the measurement date	$139,431	$0
TOTAL	$262870	($2,116,194)

Deferred outflows of resources related to pensions resulting from Valley Transit'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 December 31:	PERS 1	PERS 2/3
2022	($55,754)	($460,464)
2023	($51,091)	($430,626)
2024	($48,308)	($416,071)
2025	($55,318)	($448,933)
2026	$0	($18,403)
Thereafter	$0	($7,787)

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	*$ 3,199,912*
OPEB assets	*$ -0-*
Deferred outflows of resources	*$ 63,832*
Deferred inflows of resources	*$ -0-*
OPEB expenses/expenditures	*($662,391)*

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (continued)

OPEB Plan Description

a. As a member of the Washington State Public Employees Benefit Board (PEBB) Valley Transit offers employees who retire the option to continue medical coverage on a self-pay basis. The Valley Transit plan is considered to be a single-employer defined benefit plan.

b. The plan is available to non-bargaining employees. The premiums for the retired employees are blended with the rates for active employees. The blending of rates is considered an implicit subsidy paid by Valley Transit. There are no COLAs associated with the plan.

c. At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	*19*
Inactive employees entitled to but not yet receiving benefits	*0*
Active employees	*43*
Total	*62*

d. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and Other Inputs

The discount rate used in the online tool developed by the Office of the State Actuary was 2.21% for the beginning of the measurement year and 2.16% for the end of the measurement year. Projected salary changes were 3.5% plus service-based increases. Healthcare Trend rates used an initial rate of approximately 2-11%, trending down to about 4.3% in 2075. Mortality rates were calculated using the Healthy RP-2000 base mortality table with an age setback of 1 year, mortality improvements of 100% scale BB and a generational projection period.

An inflation rate of 2.75% was used. Post-retirement participation percentage was 65% and the percentage with spousal coverage was 45%.

Assumptions for retirement, disability, termination and mortality were based on the 2020 PEBB OPEB Actuarial Valuation Report. Retirement service for each active cohort was based on the average entry age of 35 with service being a component of benefit eligibility.

a. The following presents the total OPEB liability of Valley Transit calculated using the current healthcare cost trend rate of 6.8%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (continued)

percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate.

	1% Decrease (5.8%)	*Current Healthcare Cost Trend Rate (6.8%)*	*1% Increase (7.8%)*
Total OPEB Liability	*$2,694,380*	*$3,199,912*	*$3,848,145*

b. The following presents the total OPEB liability of Valley Transit calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

	1% Decrease (2.5%)	*Current Discount Rate (3.5%)*	*1% Increase (4.5%)*
Total OPEB Liability	*$3,780,656*	*$3,199,912*	*$2,736,380*

Changes in the Total OPEB Liability

For the current reporting period, a schedule of changes in the total OPEB liability should be presented.

PEBB	
Total OPEB Liability at 01/01/2021	*$ 3,933,747*
Service cost	*131,229*
Interest	*89,051*
Changes of benefit terms	*-0-*
Changes in Experience Data and Assumptions	*(882,671)*
Benefit payments	*(71,444)*
Other changes	*-0-*
Total OPEB Liability at 12/31/2021	*$ 3,199.912*

a. The Alternate Measurement Method (AMM) was performed with a valuation date of June 30, 2021. In order to estimate the total OPEB liability as of the beginning of the measurement period, the total OPEB liability was projected backwards to the measurement date of June 30, 2020. The AMM was used to measure the total OPEB liability in place of an actuarial valuation.

b. The backward projection of the liability reflected the estimated service cost, assumed interest, and expected benefit payments.

NOTE 6 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (continued)

c. There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

d. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.

e. There were no changes between the measurement date of the total OPEB liability and the employer's reporting date that are expected to have any effect of the total OPEB liability.

f. The total OPEB expense recognized by Valley Transit in the reporting period was ($662,391).

g. At December 31, 2021, Valley Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	*$-0-*	*$-0-*
Changes of assumptions	*$-0-*	*$-0-*
Payments subsequent to the measurement date	*$63,832*	*$-0-*
*TOTAL**	*$63,832*	*$-0-*

Updated

Deferred outflows of resources of $63,832 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

NOTE 7 - RISK MANAGEMENT

Valley Transit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To address these risks Valley Transit retains membership in the Washington State Transit Insurance Pool (WSTIP).

