Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Valley Communications Center

For the period January 1, 2020 through December 31, 2021

Published December 15, 2022

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Office of the Washington State Auditor
Pat McCarthy

December 15, 2022

Board of Appointed Representatives
Valley Communications Center
Kent, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Valley Communications Center
January 1, 2020 through December 31, 2021

Board of Appointed Representatives
Valley Communications Center
Kent, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Valley Communications Center, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 8, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

December 8, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Valley Communications Center
January 1, 2020 through December 31, 2021

Board of Appointed Representatives
Valley Communications Center
Kent, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Valley Communications Center, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Center'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 Communications Center, as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 Center'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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

December 8, 2022

FINANCIAL SECTION

Valley Communications Center
January 1, 2020 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021 and 2020

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2021 and 2020
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position – 2021 and 2020
Comparative Statement of Cash Flows – 2021 and 2020
Notes to Financial Statements – 2021 and 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021 and 2020
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

Financial Highlights

- The total assets plus deferred outflows of the Valley Communications Center exceeded its liabilities plus deferred inflows at the close of 2021 by $43.5 million. Of this amount, $8.9 million is invested in capital assets and $26.1 million has been restricted for facilities and equipment replacement needs.

- VCC recognized $10.3 million net pension asset and a $9.4 million increase in deferred inflows of resources related to pension in 2021, which contributed to a $1.8 million net position specifically restricted for pension asset. It's the first time VCC is reporting a net pension asset and related restricted net position, as one of the VCC's offered pension plans went from being reported as underfunded to overfunded by the State during 2021.

- Overall total net position increased by $5.2 million from last year mostly due to a $2.8 million increase in equipment and facilities replacement reserve balances, shown in higher restricted cash and cash equivalents, and pension related entries that had a $2.4 million increase in pension contra offsets against the Center's expenses.

- The $6.7 million unrestricted portion of net position is used to meet VCC's ongoing operating activities and obligations.

- The VCC's financial position is strong and has further improved this year, as evidenced by the increase in the total net position. Continuation of funding for the rolling replacement of critical equipment and facilities has reduced the need to spend large amounts for unexpected repairs or emergency purchases.

- VCC remains sensitive to the financial pressures its member and contract agencies are facing. When creating the VCC budget, rates are established to ensure revenues cover the cost of operation and fund equity balance does not accumulate beyond required. Unexpected fund balances are applied toward funding the facilities and equipment replacement reserves.

Overview of the Financial Statements

VCC's financial statements are presented in two parts:

1. Financial Statements
2. Notes to the Financial Statements

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

Fund Financial Statements

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

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

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

Notes to the Financial Statements

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

Financial Analysis

Statement of Net Position

The statement of net position serves as a useful indicator of VCC's financial position. VCC's net position, assets plus deferred outflows in excess of liabilities and deferred inflows, on December 31, 2021 totaled $43.5 million. Following is a condensed version of the statement of net position that compares net position for years 2021, 2020, and 2019.

NET POSITION (IN THOUSANDS)

	2021	2020	2019
Current and other assets	$ 47,608	$ 34,896	$ 31,792
Capital assets, net	8,909	9,889	11,169
Total assets	**56,517**	**44,785**	**42,961**
Deferred Outflows of Resources	**1,248**	**1,407**	**1,149**
Current liabilities	1,582	1,406	1,259
Noncurrent liabilities	2,076	5,247	4,970
Total liabilities	**3,658**	**6,653**	**6,229**
Deferred Inflows of Resources	**10,619**	**1,237**	**2,361**
Net position			
Invested in capital assets	8,909	9,890	11,169
Restricted	27,881	23,242	21,260
Unrestricted	6,698	5,170	3,091
Total net position	**$ 43,488**	**$ 38,302**	**$ 35,520**

Total Assets

VCC's total assets continue to increase from year-to-year. The 2021 increase is mostly due to the recording of a $10.3 million in net pension asset. Pensions are further discussed in Note 5 of the accompanying notes to the financial statements. The remaining increase is due to an increase in cash equivalent reserves. VCC is required to accumulate reserves for replacement of equipment and facilities. In 2021, VCC's current assets increased $2.4 million; 7% compared to a 9.8% increase in prior year.

VCC's net capital assets decreased $1 million, a decrease of 9.9% in 2021 compared to a 11.5% decrease in prior year, as $1.6 million in depreciation was recognized and $407 thousand in old assets were disposed of during 2021. For 2020, $1.7 million in depreciation was recognized and $391 thousand in old assets disposed. The outstanding construction in progress was $633 thousand at yearend 2021, with $74 thousand outstanding at yearend 2020. Construction in progress projects accumulate costs similarly to regular capital assets, but do not accumulate depreciation until the project status is complete. At the end of 2021, two projects remained in construction in progress and these projects are further discussed in Note 4.B of the accompanying notes to the financial statements.

Deferred Outflows of Resources

Deferred outflow of resources decreased 11.3% during 2021 compared to an increase of 22.5% during 2020. The decrease is mostly due to the reduced contributions subsequent to the measurement date, as contribution rates decreased and VCC had more vacant positions. The increase in 2020 is mostly due to the differences between expected and actual experience of pension plans and an increase in changes in proportion and differences between contributions and proportionate share of contributions. Deferred outflows for pension are further discussed in Note 5 of the accompanying notes to the financial statements.

Total Liabilities

The 45% decrease in total liabilities from 2020 to 2021 is solely attributed to the decrease in net pension liability. The 6.8% increase in total liabilities in prior year was also primarily attributed to the increase in net pension liability. Under GASB Statement No. 68, net pension liability for PERS 1 and PERS 2/3 plans fluctuates widely: decrease of $3.2 million in 2021, increase of $183 thousand in 2020, and a decrease of $1.4 million in 2019; a 76.8% decrease in 2021, compared to a 4.5% increase in 2020. In 2021, PERS 2/3 plan actually moved from a liability to an asset. Net pension liability is further discussed in Note 5 of the accompanying notes to the financial statements.

Current liabilities increased 12.5%, $176 thousand, in 2021 compared to a 11.7% increase, $147 thousand, in prior year. The 2021 increase is due to an increase in payables from restricted assets and accounts payable, while the 2020 increase is due to an increase in payables from restricted assets and payroll.

Deferred Inflows of Resources

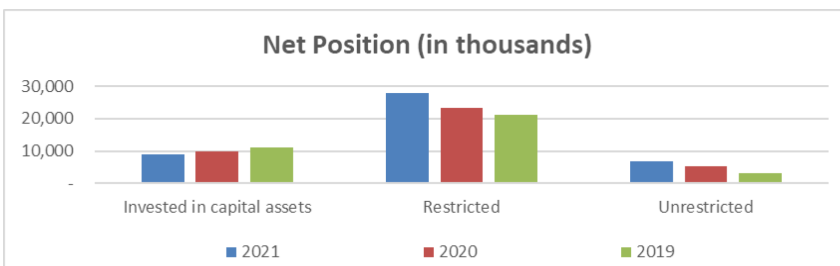
Deferred inflows of resources increased $9.4 million (758.3%) in 2021 following a decrease of $1.1 million (47.6%) in 2020 and an increase of $0.3 million (12.4%) in 2019. The 2021 increase in deferred inflows is due to the net difference between projected and actual investment earnings on pension plans' investments. The prior year decrease is also due to net difference between projected and actual investment earnings on pension plans' investments and changes in assumptions. Deferred inflows for pensions are further discussed in Note 5 of the accompanying notes to the financial statements.

Net Position

The largest component of VCC's net position is restricted. The $27.9 million as of December 31, 2021, $23.2 million as of December 31, 2020, and $21.3 million as of December 31, 2019 represent restricted net position. These funds are restricted for purposes such as building and facilities, equipment replacement, the existing 800 MHz radio system, and pension asset. Each year, funds are set aside for the replacement of assets deemed critical to emergency response. As these assets are due to be replaced, this money is available for the purchase of this mission critical equipment. 2021 is the first year VCC is reporting net position restricted for pension asset.

The second largest component of net position is investment in capital assets. Investment in capital assets decreased 9.9% in 2021, compared to a 11.5% decrease in 2020, as assets were depreciated each year and some were disposed of. Capital assets, $8.9 million as of December 31, 2021, $9.9 million as of December 31, 2020, and $11.2 million as of December 31, 2019 are comprised of buildings, land, and communication equipment that are used to provide services to public safety agencies and citizens. These assets are critical to our operations and as a result, are not for sale and therefore are not available to fund current and future VCC obligations.

