Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Valley Communications Center

For the period January 1, 2022 through December 31, 2023

Published December 12, 2024

Report No. 1036083

Office of the Washington State Auditor
Pat McCarthy

December 12, 2024

Board of Commissioners
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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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Valley Communications Center
January 1, 2022 through December 31, 2023

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, 2023 and 2022, 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 5, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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 5, 2024

INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

Valley Communications Center
January 1, 2022 through December 31, 2023

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Valley Communications Center, as of December 31, 2023 and 2022, 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 listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 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

Pat McCarthy, State Auditor

Olympia, WA

December 5, 2024

FINANCIAL SECTION

Valley Communications Center
January 1, 2022 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023 and 2022

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2023 and 2022
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position – 2023 and 2022
Comparative Statement of Cash Flows – 2023 and 2022
Notes to Financial Statements – 2023 and 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2023 and 2022
Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2023 and 2022

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 2023 by 50.7 million ($45.9 million for 2022 and $43.5 million for 2021). Of this amount, $7.1 million ($7.8 million for 2022 and $8.9 million for 2021) is invested in capital assets and $24.6 million ($21.8 million for 2022 and $21.1 million for 2021) has been restricted for facilities and equipment replacement needs.

- VCC recognized a $4.2 million net pension asset, which together with related deferred inflows and deferred outflows for pension, resulted in a $5.4 million net position restricted specifically for pension asset in 2023. For 2022, VCC recognized a $3.9 million net pension asset, which together with related deferred inflows and deferred outflows for pension, resulted in a $3.9 million net position restricted specifically for pension asset in 2022. For 2021, VCC recognized a $10.3 million net pension asset and a $9.4 million increase in deferred inflows of resources related to pension, which contributed to a $1.8 million net position specifically restricted for pension asset. One of VCC's offered pension plans, PERS 2/3, went from being reported as underfunded to overfunded by the State during 2021.

- Overall total net position increased by $4.8 million from last year compared to a $2.4 million increase in prior year. The 2023 increase is mostly due to a $2.7 million increase in net position restricted for equipment replacement and $1.4 million increase in net position restricted for pension asset resulting from related pension entries. The 2022 increase is mostly due to a $2.2 million increase in net position restricted for pension asset resulting from related pension entries that had a $2.4 million decrease in pension contra offsets against the Center's expenses.

- The $8.7 million for 2023 ($7.2 million for 2022 and $6.7 million for 2021) 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. Delays in timing of replacements is also a contributing factor.

- 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 continue to be 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. Since VCC is a government-type stand-alone proprietary entity, it has only 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, 2023, totaled $50.7 million ($45.9 million for 2022 and $43.5 million for 2021). Following is a condensed version of the statement of net position that compares net position for years 2023, 2022, and 2021.

NET POSITION (IN THOUSANDS)

	2023	2022	2021
Current and other assets	$ 47,124	$ 43,112	$ 47,608
Capital assets, net	7,852	8,429	8,909
Total assets	**54,976**	**51,541**	**56,517**
Deferred Outflows of Resources	**3,427**	**3,895**	**1,248**
Current liabilities	2,187	1,863	1,582
Noncurrent liabilities	3,251	3,684	2,076
Total liabilities	**5,438**	**5,547**	**3,658**
Deferred Inflows of Resources	**2,284**	**3,959**	**10,619**
Net position			
Net investment in capital assets	7,073	7,755	8,909
Restricted	34,926	30,936	27,881
Unrestricted	8,681	7,238	6,698
Total net position	**$ 50,680**	**$ 45,929**	**$ 43,488**

Note: 2022 restated for GASB 96 implementation.

Total Assets

VCC's total assets increased $3.4 million in 2023 following a decrease of $5.0 million in 2022. The 2023 increase is solely due to the increase in current assets. The 2022 decrease is due to the recording of a $10.3 million in net pension asset for 2021, which was reduced to $3.9 million in 2022. Pensions are further discussed in Note 4 of the accompanying notes to the financial statements. Disregarding pension asset related fluctuations, assets continue to increase from year to year due to increases in cash equivalent reserves, as VCC is required to accumulate reserves for replacement of equipment and facilities. In 2023, VCC's current assets increased $3.7 million compared to a $1.9 million increase in prior year; a 9.3% increase in 2023 compared to a 5.2% increase in 2022.

VCC's net capital assets decreased $0.6 million, a decrease of 6.8% in 2023 compared to a 5.4% decrease in prior year, as $1.8 million in depreciation/amortization and $0.6 million in new construction in progress was recorded in 2023. For 2022, net capital assets decreased $0.5 million, as $1.7 million in depreciation/amortization and $0.2 million in construction in progress was recorded. For 2021, $1.6 million in depreciation and $0.6 million in construction in progress was recorded. 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 2023 one project (two for 2022) remained in construction in progress status and these projects are further discussed in Note 3.C of the accompanying notes to the financial statements.

Deferred Outflows of Resources

Deferred outflow of resources decreased 12% during 2023 compared to a 212% increase during 2022. These fluctuations are due to the changes in assumptions and differences between expected and actual experience of pension plans during both years. Deferred outflows for pension are further discussed in Note 4 of the accompanying notes to the financial statements.

Total Liabilities

The 2023 total liabilities decreased 2.0% following a 51.6% increase in 2022 that is mostly attributed to fluctuations in net pension liability. Under GASB Statement No. 68, net pension liability for PERS 1 plan fluctuates widely: decrease of $0.4 million in 2023, increase of $1.3 million in 2022, and a decrease of $3.2 million in 2021; an 18% decrease in 2023 following a 128% increase in 2022. In 2021, PERS 2/3 plan moved from a liability to an asset and remained in an asset position through 2023. Net pension liability is further discussed in Note 4 of the accompanying notes to the financial statements.

Current liabilities increased 17.4% in 2023 following a 17.8% increase in prior year; a $0.3 million increase each year. The 2023 increase is mostly due to an increase in payroll payable and payables from restricted assets, while the 2022 increase is mostly due to an increase in accounts payable and payroll payable.

Deferred Inflows of Resources

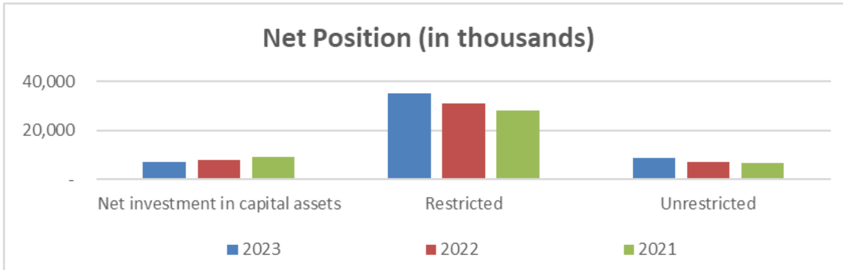
Deferred inflows of resources decreased $1.7 million (42.3%) following a decrease of $6.7 million (62.7%) in 2022, following an increase of $9.4 million (758.3%) in 2021. These fluctuations are due to the net difference between projected and actual investment earnings on pension plan's investments. Deferred inflows for pensions are further discussed in Note 4 of the accompanying notes to the financial statements.

