



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Spokane Transit Authority

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

*Published June 14, 2021*

Report No. 1028532



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**Office of the Washington State Auditor  
Pat McCarthy**

June 14, 2021

Board of Directors  
Spokane Transit Authority  
Spokane, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Spokane Transit Authority January 1, 2020 through December 31, 2020

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

##### Financial Statements

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

Internal Control over Financial Reporting:

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

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

##### Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Authority's compliance with requirements applicable to each of its major federal programs.

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

## **Identification of Major Federal Programs**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.507	Federal Transit Cluster – COVID-19 – Federal Transit Formula Grants (CARES Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,006,079.

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## INDEPENDENT AUDITOR'S REPORT

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

### **Spokane Transit Authority January 1, 2020 through December 31, 2020**

Board of Directors  
Spokane Transit Authority  
Spokane, 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 Spokane Transit Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 2, 2021 . The prior year comparative information has been derived from the Authority's 2019 basic financial statements, on which we issued our report dated May 15, 2020.

As discussed in Note 15 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 15.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

June 2, 2021



## INDEPENDENT AUDITOR'S REPORT

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

### **Spokane Transit Authority January 1, 2020 through December 31, 2020**

Board of Directors  
Spokane Transit Authority  
Spokane, Washington

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the compliance of the Spokane Transit Authority, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

June 2, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Spokane Transit Authority January 1, 2020 through December 31, 2020**

Board of Directors  
Spokane Transit Authority  
Spokane, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Spokane Transit Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 16.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Spokane Transit Authority, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 15 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 15. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Prior-Year Comparative Information***

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2019, from which such partial information was derived. We have previously audited the Authority's 2019 financial statements and we expressed unmodified opinions on the respective financial statements in our report dated May 15, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***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 on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021 on our consideration of the Authority's internal control over financial reporting and on our

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy  
State Auditor  
Olympia, WA

June 2, 2021

## **FINANCIAL SECTION**

### **Spokane Transit Authority January 1, 2020 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Net Position – 2020

Statement of Cash Flows – 2020

Notes to the Financial Statements – 2020

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – (PERS 1, PERS 2/3) – 2020

Schedule of Employer Contributions – (PERS 1, PERS 2/3) – 2020

Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2020

Notes to Schedule of Expenditures of Federal Awards – 2020



# **Spokane Transit Authority For the Year Ended December 31, 2020**

## **Management Discussion and Analysis**

This section of Spokane Transit Authority's (STA) Annual Financial Report presents management's discussion and analysis (MD&A) of the financial performance for the year ended December 31, 2020. This section should be read in conjunction with the financial statements and accompanying notes to the financial statements.

STA is a Public Transportation Benefit Area (PTBA) providing public transportation services within its boundaries. Services include:

- Local fixed route bus services within Spokane County, City of Spokane, City of Spokane Valley, City of Liberty Lake, City of Millwood, City of Airway Heights, City of Medical Lake, and City of Cheney;
- Paratransit services for those who live within  $\frac{3}{4}$  mile of a bus route and who, because of their disability, are unable to use the regular bus service;
- A vanpool and ride match program.

### **Financial Highlights**

- The assets of STA exceeded its liabilities at December 31, 2020 by \$257,246,430. Of this amount, \$139,112,656 represents STA's net position not invested in capital assets or restricted by regulation (unrestricted). In the unrestricted amount, the STA Board has designated reserves of \$23,068,193 for catastrophic self-insurance exposure protection, operating reserves, and cash designated for future right of way acquisitions.
- STA's Total Net Position increased by \$58,512,823 (excluding prior period adjustments). The federal and state portions of capital grant revenue totaling \$14,178,683 is not included in the \$44,334,140 Net Gain Before Contributions.
- STA continues to operate on a "pay-as-you-go" basis and remained free of debt during the period. Cash balances, less designated reserves, are planned for future operating and capital expenses.

### **Overview of the Financial Statements**

This discussion and analysis section is intended to serve as an introduction to STA's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements.

The financial statements of STA report information using accounting methods that are similar to those used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received. These statements offer short- and long-term financial information about STA activities.

The Statement of Net Position presents information on STA's assets and deferred outflows compared to liabilities and deferred inflows of resources, with the difference reported as net position as of the end of the two most recently completed fiscal years. Over time, increases and decreases in net position may serve as a useful indicator of the financial health of STA and whether its financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents information showing how the net position changed during the current and prior fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, sales tax collected by merchants but not yet remitted to STA and earned but unused employee leave).

The Statement of Cash Flows presents information on STA's cash receipts, cash payments, and net changes in cash and cash equivalents for the most recent two fiscal years. Generally Accepted Accounting Principles (GAAP) require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from noncapital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

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

## Financial Analysis

Overall, the financial position of STA improved in 2020. For the year ended December 31, 2020, assets exceeded liabilities by \$257,246,430. STA is a capital-intensive enterprise and over 40 percent of its net position is invested in capital assets. The following is a comparative summary of STA's net position.

### SUMMARY STATEMENT OF NET POSITION

	As of December 31,		
	2020	2019	2018
<b>Assets:</b>			
Current Assets	\$168,306,575	\$125,144,416	\$100,693,603
Capital Assets (Net)	119,602,397	107,106,066	91,783,020
Total Assets	287,908,972	232,250,482	192,476,623
<b>Deferred Outflows</b>	5,837,042	4,333,363	4,260,928
<b>Total Assets and Deferred Outflows</b>	<u>\$293,746,014</u>	<u>\$236,583,845</u>	<u>\$196,737,551</u>
<b>Liabilities:</b>			
Current Liabilities	\$15,539,975	\$14,367,333	\$12,930,253
Long Term Liabilities	15,122,567	14,010,530	18,162,740
Total Liabilities	30,662,542	28,377,863	31,092,993
<b>Deferred Inflows</b>	4,011,419	7,646,752	7,131,420
<b>Net Position:</b>			
Invested in Capital Assets	119,602,397	107,106,066	91,783,020
Restricted Reserves	357,000	357,000	357,000
Unrestricted Reserves	139,112,656	93,096,164	66,373,118
Total Net Position	259,072,053	200,559,230	158,513,138
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$293,746,014</u>	<u>\$236,583,845</u>	<u>\$196,737,551</u>

During 2020, STA's net position increased by \$58,512,823 (excluding prior period adjustments). The following is a summary Statement of Revenues, Expenses and Change in Net Position. Also shown are the comparatives for the years ended December 31, 2019 and 2018.

**Summary Statement of Revenues, Expenses, and Change in Net Position**

	<b>For the years ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Revenue</b>	\$5,536,583	\$11,489,511	\$11,024,637
<b>Non-operating Revenue</b>			
Sales tax	90,030,263	86,666,638	73,305,787
Grants - non-capital	32,416,515	12,318,267	10,647,105
Other non-operating revenue	2,416,169	2,453,019	1,329,618
<b>Total Revenue (before capital contributions)</b>	130,399,530	112,927,435	96,307,147
<b>Operating Expenses</b>	72,386,020	70,908,009	67,781,409
<b>Depreciation and Amortization</b>	11,842,615	11,002,893	10,522,378
<b>Non-operating Expenses</b>			
Other non-operating Expenses	1,836,755	845,000	1,481,724
<b>Total Expenses</b>	86,065,390	82,755,902	79,785,511
<b>Gain before Contributions and Special Items</b>	44,334,140	30,171,533	16,521,636
<b>Contributions</b>			
Capital grants	14,178,683	10,899,025	8,414,845
<b>Change in Net Position</b>	58,512,823	41,070,558	24,936,481
<b>Beginning Net Position</b>	200,559,230	158,513,138	134,712,420
<b>Prior period adjustments</b>	-	(27,250)	(1,135,763)
<b>Cumulative effect of change in accounting principle</b>	-	1,002,784	-
<b>Ending Net Position</b>	\$259,072,053	\$200,559,230	\$158,513,138

**Revenues**

Passenger fares are the major source of operating revenues. The STA Board approved the currently in effect Tariff Policy for Fixed Route and Paratransit at the July 2016 Board meeting. This policy provided for fare increases on July 1, 2017 and July 1, 2018. The following table shows the amount for selected classifications of fares effective during 2020:

**Fare Examples:**

	<b>Two hour Fare</b>	<b>Monthly Pass</b>
	<b>1/1-12/31/2020</b>	<b>1/1-12/31/2020</b>
Adult	\$2.00	\$60.00
Student	\$2.00	\$52.00
Youth	\$2.00	\$40.00
Reduced	\$1.00	\$30.00
Paratransit	\$2.00	\$60.00

Additional fare information can be obtained on the STA website or by contacting STA.

During 2020, in response to the COVID-19 pandemic, STA CEO issued Emergency Proclamation 2020-01. STA temporarily suspended fares from April 1, 2020 to June 30, 2020, to support social distancing and safeguard the health and safety of its operators by promoting rear-door boarding only. This temporary measure combined with a loss of ridership from the pandemic of over 40 percent caused fare revenues to decrease dramatically.

Operating revenues also include other small miscellaneous items such as union release time reimbursement and vehicle damage reimbursement.

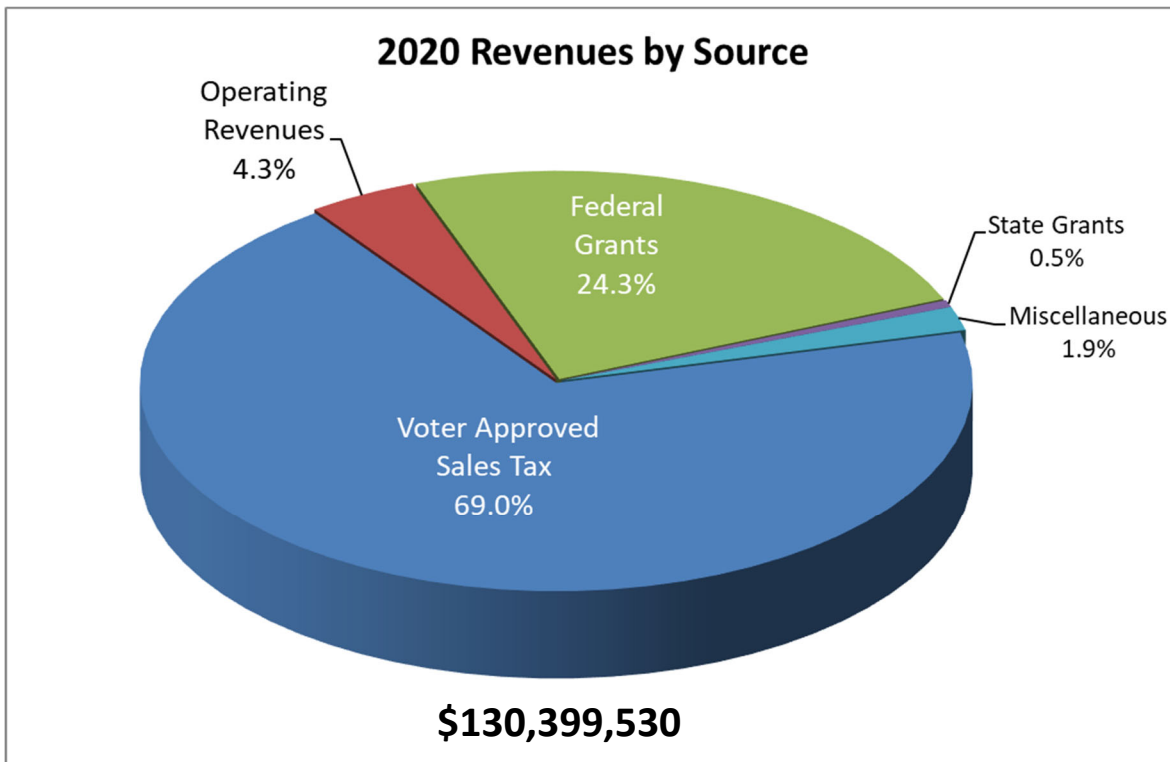
Funding for STA's services is largely provided by a local voter-approved sales tax, 0.8 percent, levied within the PTBA. By state law, public funding for the majority of transit agencies in Washington is through local sales and use tax of no more than 0.9 percent. Since 1981, 0.3 percent of the sales tax authority has been in existence for STA. To replace the motor vehicle excise tax, an additional 0.3 percent was added with a five-year sunset clause in 2004. With voter approval, the additional 0.3 percent was made permanent in 2008. On November 8, 2016, voters approved STA Proposition 1, authorizing an increase in the local sales and use tax rate of up to 0.2 percent to fund the STA Moving Forward Plan (STAMF) to maintain, improve and expand public transit in Spokane County's transit service area. Phase one of the new tax took effect with a 0.1 percent rate increase that was effective April 1, 2017. An additional 0.1 percent rate increase was effective April 1, 2019 with both rate increases expiring no later than December 31, 2028 unless renewed by voters.