VCC's remaining net position is positive in the last 3 years; $6.7 million in 2021, $5.2 million in 2020, and $3.1 million in 2019. The unrestricted net position is generally available for continuing operations. Reporting under GASB Statement No. 68 led to recognition of $980 thousand, a $4.2 million, and a $4 million for 2021, 2020, and 2019, respectively, net pension liability. There was a 30% improvement in 2021, following a 67% increase in 2020 and a 133% increase in 2019, in the unrestricted net position, as the Center recorded lower net pension liability, which along with generated operational savings finally brought the unrestricted net position into positive for 2018 and subsequent years.



Statement of Revenues, Expenses and Changes in Fund Net Position

The condensed statement of changes in net position, which follows, shows that the net position increased by $5.2 million during 2021, $2.8 million during 2020, and $1.8 million during 2019. The 2021 increase is due to charges for services, that fund operations and replacement reserves for equipment and facilities, being higher than actual expenses. The 2020 increase is due to an increase in charges for services for member rate agencies and intergovernmental revenue.

Additionally, total 2021 Center expenses were reduced by pension related entries that had a $2.4 million increase in pension contra offsets recorded under GASB Statement No. 68.

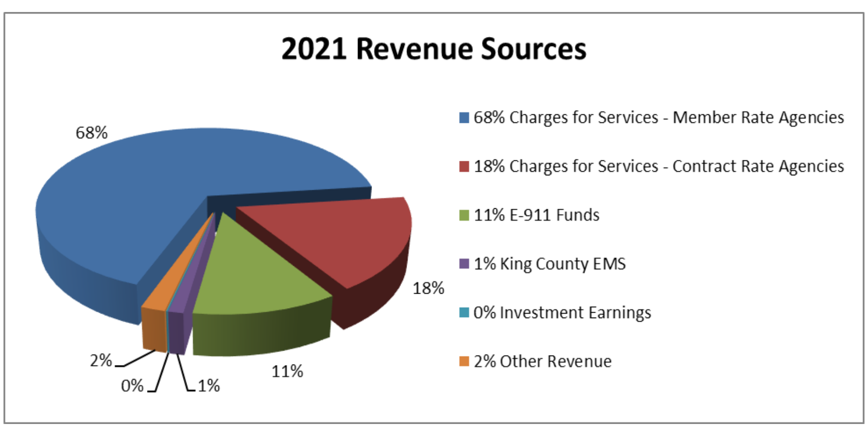
CHANGES IN NET POSITION (IN THOUSANDS)

	2021	2020	2019
Program revenue			
Charges for service	$ 19,609	$ 20,014	$ 19,585
Intergovernmental	2,903	2,881	2,722
General revenue			
Other nonoperating revenue	329	230	686
Total revenue	**22,841**	**23,125**	**22,993**
Operating expenses	17,640	20,272	20,318
Nonoperating expenses	15	71	86
Total expenses	**17,655**	**20,343**	**20,404**
Excess (deficiency) before special item	**5,186**	**2,782**	**2,589**
Special item	-	-	(828)
Change in net position	**5,186**	**2,782**	**1,761**
Beginning net position - Jan 1	38,302	35,520	33,759
Ending net position - Dec 31	**$ 43,488**	**$ 38,302**	**$ 35,520**

Revenues

Total revenue decreased slightly in 2021 by 1.2%, mostly due to a 2% decrease in charges for services, as expenditures to be funded by user agencies were reduced for 2021 during budget process by holding operational costs steady, eliminating contribution designated for facilities in replacement of debt service, and reducing contribution for equipment replacement. The 2020 slight total revenue increase of 0.6% is mostly due to a 5.8% increase in intergovernmental revenues and a 2.2% increase in charges for services that were largely offset by a decrease of 66.5% in other nonoperating revenues due to lower investment interest revenue resulting from lower interest rates.

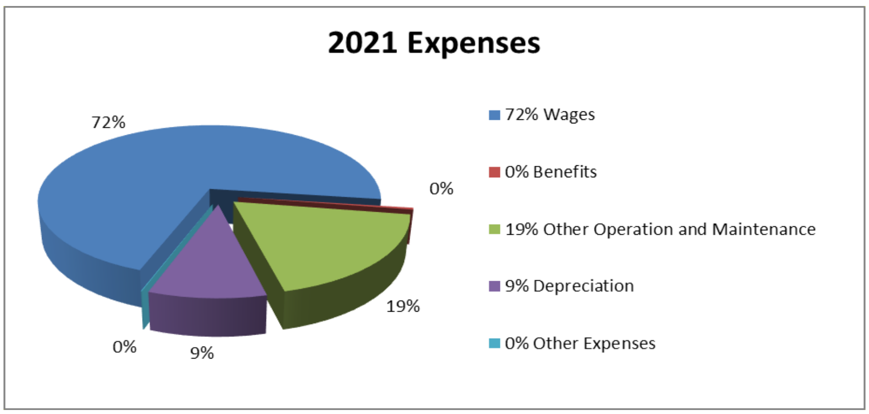
VCC's revenues are generated primarily through charges for services. The following chart depicts VCC's revenue sources in further detail:



Valley Communications Center's funding formula is designed to charge fees for services to customer agencies to cover budgeted expenses; as expenses increase (or decrease) from year to year, so do charges for services. The Center's intergovernmental revenues include E-911 escrow account excise tax distributions, Emergency Management Services performance and training revenue, and King County reimbursements.

Expenses

Total expenses decreased 13.2% in 2021 following a decrease of 0.3% in 2020 and an increase of 4.7% in 2019. The 2021 decrease is directly attributed to a decrease of 18.2% in personnel services as a result of the pension related contra entries where a $2.4 million increase from prior year in pension offsets was recorded against the Center personnel costs, causing no benefits costs being reported for 2021. In 2021, VCC had $3,913,805 in personnel benefit costs offset by $3,981,450 GASB Statement No. 68 pension related entry. Prior year 16.8% decrease in other operation and maintenance were largely offset by a 4.5% increase in personnel services. The following chart depicts VCC's expenses in further detail:



In the three years ending with 2021, VCC's bargaining units had COLA and step increases. In 2021, total wages increased only $126 thousand, a 1% increase as VCC saw substantial vacancies during the year, compared to a $471 thousand, a 3.9% increase in 2020, and a $976 thousand, an 8.7% increase in 2019. The total benefits and payroll taxes decreased $2.9 million, a 102.3% decrease in 2021, compared to an increase of $200 thousand, a 7.4% in 2020, and an increase of $38 thousand, a 1.4% in 2019.

The three-year fluctuating benefit costs are mostly due to the $4 million ($1.2 million for 2020, and $1.3 million for 2019) pension offsets/reductions resulting from accounting for pensions under the GASB Statement No 68. Disregarding pension offsets, total benefits and payroll taxes decreased $168 thousand, a 4.1% decrease in 2021, compared to an increase of $137 thousand, a 3.5% increase in 2020, and a $274 thousand, a 7.5% increase in 2019. The 2021 decrease is due to lower pension contribution rates and prior years' increases are mostly due to rate increases in retirement and medical rates.

The other operation and maintenance expense increased 7.2% in 2021 following a decrease of 16.8% in 2020 and 8.4% in 2019, as VCC had eliminated virtually all nonessential spending during the COVID-19 emergency in 2020.

Budgetary Highlights

The 2021-2022 biennial budget was approved (Resolution 135) for $52 million in total uses, with a $43 million in operating expenses, which is an 8.5% increase from combined 2019-2020 actual operating expenses. The increase was mostly attributed to personnel costs (salary and benefits) increase and actual operational savings generated during 2019-2020.