Total Net Position

The largest component of VCC's net position is restricted. The $34.9 million as of December 31, 2023, the $30.9 million as of December 31, 2022, and $27.9 million as of December 31, 2021, represent restricted net position. These funds are restricted for purposes such as building and facilities, equipment replacement, 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 was the first year VCC reported net position restricted for pension asset.

Historically, the second largest component of net position is investment in capital assets. Investment in capital assets decreased 8.8% in 2023 following a 13.0% decrease in 2022, as assets are depreciated each year, and some were disposed of. Net investment in capital assets, $7.1 million as of December 31, 2023, $7.8 million as of December 31, 2022, and $8.9 million as of December 31, 2021, are comprised of buildings, land, improvements, subscription assets, 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; $8.7 million in 2023, $7.2 million in 2022, and $6.7 million in 2021. The unrestricted net position is generally available for continuing operations. Reporting under GASB Statement No. 68 led to recognition of $1.8 million, $2.3 million, and $1.0 million for 2023, 2022, and 2021, respectively, net pension liability. In 2023, the unrestricted net position increased 19.9% following an increase of 8.1% in 2022, as the Center recorded lower net pension liability, which along with year-over-year 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 $4.8 million during 2023, $2.4 million during 2022, and $5.2 million during 2021. The increases for all three years are mostly due to charges for services, that fund operations and replacement reserves for equipment and facilities, being higher than actual expenses.

CHANGES IN NET POSITION (IN THOUSANDS)

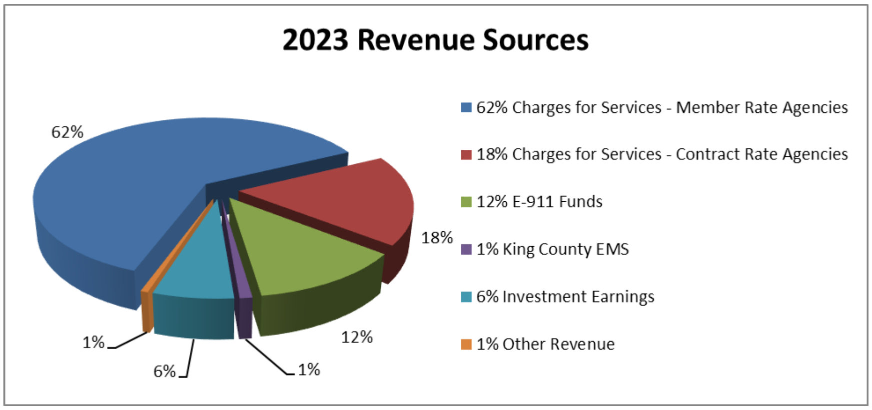
	2023	2022	2021
Program revenue			
Charges for service	$ 22,631	$ 20,204	$ 19,609
Intergovernmental	3,721	2,929	2,903
General revenue			
Other nonoperating revenue	1,824	623	329
Total revenue	**28,176**	**23,756**	**22,841**
Operating expenses	23,420	21,226	17,640
Nonoperating expenses	5	89	15
Total expenses	**23,425**	**21,315**	**17,655**
Change in net position	**4,751**	**2,441**	**5,186**
Beginning net position - Jan 1	45,929	43,488	38,302
Ending net position - Dec 31	**$ 50,680**	**$ 45,929**	**$ 43,488**

Note: 2022 restated for GASB 96 implementation.

Total Revenues

Total revenue increased in 2023 by 18.6%, compared to a 4% increase in prior year, mostly due to higher charges for services, higher intergovernmental revenues, and improved investment earnings resulting from higher interest rates. Other nonoperating revenue increased 192.8% in 2023, following an 89.4% increase in 2022 illustrating the additional investment earnings received during both years. Intergovernmental revenue increased 27.0% in 2023, after remating relatively steady in prior years, as the Center received increased distributions of excise tax from King County E-911 Program Office.

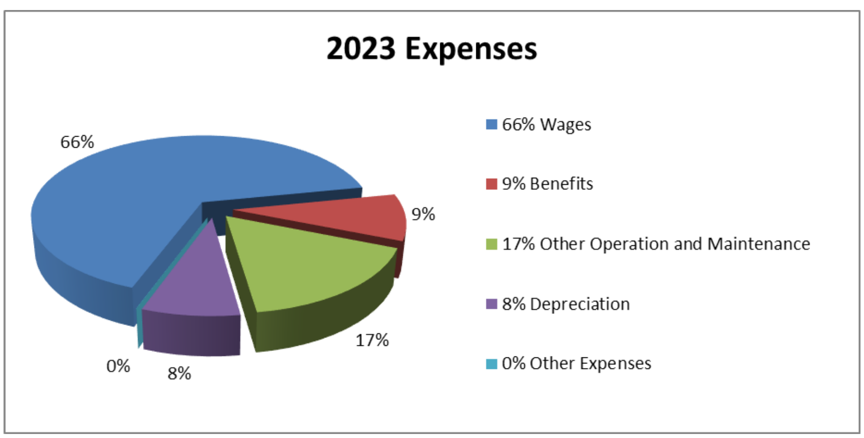
VCC's revenues are generated primarily through charges for services. The following chart depicts VCC's revenue sources in further detail:



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.

Total Expenses

Total expenses increased 9.9% in 2023, following an increase of 20.7% in 2022 and a decrease of 13.2% in 2021. The 2023 and 2022 increases are directly attributed to an increase of 9.3% for 2023 and 27.8% for 2022 in personnel services that was a result of both an increase in salaries and a sustained reduction in pension related contra entries. 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 $2.8 million increase from prior year in pension offsets was recorded against the Center personnel costs, causing no benefits costs being reported for 2021. The following chart depicts VCC's expenses in further detail:



In the three years ending with 2023, VCC's bargaining units had COLA and step increases. In 2023, total wages increased by $1.6 million, a 11.3% increase, compared to a $1.2 million, a 9.5% increase in 2022, and a $126 thousand, a 1% increase in 2021, as the Center paid higher wages and continued to have substantial com room overtime.