STA receives Federal section 5307 formula grant funds for preventive maintenance, which is usually received in the year awarded. Use of these funds for maintenance is authorized by the FTA and amounted to \$8,268,528 in 2020, which remained to be collected at December 31, 2020, \$8,112,144 in 2019, and \$8,443,313 in 2018. STA received additional Federal section 5307 formula grant funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$23,440,069 in 2020. The CARES Act funding was used for operating expenses to allow STA to continue operating at nearly full service levels.

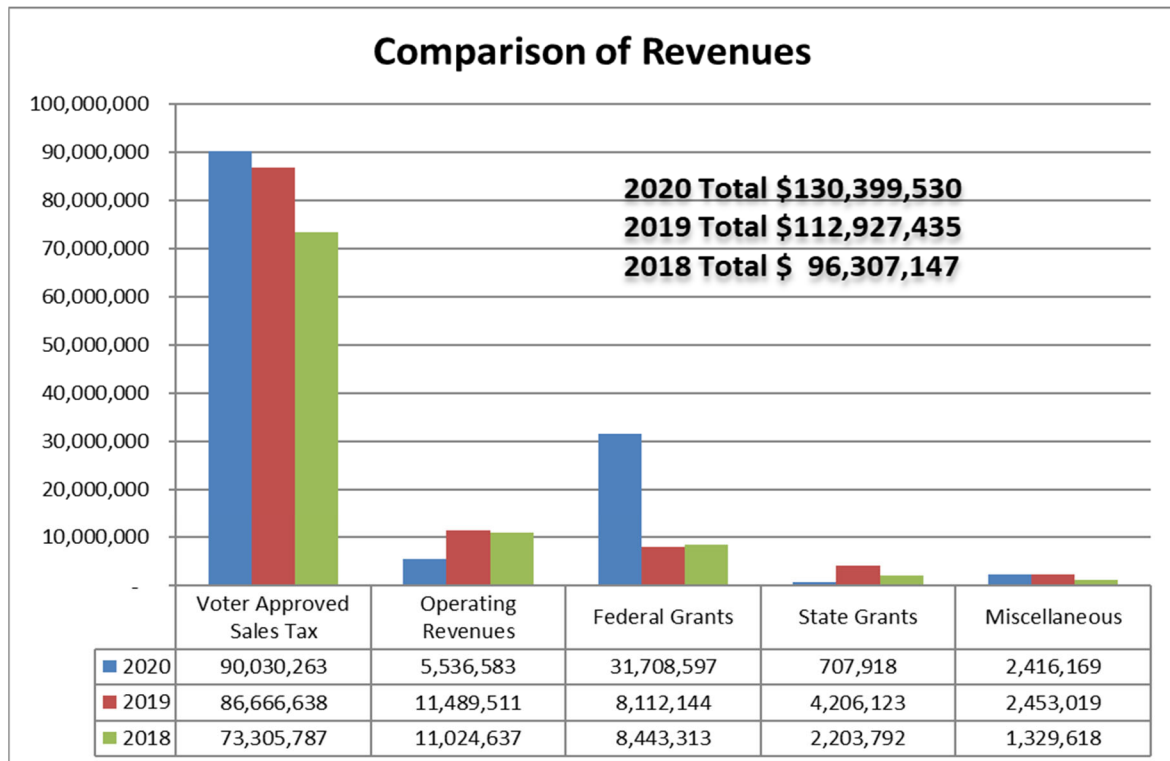
STA received state funding from the Washington State Department of Transportation in the amount of \$707,918 in 2020, \$4,206,123 in 2019, and \$2,203,792 in 2018. These grant funds were used for special needs related service as well as portions of projects categorized as operating.

Miscellaneous revenue, primarily investment earnings, decreased by \$36,850. Interest income declined due to lower interest rates during the year which averaged 1.76 percent despite higher average cash balances.

During 2020, STA Operating and Non-Operating revenues were \$130,399,530. The following chart shows the major sources of revenue:



Operating and Non-Operating Revenues for the last three years were as follows:



## Service Delivery, Ridership and Operating Expenses

Operating expenses are most directly impacted by the number of revenue hours (a passenger vehicle in passenger carrying service for one hour) of service STA provides. Revenue miles also provide a valuable indicator of the level of service activity provided.

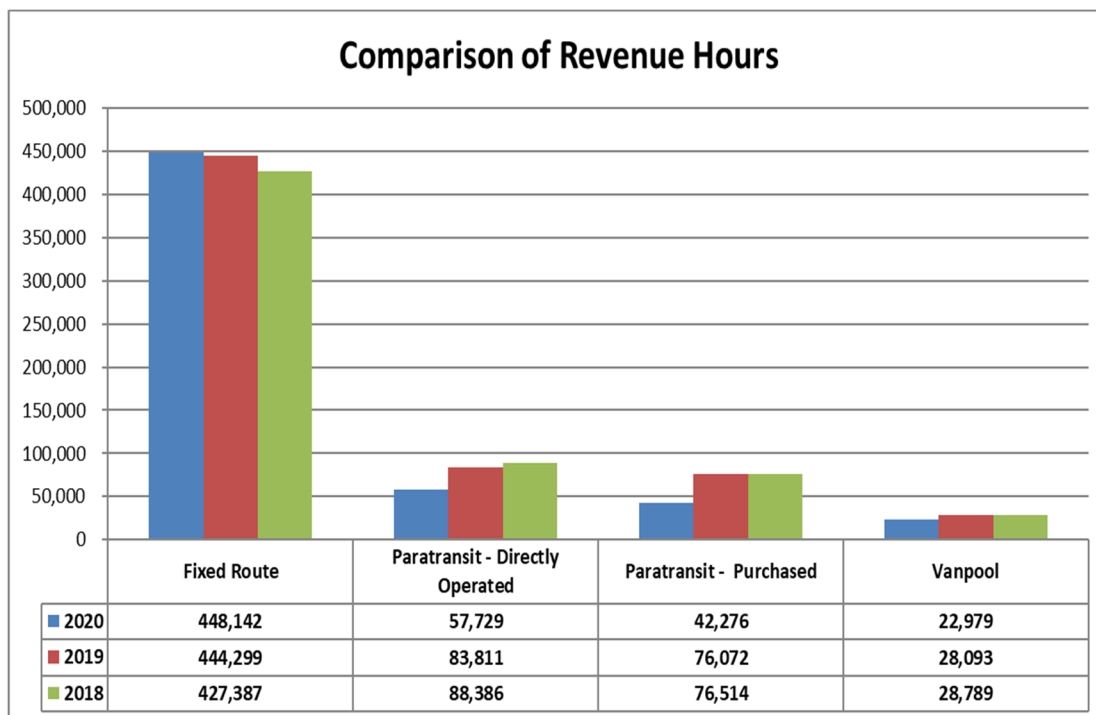
The mode describes the type of service that STA provides:

**Fixed Route (Motor Bus)** - Fixed Route refers to regularly scheduled buses operating on established routes. This service is directly operated by STA.

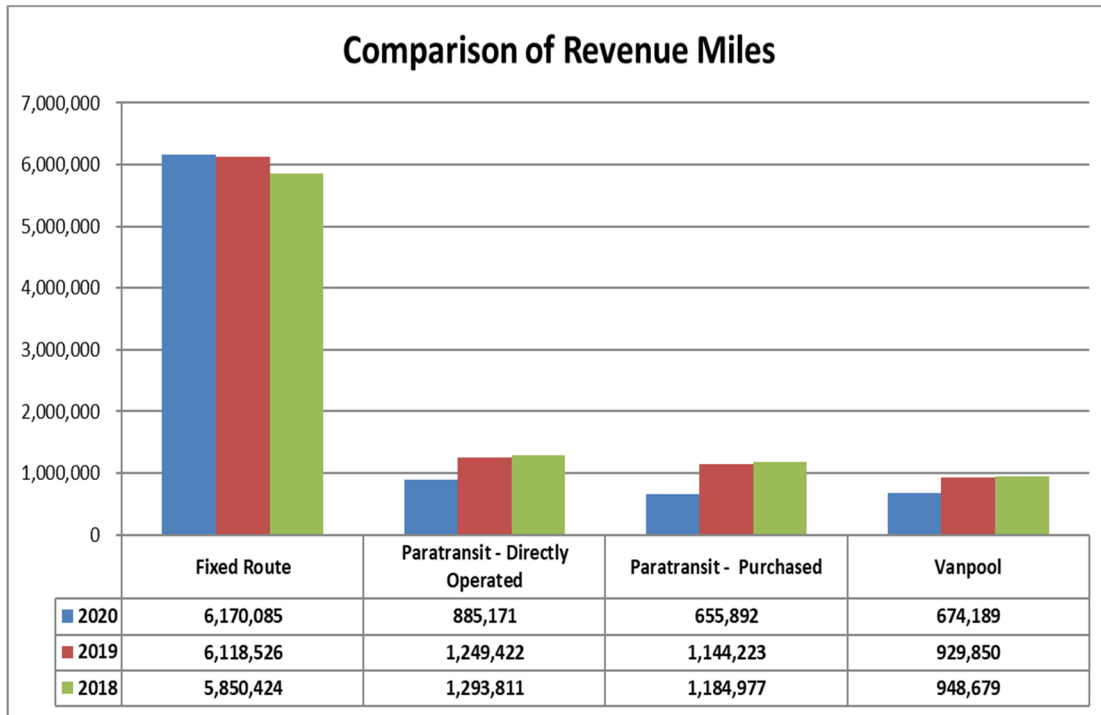
**Paratransit (Demand Response)** - Paratransit refers to the mode of service that provides a complementary service for those unable to use the regular bus because of the effects of their disability as provided under the Americans with Disabilities Act (ADA). Directly operated service is provided by STA personnel during the day on weekdays while purchased service is provided by a private contractor on nights and weekends.

**Vanpool** - Vanpool is a service for prearranged groups of passengers who commute to a common destination in a van owned and maintained by STA. One of the passengers is designated as the driver and the program may receive an employer subsidy as a part of its commute trip reduction (CTR) program.

The following chart shows the comparison of revenue hours by mode for the last three years:



The following chart shows the comparison of revenue miles by mode for the last three years:



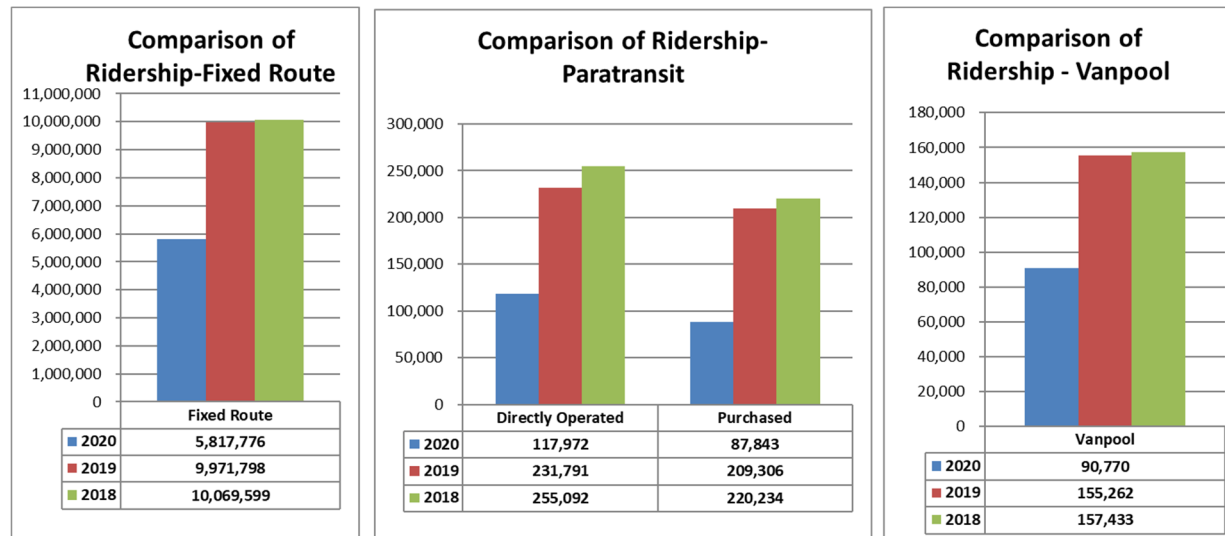
In 2017, after the approval of Proposition 1, STA began executing on its STAMF initiative. Through its more than 25 projects, STAMF maintains the existing transit system, including paratransit and vanpool services, and also improves fixed-route bus service through high frequency, high performance transit service, including extended hours on all basic and frequent routes, as well as expands transit service to new areas, new routes, and expanded passenger services including new and enhanced park and ride lots. The increase in fixed route revenue hours and revenue miles as presented in the chart above is a direct result of the implementation of STAMF projects completed to date.

As an essential service, STA used its CARES Act funding in 2020 to maintain its Fixed Route service at nearly full deployment despite reduced ridership levels in conjunction with the pandemic.

Because of its demand response nature, Paratransit revenue hours decreased in 2020 compared to 2019 and 2018 as fewer riders requested to travel given the emergency health order instated throughout Washington State and the PTBA in response to the pandemic.