During 2021, there was a $7 million increase in appropriations between the original and final 2021-2022 biennial budget, with $5.4 million allocated to budget adjustments for 2021. These expenses were funded with accumulated fund net position balance resulting from 2020 savings. Following are the main components of the budget amendment for 2021 (Resolution 136):

- $1 million for VHF paging equipment; funded with equipment replacement funds.
- $714,267 for security system replacement; funded with equipment replacement funds.
- $300,000 for humidification remediation; funded with operating fund savings transferred to the equipment replacement fund.
- $225,629 for recording software and hardware replacement; funded with equipment replacement funds.
- $133,000 for data center raised floor tile replacement; funded with operating fund savings previously transferred to the equipment replacement fund.
- $128,000 for 3rd tier and advanced technical services; funded with operating fund savings.
- $123,700 for VHF paging professional services and engineering; funded with operating fund savings.
- 113,861 UV lighting; funded with operating fund savings transferred to the equipment replacement fund.
- $97,000 for cyber security training; funded with operating fund savings.
- $89,618 for facilities/ building space reconfiguration; funded with operating fund savings previously transferred to the equipment replacement fund.
- $59,000 for laptop replacement; funded with equipment replacement funds.
- $52,000 for HVAC platform to safely maintain system; funded with operating fund savings previously transferred to the equipment replacement fund.
- $50,000 for cyber security consulting; funded with operating fund savings.
- $40,668 for insurance; funded with operating fund savings.

Actual 2021 revenues were slightly higher compared to budget with an overall 0.5% increase mostly due to $221 thousand higher revenue from contract rate charges for services, compared to a prior year decrease of 0.4% due to the same cause. Overall, 2021 billable calls for services increased 5% (1.5% for police and 14.4% for fire agencies), while prior year saw a decrease of 7% (7.6% for police and 4.5% for fire). The volume of police calls is much larger than fire calls.

The 2021 expenses were 14.1% less than the amended budget, which is mostly due to a delay in capital outlay of $2.4 million for equipment replacement and facilities, a $1.1 million savings in personnel costs due to high position vacancies, and a $0.7 million unspent budget in services. Prior year expenses were 5.1% less than the amended budget, which is mostly due to a $726 thousand savings in personnel costs and $220 thousand in services. Personnel costs were 6.4% below budget in 2021, compared to a 4.2% below budget in the prior year. Other operation and maintenance costs were 19.3% below budget, compared to a 5.8% below budget in prior year. Capital outlays were 78% below budget, compared to a 25.9% below budget in prior year, as projects were delayed due to COVID-19 and a COVID-19 related death in the VCC IT department, as well as vendor supply issues.

Other Potentially Significant Matters

Labor Agreements

On October 31, 2019, the Valley Communication Center Employees' Association signed their 3-year contract for 2019-2021. The contract called for a wage increase of 4.88% retroactive to January 1, 2019, an increase of 3.88% for 2020, and an increase of 3.25% for 2021. It provided for equivalent of 8 hours of vacation bank cash out on ratification, established some overtime hours to be compensated at double time, increased longevity bonus percentage by 0.05%, increased vacation and holiday carryover limit to 240 from 180, and raised sick leave payout at retirement to 30% from 25% with the maximum raised to $6,000 from $4,500. Starting 2020, the contract also increases hourly shift differential premium to $0.75 from $0.40 and increases vacation accruals by approximately 12 hours per year. A subsequent 2-year contract was negotiated during 2021 and includes an increase in longevity bonus percent, lowers longevity eligibility years of service from 8 to 5 years, and provides a 7% wage increase for 2022. The 2023 increase is dependent on June 2022 CPI-W for Seattle-Tacoma-Bellevue area and is limited to an increase between 3% and 6% range.

On December 28, 2020, the Valley Communications Supervisory Guild signed their 2-year contract for 2021-2022. The contract called for a wage increase of 1.25% effective January 1, 2021 and an increase of 1.75% for 2022. It provided a contract ratification bonus not to exceed combined total of $30 thousand for all 11 employees of the guild. Prior contract expired December 31, 2020 and included a 3.5% increase for 2020.

Economic Factors and Next Year's Rates

- The CPI-U for the Seattle-Tacoma-Bellevue has been on an increase throughout 2021 and was at 4.6% annual percent change as of December 2021, compared to a 1.7% increase in prior year.
- Public Employees Retirement System (PERS) employer rates decreased to 10.25% from 12.97% in July 2021 and are expected to decrease to 10.07% in July 2023, based on the Office of the State Actuary projections.
- Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP) medial rates for Regence AWC HealthFirst 250 plan increased net 1.9% (4% rate increase was offset by the 2% well city discount) for 2021 and are increasing 5.8% for 2022.
- To gain efficiencies and increase overall public safety value, King County E-911 developed a strategic plan and revised funding policy on distribution of excise taxes to fund equipment, projects, and staff at public safety answering points. Development of the single platform will drive major changes in the future.
- VCC has completed a refresh of the 5-year strategic plan in 2021 with the original plan adopted in 2018 and ongoing subsequent implementation.
- Puget Sound Emergency Radio Network (PSERN) regional effort is underway as a replacement for the current King County Emergency Trunked Radio System (KCETRS).
- 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. The length of time these measures will be in place, and the full extent of the financial impact on the Center and its member and contract agencies is unknown at this time. See Note 11 of the accompanying notes to the financial statements.

Above factors existing in the summer of 2021 were considered when VCC prepared its mid-biennial review of 2021-2022 budget and its Fall 2021 budget adjustment, which reflects a 5.8% increase in operating expenses from prior biennium, disregarding capital expenses and transfers. The 2022 contract rate per call increased 5% to $46.59 and the average cost-per-call also increased 5% to $40.48 equivalent rate for member rate agencies. However, member agencies are not charged on a cost per call basis, and their actual overall contribution remained unchanged from 2021 to 2022, as they had a 5% decrease in units). Since regional fire authorities and South King Fire and Rescue have both member and contract billable calls for service rates, their overall contributions increased 11% from 2021 (as they had a 6% increase in units).

To keep 2022 member contribution increases at a minimum, the Administration Board approved to continue allocating E-911 escrow funds received during the year to fund 24 full time equivalent positions. The estimated $4.4 million in ending operating working capital remains available for use into 2022.

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

Requests for Information

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

Valley Communications Center
Comparative Statement of Net Position
As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,797,269	$ 10,193,346
Receivables:		
Accounts	32,063	2,450
Interest	546	1,161
Due from other governments	839,646	395,307
Prepayments	249,740	889,502
Restricted assets:		
Cash and cash equivalents	26,352,639	23,338,356
Receivable accounts	180	195
Due from other governments	54,600	65,349
Prepayments	0	9,944
Total current assets	37,326,684	34,895,609
Noncurrent assets:		
Net pension asset	10,281,675	0
Capital assets not being depreciated:		
Land	218,915	218,915
Construction in progress	632,669	73,913
Capital assets being depreciated:		
Buildings	9,899,283	9,784,492
Other improvements	650,594	650,594
Equipment	17,393,976	17,793,350
Less accumulated depreciation	(19,886,749)	(18,631,677)
Total capital assets (net)	8,908,688	9,889,587
Total noncurrent assets	19,190,363	9,889,587
TOTAL ASSETS	**56,517,046**	**44,785,196**
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,247,855	1,407,010
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**1,247,855**	**1,407,010**
LIABILITIES		
Current liabilities:		
Accounts payable	220,526	158,039
Payroll payable	1,076,333	1,076,591
Payables from restricted assets	285,264	171,653
Total current liabilities	1,582,123	1,406,283
Noncurrent liabilities:		
Compensated absences	1,095,603	1,026,020
Net pension liability	980,004	4,220,779
Total noncurrent liabilities	2,075,607	5,246,799
TOTAL LIABILITIES	**3,657,729**	**6,653,082**
DEFERRED INFLOWS OF RESOURCES		
Pension	10,619,098	1,237,253
TOTAL DEFERRED INFLOWS OF RESOURCES	**10,619,098**	**1,237,253**
NET POSITION		
Invested in capital assets	8,908,688	9,889,587
Restricted for:		
Equipment replacement	21,056,549	18,371,366
800 MHz radio	5,065,607	4,870,824
Pension asset	1,758,920	0
Unrestricted	6,698,311	5,170,094
TOTAL NET POSITION	**$ 43,488,074**	**$ 38,301,871**