The total benefits and payroll taxes decreased by $75 thousand in 2023, following an increase of $2.3 million in 2022 and a decrease of $2.9 million in 2021. The three-year large fluctuation in benefit costs is due to the $2.0 million ($1.6 million in 2022 and $4.0 million for 2021) pension offsets/reductions resulting from accounting for pensions under the GASB Statement No 68. In 2023, VCC had $4.1 million in personnel benefit costs offset by $2.0 million, compared to a $3.9 million costs offset by $1.6 million in 2022 and a $3.9 million cost offset by $4.0 million in 2021.

Disregarding pension offsets, total benefits and payroll taxes increased $257 thousand, a 6.6% increase in 2023, compared to a decrease of $32 thousand, a 0.8% decrease in 2022, and decrease of $168 thousand, a 4.1% decrease in 2021. The 2023 increase is due to higher healthcare insurance rates, higher pension contributions, and increased payroll taxes on higher wages. The 2022 slight decrease is due to a decrease L&I tax rate and pension contributions. The prior year's decrease is also mostly due to lower pension contribution.

The other operation and maintenance expense increased $0.6 million, a 17.5% increase following a relatively stable 2022 and a 7.2% increase in 2021, as VCC had an increase in non-capital expenses funded by the equipment replacement reserves during 2023, which followed prior years of lower spending levels.

Budgetary Highlights

The 2023-2024 original biennial budget was approved (Resolution 137) for $66 million in total uses, with a $51 million in operating expenses, which is a 24.1% increase from combined 2021-2022 actual operating expenses. The increase was mostly attributed to expected increases in personnel costs (salary and benefits) in the next biennium and actual operational savings generated during 2021-2022.

During 2023, there was a $9.9 million increase in appropriations between the original and amended 2023-2024 biennial budget, with $6.5 million allocated to budget adjustments for 2024 and $3.4 million for 2023. These expenses were funded with accumulated fund net position balance resulting from 2022 savings. Following are the main components of the budget amendment for 2024 and 2023 (Resolution 138):

2024

- $3 million for new CAD system; funded with equipment replacement funds.
- $1.7 million for humidification remediation; funded with operating fund savings transferred to the equipment replacement fund.
- $0.9 million for Com Room console furniture replacement; funded with equipment replacement funds.
- $280,000 for facility maintenance contracting; funded with operating fund savings.
- $230,825 for Rave mobile safety suite; funded with operating fund savings.
- $160,000 for early switch deployment; funded with equipment replacement funds.
- $126,642 for new Accountant position approved Feb-2023; funded with operating fund savings.
- $87,659 for Corti AI to replace quality assurance contractor; funded with operating fund savings.

2023

- $325,000 for IT professional services; funded with operating fund savings.
- $150,000 for engineering for power systems; funded with operating fund savings.
- $133,331 for recording software and hardware replacement, radio portion; funded with radio fund savings.

- $133,000 for data center raised floor tile replacement; funded with operating fund savings previously transferred to the equipment replacement fund.
- $120,719 for new Accountant position approved Feb-2023; funded with operating fund savings.
- $123,700 for VHF paging professional services and engineering; funded with operating fund savings.
- $97,000 for cyber security training; funded with operating fund savings.
- $70,000 for facility maintenance contracting; funded with operating fund savings.
- $58,431 for Corti AI to replace quality assurance contractor; funded with operating fund savings.
- $50,000 for IT training; funded with operating fund savings.
- $50,000 for Com Room console furniture replacement; funded with equipment replacement funds.

Actual 2023 revenues were higher compared to budget with an overall 7.3% increase mostly due to higher investment earning of $1.5 million resulting from higher interest rates. The contract rate charges for services were $378 thousand above budget, compared to a $345 thousand above budget in 2022 and a $221 thousand in 2021. Overall, 2023 billable calls for services increased 2.4% (2.3% for police and 2.8% for fire), following a 2022 increase of 1.8% (0.2% for police and 6% for fire agencies) and a 2021 increase of 5% (1.5% for police and 14.4% for fire agencies). The volume of police calls is much larger than fire calls.

The 2023 expenses were 16.2% less than the amended budget, which is mostly due to a delay in capital outlay of $2.2 million for equipment replacement and facilities, delay in spending for services of $1.2 million, and savings of $1.5 million in personnel costs, including $0.7 million in wages and $0.5 million in medical insurance costs due to continued high rate of position vacancies. The 2022 expenses were 6% less than the amended budget, which is mostly due to a delay in capital outlay of $0.6 million for equipment replacement and facilities, a $0.5 million savings in personnel medical insurance costs due to high position vacancies, and a $0.3 million unspent budget in supplies and services. Prior year 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.

Personnel costs were 7.2% below budget, compared to a 2.7% below budget in 2022 and a 6.4% below budget in 2021. Other operation and maintenance costs were 22.2% below budget, compared to a 10% below budget in 2022 and a 19.3% below budget in 2021. Capital outlays were 62.3% below budget, compared to 37.0% below budget in 2022 and 78.0% below budget in 2021, as projects were delayed due to vendor supply issues, lingering effects of COVID-19, and availability of IT personnel for projects.

Other Potentially Significant Matters

Labor Agreements

On December 15, 2023, the Valley Communication Center Employees' Association signed their one-year contract for 2024. The contract included a 10% wage increase for 2024 and a contract ratification bonus of $1,750 per each active and permanent association employee. These increases were following a 6% wage increase for 2023, a 7% increase for 2022 (in addition to an increase in longevity bonus percentage and lowering of longevity eligibility years of service criteria from 8 to 5 years), and a 3.25% increase for 2021.

On November 15, 2022, the Valley Communications Supervisory Guild signed their 2-year contract for 2023-2024. The contract called for a wage increase of 11% effective November 16, 2022, and an increase of 5% for 2024. It provided a contract ratification bonus not to exceed combined total of $75 thousand for all 11 employees of the guild. Prior contract included a 1.75% wage increase for 2022 and a 1.25% for 2021, along with a $30 thousand total group ratification bonus.

Economic Factors and Next Year's Rates

- The CPI-U for the Seattle-Tacoma-Bellevue has been on an increase throughout 2023 and was at 5.8% annual percent change as of December 2023, compared to a 9.0% increase in prior year.
- Public Employees Retirement System (PERS) employer rate decreased to 9.53% in September 2023 and is expected to decrease further in future years 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 4.5% (including the 2% well city discount) for 2023 and are increasing 4.1% for 2024.
- 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. Deployment of the single platform will drive more changes in the future.
- The WA State Legislature passed a bill in 2023 to place public safety telecommunicators into Public Safety Employees' Retirement System (PSERS) pension plan effective June 1, 2024. Currently these employees are a part of PERS and would be eligible to transfer to PSERS. Both the employee and employer current and projected contribution rates for PSERS are higher than PERS, with PSERS providing better retirement benefits.

