Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane Transit Authority

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

Published July 22, 2024

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Office of the Washington State Auditor
Pat McCarthy

July 22, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Spokane Transit Authority
January 1, 2023 through December 31, 2023

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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.

ALN	Program or Cluster Title
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grant
20.507	Federal Transit Cluster – COVID-19 (ARPA) Federal Transit Formula Grant
20.507	Federal Transit Cluster – Federal Transit Formula Grant
20.526	Federal Transit Cluster – Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,412,869.

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, 2023 through December 31, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 8, 2024.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

July 8, 2024

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, 2023 through December 31, 2023

Board of Directors
Spokane Transit Authority
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Spokane Transit Authority, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed; and

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Purpose of this Report

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

Pat McCarthy, State Auditor

Olympia, WA

July 8, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Transit Authority
January 1, 2023 through December 31, 2023

Board of Directors
Spokane Transit Authority
Spokane, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Spokane Transit Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Spokane Transit Authority, as of December 31, 2023, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2023, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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, 2022, from which such partial information was derived. We have previously audited the Authority's 2022 financial statements and we expressed an unmodified opinion on the respective financial statements of the Authority in our report dated August 30, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;

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

Required Supplementary Information

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

Supplementary 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. 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 supplementary information 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2024 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

July 8, 2024

FINANCIAL SECTION

Spokane Transit Authority
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Spokane Transit Authority
For the Year Ended December 31, 2023
Management's 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, 2023. 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 ¾ mile of a bus route and who, because of their disability, are unable to use the regular bus service;
- A public rideshare and ride match program.

Financial Highlights

- The total assets of STA exceeded its total liabilities at December 31, 2023 by $484,547,845. Of this amount, $251,963,095 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 $54,135,507 for catastrophic self-insurance exposure protection, operating reserves, future right of way acquisitions and future real estate acquisitions.
- STA's Total Net Position increased by $66,144,502 (excluding prior period adjustments). The Net Position increase was favorably impacted by the federal and state portions of capital grant revenue totaling $23,686,879 combined with the $42,457,623 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 expenses and capital investments.

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. For instance, 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.

<u>The Statement of Net Position</u> presents information on STA's assets and deferred outflows of resources 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.

<u>The Statement of Revenues, Expenses and Change in Net Position</u> presents information showing how STA's 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 2023. For the year ended December 31, 2023, total assets exceeded total liabilities by $484,547,845. STA is a capital-intensive enterprise and 45.2 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,		
	2023	**2022**	**2021**
Assets:			
Current Assets	$281,330,890	$251,211,437	$215,213,997
Non-current Assets	14,714,354	11,677,245	32,668,001
Capital Assets (Net)	220,677,736	186,146,396	159,055,146
Total Assets	516,722,980	449,035,078	406,937,144
Deferred Outflows	16,611,545	17,436,760	10,301,314
Total Assets and Deferred Outflows	$533,334,525	$466,471,838	$417,238,458
Liabilities:			
Current Liabilities	$19,904,423	$16,962,708	$15,035,927
Long-Term Liabilities	12,270,712	12,810,899	11,000,655
Total Liabilities	32,175,135	29,773,607	26,036,582
Deferred Inflows	13,447,205	15,117,047	34,896,501
Net Position:			
Invested in Capital Assets	220,677,736	186,146,396	159,055,146
Restricted Reserves	357,000	357,000	357,000
Restricted for Net Pension Asset	14,714,354	11,677,245	32,668,001
Unrestricted Reserves	251,963,095	223,400,543	164,225,228
Total Net Position	487,712,185	421,581,184	356,305,375
Total Liabilities, Deferred Inflows, and Net Position	$533,334,525	$466,471,838	$417,238,458

During 2023, STA's net position increased by $66,144,502 (excluding prior period adjustments). The following is a summary Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2023. Also shown are the comparatives for the years ended December 31, 2022 and 2021.