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

Valley Communications Center
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
For the Periods Ending December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Charges for services - member rate	$ 15,420,333	$ 17,062,122
Charges for services - contract rate	4,097,359	2,860,605
Other charges for services	91,987	90,712
Intergovernmental revenue	2,902,651	2,880,813
Total operating revenues	22,512,331	22,894,253
Operating expenses:		
Personnel services	12,672,986	15,495,924
Other operation and maintenance	3,319,751	3,092,078
Depreciation	1,647,124	1,683,688
Total operating expenses	17,639,861	20,271,690
Operating income (loss)	**4,872,469**	**2,622,563**
Nonoperating revenues (expenses):		
Investment earnings	20,734	188,621
Leasehold revenue	33,934	32,945
Other miscellaneous revenue	274,170	8,518
Gain (loss) on disposal of capital assets	(15,104)	(71,112)
Total nonoperating revenues (expenses)	313,734	158,973
Income (loss)/ Change in net position	**5,186,203**	**2,781,536**
Total net position - January 1	38,301,871	35,520,335
Total net position - December 31	**$ 43,488,074**	**$ 38,301,871**

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

Valley Communications Center
Comparative Statement of Cash Flows
For the Periods Ending December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers	$ 22,049,142	$ 23,410,440
Cash payments to suppliers for goods and services	(2,493,949)	(3,401,822)
Cash payments for employee services	(16,585,111)	(16,533,121)
Net cash provided (used) by operating activities	**2,970,082**	**3,475,497**
Cash flows from capital and related financing activities:		
Purchases of capital assets	(681,329)	(475,065)
Leasehold revenue	33,934	32,945
Other receipts	274,170	8,518
Net cash provided (used) by capital and related financing activities	**(373,225)**	**(433,602)**
Cash flows from investing activities:		
Interest on investments	21,350	189,992
Net Cash provided (used) by investing activities	**21,350**	**189,992**
Net increase (decrease) in cash and cash equivalents	**2,618,207**	**3,231,887**
Cash and cash equivalents - January 1	33,531,701	30,299,814
Cash and cash equivalents - December 31	**$ 36,149,908**	**$ 33,531,701**

Reconciliation of operating Income (loss) to net cash provided (used) by operating activities:

	2021	2020
Operating income (loss)	4,872,469	2,622,563
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,647,124	1,683,688
Changes in assets and liabilities:		
(Increase) decrease in receivables	(29,599)	76,864
(Increase) decrease in due from other governments	(433,590)	439,323
(Increase) decrease in prepayments	649,705	(389,381)
Increase (decrease) in accounts payable	62,487	(9,510)
Increase (decrease) in payroll payable	(257)	67,861
Increase (decrease) in payables from restricted assets	113,611	89,147
Increase (decrease) in compensated absences	69,583	94,510
Increase (decrease) in pensions and deferred outflows/inflows	(3,981,450)	(1,199,567)
Total adjustments	**(1,902,387)**	**852,934**
Net cash provided (used) by operating activities	**$ 2,970,082**	**$ 3,475,497**

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

NOTE 1 – Summary of Significant Accounting Policies

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

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

a. Recommend action to the legislative bodies of the participating members;

b. Review and approve budget expenditures;

c. Establish policies for expenditures of budget items for the Center;

d. Review and adopt a personnel policy for the Valley Communications Center;

e. Establish a fund or special fund or funds as authorized by RCW 39.34.030 for the operation of the Valley Communications Center;

f. Conduct regular meetings as may be designated by the Administration Board;

g. Determine what services shall be offered and under what terms they shall be offered;

h. Enter into agreements with third parties for goods and services necessary to fully implement the purposes of this agreement;

i. Establish rates for services provided to other members, subscribers or participating agencies;

j. Direct and supervise the activities of the Operations Board and the Center Director;

k. Incur debt in the name of the Center to make purchases or contract for services necessary to fully implement the purposes of this agreement;

l. Enter into agreements with, and receive and distribute funds, from any federal, state, or local agencies;

m. Receive all funds allocated to the Center from its members;

n. To purchase, take, receive, lease, take by gift, or otherwise acquire, own, hold, improve, use and otherwise deal in and with real or personal property, or any interest therein, in the name of Valley Communications Center;

o. To sell, convey, mortgage, pledge, lease, exchange, transfer and otherwise dispose of all of its property and assets;

p. To sue and be sued, complain and defend, in all courts of competent jurisdiction in the Center's name;

q. To make and alter by-laws for the administration and regulation of its affairs;

r. Enter into contracts with future participating members and subscribers to provide communications services;

s. To hold radio frequency licenses to enable the Center to operate radio communications and dispatch systems to meet its public safety responsibilities;

t. Any and all other acts necessary to further Valley Communication Center's goals and purpose.

The duration of the agreement was for five (5) years from its effective date, January 1, 2000 and shall automatically be extended for an additional five (5) year period unless terminated as provided. However, the agreement shall not be terminated until all bonds issued by the Valley Communications Center Development Authority have been paid and retired. All bonds were paid off in December 2015.

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

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

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

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

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

In accordance with this agreement, the participating cities of VCC have no equity interest in VCC's 800 MH_z Radio System or the fund net position balance of $5,167,852 and $5,026,761 as of December 31, 2021 and 2020, respectively.

On July 30, 2009, VCC entered into an Interlocal Cooperative Agreement with King County for the purpose of establishing a joint project in support of the regional emergency radio communications system. This agreement defined the preventative and restorative maintenance and repair services to be provided by King County on reimbursement basis for the VCC owned portion of jointly implemented and maintained part of the regional system.

In June 2015, VCC entered into an Implementation Agreement with King County for the new public safety radio system, referred to as the Puget Sound Emergency Radio Network System or PSERN System, financed through a $273 million voter approved funding measure for the purpose of establishing the terms under which to undertake certain activities necessary to implement the PSERN System. King County is the lead agency for planning, procurement, financing, and implementation of PSERN System and for creation of a new non-profit corporation, to be responsible for the ownership, operations, maintenance and on-going upgrading/replacement of the PSERN System during its useful life.

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

A. REPORTING ENTITY

In 1985 Valley Communications Center (hereafter referred to as VCC), was determined to be a joint venture of the cities of Renton, Kent, Auburn and Tukwila. Shares of equity are included in the financial statements of said cities, beginning in 1985. Commencing January 1, 2000, the City of Federal Way was included as a participant in the joint venture. The shares of equity are now included in the financial statements of Auburn, Federal Way, Kent, Renton, and Tukwila. The purpose of the jointly run operation is to provide improved consolidated emergency communications (dispatch) services on a 24-hour basis for police, fire, and medical aid, to the five participating cities and to the subscribing/contract agencies which include:

- City of Algona Police Department.
- City of Des Moines Police Department.
- City of Black Diamond Police Department.
- City of Pacific Police Department.
- Enumclaw Fire Department (serving City of Enumclaw and KC Fire District #28).
- King County Fire District #2 (serving City of Burien and City of Normandy Park).
- King County Fire District #47.
- King County International Airport Fire Department.
- King County Medic One (serving South King County).
- Mountain View Fire & Rescue (serving KC Fire District 17, KC Fire District #44, and City of Black Diamond).
- North Highline Fire District (KC Fire District #11).
- Puget Sound Regional Fire Authority (serving City of Kent, City of Covington, City of SeaTac, City of Maple Valley, KC Fire District #37, and KC Fire District #43).
- Renton Regional Fire Authority (serving City of Renton, KC Fire District #25 and KC Fire District #40).
- Skyway Fire Department (KC Fire District #20).
- South King County Fire & Rescue (serving City of Federal Way, KC Fire District 39, City of Des Moines, and KC Fire District #26).

- Valley Regional Fire Authority (serving City of Auburn, City of Algona, City of Pacific, and KC Fire District #31).
- South Correctional Entity Regional Jail (SCORE).
- Vashon Island Fire & Rescue (KC Fire District #13).

Separate agreements between Valley Com and the subscribing agencies have been executed which set forth conditions of services and rates charged.

Valley Com is served by an Administration Board composed of the Mayors or designated representatives of the five participating cities of Auburn, Federal Way, Kent, Renton, and Tukwila. In 2019, 3 nonvoting members were added to the Administration Board, one for each of the 3 disciplines VCC serves: law enforcement, fire, and paramedics. The Administration Board is authorized to establish bylaws that govern procedures of the Board and VCC's general operations. Principal functions of the Board include:

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

In addition, an Operations Board provides recommendations and consists of members from each participating city's police and fire departments (or resulting agencies), including the directors of said departments or their designees. Also on the Operations Board, are the appointed representatives of police, fire, and medic contract agencies.