Fluctuations in mileage are consistent with explanations provided above for revenue hours.

Most of the common operating efficiency and effectiveness measures in the transit industry have a ridership component. Ridership declined in 2020 due to the COVID-19 pandemic. Results for the last three years appear below:



- Fixed Route ridership declined by 41.7 percent in 2020.
- Paratransit ridership across the combined directly operated and purchased service declined by 53.3 percent in 2020.
- Vanpool ridership declined in 2020 by 41.5 percent.

**Operating Expense by Function** - The function describes the major operating areas of STA and includes:

**Transportation** - Responsible for all on-street passenger services, including operators, supervisors, dispatchers, security and schedulers. Fuel consumption is also classified as a transportation expense.

**Maintenance** - Responsible for keeping vehicles (including maintenance, repair, parts, and cleaning) and facilities in a state of good repair.

**Administration** - Responsible for all other functions including executive direction, planning and development, human resources, customer service, communications, information services, purchasing and finance. In addition, administration expenses include insurance and utilities costs.

As seen in the following table:

- Fixed Route costs increased 4.2 percent in 2020 over 2019 as STA kept its service levels at near pre-pandemic levels despite reduced ridership.
- Paratransit and Vanpool costs decreased 5.0 percent and 15.9 percent respectively, to flex with the lower demand for service caused by the pandemic.
- Transportation expense increased 1.3 percent due primarily to increases in labor, fringe, contracted maintenance and utilities offset by lower fuel expense as well as a decrease in pension expense related to GASB 68.
- Maintenance expense increased 5.4 percent primarily due to increases in labor, fringe, contracted maintenance, and leases offset by a decrease in materials and pension expense related to GASB 68.
- Administration expense increased 1.4 percent primarily due to increases in labor, fringe, hardware, software license/maintenance, utilities, insurance, and other materials (primarily masks and sanitizing supplies) offset by a decrease in pension expense due to GASB 68, services, and other miscellaneous expenses related to meetings, travel, and employee awards.

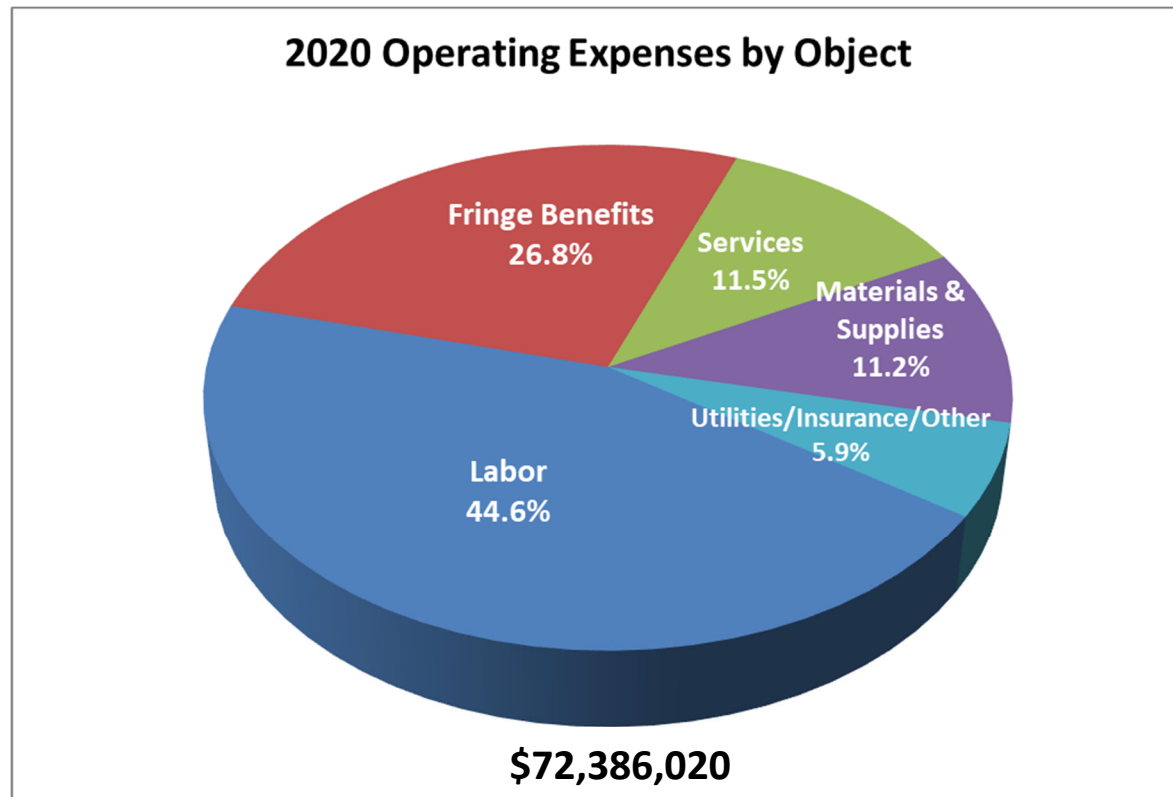


**Expense By Mode & Function For Years Ended December 31, 2020, 2019 and 2018**

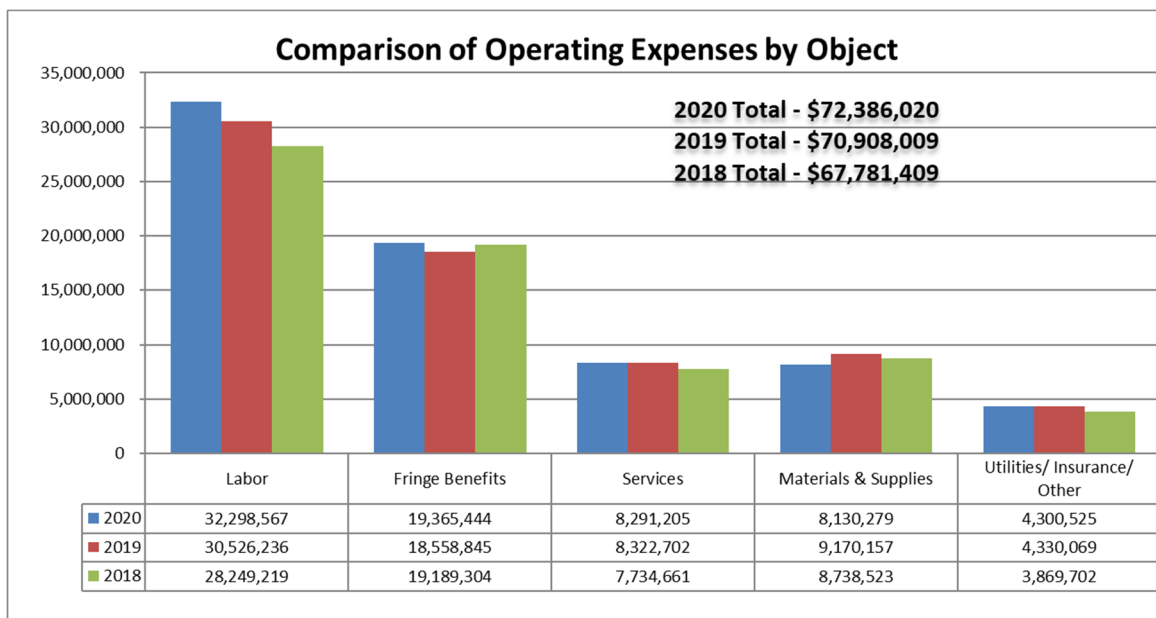
<b>Mode &amp; Function</b>	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>	<b>% Change</b>	<b>2018</b>
<b>Fixed Route:</b>					
Transportation	\$33,107,389	\$32,422,251	\$685,138	2.1%	\$31,202,832
Maintenance	12,768,674	11,922,474	846,200	7.1%	11,141,033
Administration	11,980,191	11,198,902	781,289	7.0%	10,769,912
Fixed Route Total	<u>\$57,856,254</u>	<u>\$55,543,627</u>	<u>\$2,312,627</u>	4.2%	<u>\$53,113,777</u>
<b>Paratransit:</b>					
Transportation	\$10,227,047	\$10,302,950	(\$75,903)	-0.7%	\$10,294,144
Maintenance	1,517,673	1,624,326	(106,653)	-6.6%	1,448,814
Administration	2,243,779	2,793,268	(549,489)	-19.7%	2,324,039
Paratransit Total	<u>\$13,988,499</u>	<u>\$14,720,544</u>	<u>(\$732,045)</u>	-5.0%	<u>\$14,066,997</u>
<b>Vanpool:</b>					
Transportation	\$76,274	\$144,473	(\$68,199)	-47.2%	\$157,760
Maintenance	79,016	79,914	(898)	-1.1%	47,122
Administration	385,977	419,451	(33,474)	-8.0%	395,753
Vanpool Total	<u>\$541,267</u>	<u>\$643,838</u>	<u>(\$102,571)</u>	-15.9%	<u>\$600,635</u>
<b>Modes Combined Expense:</b>					
Transportation	\$43,410,710	\$42,869,674	\$541,036	1.3%	\$41,654,736
Maintenance	14,365,363	13,626,714	738,649	5.4%	12,636,969
Administration	14,609,947	14,411,621	198,326	1.4%	13,489,704
Modes Combined Expense Total	<u>\$72,386,020</u>	<u>\$70,908,009</u>	<u>\$1,478,011</u>	2.1%	<u>\$67,781,409</u>
Depreciation/Amortization	<u>11,842,615</u>	<u>11,002,893</u>	<u>839,722</u>	7.6%	<u>10,522,378</u>
<b>Total Operating Expense after Depreciation</b>	<u><u>\$84,228,635</u></u>	<u><u>\$81,910,902</u></u>	<u><u>\$2,317,733</u></u>	2.8%	<u><u>\$78,303,787</u></u>

**Operating Expense by Object** – The object is the classification of expenses by type of cost. Below is a brief discussion of the events of the year in each object class.

During 2020, STA operating expenses, excluding depreciation and amortization, were \$72,386,020. The following chart shows the operating expenses by object:



Operating expenses, excluding depreciation and amortization, for the last three years were as follows:



Labor expense increased by 5.8 percent in 2020. This is primarily due to the impacts of the general wage increases summarized below and increases in staffing to support current service levels.

Effective Date	2018			2019					2020		
	1/1	4/1	7/1	1/1	2/1	2/24	4/1	7/1	1/1	2/1	7/1
Amalgamated Transit Union Local 1015		3.00%					3.00%				3.00%
Amalgamated Transit Union Local 1598			2.00%		3.00%					3.00%	
The American Federation of State, County, and Municipal Employees Local 3939						3.00%		2.50%	1.00%		2.50%
Management & Administrative employees	2.00%			3.00%					3.00%		

Fringe Benefits expense primarily includes health insurance premiums, retirement contributions, fica/medicare taxes and paid time off costs. The 4.3 percent increase in fringe benefits in 2020 was primarily due to increases in staffing combined with cost of benefits such as fica/medicare, medical premiums, pension contributions, sick leave, and the GASB 75 other post-employment expense (OPEB) offset by a decrease in state industrial and the GASB 68 pension expense.

Services expense decreased by 0.4 percent in 2020 due primarily to savings from cancellation of the travel training and in-person-assessment (IPA) programs for paratransit, planning consultants, legal fees, and contracted maintenance offset by increases in contracted transportation for paratransit, Plaza contracted maintenance, temporary help, and security.

Materials and Supplies expense decreased by 11.3 percent in 2020. This was primarily due to lower fuel and repair materials expense offset by increase in computer hardware and software license/maintenance expense, and other materials and supplies for the safety and facilities and grounds departments. The increase to other materials and supplies is primarily COVID-19 related for items such as masks and cleaning supplies.

Utilities, Insurance and Other expense include costs related to utilities, liability and property insurance, taxes, leases and miscellaneous expenses. The 0.7 percent decrease in 2020 is primarily attributed to lower miscellaneous expenses related to pass sales such as discounts, credit card fees as well as lower travel related expenses. This is offset by higher leases related to new transit centers.

## Capital Assets

STA's capital assets as of December 31, 2020 amounted to \$247,279,779 less \$127,677,382 in accumulated depreciation and amortization. This includes \$26,278,203 in existing work in process. Capital assets consist of transit coaches, vans, and other vehicles, land, buildings and improvements, equipment and furnishings, transit benefiting improvements and intangible property. Net capital asset changes consisted of \$24,606,155 of additions and adjustments and \$4,959,976 of retirements and dispositions. Depreciation and amortization expense of \$11,842,615 was recorded.

