Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Valley Regional Fire Authority

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

Published August 31, 2023

Report No. 1033177

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Office of the Washington State Auditor
Pat McCarthy

August 31, 2023

Board of Governance
Valley Regional Fire Authority
Auburn, Washington

Report on Financial Statements

Please find attached our report on Valley Regional Fire Authority's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Valley Regional Fire Authority
January 1, 2021 through December 31, 2022

Board of Governance
Valley Regional Fire Authority
Auburn, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Valley Regional Fire Authority, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated August 23, 2023.

We issued an unmodified opinion on the fair presentation of the Authority's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Authority using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

August 23, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Valley Regional Fire Authority
January 1, 2021 through December 31, 2022

Board of Governance
Valley Regional Fire Authority
Auburn, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Valley Regional Fire Authority, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Valley Regional Fire Authority, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Valley Regional Fire Authority, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- We are required to 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023 on our consideration of the Authority's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

August 23, 2023

FINANCIAL SECTION

Valley Regional Fire Authority
January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

Valley Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense	201 Debt Service	301 Capital Projects
Beginning Cash and Investments					
308	Beginning Cash and Investments	21,422,534	20,982,764	117,905	321,865
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	16,999,759	15,432,404	1,567,355	-
320	Licenses and Permits	233,764	233,764	-	-
330	Intergovernmental Revenues	4,697,008	4,697,008	-	-
340	Charges for Goods and Services	13,368,336	13,368,336	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	286,600	266,135	14,939	5,526
Total Revenues:		35,585,467	33,997,647	1,582,294	5,526
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	28,996,441	28,996,441	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		28,996,441	28,996,441	-	-
Excess (Deficiency) Revenues over Expenditures:		6,589,026	5,001,206	1,582,294	5,526
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	156,025	156,025	-	-
Total Other Increases in Fund Resources:		156,025	156,025	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,263,085	5,263,085	-	-
591-593, 599	Debt Service	1,549,600	-	1,549,600	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		6,812,685	5,263,085	1,549,600	-
Increase (Decrease) in Cash and Investments:		**(67,634)**	**(105,854)**	**32,694**	**5,526**
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	150,599	-	150,599	-
50841	Committed	-	-	-	-
50851	Assigned	6,184,050	5,856,659	-	327,391
50891	Unassigned	15,020,251	15,020,251	-	-
Total Ending Cash and Investments		**21,354,900**	**20,876,910**	**150,599**	**327,391**

The accompanying notes are an integral part of this statement.

Valley Regional Fire Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 Current Expense	201 Debt Service	301 Capital Projects
Beginning Cash and Investments					
308	Beginning Cash and Investments	18,612,983	18,094,526	122,373	396,084
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	16,384,821	14,843,259	1,541,562	-
320	Licenses and Permits	258,398	258,398	-	-
330	Intergovernmental Revenues	4,599,835	4,049,835	-	550,000
340	Charges for Goods and Services	12,556,558	12,556,558	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	57,009	56,080	570	359
Total Revenues:		33,856,621	31,764,130	1,542,132	550,359
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	28,632,757	28,632,757	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		28,632,757	28,632,757	-	-
Excess (Deficiency) Revenues over Expenditures:		5,223,864	3,131,373	1,542,132	550,359
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,112,290	629,369	-	482,921
Total Other Increases in Fund Resources:		1,112,290	629,369	-	482,921
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,014,050	389,583	-	624,467
591-593, 599	Debt Service	1,546,711	-	1,546,600	111
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	965,842	482,921	-	482,921
Total Other Decreases in Fund Resources:		3,526,603	872,504	1,546,600	1,107,499
Increase (Decrease) in Cash and Investments:		**2,809,551**	**2,888,238**	**(4,468)**	**(74,219)**
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	117,905	-	117,905	-
50841	Committed	-	-	-	-
50851	Assigned	6,178,524	5,856,659	-	321,865
50891	Unassigned	15,126,105	15,126,105	-	-
Total Ending Cash and Investments		**21,422,534**	**20,982,764**	**117,905**	**321,865**

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Valley Regional Fire Authority (VRFA) was incorporated on January 1, 2007 and operates under the laws of the State of Washington applicable to a Regional Fire Authority. The Authority is a special purpose local government and provides first responder fire and emergency medical services to the residents of the cities of Algona, Auburn, and Pacific.