The Operations Board performs the following functions:

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

The member agencies and contract agencies with approved member rates are billed for their assessments on a bi-monthly basis. Payments are to be received in February, April, June, August, October, and December. Contract agencies with contract rates are billed monthly for dispatch services based on the actual billable calls for service. Payments to vendors are from invoices and are certified by the Director or designee. The Director or designee also approves payroll.

B. Measurement Focus

The accounts of VCC are organized on an activity basis, with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. VCC's resources are allocated to and accounted for in a fund, as reported in the financial statements, for the years 2021 and 2020, included in this Annual Report. Following is a description of the proprietary fund type used by VCC.

Proprietary Fund

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

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of VCC is charges to customers for services. Intergovernmental revenue, essentially the same as a contract for services or in substance an exchange transaction, are also reported as operating revenue. Operating expenses for VCC include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VCC is comprised of one enterprise fund. For budgetary purposes, VCC's activities are tracked separately by: operating, equipment replacement, contingency, 800 MH_z Radio System, and King County E-911 escrow. Equipment replacement tracking is governed by the Administration Board Resolution #127 and established standard operating procedures. These assets are reserved for procurement of new equipment and facilities or replacement of existing equipment and facilities. Contingency is governed by the Administration Board Resolution #114, which establishes the operating contingency policy and provides a financial resource in the event of unanticipated expense essential to effective operation. 800 MH_z Radio System tracking was established to segregate the accounting associated with the 800 MH_z project's distribution and disbursement of levy proceeds for the development, implementation, and operation of the system. The King County E-911 escrow account was established to segregate the accounting for the excise tax revenues received from land line and cellular phone users that are in escrow with King County for 911 call answering functions.

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

C. BASIS OF ACCOUNTING

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

Accrual Basis of Accounting

The accrual basis of accounting is followed in Proprietary Funds. Revenues are recognized when earned and expenses are recognized when liability is incurred regardless of the timing of the cash flows.

The member rate agencies provide the majority of revenues to VCC. Financial participation is allocated among the member rate agencies based on each member rate agency's percent of billable calls for service. The 2021 and 2020 assessments are based on the calls for services for periods of July 1, 2019 - June 30, 2020 and July 1, 2018 - June 30, 2019, respectively, corresponding with calls for services used for each year's budgetary funding formula.

The following is the 2021 and 2020 calls for services assessment distribution for the member rate agencies:

Member Rate Agencies	2021 Assessment	2020 Assessment
Auburn Police	$ 2,833,672	$ 3,294,729
Federal Way Police	2,577,829	2,709,687
Kent Police	3,458,232	3,416,763
Puget Sound Regional Fire Authority*	717,379	1,135,445
Renton Regional Fire Authority*	567,448	673,679
Renton Police	2,738,018	2,850,807
South King Fire & Rescue*	532,125	809,207
Tukwila Fire	210,860	229,310
Tukwila Police	1,133,816	1,174,997
Valley Regional Fire Authority*	436,644	517,492
Totals	**$ 15,206,023**	**$ 16,812,118**

*Beginning 2021, only includes contributions for billable calls for service generated inside member/owner cities' jurisdictions.

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

D. BUDGETARY INFORMATION

GAAP reporting does not require, and the financial statements do not present, budgetary comparisons for the proprietary funds. The Center has budgeted on a biennial basis since 2015.

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

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

1. Director establishes budget goals and strategy.

2. The Director submits a proposed budget to the Operations Board on or before August 15th of each year, and the Board submit their feedback.

3. The budget is submitted to the Administration Board by September 1st of each year.

4. The member cities are informed of the proposed budget and the required financial participation for the ensuing year. VCC may expend funds after budgetary allocations have been appropriated by each member city in their budgets.

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

The following are budget resolutions were adopted for the 2021-2022 and 2019-2020 biennial budgets:

2021-2022 Biennial Budget		
Budget adopted by Resolution #135	$	51,958,516
Budget amendments adopted by Resolution #136		6,989,693
2021-2022 Budget as amended	**$**	**58,948,209**

2019-2020 Biennial Budget		
Budget adopted by Resolution #130	$	53,559,517
Budget amendments adopted by Resolution #131		2,410,167
2019-2020 Budget as amended	**$**	**55,969,684**

E. CASH AND CASH EQUIVALENTS

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

It is VCC's policy to invest all temporary cash surpluses. As of December 31, 2021 and December 31, 2020, all cash surpluses were invested in the Local Government Investment Pool (LGIP) and the King County Investment Pool. The Center considers all highly liquid investments (including restricted assets) to be cash equivalents.

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

F. Receivables & Due From Other Governments

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

G. Prepayments

Prepayment include prepaid expenses to vendors for costs applicable to future accounting periods.

H. Restricted Assets and Liabilities

These accounts contain resources restricted as to their use for facility/equipment replacement and 800 MHz radio and include cash and cash equivalents, receivables, due from other governments, and prepayments accounts. The portion of related liabilities is shown as payable from restricted assets account.

I. Capital Assets and Depreciation

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

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

Depreciation is charged to operations using the straight-line method based on the estimated useful life. There is no partial-year depreciation: if an asset was capitalized in the first half of the year (January through June) then depreciation will begin in that year, and if it was capitalized in the second half of the year (July through December) then depreciation will begin in the following year.

The estimated useful lives of depreciable assets are as follows:

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

J. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, holiday, and sick leave. They are accrued as expenses when incurred in proprietary fund and are included in liabilities under the payroll payable and compensated absences, as applicable.

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

The Valley Communications Center Employees' Association agreement states that the maximum accrued vacation and holiday leave carry over from one year to another is 240 hours. Twice per year, employees are given an option to sell back their accrued holiday hours up to 176 hours per year. Sick leave maximum carry over from one year to another is 960 hours. There is no payment for accrued sick leave at termination for Association employees. However, there is a provision for a partial payment upon retirement after 10 years of service, with a $6,000 maximum payout. The Association agreement was effective 1/1/2019 and expired 12/31/2021. It was replaced by an agreement with substantially the same terms for compensated absences.

The Valley Communications Supervisory Guild agreement states that the maximum accrued vacation carry over from one year to another is 260. Twice per year, employees are given an option to sell back their accrued holiday hours up to 88 hrs per year. Sick leave maximum carry over from one year to another is 960 hours. There is no payment for accrued sick leave at termination for Guild employees. However, there is a provision for a partial payment upon retirement or death after 10 years of service, with a $6,000 maximum payout. The Guild agreement is effective 1/1/2021 and expires 12/31/2022. It replaced a prior agreement with substantially the same terms for compensated absences, as noted above.

Non-represented employees are covered under Administrative Employee Salary & Benefits standard operating procedures, which state that the maximum accrued vacation is 360 hours. Sick leave maximum carry over from one year to another is 960 hours. Upon termination or death sick leave is compensated on a one-for-three basis to a maximum of 240 hours of unused accrued sick leave payout (maximum 720 hours of accrued sick leave paid out at one-for-three basis).

K. 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, VCC includes the net pension asset and the related deferred outflows and deferred inflows.

L. NET POSITION

Portions of net position are restricted by external contracts and external enforcements, as reflected in the financial statements as follows:

Net Position:	2021	2020
Invested in Capital Assets	$ 8,806,442	$ 9,733,650
Invested in Capital Assets (800 MHz)	102,246	155,937
Restricted for Equipment Replacement	21,056,549	18,371,366
Restricted for 800 MHz	5,065,607	4,870,824
Restricted for Pension Asset	1,758,920	-
Unrestricted	6,698,311	5,170,094
Total Net Position	**$ 43,488,074**	**$ 38,301,871**

M. ESTIMATES

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

NOTE 2– Deposits and Investments

Valley Communications Center's bank deposits are entirely covered by the federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The deposits are not subject to additional legal or contractual provisions. The book value of deposits does not differ materially from the bank balance of deposits.

Cash in excess of anticipated needs for operations, including equipment and facilities replacement, is invested under the guidelines of RCW 35A.40.050 and the proceeds are returned to the investing source. The Center, by state law, is authorized to purchase certificates of deposit issues by Washington State depositories that participate in PDPC, U.S. Treasury and Agency securities, banker's acceptances, and repurchase agreements.

Investments in Local Government Investment Pool

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

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

As of December 31, 2021 and 2020, the Center cash and cash equivalent balances invested in LGIP were $28,150,191 and $25,622,471, respectively. The LGIP transacts with participants at a stable net asset value per share of $1.