Valley Transit is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member governmental risk pool located in Olympia, Washington. WSTIP supplies Valley Transit auto liability, general liability, public officials' liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage.

NOTE 7 - RISK MANAGEMENT (continued)

At the end of 2021, Valley Transit retained a $5,000 deductible for its all-risk property coverage which includes auto physical damage. Valley Transit has a $5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving 6-months' notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin the pool for a period of 36 months.

Transit authorities applying for membership in WSTIP may do so on approval of a simple majority vote of the WSTIP Board of Directors. Underwriting and rate-setting policies have been established after consultation with actuaries. WSTIP members are subject to a supplemental assessment in the event of deficiencies. If WSTIP's assets were to be exhausted, members would be responsible for WSTIP's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited annually by the Washington State Auditor.

WSTIP utilizes a combination of self-insurance, reinsurance and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance America, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley Cyber Services for the cyber liability policy. The excess property carrier for all risk property and boiler and machinery is Alliant Property Insurance Program provided by Alliant Insurance Services.

Valley Transit has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

NOTE 7 - RISK MANAGEMENT (continued)

Here is a summary of coverage provided in 2021:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY: Bodily Injury & Property Damage Personal Injury & Advertising Injury	$25 million	Per occurrence	$0

Contractual Liability			
Personal Injury and Advertising Injury	$25 million	Per offense	$0
Contractual liability	$25 million	Per occurrence	$0
Vanpool Driver Medical Expense Protection	$35,000	Per occurrence	$0
Underinsured Motorist Coverage (by mode)	$60,000	Per occurrence	$0[1]
Permissive Use of a Member-Owned Motor Vehicle	$100,000 for property damage and $300,000 for bodily injury	Per occurrence	$0
Endorsement 1: COMMUNICABLE DISEASE LIABILITY	$500,000	Per occurrence	$0
Annual aggregate for all Members or Additional Covered Parties	$2 million		
PUBLIC OFFICIALS LIABILITY	$25 million	Per occurrence and aggregate	$5,000
Endorsement 1: VIOLATIONS OF WAGE & HOURS LAW	$250,000	Per occurrence	$25,000
Annual aggregate per Member	$250,000		
PROPERTY COVERAGE All perils subject to the following sublimits:	$500 million	Per occurrence, all perils and insureds/ members combined	$5,000
Flood zones A & V – annual aggregate	$10 million	Per occurrence, annual aggregate	$500,000
All flood zones except A & V – annual aggregate	$50 million	Per occurrence, annual aggregate	$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	$25 million	Per occurrence, annual aggregate	5% subject to $500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below $250,000 in value)	Fair market value		$5,000
Auto Physical Damage for all vehicles with a model year of 2011 or later and valued over $250,000	Replacement Cost	Limited to $1.5 million any one vehicle	$5,000
BOILER AND MACHINERY	$100 million		$250,000 or

[1] Each member selects the modes which uninsured motorist coverage is applied to. To review your selection of UIM, please refer to Exhibit attached.