The Authority reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the Washington State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The Authority's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)
This fund is the primary operating fund of the VRFA. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Fund (201)
This fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Project Fund (301)
This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition, upgrade or construction of capital facilities and other capital assets.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 4, Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than $5,000, are not an inventory or consumable item, and have an estimated useful life in excess of one year. Capital assets of the VRFA are recorded as capital expenditures when purchased.

E. Compensated Absences

VRFA employees accrue vacation leave at a variable rate based on years of service. In general, employees are allowed to accumulate vacation leave up to what would be earned in two years of employment.

Sick leave may accumulate up to 960 hours for day-shift employees and 1,300 hours for twenty-four hour shift employees. Sick leave accumulations over these hours are paid annually at a rate of 25% of the hours over 960 and 1,300 hours respectively. Upon separation or retirement, some VRFA employees are eligible to receive a sick leave payout based on hire date, length of service and union affiliation. Payments are recognized as expenditures when paid.

The accrued value of vacation and sick leave balances on December 31, 2022 is $1,852,639.

F. Long-Term Debt

See Note 6, Debt Service Requirements

G. Restricted Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the VRFA Board of Governance. When expenditures that meet restrictions are incurred, the Authority intends to use the most restricted resources first.

Restrictions of Ending Cash and Investments consist of revenue received from a voter-approved excess levy, and are used for debt service on bonds issued as a result of this levy passage. See Note 6, Debt Service Requirements. The total of Restricted Ending Cash and Investments on December 31, 2022 is $150,599.

NOTE 2 – BUDGET COMPLIANCE

The Authority adopts annual appropriated budgets for each of its three funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund	Final Appropriated Amount	Actual Expenditures	Variance
Current Expense	$ 36,833,655	$ 34,259,526	$(2,574,129)
Debt Service	1,549,600	1,549,600	-
Capital Projects	25,000	0	(25,000)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments. However, any revisions that alter the total expenditures of a fund, or that change the number of authorized employee positions or certain terms and conditions of employment must be approved by the Authority's legislative body.

NOTE 3 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Emergency Medical Services (EMS) are a core function provided by VRFA to its residents and the pandemic had a direct effect on VRFA operations in 2022. VRFA incurred unanticipated costs for staffing, personal protective equipment, and supplies necessary to mitigate the effects of COVID-19 on our personnel and clients served.

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

NOTE 4 – DEPOSITS and INVESTMENTS

Investments are reported at fair market value. Deposits and Investments by fund at December 31, 2022 are as follows:

Type of Deposit or Investment	Total
Bank Deposits – General Fund	$ 3,089,883
LGIP – General Fund	17,786,777
LGIP – Debt Service Fund	150,599
LGIP – Capital Projects Fund	327,391
TOTAL	$21,354,650

It is the Authority's policy to invest temporary cash surpluses with the State of Washington Local Government Investment Pool (LGIP). The interest earned on LGIP investments is prorated to the various funds.

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

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Authority would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The VRFA's bank deposits are held in its accounts with Heritage Bank. The Federal Deposit Insurance Corporation (FDIC) insures the VRFA's deposits up to $250,000 per account. The Washington Public Deposit Protection Commission (WPDPC) covers amounts over the FDIC limit through collateral held in a multiple financial institution collateral pool. All deposits and investments are held by the VRFA in its own name.

NOTE 5 – PROPERTY TAXES AND FIRE BENEFIT SERVICE CHARGE

The King and Pierce County Treasurers act as agents to collect property tax levies and fire benefit service charges (FBSC) for all taxing authorities including the VRFA. Both counties distribute collections on the 10th of each month for the prior month's receipts.

Property tax and FBSC revenues are recognized when received by the VRFA. Delinquent taxes and FBSC are considered to be fully collectible because a lien affixes to the property after taxes are levied.