Investments in King County Investment Pool

VCC's funds held in E-911 escrow at King County E-911 Program Office are invested in the King County Investment Pool (KCIP). The pool is not registered with the SEC as an investment company and oversight is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.48.070. The EFC, which reviews pool performance monthly, consists of the Chair of the County Council, the County Executive, the Director of the Office of Performance, Strategy and Budget, and the Director of the Finance and Business Operations Division, or their designees. All investments are subject to written policies adopted by the EFC.

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

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

KCIP investment policy, reports, and disclosures are available at www.kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.

At December 31, 2021 and 2020, the Center had $1,620,337 and $1,881,462, respectively, measured at fair value in level 2 of the valuation input hierarchy. The KCIP had a weighted average maturity of 1.24 and 1.20 years as of December 31, 2021 and 2020, respectively.

VCC's deposits and investment position at the end of fiscal years 2021 and 2020 is shown in the table below:

	December 31, 2021		**December 31, 2020**	
Source	Operations	Restricted	Operations	Restricted
Petty Cash	$ 100		$ 100	
Checking	2,365,723	$ 1,234,380	2,506,000	$ 742,643
Savings	1,686,551	1,092,626	1,686,459	1,092,567
E-911 Escrow	1,620,337		1,881,462	
LGIP - Operations	1,656,382		1,653,744	
LGIP - Equipment Replacement		19,821,084		17,303,019
LGIP - Contingency	2,468,176		2,465,581	
LGIP - 800 MHz		4,204,549		4,200,127
Total	**$ 9,797,269**	**$ 26,352,639**	**$ 10,193,346**	**$ 23,338,356**

NOTE 3 – Accounts Receivable & Due From Other Governments

Accounts receivable and due from other governments (including restricted balances) for 2021 increased 100% and portion of the increase is attributed to the delay in receipt of payments from one agency, the King County EMS. No material account balances are past due. Balances at December 31, 2021 and 2020 were as follows:

Agency	2021	2020
Auburn School District	$ 240	$ 240
Cedar River Water District	690	690
City of Algona	27,675	12,333
City of Auburn	9,543	10,219
City of Black Diamond	16,705	17,015
City of Covington	390	195
City of Des Moines	119,848	111,994
City of Federal Way	2,346	2,346
City of Kent	7,879	8,340
City of Maple Valley	300	300
City of Pacific	17,497	16,262
City of Renton	9,749	11,227
City of Tukwila	41,396	6,851
Covington Water District	690	690
Enumclaw Fire Department	10,019	7,492
Kent School District	11,130	5,565
King County Department of Information Technology	5,514	17,694
King County E-911 Program Office	1,416	2,073
King County EMS	229,452	45,330
King County Fire District #2	44,906	78,819
King County Fire Protection District #47	817	1,020
King County International Airport Fire Department	1,157	1,184
King County Medic One	122,020	56,210
Mountain View Fire & Rescue	19,296	8,663
Multicare	150	150
Other	41,766	2,494
Puget Sound Regional Fire Authority	50,858	2,228
Renton Regional Fire Authority	27,619	2,502
Renton School District	90	90
Skyway Fire Department (KC Fire District #20)	21,635	18,456
Soos Creek Water & Sewer District	210	105
South Correctional Entity Regional Jail (SCORE)	1,082	1,215
South King Fire & Rescue	55,652	17
Tahoma School District	90	90
Valley Medical Center	150	225
Valley Regional Fire Authority	14,367	2,118
Vashon Island Fire & Rescue (KC Fire District #13)	12,146	10,861
Total	**$ 926,489**	**$ 463,301**

NOTE 4– Capital Assets

A. CAPITAL ASSETS

Capital assets of proprietary funds are capitalized in the statement of net position. These assets are stated at cost or estimated cost when original cost is not available, or fair market value at the time received as in the case of donations. Depreciation expense is charged to operations of proprietary funds to allocate the cost of fixed assets over their estimated useful lives, using the straight–line method with useful lives of 3 to 50 years.

A summary of VCC's capital assets at December 31, 2021 and 2020 is shown below:

Asset Type	Beginning Balance 1/1/2021	Additions	Deletions	Ending Balance 12/31/2021
Capital Assets, non-depreciable				
Land	$ 218,915	-	-	$ 218,915
Construction in Progress	73,913	$ 701,354	$ 142,598	632,669
Non-depreciable assets, net	*292,828*	*701,354*	*142,598*	*851,584*
Capital Assets, depreciable				
Building	9,784,492	114,791	-	9,899,283
Other Improvements	650,594	-	-	650,594
Equipment	17,793,350	7,782	407,156	17,393,976
Less: Accumulated Depreciation	(18,631,677)	(1,647,124)	(392,052)	(19,886,749)
Capital Assets, net	*9,596,759*	*(1,524,551)*	*15,104*	*8,057,104*
All Capital Assets, net	**$ 9,889,587**	**$ (823,197)**	**$ 157,702**	**$ 8,908,688**

Asset Type	Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2020
Capital Assets, non-depreciable				
Land	$ 218,915	-	-	$ 218,915
Construction in Progress	-	$ 73,913	$ -	73,913
Non-depreciable assets, net	*218,915*	*73,913*	-	*292,828*
Capital Assets, depreciable				
Building	9,733,507	50,985	-	9,784,492
Other Improvements	587,962	62,632	-	650,594
Equipment	17,897,178	287,535	391,363	17,793,350
Less: Accumulated Depreciation	(17,268,240)	(1,683,688)	(320,251)	(18,631,677)
Capital Assets, net	*10,950,407*	*(1,282,536)*	*71,112*	*9,596,759*
All Capital Assets, net	**$ 11,169,322**	**$ (1,208,623)**	**71,112**	**$ 9,889,587**

B. CONSTRUCTION COMMITMENTS

VCC's construction in progress projects for 2021 and 2020 were as follows:

Project	1/1/2021	Additions	Deletions	12/31/2021
UV Lighting Project	$ 16,437	$ 98,354	(114,791)	-
HVAC Remediation Project	-	118,818		$ 118,818
Recording System Replacement Project	27,807		(27,807)	-
Security System Replacement Project	29,668	484,183	-	513,851
Total	**$ 73,913**	**$ 701,354**	**(142,598)**	**$ 632,669**

Project	1/1/2020	Additions	Deletions	12/31/2020
UV Lighting Project	-	$ 16,437	-	$ 16,437
Recording System Replacement Project		27,807	-	27,807
Security System Replacement Project		29,668	-	29,668
Total	**-**	**$ 73,913**	**-**	**$ 73,913**

Outstanding Projects

As of December 31, 2021, VCC had two outstanding construction in progress projects. These projects are described below:

HVAC Remediation Project – During fall 2021 budget adjustment, the 2021/2022 biennial budget authorized $1,512,450 for humidity remediation at VCC facility from the equipment replacement funds. Valley Com has been battling low humidity levels for several years. The project would adjust original to the building HVAC system to allow for control of humidification levels by humidity injection or control. As of December 31, 2021, $1,393,632 remains in project budget.

Security System Replacement Project – 2017/2018 adopted biennial budget authorized $535,000 for security system replacement of video, card access, and fire integration from the equipment replacement funds. The project was delayed, and these funds were carried forward to 2019/2020 and then to 2021/2022 budgets through budget adjustments. During 2019/2020 the scope of project expanded to include contracted services, environmental engineering, tree removal, and tree replanting with additional funds allocated to the project. As of December 31, 2021, $230,085 remains in project budget.