			$350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	$1 million	Per occurrence	$10,000
Employee theft	$1 million	Per occurrence	$10,000
Forgery or alteration	$1 million	Per occurrence	$10,000
Inside the premises – theft of money and securities	$1 million	Per occurrence	$10,000
Inside the premises – robbery or safe	$1 million	Per occurrence	$10,000
Burglary of other Property			
Outside premises	$1 million	Per occurrence	$10,000
Computer fraud	$1 million	Per occurrence	$10,000
Funds Transfer Fraud	$1 million	Per occurrence	$10,000
Money orders and counterfeit money	$1 million	Per occurrence	$10,000
CYBER LIABILITY INSURANCE		**Coverage**	**Deductible**
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	$40 million		
Insured/Member Annual Aggregate Limit of Liability	$2 million		$5,000
BREACH RESPONSE COSTS	$500,000	Aggregate for each insured/member (limit is increased to $1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS Business Interruption *Resulting from Security Breach* *Resulting from System Failure*	 $750,000 $500,000	 Aggregate limit Aggregate limit	
Dependent Business Loss *Resulting from Security Breach* *Resulting from System Failure*	 $750,000 $100,000	 Aggregate limit Aggregate limit	
Cyber Extortion Loss	$750,000	Aggregate limit	
Data Recovery Costs	$750,000	Aggregate limit	
LIABILITY Data & Network Liability	 $2 million	 Aggregate limit	
Regulatory defense and penalties	$2 million	Aggregate limit	
Payment Card Liabilities & Costs	$2 million	Aggregate limit	
Media Liability	$2 million	Aggregate limit	

eCRIME Fraudulent Instruction	$75,000	Aggregate limit	
Funds Transfer Fraud	$75,000	Aggregate limit	
Telephone Fraud	$75,000	Aggregate limit	
CRIMINAL REWARD	$25,000	Limit	
COVERAGE ENDORSEMENTS Reputation Loss	$100,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	$50,000	Limit of Liability	
Computer Hardware Replacement Costs	$100,000	Limit of Liability	
Invoice Manipulation	$100,000	Limit of Liability	
Cryptojacking	$25,000	Limit of Liability	

NOTE 7 - RISK MANAGEMENT (continued)

Extra Cyber Limits

In addition to the coverage detailed in the basic Cyber Liability insurance description, Valley Transit has chosen to purchase additional limits. This limit will be in excess to any limit of the basic cyber liability policy and increase the availability of insurance and/or drop down if the basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not shared with any other policy holder or WSTIP member. Valley Transit elected to purchase $2 million (in excess of $2 million). The carrier is Great American Fidelity Insurance Company. Valley Transit has a $50,000 deductible per cyber incident.

Underground Storage Tank – Pollution Liability Insurance Policy

Valley Transit purchases an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier for the 2019-2020 policy term was Great American. The carrier for the 2021-2022 policy term is Great American. Insurance provisions on each policy was essentially the same. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is $1 million per environmental incident with a $1 million aggregate and a $500,000 limit on defense per environmental incident. Valley Transit has a $25,000 deductible per environmental incident. Tanks must be listed to be covered.

Covered Locations Pollution Liability Insurance Policy

Valley Transit purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2021 to April 4, 2024. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location

NOTE 7 - RISK MANAGEMENT (continued)

pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is $5 million each pollution condition – includes claims expenses with a $5 million aggregate including claims expenses. Valley Transit has a $100,000 deductible per pollution condition. Locations must be listed to be covered.

NOTE 8 – SHORT-TERM DEBT

Valley Transit had no short-term debt or short-term debt activities, other than accrued Employee Leave Benefits (see Note 1- Compensated Absences), during the year ended December 31, 2021.

NOTE 9 – LONG-TERM DEBT

Valley Transit had no leases, or long-term debt, other than accrued Employee Leave Benefits, Long Term Pension Obligations (see Note 6 - Pension Plans), and OPEB (see Note 7 - Defined Benefit Other Postemployment Benefit (OPEB) plan) during the year ended December 31, 2021.

NOTE 10 – ASSET RETIREMENT OBLIGATIONS (ARO)

GASB Statement 83 states that an Asset Retirement Obligation is a legally enforceable liability. Valley Transit has determined the only asset in their control is their underground fuel storage tank (UST) that has a future liability for decommissioning costs. Decommissioning is overseen by the Department of Ecology and requirements following WAC 173-360A. A review of a potential ARO for electric-bus batteries indicates the liability on these batteries will remain with the dealer, BYD.

Valley Transit's UST is approximately thirty-four (34) years old. Research shows that estimated life spans range from twenty (20) – forty (40) years. Valley Transit's UST has passed all required testing and recently replaced the spill bucket; therefore, Valley Transit feels that forty-years is a reasonable measurement of useful life.