Above factors existing in the summer of 2022 were considered when VCC prepared its 2023-2024 budget, which reflects a 11% increase in operating expenses from prior biennium, disregarding capital expenses and transfers. In the summer of 2023, VCC prepared an adjustment to the above budget and a contract rate per call increased 4% to $51.80 and the average cost-per-call increased 3% to $44.93 equivalent rate for member rate agencies. However, member rate agencies are not charged on a cost per call basis, and their actual overall contribution increased 5% from 2023 to 2024, as they had a 1% increase 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 19% from 2023 (as they had a 5% increase in units in addition to taking on the Tukwila Fire activity).

To keep 2024 VCC member contribution increases at a minimum, the Administration Board approved to continue allocating E-911 escrow funds received during the year to fund 30 full time equivalent positions. The estimated $5.7 million in ending operating working capital remains available for use into 2024.

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 Chief Financial Officer, Valley Communications Center, 27519 108th Avenue SE, Kent, WA 98030.

Valley Communications Center
Comparative Statement of Net Position
As of December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,377,231	$ 11,119,401
Receivables:		
Accounts	3,487	1,356
Interest	1,885	1,661
Due from other governments	807,123	614,734
Prepayments	531,935	156,816
Restricted assets:		
Cash and cash equivalents	29,883,396	27,085,269
Receivable accounts	240	180
Due from other governments	48,164	45,916
Prepayments	240,634	215,352
Total current assets	42,894,096	39,240,685
Noncurrent assets:		
Net pension asset	4,229,595	3,871,485
Capital assets not being depreciated:		
Land	218,915	218,915
Construction in progress	826,431	190,663
Capital assets being depreciated/amortized:		
Buildings	9,899,283	9,899,283
Other improvements	1,135,358	1,037,741
Equipment	11,735,763	16,164,607
Subscription assets	882,323	804,293
Less accumulated depreciation and amortization	(16,846,066)	(19,886,943)
Total capital assets (net)	7,852,007	8,428,558
Total noncurrent assets	12,081,602	12,300,043
TOTAL ASSETS	**54,975,697**	**51,540,729**
DEFERRED OUTFLOWS OF RESOURCES		
Pension	3,426,582	3,894,658
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**3,426,582**	**3,894,658**
LIABILITIES		
Current liabilities:		
Accounts payable	216,908	318,011
Payroll payable	1,266,010	1,159,377
Accrued liabilities	4,919	2,686
Payables from restricted assets	599,769	321,724
Subscription liabilities	99,428	61,155
Total current liabilities	2,187,035	1,862,953
Noncurrent liabilities:		
Compensated absences	1,225,437	1,149,488
Subscription liabilities	201,520	300,948
Net pension liability	1,823,834	2,233,925
Total noncurrent liabilities	3,250,791	3,684,361
TOTAL LIABILITIES	**5,437,826**	**5,547,315**
DEFERRED INFLOWS OF RESOURCES		
Pension	2,284,401	3,959,110
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,284,401**	**3,959,110**
NET POSITION		
Net investment in capital assets	7,073,104	7,755,159
Restricted for:		
Equipment replacement	24,574,355	21,844,359
Radio	4,998,309	5,180,634
Pension asset	5,353,655	3,910,745
Unrestricted	8,680,629	7,238,065
TOTAL NET POSITION	**$ 50,680,052**	**$ 45,928,962**

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, 2023 and 2022

	2023	2022
Operating revenues:		
Charges for services - member rate	$ 17,516,313	$ 15,669,091
Charges for services - contract rate	5,018,513	4,443,686
Other charges for services	96,441	91,332
Intergovernmental revenue	3,720,539	2,928,891
Total operating revenues	26,351,805	23,133,000
Operating expenses:		
Personnel services	17,689,176	16,191,007
Other operation and maintenance	3,909,207	3,326,544
Depreciation and amortization	1,821,357	1,708,237
Total operating expenses	23,419,740	21,225,788
Operating income (loss)	**2,932,066**	**1,907,212**
Nonoperating revenues (expenses):		
Investment earnings	1,771,110	475,733
Interest expense	(5,456)	(3,318)
Leasehold revenue	36,000	34,952
Other miscellaneous revenue	17,370	112,188
Gain (loss) on disposal of capital assets	-	(85,878)
Total nonoperating revenues (expenses)	1,819,024	533,677
Income (loss)/ Change in net position	**4,751,090**	**2,440,888**
Total net position - January 1	45,928,962	43,488,074
Total net position - December 31	**$ 50,680,052**	**$ 45,928,962**

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers	$ 26,154,977	$ 23,397,303
Cash payments to suppliers for goods and services	(4,297,092)	(3,623,636)
Cash payments for employee services	(19,481,427)	(17,696,758)
Net cash provided (used) by operating activities	**2,376,458**	**2,076,909**
Cash flows from capital and related financing activities:		
Interest paid	(3,223)	(632)
Acquisitions of capital assets	(1,141,535)	(643,273)
Leasehold revenue	36,000	34,952
Other receipts	17,370	112,188
Net cash provided (used) by capital and related financing activities	**(1,091,388)**	**(496,764)**
Cash flows from investing activities:		
Interest on investments	1,770,886	474,617
Net Cash provided (used) by investing activities	**1,770,886**	**474,617**
Net increase (decrease) in cash and cash equivalents	**3,055,956**	**2,054,762**
Cash and cash equivalents - January 1	38,204,670	36,149,908
Cash and cash equivalents - December 31	**$ 41,260,627**	**$ 38,204,670**

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

	2023	2022
Operating income (loss)	2,932,066	1,907,212
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,821,357	1,708,237
Changes in assets and liabilities:		
(Increase) decrease in receivables	(2,191)	30,707
(Increase) decrease in due from other governments	(194,637)	233,596
(Increase) decrease in prepayments	(400,402)	(122,427)
Increase (decrease) in accounts payable	(100,485)	96,868
Increase (decrease) in payroll payable	106,633	83,044
Increase (decrease) in payables from restricted assets	113,002	(271,532)
Increase (decrease) in compensated absences	75,949	53,885
Increase (decrease) in pensions and deferred outflows/inflows	(1,974,834)	(1,642,680)
Total adjustments	**(555,608)**	**169,697**
Net cash provided (used) by operating activities	**$ 2,376,458**	**$ 2,076,909**

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

Valley Communications Center
Notes to Financial Statements
January 1, 2022 through December 31, 2023

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 Executive 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 May 2023, this agreement was amended to provide for use of accumulated user fees, including replacement reserve funds, for system purposes or for operations of the sub-region's radio communications services.