NOTE 5– Pension Plans

The following table represents the aggregate pension amounts for all plans for the years 2021 and 2020:

Aggregate Pension Amounts - All Plans	2021	2020
Pension liabilities	$ (980,004)	$ (4,220,779)
Pension assets	10,281,675	0
Deferred outflows of resources	1,247,855	1,407,010
Deferred inflows of resources	(10,619,098)	(1,237,253)
Pension expense/expenditures	(2,563,996)	374,374

State Sponsored Pension Plans

Substantially all Valley Communications Center full-time and qualifying part-time/job share 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 98540-8380

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

Public Employees' Retirement System (PERS)

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

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

<u>Contributions</u>

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 and 2020 were as follows:

PERS Plan 1				
Actual Contribution Rates:	**Employer**			**Employee**
	1/1/20 - 8/31/20	9/1/20 - 6/30/21	7/1/21 - 12/31/21	1/1/20-12/31/21
PERS Plan 1	7.92%	7.92%	10.07%	6.00%
PERS Plan 1 UAAL	4.76%	4.87%	-	6.00%
Administrative Fee	0.18%	0.18%	0.18%	
Total	**12.86%**	**12.97%**	**10.25%**	

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 and 2020 were as follows:

PERS Plan 2/3						
Actual Contribution Rates:	**Employer 2/3**			**Employee 2**		
	1/1/20 - 8/31/20	9/1/20 - 6/30/21	7/1/21 - 12/31/21	1/1/20 - 8/31/20	9/1/20 - 6/30/21	7/1/21 - 12/31/21
PERS Plan 2/3	7.92%	7.92%	6.36%	7.90%	7.90%	6.36%
PERS Plan 1 UAAL	4.76%	4.87%	3.71%			
Administrative Fee	0.18%	0.18%	0.18%			
Employee PERS Plan 3				varies		
Total	**12.86%**	**12.97%**	**10.25%**	**7.90%**	**7.90%**	**6.36%**

The Center's actual PERS plan contributions were $531,754 and $593,730 to PERS Plan 1 and $885,702 and $980,208 to PERS Plan 2/3 for the year ended December 31, 2021 and 2020, respectively.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 and 2020 with a valuation dates of June 30, 2020 and June 30, 2019, respectively. 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 and 2019 actuarial valuation reports. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021 and June 30, 2020, respectively. Plan liabilities were rolled forward from June 30, 2020 to June 30, 2021, and from June 30, 2019 to June 30, 2020, respectively, 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-2010 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 of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

Discount Rate

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

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% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% 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 and 2020, are summarized in the table below. The inflation component used to create the table is 2.2% for 2021 and 2020 and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation 2020-2021	% Long-Term Expected Real Rate of Return Arithmetic 2020-2021
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 the Net Pension Liability/(Asset)

The table below presents the Center's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the Center'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%) or 1-percentage point higher (8.4%) than the current rate.

Plan	2021		
	1% Decrease -6.40%	Current Discount Rate -7.40%	1% Increase -8.40%
PERS 1	$ 1,669,491	$ 980,004	$ 378,699
PERS 2/3	(2,929,050)	(10,281,675)	(16,336,566)
Total	**$ (1,259,558)**	**$ (9,301,672)**	**$ (15,957,867)**

Plan	2020		
	1% Decrease -6.40%	Current Discount Rate -7.40%	1% Increase -8.40%
PERS 1	$ 3,600,026	$ 2,874,142	$ 2,241,096
PERS 2/3	8,379,139	1,346,637	(4,444,631)
Total	**$ 11,979,165**	**$ 4,220,779**	**$ (2,203,535)**

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 and 2020, the Center reported its proportionate share of the net pension liabilities as follows:

Plan	Liability (or Asset) 2021	2020
PERS 1	$ 980,004	$ 2,874,142
PERS 2/3	(10,281,675)	1,346,637

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

Plan	Proportionate Share				
	6/30/2021	6/30/2020	6/30/2019	Change 2021-2020	Change 2020-2019
PERS 1	0.080247%	0.081408%	0.079174%	-0.001161%	0.002234%
PERS 2/3	0.103213%	0.105293%	0.102283%	-0.002080%	0.003010%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 and June 30, 2020 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.

Pension Expense

For the year ended December 31, 2021 and 2020, the Center recognized pension expense as follows:

Plan	Pension Expense 2021	2020
PERS 1	$ (226,196)	$ 231,780
PERS 2/3	(2,337,800)	142,594
Total	**$ (2,563,996)**	**$ 374,374**

PERS 1 plan pension expense includes PERS Plan 1 UAAL component.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021 and 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	2021 Deferred Outflows or Resources	2021 Deferred Inflows of Resources	2020 Deferred Outflows or Resources	2020 Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	$ (1,087,476)	-	$ (16,002)
Contributions subsequent to the measurement date	$ 238,988	-	$ 303,702	-
Total	**$ 238,988**	**$ (1,087,476)**	**$ 303,702**	**$ (16,002)**

PERS 2/3	2021 Deferred Outflows or Resources	2021 Deferred Inflows of Resources	2020 Deferred Outflows or Resources	2020 Deferred Inflows of Resources
Differences between expected and actual experience	$ 499,366	$ (126,043)	$ 482,077	$ (168,766)
Net difference between projected and actual investment earnings on pension plan investments	-	(8,593,069)	-	(68,390)
Changes of assumptions	15,025	(730,169)	19,180	(919,870)
Changes in proportion and differences between contributions and proportionate share of contributions	84,904	(82,341)	104,386	(64,225)
Contributions subsequent to the measurement date	409,572	-	497,665	-
Total	**$ 1,008,867**	**$ (9,531,622)**	**$ 1,103,308**	**$(1,221,251)**

PERS All Plans	2021 Deferred Outflows or Resources	2021 Deferred Inflows of Resources	2020 Deferred Outflows or Resources	2020 Deferred Inflows of Resources
Differences between expected and actual experience	$ 499,366	$ (126,043)	$ 482,077	$ (168,766)
Net difference between projected and actual investment earnings on pension plan investments	-	(9,680,545)	-	(84,392)
Changes of assumptions	15,025	(730,169)	19,180	(919,870)
Changes in proportion and differences between contributions and proportionate share of contributions	84,904	(82,341)	104,386	(64,225)
Contributions subsequent to the measurement date	648,560	-	801,367	-
Total	**$ 1,247,855**	**$ (10,619,098)**	**$ 1,407,010**	**$(1,237,253)**

Deferred outflows of resources for 2021 related to pensions resulting from the Center'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. Deferred outflows of resources for 2020 related to pensions resulting from the Center's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be/were recognized in pension expense as follows:

Year Ended December 31:	PERS 1 2021	PERS 1 2020
2021		$ (72,618)
2022	$ (288,073)	(2,284)
2023	(263,979)	22,158
2024	(249,603)	36,742
2025	(285,821)	
Total	**$ (1,087,476)**	**$ (16,002)**

Year Ended December 31:	PERS 2/3 2021	PERS 2/3 2020
2021		$ (554,795)
2022	$ (2,352,185)	(129,587)
2023	(2,197,796)	27,914
2024	(2,096,517)	131,113
2025	(2,267,019)	(42,746)
2026	(22,967)	
Thereafter	4,156	(47,510)
Total	**$ (8,932,327)**	**$ (615,608)**

NOTE 6– Risk Management

Valley Communications Center is a member of the Washington Cities Insurance Authority (WCIA) since June of 1993.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA had a total of 166 and 162 members in 2021 and 2020, respectively.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million ($21 million for 2020) in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million ($25 million for 2020) per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, fidelity, and boiler and machinery coverage are purchased on a group basis. Various deductibles ($5,000-$100,000) apply by type of coverage. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits.

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

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

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

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

The Center insures with WCIA under a liability program, property program, equipment breakdown program (boiler and machinery), pollution liability program, crime/fidelity program, information security insurance (cyber insurance), and specialized insurance for underground storage tank. Programs have various limits, sub-limits, and deductibles. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

Personnel Benefits

VCC contributes to personnel benefit plans. The plans include medical, dental, and vision; retirement; industrial insurance/worker's compensation, and unemployment compensation; Social Security (Medicare portion only); life insurance and disability. In November 1977, VCC's employees elected not to participate in the Federal Social Security System. Retirement, worker's compensation, unemployment compensation, WA state paid family & medical leave, and social security are established by federal/state regulations.

VCC participates in the State of Washington's Worker's Compensation program. Premiums are based on an individual employer's reported hours and insurance rates based on each employer's risk classification and experience. The premium is paid by employer and employee contributions.

Health and Welfare – Fully Insured

Since October 2015, the Center obtains medical and prescriptions coverage for its employees through membership in the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, of both 2021 and 2020 years, 262 cities/towns/non-city entities participated in the AWC Trust HCP.

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

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

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

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

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

The Center is fully insured for dental and vision benefits. Since 2012, the Center has dental insurance through Delta Dental of Washington and vision insurance through Vision Service Plan.