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

	For the years ended December 31,		
	2023	**2022**	**2021**
Operating Revenue	$6,938,613	$7,248,388	$6,479,567
Nonoperating Revenue			
Sales Tax	114,879,746	113,124,088	107,256,427
Grants – Noncapital	40,190,510	32,978,905	29,431,780
Other Nonoperating Revenue	5,947,116	2,600,257	1,753,312
Total Nonoperating Revenue	161,017,372	148,703,250	138,441,519
Total Revenue (before capital contributions)	167,955,985	155,951,638	144,921,086
Operating Expenses	103,821,805	90,031,970	68,783,256
Depreciation	19,846,525	13,372,276	12,718,935
Nonoperating Expenses			
Other Nonoperating Expenses	1,830,032	104,986	484,052
Total Expenses	125,498,362	103,509,232	81,986,243
Gain before Contributions	42,457,623	52,442,406	62,934,843
Contributions			
Capital grants	23,686,879	12,833,403	34,367,283
Change in Net Position	66,144,502	65,275,809	97,302,126
Beginning Net Position	421,581,184	356,305,375	259,072,053
Prior Period Adjustments	(13,501)	-	(68,804)
Ending Net Position	$487,712,185	$421,581,184	$356,305,375

Revenues

Passenger fares are the major source of operating revenues. 2023 was the first full year of the new fare policy adopted by the Board in late 2022. The fare policy was updated in conjunction with the implementation of a modernized fare collection system and in support of new state legislation to support zero-fare for youth through the Move Ahead Washington Transit Support Grant. The base adult fare of $2 per ride remained unchanged. The policy which introduced fare capping and provided enhanced fare discount categories became effective October 1, 2022 when the new fare collection system, Connect by Spokane Transit ("Connect"), was launched to the public. As part of the new fare collection system, Connect cards and the STA Connect mobile application were introduced to provide more convenient ways and better value for customers as they manage their ridership experience. Connect also paved the way for the implementation of fare capping which limits a customer's maximum payment to $4 per day and $60 for a calendar month. In addition, STA offers reduced fares for military, honored riders, adult students, and zero fares for youth 18 years and under.

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

The prior fare policy was in effect since July 2016 and provided for fare increases on July 1, 2017 and July 1, 2018. Base adult fares for Fixed Route and Paratransit service previously amounted to $2 for a 2-hour ride, $4 for a day pass and $60 for a monthly pass.

Since the loss of ridership at the height of the pandemic in 2020 which caused fare revenues to decrease dramatically, STA has experienced fare recovery as restrictions eased, recording increases in operating revenues of 17.0 percent in 2021 and 11.9 percent in 2022. 2023 ridership increased by 35.9 percent contrasted with an operating revenue decline of 4.3 percent as compared to 2022. The impacts to fare and ridership in 2023 were the result of the implementation of the new Connect fare collection system, zero fare for youth, and the addition of the City Line. Operating revenue remains 39.6 percent below 2019 pre-pandemic levels and are expected to remain lower as average fares per ride have decreased commensurate with fare capping, expanded discount programs, and zero fare for youth.

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 of 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 on 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 is a recipient of 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 Federal Transit Administration (FTA) and amounted to $10,863,286 in 2023, $10,679,315 in 2022, and $8,318,157 in 2021. The increase came with the passage of the Infrastructure Investment and Jobs Act which apportioned additional funding support to transit agencies across the United States beginning with 2022 and expected to continue in future years. STA was also awarded additional Federal section 5307 formula one-time grant funds from:

1. the American Rescue Plan Act (ARPA) of $35,978,359, in the amount of which $19,959,412 was drawn in 2023 and $16,018,947 in 2022, and
2. the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in the amount of $23,899,877 of which $3,940,465 was drawn down in 2022 and $19,959,412 in 2021, and
3. the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020 which was fully drawn in 2020 in the amount of $23,440,069.

The ARPA, CRRSAA, and CARES Act funding was used for operating expenses to allow STA to continue operating at full service levels throughout the pandemic, except for a temporary reduction in late 2020.