Major capital asset acquisitions, including work in process and accruals, during 2020 consisted of the following:

- Additions to Vehicles of five vanpool vans, and three maintenance service trucks for a cost of \$521,141;
- Additions to Buildings and Improvements consisted of the Moran Station Park and Ride, plaza garage door replacement, Valley Transit Center parking lot lighting improvement, Fleck Service Center and North/South Boone energy savings improvements, Boone lighted pit repair improvement, additional leasehold improvements to the Spokane Falls and Spokane Community College Transit Stations, and transit benefiting improvements for a total cost of \$13,566,015;
- Additions to Equipment and Furnishings include approximately fifty bus shelters; computer hardware replacements; maintenance equipment replacements, as well as a new phone system and equipment. The combined amount of these equipment purchases was \$1,448,557; and
- Additions to Intangibles of \$1,127,304 include several property easements and right-of-way access, software for phone system, virtual desktop software, and high-performance transit (HPT) design and communications standards for City Line, STA's new Bus Rapid Transit line as well as other HPT lines.

- Additions to Land of \$411,866 for small parcels for City Line.
- Work in Process (including accruals) increased \$7,531,272 primarily due to the City Line project.

STA assets that have reached their useful life are generally disposed of by auction. If the asset has no auction value or is damaged beyond repair, it may be disposed of through recycling or garbage. All disposals are documented and authorized prior to actual disposal.

Additional information on STA's capital assets is contained in Note 3 to the financial statements.

### **Long-Term Financial Outlook**

STA recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, STA has adopted a fiscally prudent policy of remaining debt-free, along with establishing reserve policies to insulate it from short-term revenue downturns and unanticipated expenditures. STA's governing Board (Board) adopted a designated cash policy in October 2007. The policy designated \$5,500,000 for catastrophic self-insurance exposure protection and 15.0 percent of the annual Adopted Operating Expense Budget for unforeseen emergency expenses. An additional cash designation of \$4,950,000 was established by the Board in December 2011. This designated cash is for future right of way acquisition. The level of designated cash is reviewed and approved annually by the Board in conjunction with the budget adoption process.

These designated cash balances in combination with the Fleet Replacement Fund and excess revenue over expense will be used over the next six years to provide capital infrastructure that supports service plans, and expansion via STAMF.

The cornerstone project of STAMF, the City Line, a six-mile corridor-based Bus Rapid Transit (BRT) line, was awarded a \$53.4 million grant from the Federal Transit Administration in January 2020 which, along with \$18.6 million in previous federal and state funding and \$20.2 million in local money, will fully fund the construction and procurement to its service launch date in 2022. The City Line will be served by modern-style electric buses estimated to provide over 1 million rides per year. It will feature more frequent trips and convenient elements like pre-board ticketing, level boarding and improved stations with real-time signage, wayfinding and other amenities. Groundbreaking for the construction was in May 2020.

In December 2019, a novel strain of coronavirus (COVID-19) broke out and quickly reached global pandemic status. In response to the public health risk posed by COVID-19, on February 29, 2020, the Governor of the State of Washington declared a state of emergency. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered in Washington State which covers the PTBA in which STA operates. These measures which started with school, college and university closings, cancellation of public events, and size limitations of gatherings, ultimately culminated into the "Stay Home, Stay Healthy" order.

On March 24, 2020, the CEO of STA issued Emergency Proclamation 2020-01. STA responded to the order by activating its incident response team who implemented a series of operational protocols in response to the changing health situation. These protocols included increasing sanitization measures to prevent the spread of the virus, temporary suspension of fares and rear-door boarding to maximize social distancing, masking requirements for all riders and STA employees as well as installation of shields at the front of the coach to protect the health of operators.

In January 2021, the CDC issued a federal mask mandate requiring the wearing of masks by riders to prevent spread of the virus that causes COVID-19. STA continued its compliance efforts and health and safety protocols in support of this new mandate.

More recently, the overall situation has shown improvement with Spokane County residents beginning to receive vaccines in late December 2020. On March 22, 2021, the region in which STA operates was placed into Phase 3 of the Washington State Recovery Plan in response to positive effects of the vaccination campaign. This is allowing some activities to resume at a measured pace, though it is uncertain if the current progress being made in controlling the pandemic will continue on its favorable trajectory. Should health conditions deteriorate,

additional requirements and restrictions could be imposed. Future potential impacts to STA may include service reductions and other actions required to maintain the health and safety of STA employees and the public. Significant changes to the operating environment could increase operating costs.

In response to the economic fallout expected from COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act provided emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic and provided emergency appropriations to support Executive Branch agency operations during the COVID-19 pandemic. The bill allocated \$25 billion in funding to the transit industry with an apportionment for STA of \$23,440,069. Funding was provided at a 100 percent federal share, with no local match required, and was available to reimburse operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to COVID-19. STA drew down its full apportionment of \$23,440,069 during 2020 to fund the additional costs needed to implement its health protocols in response to the pandemic and to fund its operations.

With transit agencies profoundly impacted by reduced ridership and reductions in revenue sources, Congress passed two additional stimulus funding bills - the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in December 2020 and the American Rescue Plan Act of 2021 (ARP) in March 2021. These two bills provide \$14 billion and \$30.5 billion to transit agencies, respectively, with apportionments for STA of \$23,899,877 and \$35,978,359. Like CARES, monies from CRRSAA and ARP can be used for payroll and operations. If agencies can certify they have not furloughed any employees, the monies may be used for capital projects. STA is currently evaluating the best use of this funding.

## **2020 Budgetary Analysis**

STA's 2020 actual operating and non-operating revenues exceeded the budget by \$19,201,632 or 17.3 percent. Sales tax revenue, STA's largest source of revenue, came in ahead of its budget by \$2,717,367 due to stronger than expected retail sales. Federal and State grant revenue was \$22,354,859 favorable to budgets. This was primarily due to receipt of unbudgeted Federal Transit Authority CARES Act Grant of \$23,440,069 in 2020. STA's fare and other transit revenue was below budget for 2020 coming in \$6,705,960 or 54.8 percent lower. This was due to the decline in ridership in 2020 due to the COVID pandemic. Another significant variance in revenue was investment earnings, which came in above budget by \$835,366 from higher average invested balances.

Operating expenditures also ended the year favorably compared with the 2020 budget. STA expended 86.1 percent of its operating budget, or \$11,735,268 under budgeted levels. This variance occurred primarily due to a pension expense credit of \$4,257,766, lower fuel costs of \$3,487,347, lower than anticipated paratransit contract and professional services expense of \$2,753,808, lower medical and dental premiums expense of \$976,285, and lower administration professional services expense of \$434,977.

The comparison of the 2020 budget to 2020 actuals is on the following page.

### Budgetary Comparison Schedule

	2020 Budget	2020 Actual	Budget Variance	Favorable (Unfavorable) Budget Variance %
<b>Operating and Non-Operating Revenue</b>				
Fares & Other Transit Revenue	\$12,242,543	\$5,536,583	(6,705,960)	(54.8%)
Sales Tax	87,312,896	90,030,263	2,717,367	3.1%
Federal & State Grants	10,061,656	32,416,515	22,354,859	222.2%
Miscellaneous Revenue	1,580,803	2,416,169	835,366	52.8%
<b>Total Revenue</b>	<b>\$111,197,898</b>	<b>\$130,399,530</b>	<b>\$19,201,632</b>	<b>17.3%</b>
<b>Operating Expenses</b>				
Fixed Route	\$63,363,618	\$57,856,255	(\$5,507,363)	8.7%
Paratransit	19,950,166	13,988,499	(5,961,667)	29.9%
Vanpool	807,504	541,266	(266,238)	33.0%
<b>Total Operating Expense</b>	<b>\$84,121,288</b>	<b>\$72,386,020</b>	<b>(\$11,735,268)</b>	<b>14.0%</b>
<b>Net Gain before Contributions</b>	<b>\$27,076,610</b>	<b>\$58,013,510</b>	<b>\$30,936,900</b>	<b>114.3%</b>

### Economic Factors and Next Year's Budget

The 2021 budget includes the continued commitment to STAMF. Construction began in May 2020 on the City Line with revenue service starting in 2022.

This table provides a summary of the adopted 2021 budget.

### Summary of 2021 Budget

	2021 Budget
<b>Operating and Non-Operating Revenue</b>	
Fares & Other Transit Revenue	\$7,909,947
Sales Tax	78,486,526
Federal & State Grants	9,153,521
Miscellaneous Revenue	1,444,761
<b>Total Operating Revenue</b>	<b>\$96,994,755</b>
<b>Operating and Non-Operating Expenses</b>	
Fixed Route	\$66,228,589
Paratransit	15,283,702
Vanpool	717,400
<b>Total Operating Expense</b>	<b>\$82,229,691</b>
<b>Net Gain before Contributions</b>	<b>\$14,765,064</b>

With the COVID-19 pandemic continuing, STA estimated ridership would continue to be impacted thus showing lower fare revenues than historic levels, though an increase over 2020 actual. STA also reflected the potential for the pandemic to impact the local economy by lowering its budget for sales tax revenue in 2021.

More information about the 2021 Adopted Budget can be found at [www.spokanetransit.com](http://www.spokanetransit.com).

### **Request for Information**

This management, discussion, analysis and financial report is designed to provide a general overview of STA's finances for all who have an interest. Questions on any of the information presented in this report or requests for additional financial information are always welcome and should be addressed to: Spokane Transit, Chief Financial Officer, 1230 W. Boone Avenue, Spokane, WA 99201. An interesting and informative companion piece is the Transit Development Plan, an annual publication with an abundance of information that can be obtained through the above contact. Information can also be found on the STA website at [www.spokanetransit.com](http://www.spokanetransit.com).

**Spokane Transit Authority**  
**Statement of Net Position**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b><u>Assets</u></b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 135,058,458	\$ 99,267,885
Accounts Receivable, Net Allowance for Doubtful Accounts	195,374	405,086
Sales Tax Receivable	16,311,806	15,390,140
Due from Other Governments	14,860,240	7,924,208
Total Receivables	31,367,420	23,719,434
Maintenance Parts Inventory	1,623,863	1,666,503
Prepaid Expenses	256,834	490,594
<i>Total Current Assets</i>	168,306,575	125,144,416
<i>Noncurrent Assets:</i>		
Vehicles	82,348,285	86,218,184
Buildings and Improvements	92,793,888	79,244,345
Equipment and Furnishings	22,298,681	21,382,520
Intangible Property	10,029,332	8,922,096
Land	13,531,390	13,119,524
Work in Process	26,278,203	18,746,931
<i>Total Capital Assets</i>	247,279,779	227,633,600
Less Accumulated Depreciation and Amortization	(127,677,382)	(120,527,534)
<i>Capital Assets, Net of Accumulated Depreciation and Amortization</i>	119,602,397	107,106,066
<i>Total Assets</i>	287,908,972	232,250,482
<i>Deferred Outflows of Resources:</i>		
Deferred Outflows Related to Pensions	4,658,735	3,947,774
Deferred Outflows Related to Other Post Employment Benefits	1,178,307	385,589
<i>Total Deferred Outflows of Resources</i>	5,837,042	4,333,363
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 293,746,014</b>	<b>\$ 236,583,845</b>

Continued on the following page

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



**Spokane Transit Authority**  
**Statement of Net Position**  
**December 31, 2020 and 2019**  
**(Continued)**

	<u>2020</u>	<u>2019</u>
<b><u>Liabilities</u></b>		
<i>Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	\$ 3,748,161	\$ 3,888,386
Accrued Wages, Benefits, and Other Liabilities	7,023,065	7,534,695
Contracts Payable (includes retainage)	3,138,356	1,391,956
Provision for Medical Premiums	127,165	127,165
Provision for Uninsured Claims	1,376,432	1,339,077
Current portion of Other Post Employment Benefits Liability	126,796	86,054
<i>Total Current Liabilities</i>	15,539,975	14,367,333
<i>Long-Term Liabilities:</i>		
Net Pension Liability	12,283,094	12,202,892
Other Post Employment Benefits Liability	2,839,473	1,807,638
<i>Total Long-Term Liabilities</i>	15,122,567	14,010,530
<i>Total Liabilities</i>	30,662,542	28,377,863
<i>Deferred Inflows of Resources:</i>		
Advance Payment of Fares	6,611	35,120
Deferred Inflows Related to Pensions	3,984,625	7,611,632
Deferred Inflows Related to Other Post Employment Benefits	20,183	-
<i>Total Deferred Inflows of Resources</i>	4,011,419	7,646,752
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	119,602,397	107,106,066
Restricted for Workers' Compensation	357,000	357,000
Unrestricted	139,112,656	93,096,164
<i>Total Net Position</i>	259,072,053	200,559,230
<b><u>Total Liabilities, Deferred Inflows, and Net Position</u></b>	<b>\$ 293,746,014</b>	<b>\$ 236,583,845</b>