Valley Transit reached out to several companies to get estimates on the cost of decommissioning fuel tanks which ranged from $50,000 to $80,000.

Three Kings: $50,000
Pacific Environmental: $80,000
Erlandsen, Inc.: $80,000
CDASSE: $30,000 - $70,000
Sayber Contractors, Inc.: No response
SME Solutions, LLC: No response
Filco Environmental: does not decommission tanks
Aspect Environmental: does not decommission tanks
Northwest Tank & Environmental: does not decommission tanks

NOTE 10 – ASSET RETIREMENT OBLIGATIONS (ARO) (continued)

Valley Transit is using the estimate received of $50,000 as a reasonable estimated liability. In year two, Valley Transit expensed $8,333, with the remaining $33,334 in a deferred outflow of resources account. The $33,334 will be expensed over the remaining four years.

NOTE 11 – CONTINGENCIES AND LITIGATION

Valley Transit's financial statements include all material liabilities. There are no contingent liabilities to record.

A. Federal Grants - Valley Transit participates in a number of federal and state financial assistance programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

B. Environmental Liability - As a public transit operation, Valley Transit has certain environmental risks related to its operation involving the storage, liability, and disposal of certain petroleum products. In the opinion of management, any potential claim not covered by insurance would not materially affect the financial statements of Valley Transit.

NOTE 12 – 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.

In response to government mandates, Valley Transit required the wearing of facial coverings by staff and the public while on board buses and at the bus transfer center. Ridership capacity had been reduced to 10 or less; driver and passenger vapor barriers were installed to maintain social distancing. All buses in service were wiped down with EPA approved disinfectants midday on all high-touch areas. Due to the lack of available workforce, Valley Transit has been forced to continue to provide reduced bus service. Valley Transit was able to re-open the main facility with social distancing and facial covering requirements. Valley Transit approved fare free service to eliminate the need to touch money or enter through the front of the bus from April 2020 to January 2021. Fares boxes were relocated to the rear doors of the bus when fares were reinstated February 2021. Rigorous cleaning and disinfecting practices continue to be followed during the nightly cleaning of the in-service buses, the main facility and the transfer center.

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

NOTE 13 - OTHER DISCLOSURES

A. Major Receivables

Sales tax due Valley Transit on December 31, 2021 totaled $1,340,207. Sales taxes collected by local merchants are paid to the State of Washington's Department of Revenue, which remits Valley Transit's portion of the local sales tax (.6 percent) on a monthly basis.

Valley Transit participates in federal and state financial assistance programs that provide funding for specific transportation services. This funding is provided on a reimbursement basis where Valley Transit must first incur the cost of providing the services, then submit a request for reimbursement to the funding agency. Reimbursements due to Valley Transit on December 31, 2021 amounted to $377,205.

VALLEY TRANSIT
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2021
Last 10 Fiscal Years*

		2021	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.015531%	0.018275%	0.020835%	0.020504%	0.0209990%	0.0264800%	0.0206350%			
Employer's proportionate share of the net pension liability	$	189,670	645,206	801,180	915,716	996,419	1,108,895	1,079,402			
TOTAL	$	189,670	645,206	801180	915,716	996,419	1,108,895	1,079,402			
Covered payroll	$	2,576,660	2,478,192	2,681,019	2,582,217	2,493,576	2,295,427	121,758			
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	7.36%	26.04%	29.88%	35.46%	39.96%	48.31%	886.51%			
Plan fiduciary net position as a percentage of the total pension liability	%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%			

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY TRANSIT
Schedule of Proportionate Share of the Net Pension Liability
PERS 2 & 3
As of June 30, 2021
Last 10 Fiscal Years*