The VRFA's assessed valuation for its regular property tax levy and excess property tax levy for its 2015 Refunding Bonds (see note 6) is:

Levy Certification Date	Tax Collection Year	Assessed Valuation
02/10/2022	2022	$16,305,169,916
12/01/2020	2021	14,843,988,589

VRFA Proposition No.1 was approved by its voters on February 11, 2020. This proposition restored the regular property tax levy rate to $1.00 per $1,000 of assessed value. The VRFA's levy rates are:

Tax Collection Year	Levy Rate (Dollars per $1,000 of Assessed Value) Regular	Excess (see note 5)	Total
2022	$0.93724	$0.09598	$1.03322
2021	1.00000	0.10439	1.10439

The property tax amounts levied and collected are:

Tax Collection Year	Regular Tax Levy	Excess Tax Levy (see note 6)	Total Tax Levy	Amount Collected	Percent Collected
2022	15,281,857	1,550,000	16,831,857	16,999,758	101.00%
2021	14,873,989	1,545,000	16,388,989	16,384,821	99.98%

The FBSC applied and collected is:

FBSC Collection Year	Amount Charged	Amount Collected	Percent Collected
2022	$11,500,000	$11,458,463	99.64%
2021	10,200,000	10,279,501	100.78%

NOTE 6 – DEBT SERVICE REQUIREMENTS

A special election was held on February 19, 2008 where the qualified voters of the Authority ratified the proposition to issue bonds in the manner described in VRFA Board of Governance Resolution No. 33 with the proceeds to be used to pay the cost of the VRFA's 2007 Capital Facilities Plan. In addition, the voters authorized the levy of excess property taxes to pay and retire the bonds. As a result, on July 24, 2008, the VRFA issued $19.8 million of Unlimited Tax General Obligation (UTGO) Bonds. The call date of this issue was December 1, 2018. On June 10, 2015, the Authority completed an in–substance defeasance to retire $9,845,000 of the 2008 UTGO bonds. This refunding was undertaken to reduce total debt service payments by $941,139.

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the VRFA and summarizes the VRFA's debt transactions for the year ended December 31, 2020.

The debt service requirements for general obligation bonds, including both principle and interest, are as follows:

Year	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2023	1,545,600	-	-	1,545,600
2024	1,549,800	-	-	1,549,800
2025	1,546,800	-	-	1,546,800
2026	1,546,800			1,546,800
2027	1,549,600	-	-	1,549,600
TOTALS	$ 7,738,600	-	-	$ 7,738,600

The balances of outstanding Voted and Non-Voted General Obligation Debt are:

As of Year Ended	2015 UTGO Refunding	Other Non-Voted Debt	Total Debt Outstanding
12/31/2022	$6,890,000	-	$6,890,000
12/31/2021	8,115,000	-	8,115,000

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Retiree Medical Benefit

On December 13, 2016, the VRFA Board of Governance adopted Resolution Number 134, which amended VRFA Board of Governance Resolution Number 86, and provides for a fixed monthly amount of $550 to be paid to non-LEOFF 1 retirees for purposes of post-retirement medical expenditures. The plan may be changed or discontinued by a resolution of the Board. Participation is limited to five retirees per year and the receipt of benefits ends upon the earlier of twelve years, eligibility for Medicare or death of the retiree.

This defined benefit OPEB plan is administered by VRFA on a pay-as-you-go basis. During the actuarial valuation period, the plan had 120 active members and 16 retired members. As of December 31, 2022, the actuarial OPEB liability of the plan was $1,599,661. VRFA paid $141,350 in benefits for the year ended December 31, 2022.

LEOFF 1 Retiree Medical Benefit

In addition to pension benefits described in Note 8, the City of Auburn provides post-retirement benefits, in accordance with state statutes, to all LEOFF 1 retirees of the VRFA. The City provides long-term care, medical insurance, and reimburses all validated claims for medical, dental and hospitalization costs incurred by retirees. VRFA has no liability for LEOFF 1 retirees.