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

**Spokane Transit Authority**  
**Statement of Revenue, Expenses, and Change in Net Position**  
**For the Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<i>Operating Revenues:</i>		
Passenger Fares	\$ 5,179,044	\$ 11,170,370
Other Transit Revenue	357,539	319,141
<i>Total Operating Revenues</i>	5,536,583	11,489,511
<i>Operating Expenses:</i>		
Transportation	43,410,710	42,869,674
Maintenance	14,365,363	13,626,714
Administration	14,609,947	14,411,621
Depreciation and Amortization	11,842,615	11,002,893
<i>Total Operating Expenses</i>	84,228,635	81,910,902
<i>Operating Loss</i>	(78,692,052)	(70,421,391)
<i>Nonoperating Revenues (Expenses):</i>		
Sales Tax	90,030,263	86,666,638
Interest Income	2,013,342	1,930,615
Other Nonoperating Revenues	402,827	463,303
Other Nonoperating Expenses	(1,727,456)	(845,000)
State and Local Grants	707,918	4,206,123
Federal Preventive Maintenance and Other Operating Grants	31,708,597	8,112,144
Gain (Loss) on Sale of Capital Assets	(109,299)	59,101
<i>Total Nonoperating Revenues (Expenses)</i>	123,026,192	100,592,924
<i>Net Gain Before Contributions</i>	44,334,140	30,171,533
<i>Capital Grants and Contributions:</i>		
FTA Formula and Discretionary Capital Grants	1,624,072	2,424,390
State Capital Grants	12,554,611	8,474,635
<i>Total Capital Grants and Contributions</i>	14,178,683	10,899,025
<i>Change in Net Position</i>	58,512,823	41,070,558
Net Position - Beginning of Year, as previously reported	200,559,230	158,513,138
Prior Period Adjustment (Work in Process Adjustment)		(27,250)
Cumulative Effect of Change in Accounting Principle		1,002,784
<i>Net Position - Beginning of Year, as restated</i>	200,559,230	159,488,672
<b><i>Net Position - End of Year</i></b>	<b>\$ 259,072,053</b>	<b>\$ 200,559,230</b>

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

**Spokane Transit Authority**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Operating and Other Revenues	\$ 5,717,786	\$ 11,557,463
Cash Payments to Suppliers for Goods and Services	(20,528,988)	(21,525,125)
Cash payments to Employees for Services	(56,198,055)	(52,237,004)
<i>Net Cash Used in Operating Activities</i>	(71,009,257)	(62,204,666)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Tax Receipts Collected by Other Governmental Entities	89,108,597	84,046,080
Noncapital Grants and Other Revenue	27,059,765	11,636,380
Other Expense	(1,117,682)	(1,733,930)
<i>Net Cash Provided by Noncapital Financing Activities</i>	115,050,680	93,948,530
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchase of Property, Plant, and Equipment	(23,424,330)	(23,931,308)
Proceeds from Disposition of Property, Plant, and Equipment	157,909	85,771
Federal Capital Grants	1,286,535	2,325,425
Other Capital Grants	11,715,694	6,545,239
<i>Net Cash Used in Capital and Related Financing Activities</i>	(10,264,192)	(14,974,873)
<i>Cash Flows from Investing Activities:</i>		
Interest Income	2,013,342	1,930,615
<i>Net Cash Provided by Investing Activities</i>	2,013,342	1,930,615
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	35,790,573	18,699,606
<i>Cash and Cash Equivalents - Beginning of Year</i>	99,267,885	80,568,279
<b><i>Cash and Cash Equivalents - End of Year</i></b>	<b>\$135,058,458</b>	<b>\$ 99,267,885</b>

Continued on the following page

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

**Spokane Transit Authority**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**  
**(Continued)**

	<b>2020</b>	<b>2019</b>
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</i>		
Operating Loss	\$ (78,692,052)	\$ (70,421,391)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operations:</i>		
<i>Non-Cash Adjustments:</i>		
Depreciation and Amortization	11,842,615	11,002,893
Pension Expense	(4,257,766)	(3,889,349)
Other Post Employment Benefits	300,042	179,725
<i>Changes in Assets - Decrease (Increase):</i>		
Accounts Receivable	209,711	64,793
Maintenance Parts Inventory	42,641	(54,608)
Prepaid Expenses	233,761	32,716
<i>Changes in Liabilities and Deferred Inflows - Increase (Decrease):</i>		
Accounts Payable and Accrued Expenses	(196,904)	387,052
Accrued Wages, Benefits and Other Liabilities	(511,630)	409,420
Advance Payment of Fares	(28,508)	3,160
Provision for Uninsured Claims	37,355	80,923
Contracts Payable	11,478	-
<b><i>Net Cash Used in Operating Activities</i></b>	<b><i>\$ (71,009,257)</i></b>	<b><i>\$ (62,204,666)</i></b>

**NON-CASH TRANSACTIONS:**

Non-cash investing, capital or financing activities includes capital accruals of \$2,452,046.

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

**Spokane Transit Authority**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

***Note 1: Summary of Significant Accounting Policies***

The financial statements of Spokane Transit Authority (STA) 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 policies are described below.

**A. Reporting Entity**

STA is a Public Transportation Benefit Area (PTBA) organized and operating under the Revised Code of Washington (RCW) Chapter 36.57A, as a municipal corporation in the State of Washington. On April 1, 1981, STA assumed the assets, liabilities, and operations of the City of Spokane System.

STA is a special purpose government engaged only in business-type activities and provides transportation services to the general public. STA is supported primarily through voter-approved local sales tax, user fares, and federal and state grants.

STA is governed by a nine-member board of elected city and county officials who are appointed to the Board by their respective governing bodies. In 2010, a non-voting board member was added by state law to represent labor unions at STA. In 2020, three other local elected officials served on the STA board in a non-voting capacity. As required by GAAP, management has considered all potential component units in defining the reporting entity. STA has no component units.

Per an established Interlocal Agreement, STA is a voting member of the Spokane Regional Transportation Council board and, by Federal and State law, is a partner in the metropolitan transportation planning process. This organization is not part of STA and is excluded from the accompanying financial statements.

**B. Basis of Accounting and Reporting**

The accounting records of STA are maintained in accordance with methods prescribed by the Federal Transit Administration (FTA) and the Washington State Auditor under authority of Chapter 53, United States Code (USC) 49 and RCW Chapter 43.09, respectively. STA is considered an Enterprise Fund Activity. Its prescribed and regulatory accounting rules are found in the FTA's National Transit Database (NTD); Uniform System of Accounts (USOA); and the Washington State Auditor's Budgeting, Accounting, and Reporting System (BARS).

These regulations are designed to reflect the regulatory and governing body's intent that the cost of providing services to the public on a continuing basis should be financed and operated in a manner more consistent with the practices of private business enterprises. These regulations differ from other general government financial accounting practices.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with STA activity are included on the statement of net position. STA's reported fund net position is segregated into amounts invested in capital assets, and restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. STA discloses changes in cash flows by a separate statement that presents the operating, non-capital financing, capital and related financing and investing activities.

STA uses the prescribed full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Capital asset purchases are capitalized. STA has classified its revenues and expenses as either operating or non-operating according to the following criteria:

1. Operating revenues have the characteristics of exchange transactions, as defined in GASB Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*. Examples include passenger fares and other auxiliary transit revenue.

Operating revenues include passenger fares on all fixed route, paratransit, and vanpool programs. STA increased its fixed route basic cash fare from \$1.75 to \$2.00, effective July 1, 2018. The fixed route basic cash fare had been at \$1.75 since July 1, 2017. Paratransit basic cash fare increased from \$1.75 to \$2.00 effective July 1, 2018. The Paratransit basic cash fare had been at \$1.75 since July 1, 2017.

STA sells 31-day and monthly passes as well. Adult, Youth, and Reduced Fare 31-day passes sell for \$60, \$40, and \$30, respectively. These prices went into effect on July 1, 2018. These passes sold for \$50 for Adult, \$35 for Youth, and \$25 for Reduced Fare prior to July 1, 2018. Paratransit monthly passes sell for \$60 and were \$50 prior to July 1, 2018.

2. Nonoperating revenues have the characteristics of nonexchange transactions, as defined by GASB 33. Examples include sales tax, investment income, and federal preventive maintenance grants.

STA receives two main sources of non-operating revenues in the form of voter-approved sales tax and Federal Preventive Maintenance funding. In addition, STA received Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) funding for operating expenses. Sales tax accounted for 69.0% of total revenues while Federal grants accounted for 24.3%.

In response to the economic fallout expected from COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act provides emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic and provide emergency appropriations to support Executive Branch agency operations during the COVID-19 pandemic. The bill provides \$25 billion in funding to the transit industry with an apportionment for STA of \$23,440,069. Funding will be provided at a 100 percent federal share, with no local match required, and will be available to support capital, operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to COVID-19. STA fully utilized the available funds to support its operations during 2020.

Funding for STA's services is largely provided by a local voter-approved sales tax levied within the PTBA only. By state law, public funding for STA is through local sales and use tax of no more than 0.9 percent. Voter approval is required for all sales tax.

From 1981 to 2004, STA was authorized by voters to levy a local 0.3 percent sales tax within its PTBA for the purpose of supporting the public transportation system. On May 18, 2004, the voters approved up to an additional 0.3 percent sales tax levy effective October 1, 2004 to replace funding eliminated by the State in 2000 from Motor Vehicle Excise Tax. This 2004 sales tax approval included a sunset clause on June 30, 2009. The Board took action on February 21, 2008 to have voters consider a reauthorization of the 0.3 percent sales tax on the May 20, 2008 ballot. This request was approved by the voters making the additional 0.3 percent sales tax permanent. On November 8, 2016, voters approved STA Proposition 1, authorizing an increase in local sales and use tax rate of up to 0.2 percent to fund the STA Moving Forward Plan to maintain, improve and expand public transit in Spokane County's transit service area. Phase one of the new tax took effect with a 0.1 percent increase that was effective April 1, 2017. An additional 0.1 percent increase was effective April 1, 2019 with both tax increases expiring no later than December 31, 2028 unless renewed by voters. STA now receives a local 0.8 percent sales tax levy within its PTBA.

Capital and preventive maintenance formula and discretionary grants are available from the FTA based on maintenance expenses and available federal formula funding coordinated with a federally approved local and state Transportation Improvement Plan.

STA was awarded a \$53.4 million grant from the Federal Transit Administration in January 2020 which, along with \$18.6 million in previous federal and state funding, and \$20.2 million in local money, will fully fund the construction and procurement of the City Line, a six-mile corridor-based Bus Rapid Transit (BRT) line. Groundbreaking for construction began in May 2020 with service launch expected in 2022.

3. Operating expenses for STA include the costs of providing transit service, maintenance, administration, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

### **C. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

#### **1. Cash and Cash Equivalents**

It is STA's policy to invest all available cash balances. Cash and cash equivalents are comprised of deposits at year-end pooled in the Spokane County Investment Pool (SCIP) as managed by the Spokane County Treasurer. The cash and cash equivalents balance as of December 31, 2020 and 2019 was \$135,058,458 and \$99,267,885, respectively. The SCIP functions essentially as a demand deposit account where participants receive an allocation of their proportionate share of pooled earnings. STA's internal portion of the SCIP's net position is reported as Cash and cash equivalents and reflects the change in fair value of the corresponding investment securities. Investments are purchased and administered through the Spokane County Treasurer and the Washington State Treasurer and are covered by either federal depository insurance or specific qualifying collateral pledged by the financial institutions in accordance with state public deposit protection regulations. All cash equivalents are stated at cost, which approximates market. For purposes of the statement of cash flows, STA considers all investments (including restricted investments) to be cash equivalents (See Note 12).

#### **2. Investments**

See Note 2 (Deposits and Investments)

#### **3. Receivables**

Customer and third-party accounts receivable in 2020 consist of \$195,374 (net of allowance for doubtful accounts of \$3,000) owed from private individuals or organizations for goods and services or damages. Accounts are charged to expense, if they are deemed uncollectible, based upon a periodic review of the accounts. These net receivables were higher in 2019 at \$405,086.

The sales tax receivable amount is \$16,311,806 and represents sales tax for November and December 2020 which will be received in January and February 2021. Sales tax receivable was \$15,390,140 as of December 31, 2019.

Due from other governments receivable is the amount due from federal and state governments for grants. The balance at year-end 2020 and 2019 was \$14,860,240 and \$7,924,208, respectively. The increase in the balance was due to the portion of 2020 5307 funding earned in the year but not received as of December 31, 2020.

#### **4. Inventories and Prepaid Expenses**

Materials and supplies inventories, consisting principally of expendable items held for business consumption, are stated at average cost. The cost is reported as expenditure at the time individual inventory items are consumed. The value of inventory at year-end was \$1,623,863 for 2020 and \$1,666,503 for 2019.

Prepaid expenses are services that are acquired or purchased during an accounting period but are not used during that accounting period. The portion of services used during the accounting period are expensed and the remaining balance is reported as an asset until used. These accounts in 2020 amounting to \$256,834 related to prepaid maintenance agreements of \$66,071, prepaid rent/lease of \$170,000 and \$20,763 of

prepaid excess workers' compensation insurance. At December 31, 2019 the prepaid expense balance was \$490,594.

## **5. Restricted Assets and Liabilities**

STA has no restricted liabilities. The restricted asset of \$357,000 is a Department of L&I requirement due to being self-insured for workers' compensation benefits. This asset remained the same for 2019 and 2020.