		2021	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.019947%	0.023755%	0.024468%	0.023874%	0.0240860%	0.0231430%	0.0234200%			
Employer's proportionate share of the net pension liability	$	(1,987,042)	303,813	237,667	407,627	836,873	1,165,232	836,810			
TOTAL	$	(1,987,042)	303,813	237,667	407,627	836,873	1,165,232	836,810			
Covered payroll	$	2,576,660	2,478,192	2,577,730	2,479,288	2,370,763	2,164,412	2,002,454			
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	77.10%	12.26%	9.22%	16.44%	35.30%	53.84%	41.79%			
Plan fiduciary net position as a percentage of the total pension liability	%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%			

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY TRANSIT
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2021
Last 10 Fiscal Years*

		2021	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX
Statutorily or contractually required contributions	$	111,060	124,017	135,062	144,576	130,277	122,768	13,236			
Contributions in relation to the statutorily or contractually required contributions	$	(111,060)	(124,017)	(135,062)	(144,576)	(130,277)	(122,768)	(13,236)			
Contribution deficiency (excess)	$	0	0	0	0	0	0	0			
Covered payroll	$	2,610,298	2,589,063	2,644,337	2,697,113	2,518,199	2,388,024	121,758			
Contributions as a percentage of covered payroll	%	4.25%	4.79%	5.11%	5.36%	5.17%	5.14%	10.87%			

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

VALLEY TRANSIT
Schedule of Employer Contributions
PERS 2 & 3
For the year ended December 31, 2021
Last 10 Fiscal Years*

		2021	2020	2019	2018	2017	2016	2015	20XX	20XX	20XX
Statutorily or contractually required contributions	$	185,136	205,054	199,804	194,384	165,727	251,496	216,089			
Contributions in relation to the statutorily or contractually required contributions	$	(185,136)	(205,054)	(199,804)	(194,384)	(165,727)	(251,496)	(216,089)			
Contribution deficiency (excess)	$	0	0	0	0	0	0	0			
Covered payroll	$	2,610,298	2,589,063	2,593,641	2,592,011	2,417,680	2,249,520	2,002,454			
Contributions as a percentage of covered payroll	%	7.09%	7.92%	7.70%	7.50%	6.85%	11.18%	10.87%			

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

VALLEY TRANSIT
Schedule of Changes in Total OPEB Liability and Related Ratios
PEBB
For the year ended December 31,2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	20XX	20XX	20XX	20XX	20XX	20XX
Total OPEB liability - beginning	$ 3,933,747	$ 3,278,659	$3,325,550	$3,292,662						
Service cost	131,229	97,286	94,244	120,450						
Interest	89,051	117,153	131,106	121,551						
Changes in benefit terms	0	0	0	0						
Differences between expected and actual experience	(882,671)	498,556	(270,566)	(173,113)						
Changes of assumptions	0	0	0	0						
Benefit payments	(71,444)	(57,907)	(64,675)	(36,000)						
Other changes										
Total OPEB liability - ending	3,199,912	3,933,747	3,278,659	3,325,550						
Covered-employee payroll	2,347,630	2,371,224	2,397,691	2,671,602						
Total OPEB liability as a % of covered-employee payroll	136.30%	165.90%	136.74%	124.48%						

Notes to Schedule:

***** Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Valley Transit
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	WA-2020-074-1	-	302,456	302,456	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2021-059	-	731,541	731,541	-	
			Total CFDA 20.507:	**-**	**1,033,997**	**1,033,997**	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2019-062	-	172,000	172,000	-	
			Total Federal Transit Cluster:	**-**	**1,205,997**	**1,205,997**	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0154	23,049	-	23,049	-	
			Total Transit Services Programs Cluster:	**23,049**	**-**	**23,049**	-	
			Total Federal Awards Expended:	**23,049**	**1,205,997**	**1,229,046**	**-**	

The accompanying notes are an integral part of this schedule.

Valley Transit

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as Valley Transit's financial statements. Valley Transit uses the accrual basis of accounting for federal grants.

NOTE 2 – INDIRECT COST RATE

Valley Transit has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - PROGRAM COSTS

The amounts shown as current-year expenses represent only the federal grant portion of the program costs. Entire program costs, including Valley Transit's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

During 2021, Valley Transit had expenditures of Federal Financial Assistance totaling $1,229,046.

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.

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