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 $5,045,520 and $5,180,634 as of December 31, 2023 and 2022, 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 was the lead agency for planning, procurement, financing, and implementation of PSERN System and for creation of a new non-profit corporation, PSERN Operator, to be responsible for the ownership, operations, maintenance and on-going upgrading/replacement of the PSERN System during its useful life. PSERN Operator was fully operational on August 1, 2023, and on December 22, 2023, King County transferred and/or assigned all PSERN assets and agreements from King County to PSERN Operator. The PSERN System went live 1/1/24.

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 Protection District #2 (serving City of Burien and City of Normandy Park).
- King County Fire Protection 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 governed 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 and is charged with the authority and responsibility to govern the affairs of VCC. 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, discharge, and oversight of the Executive Director.
- Make final decisions regarding policies and practices.
- Take final action to approve disbursement of funds.
- Approval or disapproval of recommendations from the Executive Director and the Operations Board.
- Approval of the long-term strategic vision for the Center.

In addition, an Operations Board provides recommendations and consists of members from each participating city's police and fire departments (or resulting agencies, where membership is extended to South King Fire, Valley Regional Fire Authority, Puget Sound Regional Fire Authority, and the Renton Regional Fire Authority), or their designees. Also on the Operations Board, are the appointed representatives of police, fire, and medic contract agencies.

The Operations Board purpose and duties are as follows:

- Approval of operational policies and procedures.
- Review and comment on significant administrative issues and policies.
- Advise the Administration Board in evaluating the biennial budget and budget amendments.
- Assist the Administration Board in evaluating the Executive Director's performance.
- Members serve on supporting groups including the Finance Committee and the Advisory Committee on Technology (ACT).
- Any other duties delegated by the Administration Board.

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 2023 and 2022, included in this Annual Report. Following is a description of the proprietary fund type used by VCC.

Proprietary Fund

The government-type, 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/amortization 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 radio 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. Earned but unbilled revenues at year-end are accrued. Capital asset purchases are capitalized, and long-term liabilities are accounted for.

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 budget resolutions were adopted for the 2023-2024 and 2021-2022 biennial budgets:

2023-2024 Biennial Budget		
Budget adopted by Resolution #137	$	66,260,475
Budget amendments adopted by Resolution #138		9,850,620
2023-2024 Budget as amended	**$**	**76,111,095**

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**

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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, 2023 and December 31, 2022, 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

Prepayments 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 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/AMORTIZATION

Capital assets, which include land, buildings, equipment, improvements, and subscriptions are defined by VCC as assets with an initial, individual cost of more than $5,000 ($25,000 for subscriptions) and an estimated useful life in excess of three years (non-cancellable subscription over 12 months). 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 3 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/amortization 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. Subscription assets are amortized using straight-line method and have partial-year depreciation.

The estimated useful lives of depreciable/amortizable assets are as follows:

Buildings	5-50 years
Other Improvements	5-40 years
Equipment	3-20 years
Subscription asset	varies

Subscription-Based Information Technology Arrangements (SBITAs)

The Center has noncancellable SBITAs for the right to use information technology hardware and software. For SBITAs that meet the capitalization threshold, the Center recognizes a subscription liability and an intangible right-to-use subscription asset (capital asset) on the statement of net position.

The subscription liability is initially measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the amount of the subscription liability, plus any subscription payments made at or before the subscription commencement date and capitalizable implementation costs, less any vendor incentives received at or before the subscription commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

Generally, the Center's incremental borrowing rate is used as the discount rate for SBITAs unless the rate that the vendor charges is known. The incremental borrowing rate for SBITAs is estimated based on the rate of interest the Center would be charged if it borrowed an amount equal to the payments at the commencement or remeasurement date.

The subscription term includes the noncancellable periods of the SBITA plus any additional periods covered by either the Center or vendor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Center and the vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

Certain payments are evaluated to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made. Center monitors changes in circumstances that may require remeasurement of a subscription liability. When certain changes occur that are expected to significantly affect the amount of the subscription, the liability is remeasured, and a corresponding adjustment is made to the subscription asset.

For SBITAs below the capitalization threshold and SBITAs with a maximum possible term of 12 months or less at commencement, an expense is recognized based on the provisions of the contract.

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 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 192 hours per year. Sick leave maximum carryover 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 1/1/2022 and expired 12/31/2023. 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 carryover 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 11/16/2022 and expires 12/31/2024. 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 carryover 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 Classification

In proprietary fund the difference between assets and deferred outflows of resources less liabilities and deferred inflow of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. Portions of net position are restricted by external contracts and external enforcements, as reflected in the financial statements as follows:

Net Position:	**2023**	**2022**
Net Investment in Capital Assets	$ 7,025,893	$ 7,755,159
Invested in Capital Assets (Radio)	47,211	-
Restricted for Equipment Replacement	24,574,355	21,844,359
Restricted for Radio	4,998,309	5,180,634
Restricted for Pension Asset	5,353,655	3,910,745
Unrestricted	8,680,629	7,238,065
Total Net Position	**$ 50,680,052**	**$ 45,928,962**

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. VCC maintains one checking account and receives and disburses funds by check, electronic fund transfers, and wires.

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, 2023 and 2022, the Center cash and cash equivalent balances invested in LGIP were $36,303,972 and $31,638,109, 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, 2023 and 2022, the Center had $1,401,539 and $1,429,257, respectively, measured at fair value in level 2 of the valuation input hierarchy. The KCIP had a weighted average maturity of 0.79 and 0.99 years as of December 31, 2023 and 2022, respectively.

VCC's deposits and investment position at the end of fiscal years 2023 and 2022 is shown in the table below:

	December 31, 2023		December 31, 2022	
Source	Operations	Restricted	Operations	Restricted
Petty Cash	$ 100		$ 100	
Checking	1,043,629	$ 729,700	2,421,600	$ 936,183
Savings	987,945	793,742	986,689	792,733
E-911 Escrow	1,401,539		1,429,257	
LGIP - Operations	5,035,046		3,749,108	
LGIP - Equipment Replacement		24,051,678		20,877,176
LGIP - Contingency	2,908,972		2,532,647	
LGIP - Radio		4,308,276		4,479,177
Total	**$ 11,377,231**	**$ 29,883,396**	**$ 11,119,401**	**$ 27,085,269**

NOTE 3– 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/amortization 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, 2023 and 2022, is shown below:

Asset Type	Beginning Balance 1/1/2023	Additions	Deletions	Ending Balance 12/31/2023
Capital assets, not being depreciated:				
Land	$ 218,915	-	-	$ 218,915
Construction in progress	190,663	$ 635,768	-	826,431
Total capital assets, not being depreciated	*409,578*	*635,768*	-	*1,045,346*
Capital assets, being depreciated/amortized:				
Building	9,899,283	-	-	9,899,283
Other improvements	1,037,740	97,618	-	1,135,358
Equipment	16,164,607	433,389	$ 4,862,233	11,735,763
Subscription assets	804,293	78,030	-	882,323
Total capital assets, being depreciated/amortized	*27,905,923*	*609,037*	*4,862,233*	*23,652,727*
Less accumulated depreciation/amortization for:				
Building	(4,837,055)	(433,768)	-	(5,270,823)
Other improvements	(397,888)	(122,796)	-	(520,684)
Equipment	(14,499,681)	(1,102,128)	(4,862,233)	(10,739,576)
Subscription assets	(152,319)	(162,664)	-	(314,983)
Total accumulated depreciation/amortization	*(19,886,943)*	*(1,821,356)*	*(4,862,233)*	*(16,846,066)*
Total capital assets, being depreciated/amortized, net	*8,018,980*	*(1,212,319)*	-	*6,806,661*
All capital assets, net	**$ 8,428,558**	**$ (576,551)**	**$ -**	**$ 7,852,007**

Asset Type	Beginning Balance 1/1/2022	Additions	Deletions	Ending Balance 12/31/2022
Capital assets, not being depreciated:				
Land	$ 218,915	-	-	$ 218,915
Construction in progress	632,669	$ 138,544	$ 580,550	190,663
Total capital assets, not being depreciated	*851,584*	*138,544*	*580,550*	*409,578*
Capital assets, being depreciated/amortized:				
Building	9,899,283	-	-	9,899,283
Other improvements	650,594	580,550	193,404	1,037,740
Equipment	17,393,976	371,149	1,600,518	16,164,607
Subscription assets	436,257	368,036	-	804,293
Total capital assets, being depreciated/amortized	*28,380,110*	*1,319,735*	*1,793,922*	*27,905,923*
Less accumulated depreciation/amortization for:				
Building	(4,403,286)	(433,769)	-	(4,837,055)
Other improvements	(585,443)	(5,849)	(193,404)	(397,888)
Equipment	(14,898,020)	(1,116,300)	(1,514,639)	(14,499,681)
Subscription assets	-	(152,319)	-	(152,319)
Total accumulated depreciation/amortization	*(19,886,749)*	*(1,708,237)*	*(1,708,043)*	*(19,886,943)*
Total capital assets, being depreciated/amortized, net	*8,493,361*	*(388,502)*	*85,879*	*8,018,980*
All capital assets, net	**$ 9,344,945**	**$ (249,958)**	**$ 666,429**	**$ 8,428,558**

B. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

For the years ended December 31, 2023 and 2022, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). For additional information see Note 1.I and Note 10.

Subscriptions Payable

On 03/01/2021, Valley Communications Center entered into a 36-month subscription for the use of Microsoft Enterprise Agreement software. An initial subscription liability was recorded in the amount of $425,851. As of December 31, 2023 and 2022, the value of the subscription liability is $300,948 and $362,104, respectively. Valley Communications Center is required to make annual fixed payments of $64,379 with an expected step increase to $102,108 in 2024. The subscription has an interest rate of 0.8902%. The value of the right to use asset as of December 31, 2023 and 2022, is $436,257 with accumulated amortization of $168,874 and $84,437, respectively, is included in the summary of subscription asset activity table found below. Valley Communications Center has 1 extension option for 36 months. The Microsoft Enterprise Agreement subscription has an annual true-up requirement for subscription licenses. The true-up must account for any changes since the initial order, or last order, and the number of subscription licenses may be reduced at enrollment anniversary date on a prospective basis.

On 01/29/2022, Valley Communications Center entered into a 60-month subscription for the use of Palo Alto Software. An initial subscription liability was recorded in the amount of $368,036. As of December 31, 2023 and 2022, the value of the subscription liability is $0. The subscription has an interest rate of 0.8902%. The value of the right to use asset as of December 31, 2023 and 2022, of $368,036 with accumulated amortization of $141,489 and $67,882, respectively, is included in the summary of subscription asset activity table found below.

On 10/27/2023, Valley Communications Center entered into a 36-month subscription for the use of Cohesity Dataprotect Software. An initial subscription liability was recorded in the amount of $78,030. As of December 31, 2023, the value of the subscription liability is $0. The subscription has an interest rate of 4.5548%. The value of the right to use asset as of December 31, 2023, of $78,030 with accumulated amortization of $4,620 is included in the summary of subscription asset activity table found below.

The following is a summary of subscription asset activity for the year ending December 31, 2023 and 2022:

Subscription-Based IT Arrangment (SBITAs)	Beginning Balance 1/1/2023	Additions	Deletions	Ending Balance 12/31/2023
Subscription assets	$ 804,293	$ 78,030	-	$ 882,323
Accumulated amortization	(152,319)	(162,664)	-	(314,983)
Subscription assets, Net	**$ 651,974**	**$ (84,634)**	**-**	**$ 567,340**

Subscription-Based IT Arrangment (SBITAs)	Beginning Balance 1/1/2022	Additions	Deletions	Ending Balance 12/31/2022
Subscription assets	$ 436,257	$ 368,036	-	$ 804,293
Accumulated amortization	-	(152,319)	-	(152,319)
Subscription assets, Net	**$ 436,257**	**$ 215,717**	**-**	**$ 651,974**

The following schedule presents future annual SBITA principal and interest payment requirements as of December 31, 2023 and 2022:

Subscription-Based IT Arrangements (SBITAs)			
Year ended December 31	**Principal**	**Interest**	**Total**
2023	$ 61,156	$ 3,223	$ 64,379
2024	99,429	2,679	102,108
2025	100,314	1,794	102,108
2026	101,207	901	102,108
Total	**$ 362,106**	**$ 8,597**	**$ 370,703**

Variable payments, other than those payments that depend on an index or rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the subscription liabilities. During the fiscal year ending December 31, 2023 and 2022, the Center recognized $39,870 per year for variable or other SBITA payments not included in the measurement of the subscription liability.

C. CONSTRUCTION COMMITMENTS

VCC’s construction in progress projects for 2023 and 2022 were as follows:

Project	1/1/2023	Additions	Deletions	12/31/2023
HVAC Remediation Project	190,663	635,768	-	$ 826,431
Total	**$ 190,663**	**$ 635,768**	**-**	**$ 826,431**

Project	1/1/2022	Additions	Deletions	12/31/2022
HVAC Remediation Project	$ 118,818	$ 71,845	-	$ 190,663
Security System Replacement Project	513,851	66,699	$ (580,550)	(0)
Total	**$ 632,669**	**$ 138,544**	**$ (580,550)**	**$ 190,663**

Outstanding Projects

As of December 31, 2023 and December 31, 2022, VCC had two outstanding construction in progress project. 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. During the fall 2023 budget adjustment, the project budget was increased by $1,671,277 to cover the anticipated project budget shortfall, establishing the total approved project budget at $3,183,727. 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, 2023, $2,357,296 remains in project budget with an estimated cost of $1,428,343 left to spend to finish the project.