## **6. Capital Assets and Depreciation**

Major expenses for capital assets, including capital leases and major repairs that have a useful life of over 3 years and a cost over \$5,000, are capitalized. Obligations under capital leases are disclosed in Note 9 (Leases). Capital assets are valued at historical cost or estimated historical cost where historical cost is not known or estimated market value for donated assets. Donations, if any are made, are recorded at the donor cost or appraised value. Major additions and betterments are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

STA has acquired certain assets with funding provided by federal and state grant assistance programs. Depending on the terms of the agreements involved, the government could retain an equity interest in these assets. However, STA has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation over its estimated useful life. However, in the case of the sale of a significant operating unit or system, the original cost is removed from STA asset accounts, as is the accumulated depreciation related to the asset, and the net gain or loss on disposition is recorded as a gain or loss on the sale of the asset.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method over established useful lives of individual assets. Individual useful lives are generally assigned to assets as follows:

Vehicles	3 - 12 years
Buildings and Improvements (includes Transit Benefiting Improvements)	3 - 40 years
Equipment and Furnishings	3 - 12 years
Intangible Property	3 - 15 years

At the time of acquisition, STA determines the estimated useful life and salvage value, if any, based upon current market and economic circumstances.

The statement of revenues, expenses, and change in net position includes depreciation of all depreciable capital assets and total gains or losses upon disposition.

## **7. Compensated Absences and Other Accrued Liabilities**

Policies for the accrual and use of compensated absences vary depending on whether an employee is represented by a labor contract or subject to the personnel policy. All hourly employees are covered in three plans: vacation, STA sick leave, and Washington paid sick leave (WPSL). Salaried employees are covered in two plans: vacation and STA sick leave.

Employees accrue vacation annually at rates ranging from 5 to 30 days per year. Most hourly employees are not allowed to carry vacation allowances beyond the year-end following the year made available. Salaried and Paratransit employees may carry over limited amounts of unused vacation allowances to be used subsequent to the year-end. Vacation pay, which is earned, is payable upon resignation, retirement, or death. The accrued vacation balance at December 31, 2020 and 2019 was \$2,366,944 and \$2,265,977, respectively.

Full-time employees accumulate sick leave at the combined rate of 8 hours per month, between STA sick



leave and WPSL, with a maximum accumulation of 40 to 180 days. Part-time employees accumulate prorated sick leave with a maximum accumulation of 120 days. Sick leave is recorded as an expense at the time it is earned. At retirement, most hourly employees receive the full value of unused accumulated sick leave up to a maximum of 60 to 80 days. The accrued sick leave balance at December 31, 2020 and 2019 was \$2,775,114 and \$2,768,679, respectively.

Total accrued Wages, Benefits, and Other Liabilities, which include accrued sick and vacation, were \$7,023,065 and \$7,534,695 for 2020 and 2019, respectively.

#### **8. Long-Term Liabilities**

Net pension liability of \$12,283,094 for 2020 and \$12,202,892 for 2019 is further described below in Item 10 and in Note 6: Retirement Plans. Net Other Post-Employment Benefits Liability, including the current portion, of \$2,966,269 and \$1,893,692 for 2020 and 2019 respectively, is further described in Item 11 and Note 5: Defined Benefit Plans - Other Post-Employment Benefits (OPEB).

#### **9. Deferred Inflows and Outflows of Resources**

Advance Payment of Fares – The advance payment of fares is a deferred inflow and represents pre-payments of vanpool fares and January 2021 calendar month passes out on consignment. The balance represents payments received, but not yet due, from some January monthly passes distributed in December but not finalized until January. The advance payment for 2020 and 2019 was \$6,611 and \$35,120, respectively.

Pension – See Item 10 and Note 6 for detail on deferred inflows and outflows related to pensions.

Other Post-Employment Benefits (OPEB) – See Item 11 and Note 5 for detail on deferred outflows related to OPEB.

#### **10. Pensions**

GASB Statement 68, *Accounting and Financial Reporting for Pensions* (GASB 68), requires for purposes of measuring the net pension liability, 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.

#### **11. Other Post-Employment Benefits**

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (GASB 75), requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially-determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

### **E. Budgetary Information**

STA adopts its annual budget in December of the preceding fiscal year following analysis by staff and the STA Board. In addition, STA seeks input from the public by providing a video presentation available on STA's website and offering a Public Hearing at the November Board Meeting. The budget is based on STA's strategic priorities and objectives as well as revenue and service growth assumptions outlined in the Board adopted Transit Development Plan (TDP). Most operating revenues and expenditures are budgeted on the accrual basis. Some differences include sales tax revenue, depreciation and amortization, postemployment benefits, and other revenues.

A six-year Capital Improvement Plan (CIP) is developed each year in conjunction with the TDP. The annual capital budget is the applicable year from this plan. The CIP is reviewed and modified each year.

Operating budgets lapse at year-end. The STA Board must approve amendments to the adopted annual operating budget if required.

**Note 2: Deposits and Investments**

STA is a participant in the SCIP, an external investment pool (Pool). It is the policy of the SCIP to permit participants to withdraw their investments on a daily basis; therefore, the investment balance in the pool is equal to its fair value. The responsibility for managing the Pool resides with the County Treasurer. The Pool is established from the RCW Chapter 36.29 which authorizes the Spokane County Treasurer to invest the funds of participants. Spokane County's investment policy is established by the Spokane County Finance Committee consisting of the Chair of the Board of County Commissioners, County Auditor, and the County Treasurer.

Investments by SCIP are limited by state statute. SCIP deposits and certificates of deposit are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the PDPC (Washington Public Deposit Protection Commission). The SCIP investment policy in its entirety is available at [www.spokanecounty.org](http://www.spokanecounty.org). As of December 31, 2020, STA's cash and cash equivalents in the SCIP were \$135,058,458. This increased over the amount reported at December 31, 2019 of \$99,267,885.

**Note 3: Capital Assets**

Capital assets activity for the years ended December 31, 2020 and 2019 was as follows:

	Beginning Balance 1/1/2020	Additions/ Adjustments	Retirements	Ending Balance 12/31/2020
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$13,119,524	\$411,866	\$-	\$13,531,390
Work in Process	18,746,931	7,531,272	-	26,278,203
<b>Subtotal</b>	<b>31,866,455</b>	<b>7,943,138</b>	<b>-</b>	<b>39,809,593</b>
<b>Capital Assets Being Depreciated or Amortized:</b>				
Vehicles	86,218,184	521,141	(4,391,040)	82,348,285
Buildings and Improvements	79,244,345	13,566,015	(16,472)	92,793,888
Equipment and Furnishings	21,382,520	1,448,557	(532,396)	22,298,681
Intangible Property	8,922,096	1,127,304	(20,068)	10,029,332
<b>Subtotal</b>	<b>195,767,145</b>	<b>16,663,017</b>	<b>(4,959,976)</b>	<b>207,470,186</b>
<b>Less Accumulated Depreciation and Amortization For:</b>				
Vehicles	60,421,543	5,112,658	(4,178,063)	61,356,138
Buildings and Improvements	41,258,503	3,376,573	(16,472)	44,618,604
Equipment and Furnishings	13,476,913	1,708,225	(498,232)	14,686,906
Intangible Property	5,370,575	1,645,159	-	7,015,734
<b>Subtotal</b>	<b>120,527,534</b>	<b>11,842,615</b>	<b>(4,692,767)</b>	<b>127,677,382</b>
<b>Total Capital Assets, Net of Accumulated Depreciation and Amortization</b>	<b>\$107,106,066</b>	<b>\$12,763,540</b>	<b>(\$267,209)</b>	<b>\$119,602,397</b>

	Beginning Balance 1/1/2019	Additions/ Adjustments	Retirements	Ending Balance 12/31/2019
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$13,272,961	(153,437)	\$-	\$13,119,524
Work in Process	17,420,949	1,325,982	-	18,746,931
<b>Subtotal</b>	<b>30,693,910</b>	<b>1,172,545</b>	<b>-</b>	<b>31,866,455</b>
<b>Capital Assets Being Depreciated or Amortized:</b>				
Vehicles	81,521,564	6,301,452	(1,604,832)	86,218,184
Buildings and Improvements	65,066,835	14,177,510	-	79,244,345
Equipment and Furnishings	19,479,177	2,407,304	(503,961)	21,382,520
Intangible Property	6,819,995	2,293,797	(191,696)	8,922,096
<b>Subtotal</b>	<b>172,887,571</b>	<b>25,180,063</b>	<b>(2,300,489)</b>	<b>195,767,145</b>
<b>Less Accumulated Depreciation and Amortization For:</b>				
Vehicles	56,536,275	5,478,519	(1,593,251)	60,421,543
Buildings and Improvements	38,724,948	2,539,398	(5,843)	41,258,503
Equipment and Furnishings	12,445,240	1,519,703	(488,030)	13,476,913
Intangible Property	4,091,998	1,465,273	(186,696)	5,370,575
<b>Subtotal</b>	<b>111,798,461</b>	<b>11,002,893</b>	<b>(2,273,820)</b>	<b>120,527,534</b>
<b>Total Capital Assets, Net of Accumulated Depreciation and Amortization</b>	<b>\$91,783,020</b>	<b>\$15,349,715</b>	<b>(\$26,669)</b>	<b>\$107,106,066</b>

#### Construction and Other Commitments

STA has active construction projects as of December 31, 2020. The projects and commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Central Line Core Construction	\$4,210,899	\$11,779,101
Battery Electric Bus Charging Infrastructure	1,052,281	5,731,818
Division Stop Improvements - Phase 3	166,574	465,581
West Plains Transit Center Interchange Access	899,548	350,452
Lighted Pit Repair	183,587	167,440
Monroe-Regal Stop Construction-Phase 2	684,375	163,214
Boone South-Energy Savings Project	465,989	93,181
Four Lakes Station	1,116	54,884
Plaza Restroom Remodel - second floor	229,043	15,309
<b>Total</b>	<b>\$7,893,412</b>	<b>\$18,820,980</b>

The projects and commitments with contractors as of year-end 2019 were:

Project	Spent to Date	Remaining Commitment
Moran Station Park and Ride	\$2,073,024	\$1,934,939
Fleck Service Center Energy Savings Project	444,780	1,378,837
Spokane Community College Transit Center	2,937,650	671,688
North Boone Energy Savings Project	12,975	465,880
Spokane Falls Community College Transit Station	1,876,285	517,283
Division Stop Improvements – Phase 2	-	302,893
Plaza Restroom Remodel - second floor	229,043	15,309
<b>Total</b>	<b>\$7,573,757</b>	<b>\$5,286,829</b>

**Note 4: Stewardship, Compliance, and Accountability**

There have been no material violations of finance-related legal or contractual provisions as of and for the years ended December 31, 2020 and 2019.

**Note 5: Defined Benefit Plans - Other Postemployment Benefits (OPEB)**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years 2020 and 2019:

Aggregate OPEB Amounts		
	2020	2019
OPEB liability	\$ 2,966,269	\$ 1,893,692
OPEB assets	-	-
Deferred outflows of resources	1,178,307	385,589
Deferred inflows of resources	20,183	-
OPEB expenses/expenditures	\$ 426,838	\$ 265,210

**OPEB Plan Description**

STA provides access to post-employment healthcare benefits for eligible retirees and their dependents. In addition, employees that are members of Amalgamated Transit Union Local 1015 separating with 25 years of service are provided a \$2,000 life insurance policy with the premium paid by STA. The current cost of this benefit is \$5.76 per person annually (was \$7.10 per person annually in 2020). This is a single-employer plan administered by STA.

Eligibility: Employees are eligible for retiree healthcare when they retire according to the applicable PERS rules outlined below:

- Plan 1 (members of PERS joining before October 1, 1977):
  - (1) Age 60 regardless with 5 years of service;
  - (2) Service of 30 or more years.
- Plan 2 (members of PERS joining after October 1, 1977):
  - (1) Age 65 regardless with 5 years of service;
  - (2) Age 55 regardless with 20 years of service.
- Plan 3 (members of PERS on or after March 2, 2002):
  - (1) Age 65 regardless with 5 years of service;
  - (2) Age 55 regardless with 10 years of service.

Note: Employees are permitted to choose between PERS Plan 2 or 3.

Retirees are required to pay 100 percent of the cost of the premium. Dental benefits end after the death of the eligible retired employee. Survivors are permitted to continue with medical coverage by continuing to pay 100 percent of the medical premiums. With the exception of the life insurance, this valuation does not account for the cost of benefits to retirees or their spouses after age 65.

STA's OPEB benefits are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

**Employees covered by benefit terms:** At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	98	66
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	621	589
Total	719	655

STA's total OPEB liability of \$2,966,269 was measured as of December 31, 2020 and was determined by an actuarial valuation as of December 31, 2020.

#### Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.12%
Healthcare Cost Trend Rates:	
November 30, 2020 Trend (Premera/Kaiser)	0.00%/1.22%
2021 Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
Salary Increases	2.00%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of December 31, 2020.