NOTE 8 - PENSION PLANS

State Sponsored Pension Plans

All VRFA full-time and qualifying part-time employees participate in the LEOFF 2, PERS 2 and PERS 3 plans 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 .

On June 30, 2022 (the measurement date of the plans), the Authority's proportionate share of the collective net pension liabilities as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.010386%	$ 289,184
PERS 2/3	0.013545%	(502,354)
LEOFF 1	0.017166%	(492,426)
LEOFF 2	0.399575%	(10,859,242)

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1

Upon formation of the VRFA, the City of Auburn retained liability for LEOFF 1 pension and other post-employment benefits for all members of the former Auburn Fire Department as of December 31, 2006 who continued employment with the VRFA. As of December 31, 2022, VRFA employed no employees that were participants in the LEOFF 1 pension system. Contributions and liabilities for retired employees that were LEOFF 1 plan members are obligations of the City of Auburn. There were no LEOFF 1 members from the former Pacific Fire Department that were employed by the VRFA. The LEOFF 1 plan is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
The Authority also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Section 401(a) Defined Contribution Pension Plan
PERS employees of VRFA participate in a 401(a) defined contribution plan in lieu of participating in Social Security. This plan is administered by MissionSquare Retirement. The VRFA makes contributions to this plan at the same rate and level as set by Social Security each year. In 2022, the contribution rate was 6.2% with a maximum contribution per employee of $9,114, and contributions totaled $92,806.

Section 457(b) Deferred Compensation Plan
Eligible VRFA employees may participate in a 457(b) deferred compensation plan. The VRFA makes contributions to this plan at rates dependent on the provisions of either an employee's collective bargaining agreement or policy for employees that are not in a bargaining unit. Employees have a choice of multiple plan providers including the State of Washington and Empower Retirement. In 2022, VRFA made contributions totaling $762,842 to this plan.

NOTE 9 – RISK MANAGEMENT

Employment Security
In accordance with Title 50 RCW, the VRFA is self-insured for purposes of Unemployment Compensation. During 2022, there were two claims for unemployment compensation with an associated cost of $13,006.

Workers Compensation
Title 51 RCW requires the VRFA to ensure payment of benefits for job-related injuries and diseases through the Workers' Compensation fund or through self-insurance. The VRFA participates in the State of Washington's Workers' Compensation program. Premiums are based on individual employer's reported payroll hours and insurance rates based on each employer's risk classification and past experience. The premium is paid by employer and employee contributions.

General Liability
The VRFA is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, 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 aggregate 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 and privacy, event management, and cyber extortion, with limits up to $1 million and subject to member deductibles, sublimits, and a $5 million pool aggregate. Premises pollution liability provides members with a $2 million incident limit and $10 million pool aggregate subject to a $100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

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

NOTE 10 – HEALTH and WELFARE

The VRFA is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

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

As of December 31, 2022, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

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

The AWC Trust HCP includes medical 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 an application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1.0 Million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

NOTE 11 – RELATED PARTY TRANSACTIONS

In 2022, the VRFA contracted with the City of Auburn for certain geographic information service (GIS) support. Amounts paid to the City of Auburn for this service totaled $22,521 in 2022.

In 2022, the City of Auburn remitted impact fees that were collected on behalf of VRFA. Impact Fees paid by the City of Auburn to the VRFA totaled $22,456 in 2022.

As outlined in Note 8, the City of Auburn is responsible for the liability for retired and active LEOFF 1 personnel of its former fire department to include medical and long-term care insurance payments and any other expenses incurred in accordance with the City of Auburn LEOFF 1 Policies and Procedures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Valley Regional Fire Authority (VRFA) was incorporated on January 1, 2007 and operates under the laws of the State of Washington applicable to a Regional Fire Authority. The Authority is a special purpose local government and provides first responder fire and emergency medical services to the residents of the Cities of Algona, Auburn, and Pacific.