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, 2023, the project is substantially complete and is pending close out.

NOTE 4– Pension – State Sponsored (DRS) Plans

The following table represents the aggregate pension amounts for all plans for the years 2023 and 2022:

Aggregate Pension Amounts - All Plans	2023	2022
Pension liabilities	$ (1,823,834)	$ (2,233,925)
Pension assets	4,229,595	3,871,485
Deferred outflows of resources	3,426,582	3,894,658
Deferred inflows of resources	(2,284,401)	(3,959,110)
Pension expense/expenditures	(508,832)	(263,021)

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 downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of and reported as three separate pension plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the state Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 and 2022 were as follows:

PERS Plan 1					
Actual Contribution Rates:	**Employer**				**Employee**
	1/1/22 - 8/31/22	9/1/22- 6/30/23	7/1/23- 8/31/23	9/1/23- 12/31/23	1/1/22- 12/31/23
PERS Plan 1	6.36%	6.36%	6.36%	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	3.85%	2.85%	2.97%	6.00%
Administrative Fee	0.18%	0.18%	0.18%	0.20%	
Total	**10.25%**	**10.39%**	**9.39%**	**9.53%**	

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include COLA based on the CPI, capped at 3% percent annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 and 2022 were as follows:

PERS Plan 2/3					
Actual Contribution Rates:	**Employer 2/3**				**Employee 2**
	1/1/22 - 8/31/22	9/1/22- 6/30/23	7/1/23- 8/31/23	9/1/23- 12/31/23	1/1/22 - 12/31/23
PERS Plan 2/3	6.36%	6.36%	6.36%	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	3.85%	2.85%	2.97%	
Administrative Fee	0.18%	0.18%	0.18%	0.20%	
Employee PERS Plan 3				Varies	
Total	**10.25%**	**10.39%**	**9.39%**	**9.53%**	**6.36%**

The Center's actual PERS plan contributions were $509,154 and $512,446 to PERS Plan 1 and $956,848 and $867,213 to PERS Plan 2/3 for the year ended December 31, 2023 and 2022, respectively.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 and 2022 with a valuation dates of June 30, 2022 and June 30, 2021, 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 *2021 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2022 and 2021 actuarial valuation reports. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023 and June 30, 2022, respectively. Plan liabilities were rolled forward from June 30, 2022 to June 30, 2023, and from June 30, 2021 to June 30, 2022, 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; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). For 2022, OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0%, was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 and 2022. The inflation component used to create the table is 2.2% for 2023 and 2022 and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation 2023-2022	% Long-Term Expected Real Rate of Return Arithmetic 2023-2022
Fixed income	20%	1.50%
Tangible assets	7%	4.70%
Real estate	18%	5.40%
Global equity	32%	5.90%
Private equity	23%	8.90%
	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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate.

Plan	2023		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	$ 2,548,034	$ 1,823,834	$ 1,191,778
PERS 2/3	4,600,191	(4,229,595)	(11,483,823)
Total	**$ 7,148,226**	**$ (2,405,761)**	**$ (10,292,045)**

Plan	2022		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	$ 2,984,494	$ 2,233,925	$ 1,578,855
PERS 2/3	4,559,181	(3,871,485)	(10,797,810)
Total	**$ 7,543,674**	**$ (1,637,560)**	**$ (9,218,955)**

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, 2023 and 2022, the Center reported its proportionate share of the net pension liabilities as follows:

Plan	Liability (or Asset) 2023	Liability (or Asset) 2022
PERS 1	$ 1,823,834	$ 2,233,925
PERS 2/3	(4,229,595)	(3,871,485)

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

Plan	Proportionate Share				
	6/30/2023	6/30/2022	6/30/2021	Change 2023-2022	Change 2022-2021
PERS 1	0.079897%	0.080231%	0.080247%	-0.000334%	-0.000016%
PERS 2/3	0.103194%	0.104387%	0.103213%	-0.001193%	0.001174%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 and June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Pension Expense

For the year ended December 31, 2023 and 2022, the Center recognized pension expense as follows:

Plan	Pension Expense 2023	Pension Expense 2022
PERS 1	$ (22,770)	$ 1,021,592
PERS 2/3	(486,062)	(1,284,614)
Total	**$ (508,832)**	**$ (263,021)**

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023 and 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	2023 Deferred Outflows or Resources	2023 Deferred Inflows of Resources	2022 Deferred Outflows or Resources	2022 Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	$ (205,736)	-	$ (370,227)
Contributions subsequent to the measurement date	$ 223,857	-	$ 266,515	-
Total	**$ 223,857**	**$ (205,736)**	**$ 266,515**	**$ (370,227)**

PERS 2/3	2023 Deferred Outflows or Resources	2023 Deferred Inflows of Resources	2022 Deferred Outflows or Resources	2022 Deferred Inflows of Resources
Differences between expected and actual experience	$ 861,564	$ (47,258)	$ 959,263	$ (87,640)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,593,967)	-	(2,862,218)
Changes of assumptions	1,775,730	(387,039)	2,157,819	(564,994)
Changes in proportion and differences between contributions and proportionate share of contributions	79,886	(50,401)	65,422	(74,031)
Contributions subsequent to the measurement date	485,545	-	445,639	-
Total	**$ 3,202,725**	**$ (2,078,665)**	**$ 3,628,143**	**$ (3,588,883)**

PERS All Plans	2023 Deferred Outflows or Resources	2023 Deferred Inflows of Resources	2022 Deferred Outflows or Resources	2022 Deferred Inflows of Resources
Differences between expected and actual experience	$ 861,564	$ (47,258)	$ 959,263	$ (87,640)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,799,703)	-	(3,232,445)
Changes of assumptions	1,775,730	(387,039)	2,157,819	(564,994)
Changes in proportion and differences between contributions and proportionate share of contributions	79,886	(50,401)	65,422	(74,031)
Contributions subsequent to the measurement date	709,402	-	712,154	-
Total	**$ 3,426,582**	**$ (2,284,401)**	**$ 3,894,658**	**$ (3,959,110)**

Deferred outflows of resources for 2023 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, 2024. Deferred outflows of resources for 2022 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, 2023. 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 2023		2022	
2023			$	(156,672)
2024	$	(139,974)		(142,299)
2025		(176,034)		(178,510)
2026		108,540		107,254
2027		1,732		
Total	**$**	**(205,736)**	**$**	**(370,227)**