Mortality rates were based on the Society of Actuaries RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006).

#### Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 2.74% to 2.12%
- The assumed participation rate was reduced from 50% to 30% based on recent experience.
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006).
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the "2013-2018 Demographic Experience Study" performed by the Washington State Public Retirement Systems.

#### Sensitivity of the Net OPEB Liability

The following presents the total OPEB liability of STA calculated using the current healthcare cost trend rate of 0.00/1.22 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease (.22%)	Current Healthcare Cost Trend Rate (1.22%)	1% Increase (2.22%)
Total OPEB Liability	\$2,587,396	\$2,966,269	\$3,431,570

The following presents the total OPEB liability of STA calculated using the discount rate of 2.12 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	<b>1% Decrease (1.12%)</b>	<b>Current Discount Rate (2.12%)</b>	<b>1% Increase (3.12%)</b>
Total OPEB Liability	\$3,273,075	\$2,966,269	\$2,688,483

#### Changes in the Total OPEB Liability

<b>Spokane Transit</b>	
<b>Total OPEB Liability at 01/01/2020</b>	\$1,893,692
Service cost	217,466
Interest	58,381
Changes of benefit terms	-
Differences between expected and actual experience	834,400
Changes of assumptions	89,126
Benefit payments	(126,796)
Change in Actuarial Cost Method	-
<b>Total OPEB Liability at 12/31/2020</b>	\$2,966,269

<b>Spokane Transit</b>	
<b>Total OPEB Liability at 01/01/2019</b>	\$1,786,073
Service cost	171,746
Interest	47,063
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(25,705)
Benefit payments	(85,485)
Change in Actuarial Cost Method	-
<b>Total OPEB Liability at 12/31/2019</b>	\$1,893,692

At December 31, 2020 and 2019, STA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>December 31, 2020</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$967,778	\$-
Changes of assumptions	210,529	20,183
Payments subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$1,178,307</b>	<b>\$20,183</b>

December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$259,047	\$-
Changes of assumptions	126,542	-
Payments subsequent to the measurement date	-	-
TOTAL	\$385,589	\$-

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of Resources
2021	\$150,991
2022	\$150,991
2023	\$150,991
2024	\$150,991
2025	\$150,991
Thereafter	\$403,169

#### **Note 6: Retirement Plans**

##### **Public Employees' Retirement System – Defined Benefit Plan**

The following table represents the aggregate pension amounts for all plans for the year 2020 and 2019:

Aggregate Pension Amounts – All Plans		
	2020	2019
Pension liability	\$ 12,283,094	\$ 12,202,892
Deferred outflows of resources	\$ 4,658,735	\$ 3,947,774
Deferred inflows of resources	\$ 3,984,625	\$ 7,611,632
Pension expense/expenditures	\$ 613,907	\$ 531,816

#### **State Sponsored Pension Plans**

Substantially all STA's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (Financial Report) that includes financial statements and required supplementary information for each plan. The DRS Financial Report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS Financial Report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

#### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL*	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>
*UAAL – Unfunded Actuarial Accrued Liability		

**PERS Plan 2/3** provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or



- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

STA's actual PERS plan contributions were \$1,837,785 to PERS Plan 1 and \$3,033,888 to PERS Plan 2/3 for the year ended December 31, 2020. Contributions were \$1,736,979 to PERS Plan 1 and \$2,684,188 to PERS Plan 2/3 for the year ended December 31, 2019.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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 his or her lifetime.

There were changes in methods and assumptions since the last valuation.

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

### **Discount Rate**

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### **Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

#### Sensitivity of the Net Pension Liability

The table below presents STA's proportionate share of the 2020 net pension liability calculated using the discount rate of 7.4 percent, as well as what STA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 10,463,637	\$ 8,353,823	\$ 6,513,847
PERS 2/3	\$ 24,448,977	\$ 3,929,271	\$(12,968,718)

#### 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, 2020, STA reported a total pension liability of \$12,283,094 for its proportionate share of the net pension liabilities. The proportionate share for 2019 was \$12,202,892. The breakdown of this liability is as follows:

Liability		
	2020	2019
PERS 1	\$ 8,353,823	\$ 9,217,624
PERS 2/3	\$ 3,929,271	\$ 2,985,268
TOTAL LIABILITY	\$ 12,283,094	\$ 12,202,892

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

	Proportionate Share June 30, 2020	Proportionate Share June 30, 2019	Change in Proportion
PERS 1	0.236616%	0.239708%	(0.003092)%
PERS 2/3	0.307228%	0.307335%	(0.000107)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1 (Law Enforcement Officers' and Fire Fighters').

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

#### **Pension Expense**

For the years ended December 31, 2020 and 2019, the STA's recognized pension expense is as follows:

	<b>Pension Expense (Credit)</b>	
	<b>2020</b>	<b>2019</b>
PERS 1	\$ 281,756	\$ 24,677
PERS 2/3	332,151	507,139
<b>TOTAL</b>	<b>\$ 613,907</b>	<b>\$ 531,816</b>

#### **Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2020 and 2019, STA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>2020 PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	46,511
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	977,806	-
<b>TOTAL</b>	<b>\$ 977,806</b>	<b>\$ 46,511</b>

<b>2020 PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,406,622	\$ 492,431
Net difference between projected and actual investment earnings on pension plan investments	-	199,550
Changes of assumptions	55,964	2,684,033
Changes in proportion and differences between contributions and proportionate share of contributions	615,003	562,100
Contributions subsequent to the measurement date	1,603,340	-
<b>TOTAL</b>	<b>\$ 3,680,929</b>	<b>\$ 3,938,114</b>

<b>2020 TOTAL PERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,406,622	\$ 492,431
Net difference between projected and actual investment earnings on pension plan investments	-	246,061
Changes of assumptions	55,964	2,684,033
Changes in proportion and differences between contributions and proportionate share of contributions	615,003	562,100
Contributions subsequent to the measurement date	2,581,146	-
<b>TOTAL</b>	<b>\$ 4,658,735</b>	<b>\$ 3,984,625</b>

<b>2019 PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	615,815
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	854,881	-
<b>TOTAL</b>	<b>\$ 854,881</b>	<b>\$ 615,815</b>

<b>2019 PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 855,286	\$ 641,816
Net difference between projected and actual investment earnings on pension plan investments	-	4,345,334
Changes of assumptions	76,443	1,252,519
Changes in proportion and differences between contributions and proportionate share of contributions	761,432	756,148
Contributions subsequent to the measurement date	1,399,732	-
<b>TOTAL</b>	<b>\$ 3,092,893</b>	<b>\$ 6,995,817</b>

<b>2019 TOTAL PERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 855,286	\$ 641,816
Net difference between projected and actual investment earnings on pension plan investments	-	4,961,149
Changes of assumptions	76,443	1,252,519
Changes in proportion and differences between contributions and proportionate share of contributions	761,432	756,148
Contributions subsequent to the measurement date	2,254,613	-
<b>TOTAL</b>	<b>\$ 3,947,774</b>	<b>\$ 7,611,632</b>

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

Year ended December 31:	PERS 1	PERS 2/3	TOTAL
2021	\$ 211,068	\$ 1,634,924	\$ 1,845,992
2022	6,639	394,237	400,876
2023	(64,403)	(65,325)	(129,728)
2024	(106,792)	(430,553)	(537,345)
2025		147,264	147,264
Thereafter		179,978	179,978

#### **Defined Contribution Plan**

Prior to becoming a member of PERS, STA's primary retirement plans were defined contribution plans. The plans are established pursuant to Internal Revenue Code Section 401(a), in a money purchase format. ICMA Retirement Corporation (RC) serves as plan administrator, trustee, and record keeper under the plans. ICMA announced in March 2021 that they will be changing their name to MissionSquare Retirement.

STA had five defined contribution retirement plans for its employees prior to becoming a member of PERS. The STA CEO Plan 106806 is the only plan still active. The other plans have been frozen and no longer receive contributions. The CEO Plan vesting is 100 percent immediately upon receipt of contributions. Forfeitures would not be applicable for this plan.

Employer and employee contributions are established by the individual plan adoption agreements and, where applicable, the related collective bargaining agreement or contract. Employer and employee contributions were determined based upon a percentage of base pay, subject to certain defined wage limits. The employee contributions through October 2, 2010 ranged from 0 percent to 6.5 percent and the employer contribution ranged from 9 percent to 25 percent. The Chief Executive Officer's (CEO) contract provided for an employer contribution of 16 percent from October 3, 2010 to December 31, 2010, 18 percent for 2011 and 22 percent for 2012 through 2020. There are no employee contributions for this plan. While STA has no liability for investment losses under the plan, it performs the fiduciary duty of continual evaluation of investment options for plan participants.

Annual gross payroll, most of which is subject to plan contributions, was \$186,730 in 2020 and \$182,192 in 2019. During the years ended December 31, 2020 and 2019, STA contributed a total of \$40,728 and \$39,892 respectively, to the Section 401(a) defined contribution plans. These amounts were recognized as pension expense by STA in 2020. There was no outstanding liability as of December 31, 2020.

#### ***Note 7: Deferred Compensation Plan***

STA offers its employees a tax-deferred compensation plan created in accordance with Internal Revenue Code Section 457. ICMA Retirement Corporation (RC) serves as plan administrator, trustee, and record keeper under the plan. The plan permits employees to defer a portion of their wages until future years. In addition, STA contributes 3 percent into the account of employees hired before January 1, 2007 in the following groups: ATU 1598, non-represented employees, and the CEO. This deferred compensation is not available to employees until separation, retirement, death, or unforeseeable emergency, with the exception of the employees' Section 457 Loan Program. The compensation deferred under the plan and all income attributable to the plan is held in

trust for the exclusive benefit of the participants and their beneficiaries and are therefore not subject to claims by the employer's creditors. While STA has no liability for investment losses under the plan, it performs the fiduciary duty of continual evaluation of investment options for plan participants. Total assets, which equal the total trustees' liability under this plan at December 31, 2020 and 2019, were \$15,971,621 and \$14,296,014, respectively.

**Note 8: Insurance**

**A. Liability Insurance**

STA joined the Washington State Transit Insurance Pool (WSTIP) in June 2004, for coverage effective July 1, 2004. WSTIP is a 26-member governmental risk pool located in Olympia, Washington. WSTIP supplies STA auto liability, general liability, public officials liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage. STA assumes the liability for claims up to the deductible amounts listed below for each type of risk. Risk of claims in excess of the deductible amount have been transferred to the Washington State Transit Insurance Pool.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months.

Members may withdraw after that time by giving six-month's notice. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

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

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

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

WSTIP provided the following coverage for 2020 which was generally consistent with 2019 coverage.

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General/ Auto Liability	\$25,000,000 per occurrence with \$0 deductible
Public Official Liability	\$25,000,000 per claim/aggregate with \$5,000 deductible
Property Insurance	\$500,000,000 blanket limit with \$25,000 deductible
Auto Physical Damage:	
Vehicles with value less than \$250,000	Fair Market Value with \$25,000 deductible
Vehicles 2010 or later and value over \$250,000	Replacement Cost limited to \$1,500,000 with \$25,000 deductible
Public Honesty Bond/Faithful Performance	\$1,000,000 per claim with \$10,000 deductible
Monies & Securities	\$1,000,000 per claim with \$10,000 deductible
Depositors Forgery	\$1,000,000 per claim with \$10,000 deductible
Pollution Liability	\$5,000,000 per claim/aggregate with \$100,000 deductible
Cyber Liability	\$3,000,000 aggregate with \$100,000 deductible

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Claim settlements in the past three years did not exceed coverage limits or self-insured funding reserve for uninsured claims.

#### **B. Workers' Compensation Insurance**

On December 31, 2020 and 2019, cash and investments set aside for workers' compensation self-insurance totaled \$1,704,682 and \$1,667,327, respectively. STA reported a liability on December 31, 2020 and 2019, of \$1,347,682 and \$1,310,327, respectively, which represents the estimated liability for open workers' compensation claims for which STA may ultimately be liable, including a provision for claims incurred but not yet reported. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of the claimants. In addition to the self-insurance reserve of \$357,000, STA purchased an excess commercial workers' compensation policy with a statutory limit per accident of \$500,000.

#### **Note 9: Leases**

##### **Operating Leases**

As lessee, during 2020 and 2019, STA leased property, equipment, and tires under operating leases. Total lease expense for the years ended December 31, 2020 and 2019 was approximately \$992,932 and \$798,165, respectively. The portion of these leases that is noncancelable was about \$102,075 and \$53,500 for 2020 and 2019, respectively. The future noncancelable approximate lease payments are as follows:

2021	\$170,356
2022	147,463
2023	112,307
2024	106,713
2025 and beyond	1,280,309

As lessor, in 1995 STA began entering into operating lease agreements for retail space in its Downtown Plaza. Total lease income for the years ended December 31, 2020 and 2019 was approximately \$175,519 and \$163,997, respectively. The retail lease agreements at the STA Plaza include percentage rental rates ranging from 4 percent to 7 percent of gross sales less minimum rent payments. Future minimum lease payments, excluding the percentage rental rates, are due under these leases as follows (allowing for potential non-renewals):

2021	\$157,217
2022	65,116
2023	38,828
2024	39,292
2025	36,973

#### **Note 10: Restricted Net Position**

STA's statement of net position reports \$357,000 of restricted net position, which is restricted by self-insurance regulations of the State of Washington.