The Authority reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the Washington State Auditor's Office under the Authority of Washington State Law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The Authority's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)
This fund is the primary operating fund of the VRFA. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Fund (201)
This fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Project Fund (301)
This fund accounts for financial resources which are restricted, committed, or assigned for the acquisition, upgrade or construction of capital facilities and other capital assets.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 4, Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than $5,000, are not an inventory or consumable item, and have an estimated useful life in excess of one year. Capital assets of the VRFA are recorded as capital expenditures when purchased.

E. Compensated Absences

VRFA employees accrue vacation leave at a variable rate based on years of service. In general, employees are allowed to accumulate vacation leave up to what would be earned in two years of employment.

Sick leave may accumulate up to 960 hours for day-shift employees and 1,300 hours for twenty-four hour shift employees. Sick leave accumulations over these hours are paid annually at a rate of 25% of the hours over 960 and 1,300 hours respectively. Upon separation or retirement, VRFA employees have varied sick leave payout options. Payments are recognized as expenditures when paid.

The accrued value of vacation and sick leave balances on December 31, 2021 is $1,940,458.

F. Long-Term Debt

See Note 6, Debt Service Requirements

G. Restricted Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Governance. When expenditures that meet restrictions are incurred, the Authority intends to use the most restricted resources first.

Restrictions of Ending Cash and Investments consist of revenue received from a voter-approved excess levy, and are used for debt service on bonds issued as a result of this levy passage. See Note 6, Debt Service Requirements. The total of Restricted Ending Cash and Investments on December 31, 2021 is $117,905.

NOTE 2 – BUDGET COMPLIANCE

The Authority adopts annual appropriated budgets for each of its three funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund	Final Appropriated Amount	Actual Expenditures	Variance
Current Expense	$ 32,317,583	$ 29,505,261	$(2,812,322)
Debt Service	1,546,600	1,546,600	(0)
Capital Projects	1,107,500	1,107,499	(1)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments. However, any revisions that alter the total expenditures of a fund, or that change the number of authorized employee positions or certain terms and conditions of employment must be approved by the Authority's legislative body.

NOTE 3 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Emergency Medical Services (EMS) are a core function provided by VRFA to its residents and the pandemic had a direct effect on VRFA operations in 2021. VRFA incurred unanticipated costs for staffing, personal protective equipment, and supplies necessary to mitigate the effects of COVID-19 on our personnel and clients served.

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

NOTE 4 – DEPOSITS and INVESTMENTS

Investments are reported at fair market value. Deposits and Investments by fund at December 31, 2021 are as follows:

Type of Deposit or Investment	Total
Bank Deposits – General Fund	$ 8,401,201
LGIP – General Fund	12,581,313
LGIP – Debt Service Fund	117,905
LGIP – Capital Projects Fund	321,865
TOTAL	$21,422,284

While it is the Authority's policy to invest temporary cash surpluses with the State of Washington Local Government Investment Pool (LGIP), due to the low interest rate environment experienced in 2021, a portion of surplus cash balances were held as bank deposits to offset bank transaction fees. These fees would have been greater than the investment return that would have been received in the LGIP. The interest earned on LGIP investments is prorated to the various funds.

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

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

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Authority would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The VRFA's bank deposits are held in its accounts with Heritage Bank. The Federal Deposit Insurance Corporation (FDIC) insures the VRFA's deposits up to $250,000 per account. The Washington Public Deposit Protection Commission (WPDPC) covers amounts over the FDIC limit through collateral held in a multiple financial institution collateral pool. All deposits and investments are held by the VRFA in its own name.

NOTE 5 – PROPERTY TAXES AND FIRE BENEFIT SERVICE CHARGE

The King and Pierce County Treasurers act as agents to collect property tax levies and fire benefit service charges for all taxing authorities including the VRFA. Both counties distribute collections on the 10th of each month for the prior month's receipts.

Property tax and fire benefit service charge (FBSC) revenues are recognized when received by the VRFA. Delinquent taxes and FBSC are considered to be fully collectible because a lien affixes to the property after taxes are levied.