Year Ended December 31:	PERS 2/3 2023		2022	
2023			$	(886,066)
2024	$	(746,365)		(783,704)
2025		(916,837)		(956,100)
2026		1,326,803		1,313,424
2027		478,255		455,149
2028		472,540		-
Thereafter		24,120		450,918
Total	**$**	**638,515**	**$**	**(406,378)**

NOTE 5– 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 169 (166 in 2022) members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, 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 in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

Insurance for property, fidelity, and equipment breakdown 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 $1,000,000 ($750,000 in 2022), 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, 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, 2023, 264 (262 in 2022) cities/towns/non-city entities participate and have enrollment 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, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of $2 million ($1.5 million in 2022) through United States Fire Insurance Company. 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 6 – Long-Term Liabilities

During the years ended December 31, 2023 and 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Compensated absences	$ 1,316,208	$ 2,064,135	$ 1,960,918	$ 1,419,425	$ 193,988
Subscription Based IT Arrangement	362,104	78,030	139,185	300,948	99,428
Pension liability	2,233,925	-	410,091	1,823,834	-
Total Noncurrent Liabilities	**$ 3,912,237**	**$ 2,142,165**	**$ 2,510,194**	**$ 3,544,207**	**$ 293,416**

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Compensated absences	$ 1,235,642	$ 1,970,149	$ 1,889,583	$ 1,316,208	$ 166,720
Subscription Based IT Arrangement	425,851	368,036	431,783	362,104	61,155
Pension liability	980,004	1,253,921	-	2,233,925	-
Total Noncurrent Liabilities	**$ 2,641,497**	**$ 3,592,106**	**$ 2,321,366**	**$ 3,912,237**	**$ 227,875**

See Note 1.J for additional information on compensated absences, Note 3.B for subscription based IT arrangements, and Note 4 for pension liability.

NOTE 7 – Assessment for Services

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 2023 and 2022 assessments are based on the billable calls for services for periods of July 1, 2021 - June 30, 2022 and July 1, 2020 - June 30, 2021, respectively, corresponding with billable calls for services used for each year's budgetary funding formula.

The following is the 2023 and 2022 calls for services assessment distribution for the member rate agencies:

Member Rate Agencies	2023 Assessment	2022 Assessment
Auburn Police	$ 2,948,433	$ 2,880,069
Federal Way Police	3,079,181	2,696,400
Kent Police	3,768,173	3,325,781
Puget Sound Regional Fire Authority*	957,413	773,014
Renton Regional Fire Authority*	723,443	626,346
Renton Police	2,902,412	2,644,582
South King Fire*	722,401	593,069
Tukwila Fire	306,996	242,409
Tukwila Police	1,384,845	1,174,783
Valley Regional Fire Authority*	610,691	505,303
Totals	**$ 17,403,989**	**$ 15,461,755**

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

NOTE 8 – Apportionment of Equity

The member cities share in the equity of VCC based on their respective percent of billable call distribution each year. 2023 and 2022 total calls reflect actual billable calls from July 2022 to June 2023 and July 2021 to June 2022, respectively. The equity as of December 31, 2023 and 2022, belonging to the five member cities is as follows:

Member City	Total Calls	% of Calls	2022 Equity Balance	2023 Distribution	2023 Equity Balance	Percent Equity
Auburn	67,644	21%	$ 8,834,669	$ 1,016,695	**$ 9,851,364**	22%
Federal Way	66,332	20%	7,627,741	996,975	**8,624,717**	19%
Kent	87,959	27%	11,560,686	1,322,034	**12,882,720**	28%
Renton	69,831	21%	8,610,737	1,049,574	**9,660,311**	21%
Tukwila	33,328	10%	4,114,494	500,926	**4,615,420**	10%
Total	325,093	100%	$ 40,748,328	$ 4,886,204	**$ 45,634,532**	100%

Member City	Total Calls	% of Calls	2021 Equity Balance	2022 Distribution	2022 Equity Balance	Percent Equity
Auburn	81,977	20%	$ 8,338,703	$ 495,966	**$ 8,834,669**	22%
Federal Way	87,562	22%	7,095,886	531,856	**7,627,741**	19%
Kent	108,844	27%	10,901,977	658,709	**11,560,686**	28%
Renton	83,514	21%	8,105,020	505,718	**8,610,737**	21%
Tukwila	38,968	10%	3,878,636	235,858	**4,114,494**	10%
Total	400,865	100%	$ 38,320,221	$ 2,428,106	**$ 40,748,328**	100%

Total calls in 2023 = actual billable calls Jul 2022 - Jun 2023 for each owner city. Starting in 2023 excludes fire billable calls, as approved by Administration Board in Aug 2023.

NOTE 9 – Contingencies and Litigations

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

NOTE 10 – Accounting and Reporting Changes

In 2023, the Center adopted a new standard, Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), issued by the Governmental Accounting Standards Board (GASB). This statement establishes accounting and financial reporting guidance for SBITAs. A SBITA is defined as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible underlying IT assets, in an exchange or exchange-like transaction for a period exceeding 12 months. The government is required to recognize a subscription liability and an intangible right to-use subscription asset. Cash outlays necessary to place the subscription asset in service can be capitalized during the initial project implementation stage.

Due to GASB 96 implementation, the Center restated the 2022 financial information, and totals previously presented, resulting from new or restated following items on the comparative statement of net position: prepayments, equipment, subscription assets, accrued liabilities, current and noncurrent subscription liabilities, net investment in capital assets, and unrestricted net position. The comparative statement of revenues, expenses and changes in fund net position, and its totals, was restated to reflect interest expense and changes in other operation and maintenance, and depreciation and amortization items. The comparative statement of cash flows, and its totals, was restated to reflect recording of changes in interest paid, cash payments to supplier for goods and services, purchases of capital assets, depreciation and amortization, and prepayments.

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, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.079897%	0.080231%	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	$ 1,823,834	$ 2,233,925	$ 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	$ 14,416,111	$ 13,060,196	$ 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	12.65%	17.10%	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	80.16%	76.56%	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 (Asset)
PERS 2/3
As of June 30, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability/asset	0.103194%	0.104387%	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)	$ (4,229,595)	$ (3,871,485)	$ (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	$ 14,416,111	$ 13,060,196	$ 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	-29.34%	-29.64%	-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	107.02%	106.73%	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).

Required Supplementary Information

Valley Communications Center
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$ 509,154	$ 512,446	$ 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	$ (509,154)	$ (512,446)	$ (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	0	0
Covered payroll	$ 15,044,951	$ 13,632,986	$ 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	3.38%	3.76%	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
For the year ended December 31, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$ 956,848	$ 867,213	$ 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	$ (956,848)	$ (867,213)	$ (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	0	0
Covered payroll	$ 15,044,951	$ 13,632,986	$ 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	6.36%	6.36%	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.

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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