#### **Note 11: Contingencies and Litigations**

##### **A. Legal Proceedings**

There are pending claims in which STA is involved and disputes liability. In the opinion of management, STA's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims in the event STA is deemed liable.



## **B. Federal Grants**

STA has received several federal grants for specific purposes that are subject to review and audit by the grantors or their representatives. Such audits could lead to requests for reimbursement of expenditures disallowed under the terms of the grant. Management does not believe there will be any disallowances. Additionally, management believes that should any disallowances occur, they would be immaterial.

## **C. Environmental Liability**

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

### ***Note 12: Designated Cash and Cash Equivalents***

The Board adopted a designated cash reserve policy in October 2007. The policy designated \$5,500,000 for catastrophic self-insurance exposure protection and 15 percent of the annual Adopted Operating Expense Budget designated for unforeseen emergency appropriations. An additional cash designation of \$4,950,000 was established by the Board in December 2011. This designated cash is for future High-Performance Transit Right of Way acquisition. The level of designated cash is reviewed and approved annually by the Board, in conjunction with the budget adoption process. In 2020, the Board adopted cash reserves were a total of \$23,425,193. This included \$4,950,000 Right of Way acquisition, \$5,500,000 for catastrophic self-insurance exposure protection, \$12,618,193 for operating expense reserves, and \$357,000 for self-insurance reserves for workers' compensation (Note 10). The reserve was \$22,738,226 in 2019. The only difference from 2019 to 2020 is in the operating reserve which was \$11,931,226 in 2019.

### ***Note 13: Cooperative Funding of Transit Related Street and Road Projects***

With concurrence of the Washington State Attorney General, STA initiated a special effort to assist in cooperative funding of street and road projects where its services are operated. Since inception of this program through 2012, STA has provided eligible jurisdictions approximately \$17.1 million for transit-related street and road projects in its service area. The 2019 and 2020 budgets did not provide additional funding as all remaining commitments of this program have been met. No further awards are contemplated by the Board at this time.

### ***Note 14: Other Disclosures***

#### **Reporting Changes**

In 2019, STA implemented a change to the capitalization procedure. A new asset category called Transit-Benefiting Asset was added effective January 1, 2019. These assets include depreciable improvements to land which is not owned by STA yet which provide benefit to STA's service delivery. This may include items such as retaining walls, sidewalks, parking lots, ponds, landscaping, berms, fencing, outdoor lighting, and so on. As a part of this change, an assessment was done of 2018 and 2019 projects to determine which projects fell into this new category. The cumulative effect of this change in prior years was a benefit of \$1,002,784.

In 2019, during STA's review of work in process it was determined that \$27,250 in project expenses did not meet the capitalization requirements and were reclassified to expense as prior period adjustments.

## Accounting Pronouncements

Due to the challenges faced by government institutions resulting from the impact of COVID-19, Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. The requirements of this Statement were effective for reporting periods beginning after June 15, 2018. The effective date was deferred to fiscal years beginning after June 15, 2019. STA has determined that this Statement is not applicable at this time.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement were effective for reporting periods beginning after June 15, 2018. The effective date was deferred to fiscal years beginning after June 15, 2019. This Statement is not applicable to STA.

GASB Statement No. 87 - In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date was deferred to fiscal years beginning after June 15, 2021, of the FY 2022. STA is evaluating the impact of the Statement.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement were effective for reporting periods beginning after June 15, 2018. The effective date was deferred to June 15, 2019. This statement does not have an impact on STA.

GASB Statement No. 89 - In June 2018, GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period*. The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that

in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Effective date for this Statement was deferred to reporting periods after December 15, 2020, or the FY 2021. This statement is not expected to have any impact on STA.

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers, and eliminate diversity in practice associated with: (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations; and (3) related note disclosures. Issuers are required to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. Effective date was deferred to reporting periods after December 15, 2021, or the FY 2022. This statement is not expected to have any impact on STA.

GASB Statement No. 92 - In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objective of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, inter-entity transfers of assets, post-employment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements were deferred to be effective for fiscal years beginning after June 15, 2021, or the FY 2022, except for the Statement 87 and Implementation guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. STA is evaluating the impact of the Statement.

GASB Statement No. 93 - In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020, or FY 2021, except for paragraphs 13 and 14 which have a deferred effective date to fiscal years after June 15, 2021, or the FY 2022. This statement is not expected to have any impact on STA.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, or the FY 2023. STA is evaluating the impact of the Statement.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation cost of a SBITA; and (4) requires note disclosures regarding SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, or the FY 2023. STA is evaluating the impact of the Statement.

GASB Statement No. 97 - In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an*

*amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement in paragraph four as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefits plans and paragraph five are effective immediately. The requirements in paragraphs six through nine are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, or FY2022. STA has determined that the requirements effective immediately are not applicable to STA. STA is evaluating the impact of the requirements of the Statement effective after June 15, 2021.

**Note 15: COVID-19**

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.

The COVID-19 pandemic continues and its future effect along with the impact of federal, state, and local response is unknown and the full impact and duration on operational and sales tax revenue is difficult to estimate. STA had made operational changes in 2020 in response such as suspending fare collection and adjusting service levels along with increasing sanitization measures to prevent the spread of the virus. Should health conditions deteriorate, additional requirements and restrictions could be imposed. Future potential impacts may include further service reductions and other actions required to maintain the health and safety of STA employees and the community. Changes to the operating environment, if required, are expected to increase operating costs.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) was signed into law. The CRRSAA Act provides \$14 billion in funding for public transit with an apportionment for STA of \$23,899,877. Funding will be provided at a 100 percent federal share, with no local match required. The CRRSAA funds are available for payroll and operations of public transit (including payroll and expenses of private providers of public transportation), unless the recipient certifies it has not furloughed any employees. STA plans to fully utilize the available funds to support its operations.

**Note 16: Subsequent Events**

On March 11, 2021, the American Rescue Plan Act of 2021 (ARP) was signed into law. The ARP Act provides \$30.5 billion to support the nation's public transportation systems with an apportionment for STA of \$35,978,359. Funding will be provided at a 100 percent federal share, with no local match required. The ARP Act is available for payroll and operations of public transit unless the recipient certifies it has not furloughed any employees. STA is evaluating the best use of this funding.

**Spokane Transit Authority**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirements System (PERS) Plan 1**  
**As of and for the twelve months ended June 30,**

		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	%	0.236616%	0.239708%	0.248251%	0.227220%	0.245403%	0.262319%
Employer's proportionate share of the net pension liability	\$	8,353,823	9,217,624	11,086,974	10,781,766	13,179,297	13,721,723
Employer's covered employee payroll	\$	35,848,267	33,500,368	32,922,486	28,479,976	29,012,360	29,742,762
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	23.30%	27.51%	33.68%	37.86%	45.43%	46.13%
Plan fiduciary net position as a percentage of the total pension liability	%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

\* This schedule is to be built prospectively until it contains ten years of data.

**Spokane Transit Authority**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirements System (PERS) Plan 2/3**  
**As of and for the twelve months ended June 30,**

		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	%	0.307228%	0.307335%	0.314681%	0.289129%	0.309094%	0.332237%
Employer's proportionate share of the net pension liability	\$	3,929,271	2,985,268	5,372,898	10,045,851	15,562,639	11,871,017
Employer's covered employee payroll	\$	35,805,174	33,406,559	32,797,084	28,346,328	28,791,796	29,483,107
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	10.97%	8.94%	16.38%	35.44%	54.05%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

\* This schedule is to be built prospectively until it contains ten years of data.

**Spokane Transit Authority**  
**Schedule of Employer Contributions**  
**Public Employees' Retirements System (PERS) Plan 1**  
**As of and for the year December 31,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 1,837,785	1,736,979	1,637,888	1,522,907	1,410,242	1,291,060
Contributions in relation to the statutorily or contractually required contributions	\$ (1,837,785)	(1,736,979)	(1,637,888)	(1,522,907)	(1,410,242)	(1,291,060)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered employer payroll	\$ 38,308,281	34,910,848	32,229,818	30,917,140	29,360,021	29,093,216
Contributions as a percentage of covered employee payroll	% 4.80%	4.98%	5.08%	4.93%	4.80%	4.44%

\* This schedule is to be built prospectively until it contains ten years of data.

**Spokane Transit Authority**  
**Schedule of Employer Contributions**  
**Public Employees' Retirements System (PERS) Plan 2/3**  
**As of and for the year ended December 31,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 3,033,888	2,684,188	2,409,686	2,102,960	1,819,355	1,624,865
Contributions in relation to the statutorily or contractually required contributions	\$ (3,033,888)	(2,684,188)	(2,409,686)	(2,102,960)	(1,819,355)	(1,624,865)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered employer payroll	\$ 38,306,657	34,822,854	32,134,263	30,775,241	29,202,895	28,837,971
Contributions as a percentage of covered employee payroll	% 7.92%	7.71%	7.50%	6.83%	6.23%	5.63%

\* This schedule is to be built prospectively until it contains ten years of data.

**Spokane Transit**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For the years ended December 31**

	2020	2019	2018
<b>Total OPEB liability - beginning</b>	\$ 1,893,692	\$ 1,786,073	\$ 1,327,804
Changes for the Year			
Service cost	217,466	171,746	91,402
Interest	58,381	47,063	58,224
Changes in benefit terms	-	-	-
Differences between expected and actual experience	834,400	-	321,393
Changes of assumptions	89,126	(25,705)	185,464
Benefit payments	(126,796)	(85,485)	(67,875)
Change in Actuarial Cost Method	-	-	(130,339)
<b>Total OPEB liability - ending</b>	<u>\$ 2,966,269</u>	<u>\$ 1,893,692</u>	<u>\$ 1,786,073</u>
 <b>Covered-employee payroll</b>	 \$ 38,893,413	 \$ 35,421,230	 \$ 32,680,465
 <b>Total OPEB liability as a % of covered payroll</b>	 7.63%	 5.35%	 5.47%

**Notes to Schedule:**

Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**SPOKANE TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

1	2	3	4	5			6	7
Federal Agency / Pass-Through Agency	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2016- 005-02		\$(2,000)	\$(2,000)		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-95-X092		\$10,327	\$10,327		1,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2017- 015-00		\$11,716	\$11,716		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2018- 069-00		\$40,704	\$40,704		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2018- 005-00		\$65,380	\$65,380		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2017- 087-00		\$106,750	\$106,750		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2018- 076-00		\$109,745	\$109,745		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2018- 056-00		\$153,563	\$153,563		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2017- 013-00		\$266,119	\$266,119		1,2,3

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.



**SPOKANE TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

1	2	3	4	5			6	7
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Capital Investment Grant	20.500	WA-2020- 009-00		\$861,768	\$861,768		1,2,3
Federal Transit Administration, U.S. Department of Transportation	Federal Transit Formula Grant	20.507	WA-2021- 025-00		\$8,268,528	\$8,268,528		1,2, 3,4
Federal Transit Administration, U.S. Department of Transportation	COVID-19 Federal Transit Formula Grant (CARES Act)	20.507	WA-2020- 052-00		\$23,440,069	\$23,440,069		1,2,3
<b>Total Federal Transit Cluster:</b>				<b>\$0</b>	<b>\$33,332,669</b>	<b>\$33,332,669</b>		
<b>Transit Services Programs Cluster</b>								
Federal Transit Administration, U.S. Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2017- 020-00		\$46,203	\$46,203	\$46,203	1,2,3
Federal Transit Administration, U.S. Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2020- 025-00		\$68,474	\$68,474	\$68,474	1,2,3
Federal Transit Administration, U.S. Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2018- 067-00		\$88,629	\$88,629	\$88,629	1,2,3
<b>Total Transit Services Programs Cluster:</b>				<b>\$0</b>	<b>\$203,306</b>	<b>\$203,306</b>	<b>\$203,306</b>	
<b>TOTAL FEDERAL AWARDS EXPENDED:</b>				<b>\$0</b>	<b>\$33,535,975</b>	<b>\$33,535,975</b>	<b>\$203,306</b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**Note 1 - Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the STA financial statements. STA uses the full accrual basis of accounting.

**Note 2 – Indirect Cost Rate**

STA has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 - Program Costs**

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

**Note 4 - Preventive Maintenance**

The amount reported for this award includes eligible expenditures made in 2020. For this program, it is acceptable to include the current year's costs on the Schedule of Expenditures of Federal Awards because the FTA approves these costs on a retroactive basis. STA was given "pre-award authority" for its preventive maintenance expenses. The official grant award is in review and pending approval by the FTA for the 2020 apportionment.

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

## 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](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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