The VRFA's assessed valuation for its regular property tax levy and excess property tax levy for its 2015 Refunding Bonds (see note 6) is:

Levy Certification Date	Tax Collection Year	Assessed Valuation
12/01/2020	2021	$14,843,988,589
11/28/2019	2020	13,859,516,909

VRFA Proposition No.1 was approved by its voters on February 11, 2020. This proposition restored the regular property tax levy rate to $1.00 per $1,000 of assessed value. The VRFA's levy rates are:

Tax Collection	Levy Rate (Dollars per $1,000 of Assessed Value)		
Year	Regular	Excess (see note 5)	Total
2021	$1.00000	$0.10439	$1.10439
2020	0.75557	0.11340	0.86897

The property tax amounts levied and collected are:

Tax Collection Year	Regular Tax Levy	Excess Tax Levy (see note 6)	Total Tax Levy	Amount Collected	Percent Collected
2021	14,843,989	1,545,000	16,388,989	16,384,821	99.98%
2020	10,467,293	1,547,500	12,014,793	12,004,718	99.92%

The FBSC applied and collected is:

FBSC Collection Year	Amount Charged	Amount Collected	Percent Collected
2021	$10,200,000	$10,279,501	100.78%
2020	13,800,000	13,743,272	99.59%

NOTE 6 – DEBT SERVICE REQUIREMENTS

A special election was held on February 19, 2008 where the qualified voters of the Authority ratified the proposition to issue bonds in the manner described in VRFA Board of Governance Resolution No. 33 with the proceeds to be used to pay the cost of the VRFA's Capital Facilities Plan. In addition, the voters authorized the levy of excess property taxes to pay and retire the bonds. As a result, on July 24, 2008, the VRFA issued $19.8 million of Unlimited Tax General Obligation (UTGO) Bonds. The call date of this issue was December 1, 2018. On June 10, 2015, the Authority completed an in–substance defeasance to retire $9,845,000 of the 2008 UTGO bonds. This refunding was undertaken to reduce total debt service payments by $941,139.

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the VRFA and summarizes the VRFA's debt transactions for the year ended December 31, 2020.

The debt service requirements for general obligation bonds, including both principle and interest, are as follows:

Year	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2022	1,549,600	-	-	1,549,600
2023	1,545,600	-	-	1,545,600
2024	1,549,800	-	-	1,549,800
2025	1,546,800	-	-	1,546,800
2026	1,546,800			1,546,800
2027	1,549,600	-	-	1,549,600
TOTALS	$ 9,288,200	-	-	$ 9,288,200

The balances of outstanding Voted and Non-Voted General Obligation Debt are:

As of Year Ended	2015 UTGO Refunding	Other Non-Voted Debt	Total Debt Outstanding
12/31/2021	$8,115,000	-	$8,115,000
12/31/2020	9,290,000	-	9,290,000

NOTE 7 – INTERFUND LOANS

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Balance 1/1/2021	New Loans	Repayments	Balance 12/31/2021
Capital Projects	Current Expense	-	482,921	482,921	-

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Retiree Medical Benefit
On December 13, 2016, the VRFA Board of Governance adopted Resolution Number 134, which amended VRFA Board of Governance Resolution Number 86, and provides for a fixed monthly amount of $550 to be paid to non-LEOFF 1 retirees for purposes of post-retirement medical expenditures. The plan may be changed or discontinued by a resolution of the Board. Participation is limited to five retirees per year and the receipt of benefits ends upon the earlier of twelve years, eligibility for Medicare or death of the retiree.

This defined benefit OPEB plan is administered by VRFA on a pay-as-you-go basis. During 2021, the plan had 120 active members and 16 retired members. As of December 31, 2021, the actuarial OPEB liability of the plan was $1,586,114. VRFA paid $123,200 in benefits for the year ended December 31, 2021.

LEOFF 1 Retiree Medical Benefit
In addition to pension benefits described in Note 8, the City of Auburn provides post-retirement benefits, in accordance with state statutes, to all LEOFF 1 retirees of the VRFA. The City provides long-term care, medical insurance, and reimburses all validated claims for medical, dental and hospitalization costs incurred by retirees. VRFA has no liability for LEOFF 1 retirees.