NOTE 7 – Leases

VCC is obligated under certain leases accounted for as operating leases. VCC leases office equipment under non-cancelable operating leases. Operating leases are effective July 2017 for 60 months and August 2018 for 36 months. Total cost of operating leases was $20,461 and $20,144 for the years ended December 31, 2021 and 2020, respectively. The future minimum lease payments for the current lease as of December 31 are as follows:

Year	Amount
2022	8,729
Total	**$ 8,729**

NOTE 8 – Long-Term Liabilities

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Compensated absences	$ 1,131,640	$ 1,836,533	$ 1,732,531	$ 1,235,642	$ 140,039
Pension liability	4,220,779	-	3,240,775	980,004	-
Total Noncurrent Liabilities	**$ 5,352,419**	**$ 1,836,533**	**$ 4,973,306**	**$ 2,215,646**	**$ 140,039**

	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
Compensated absences	$ 1,016,193	$ 1,713,054	$ 1,597,607	$ 1,131,640	$ 105,620
Pension liabilities	4,038,037	1,742,734	1,559,992	4,220,779	-
Total Noncurrent Liabilities	**$ 5,054,230**	**$ 3,455,788**	**$ 3,157,599**	**$ 5,352,419**	**$ 1,708,354**

See Note 1.J for additional information on compensated absences and Note 5 for pension obligations.

NOTE 9 – Apportionment of Equity

The member cities share in the equity of VCC based on their respective percent of billable call distribution (including billable calls generated inside member cities' by respective resulting fire authorities and South King Fire and Rescue agency) each year. 2021 and 2020 total calls reflect actual billable calls from July 2020 to June 2021 and July 2019 to June 2020, respectively. The equity as of December 31, 2021 and 2020 belonging to the five member cities is as follows:

Member City	Total Calls	% of Calls	2020 Equity Balance	2021 Distribution	2021 Equity Balance	Percent Equity
Auburn	83,626	22%	$ 7,234,069	$ 1,104,634	**$ 8,338,703**	22%
Federal Way	81,257	21%	6,022,545	1,073,341	**7,095,886**	19%
Kent	101,249	27%	9,564,555	1,337,421	**10,901,977**	28%
Renton	80,799	21%	7,037,728	1,067,291	**8,105,020**	21%
Tukwila	35,008	9%	3,416,212	462,424	**3,878,636**	10%
Total	381,937	100%	$ 33,275,110	$ 5,045,112	**$ 38,320,221**	100%

Member City	Total Calls	% of Calls	2019 Equity Balance	2020 Distribution	2020 Equity Balance	Percent Equity
Auburn	84,806	22%	$ 6,633,680	$ 600,390	**$ 7,234,069**	22%
Federal Way	80,647	20%	5,451,596	570,949	**6,022,545**	18%
Kent	108,282	27%	8,797,965	766,590	**9,564,555**	29%
Renton	85,717	22%	6,430,886	606,843	**7,037,728**	21%
Tukwila	34,870	9%	3,169,346	246,866	**3,416,212**	10%
Total	394,321	100%	$ 30,483,472	$ 2,791,638	**$ 33,275,110**	100%

NOTE 10 – Contingencies and Litigations

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

A class action lawsuit was filed by three current Valley Communications Center employees on March 17, 2016, in Washington State, King County Superior Court. The court certified a class of approximately 150 current and former employees who are claiming unpaid wages for period being three years before the filing date, up through trial. They are seeking unpaid wages, interest, double damages for willful nonpayment, and attorneys' fees. On motions from VCC, the court dismissed the claim for double damages and reduced the number of claimed pre-shift work activities for which the employees are seeking pay from nine to three. Following rulings on evidentiary motions brought by VCC, Plaintiffs voluntarily withdrew their remaining claims without prejudice.

Plaintiffs appealed all adverse rulings to the Washington State Court of Appeals. The Court of Appeals affirmed the dismissal of Plaintiffs' claims in a June 28, 2021 decision. Plaintiffs petitioned the Washington Supreme Court for review of the dismissal. On January 1, 2022, the Washington Supreme Court denied the petition, thus terminating review. The matter is now closed.

NOTE 11 – 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. During 2020 measures also included closing schools, cancelling public events, and restricting non-essential activities.

Valley Communications Center continues to operate, as it is an essential employer and 911 is a part of public safety; though, most administrative services functions were performed remote during the State's stay at home order and subsequent.

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

END OF FOOTNOTES

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

Required Supplementary Information

Valley Communications Center
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2021
Last 8 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.080247%	0.081408%	0.079174%	0.081212%	0.079581%	0.081397%	0.082192%	0.082758%
Employer's proportionate share of the net pension liability	$ 980,004	$ 2,874,142	$ 3,044,521	$ 3,626,956	$ 3,776,181	$ 4,371,402	$ 4,299,406	$ 4,168,973
Covered payroll	$ 12,295,406	$ 12,370,693	$ 11,176,379	$ 10,907,719	$ 10,104,095	$ 9,791,463	$ 9,328,825	$ 9,156,618
Employer's proportionate share of the net pension liability as a percentage of covered payroll	7.97%	23.23%	27.24%	33.25%	37.37%	44.65%	46.09%	45.53%
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%	61.19%

Valley Communications Center
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2021
Last 8 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability/asset	0.103213%	0.105293%	0.102283%	0.103792%	0.102361%	0.103831%	0.104541%	0.104432%
Employer's proportionate share of the net pension liability (asset)	$ (10,281,675)	$ 1,346,637	$ 993,516	$ 1,772,156	$ 3,556,555	$ 5,227,809	$ 3,735,310	$ 2,110,948
Covered payroll	$ 12,295,406	$ 12,370,693	$ 11,176,379	$ 10,907,719	$ 10,104,095	$ 9,781,567	$ 9,264,749	$ 9,075,863
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-83.62%	10.89%	8.89%	16.25%	35.20%	53.45%	40.32%	23.26%
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%	93.29%

Notes to Schedules:
The Center had one employee in PERS 1 plan who retired in August 2015.

Since PERS 2/3 payroll contributions are used to cover payments for PERS 1 retirees, the PERS 2/3 covered payroll is also reported as the covered payroll for PERS 1 pension plan.

Covered payroll reflects Department of Retirement Systems data reports using Valley Communications Center measurement date of June 30 (not DRS measurement date).
*Information is only available for the 8 years presented out of the 10-year trend required.

Required Supplementary Information

Valley Communications Center
Schedule of Employer Contributions
PERS 1
As of December 31, 2021
Last 8 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$ 531,754	$ 593,730	$ 589,191	$ 561,272	$ 510,304	$ 471,793	$ 421,589	$ 384,943
Contributions in relation to the statutorily or contractually required contributions	$ (531,754)	$ (593,730)	$ (589,191)	$ (561,272)	$ (510,304)	$ (471,793)	$ (421,589)	$ (384,943)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	$ 12,444,713	$ 12,376,502	$ 11,924,372	$ 11,085,678	$ 10,407,783	$ 9,892,832	$ 9,535,927	$ 9,450,984
Contributions as a percentage of covered payroll	4.27%	4.80%	4.94%	5.06%	4.90%	4.77%	4.42%	4.07%

Valley Communications Center
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2021
Last 8 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$ 885,702	$ 980,208	$ 921,046	$ 831,336	$ 715,576	$ 616,217	$ 536,628	$ 468,472
Contributions in relation to the statutorily or contractually required contributions	$ (885,702)	$ (980,208)	$ (921,046)	$ (831,336)	$ (715,576)	$ (616,217)	$ (536,628)	$ (468,472)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	$ 12,444,713	$ 12,376,502	$ 11,924,372	$ 11,085,678	$ 10,407,783	$ 9,892,832	$ 9,494,211	$ 9,377,056
Contributions as a percentage of covered payroll	7.12%	7.92%	7.72%	7.50%	6.88%	6.23%	5.65%	5.00%

Notes to Schedules:
The Center had one employee in PERS 1 plan who retired in August 2015.

Since PERS 2/3 payroll contributions are used to cover payments for PERS 1 retirees, the PERS 2/3 covered payroll is also reported as the covered payroll for PERS 1 pension plan.
Covered payroll reflects Department of Retirement Systems data reports.
Required contributions are reported disregarding DRS administrative fee.
*Information is only available for the 8 years presented out of the 10-year trend required.

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.

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