NOTE 9 - PENSION PLANS

State Sponsored Pension Plans
All VRFA full-time and qualifying part-time employees participate in the LEOFF 2 and PERS 2 plans 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.

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Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 998504-8380

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

On June 30, 2021 (the measurement date of the plans), the Authority's proportionate share of the collective net pension liabilities as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.010811%	$ 132,028
PERS 2/3	0.013891%	(1,383,767)
LEOFF 1	0.016695%	(571,898)
LEOFF 2	0.403755%	(23,451,762)

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1
Upon formation of the VRFA, The City of Auburn retained liability for LEOFF 1 pension and other post-employment benefits for all members of the former Auburn Fire Department as of December 31, 2006 who continued employment with the VRFA. As of December 31, 2021, VRFA employed no employees that were participants in the LEOFF 1 pension system. Contributions and liabilities for retired employees that were LEOFF 1 plan members are obligations of the City of Auburn. There were no LEOFF 1 members from the former Pacific Fire Department that were employed by the VRFA. The LEOFF 1 plan is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

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PERS employees of VRFA participate in a 401(a) defined contribution plan in lieu of participating in Social Security. This plan is administered by ICMA-RC. The VRFA makes contributions to this plan at the same rate and level as set by Social Security each year. In 2021, the contribution rate was 6.2% with a maximum contribution per employee of $8,854, and contributions totaled $92,070.

Section 457(b) Deferred Compensation Plan
Eligible VRFA employees may participate in a 457(b) deferred compensation plan. The VRFA makes contributions to this plan at rates dependent on the provisions of either an employee's collective bargaining agreement or policy for employees that are not in a bargaining unit. Employees have a choice of multiple plan providers including the State of Washington and Empower Retirement. In 2021, VRFA made contributions totaling $751,578 to this plan.

NOTE 10 – RISK MANAGEMENT

Employment Security
In accordance with Title 50 RCW, the VRFA is self-insured for purposes of Unemployment Compensation. During 2021, there was one claim for unemployment compensation with an associated cost of $3,428.

Workers Compensation
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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 insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the State of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the State of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting an 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 2021, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1.0 Million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

NOTE 12 – RELATED PARTY TRANSACTIONS

In 2021, the VRFA contracted with the City of Auburn for certain geographic information service (GIS) support. Amounts paid to the City of Auburn for this service totaled $31,097 in 2021.

In 2021, the City of Auburn remitted impact fees that were collected on behalf of VRFA. Impact Fees paid by the City of Auburn to the VRFA totaled $550,000 in 2021.

As outlined in Note 9, the City of Auburn is responsible for the liability for retired and active LEOFF 1 personnel of its former fire department to include medical and long-term care insurance payments and any other expenses incurred in accordance with the City of Auburn LEOFF 1 Policies and Procedures.

Valley Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	2015 Refunding Bonds	12/1/2027	8,115,000	-	1,225,000	6,890,000
	Total General Obligation Debt/Liabilities:		**8,115,000**	**-**	**1,225,000**	**6,890,000**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Abscences		1,940,458	-	87,819	1,852,639
264.30	Pension Liability		132,028	157,156	-	289,184
264.40	Other Post Employment Benefits		1,586,114	13,547	-	1,599,661
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**3,658,600**	**170,703**	**87,819**	**3,741,484**
	Total Liabilities:		**11,773,600**	**170,703**	**1,312,819**	**10,631,484**

Valley Regional Fire Authority
Schedule of Liabilities
For the Year Ended December 31, 2021

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2015 Refunding Bonds	12/1/2027	9,290,000	-	1,175,000	8,115,000
	Total General Obligation Debt/Liabilities:		**9,290,000**	**-**	**1,175,000**	**8,115,000**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Abscences		2,143,284	-	202,826	1,940,458
264.30	Pension Liability		578,537	-	446,509	132,028
264.40	Other Post Employment Benefits		1,633,516	-	47,402	1,586,114
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**4,355,337**	**-**	**696,737**	**3,658,600**
	Total Liabilities:		**13,645,337**	**-**	**1,871,737**	**11,773,600**

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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

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

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

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

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

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