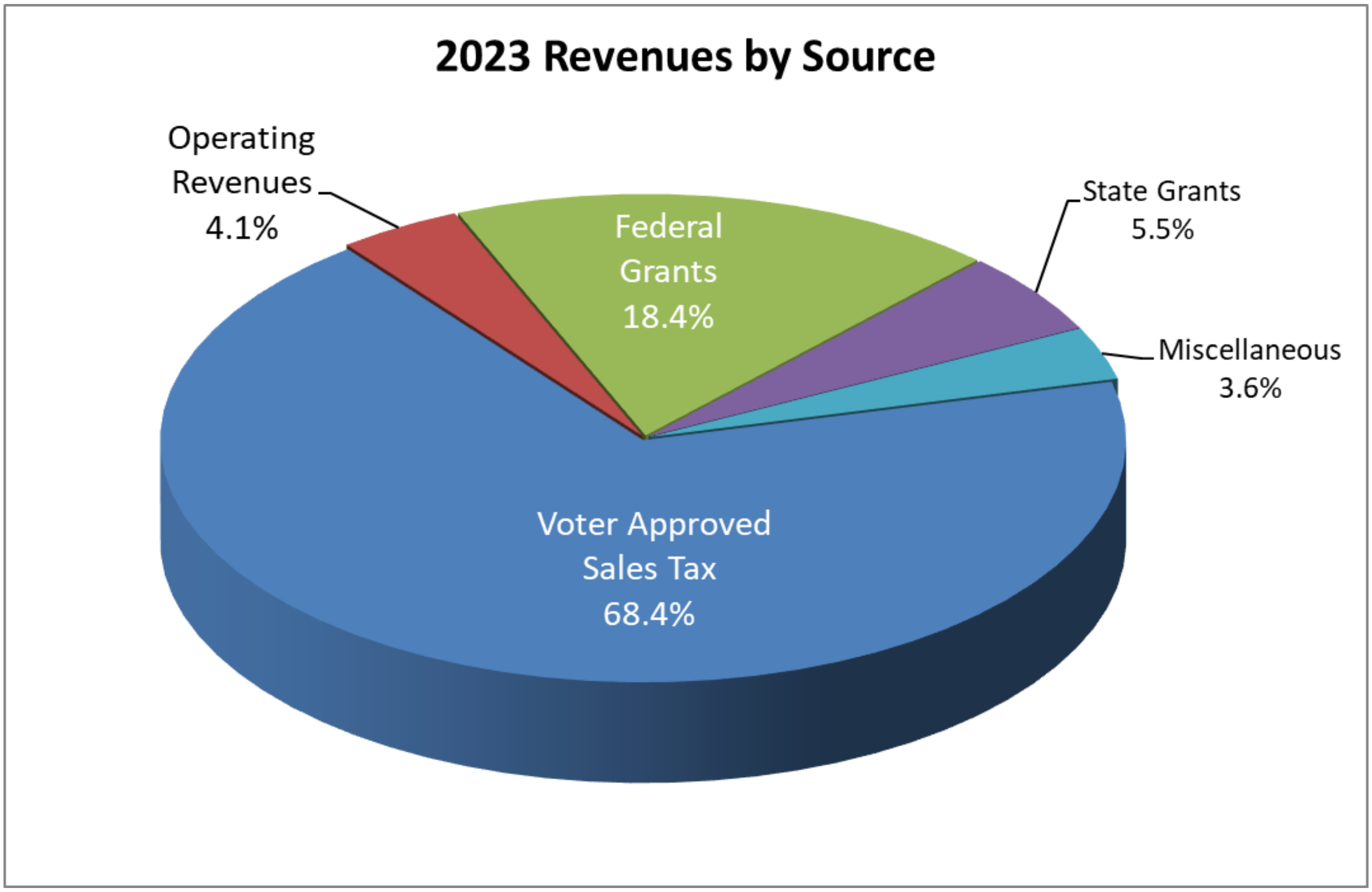
STA was awarded FEMA disaster assistance under the COVID-19 Emergency Declaration for emergency protective measures. This assistance was used to protect public health and safety. STA received $120,096 in 2023, $631,465 in 2022, and $299,854 in 2021 related to expenditures from February 27, 2020 to May 11, 2023, corresponding to the start and end of the COVID-19 Emergency Declaration.

For the years ended December 31, 2023, 2022, and 2021, STA received total federal operating funding of $30,937,672, $31,270,192, and $28,577,243, respectively.

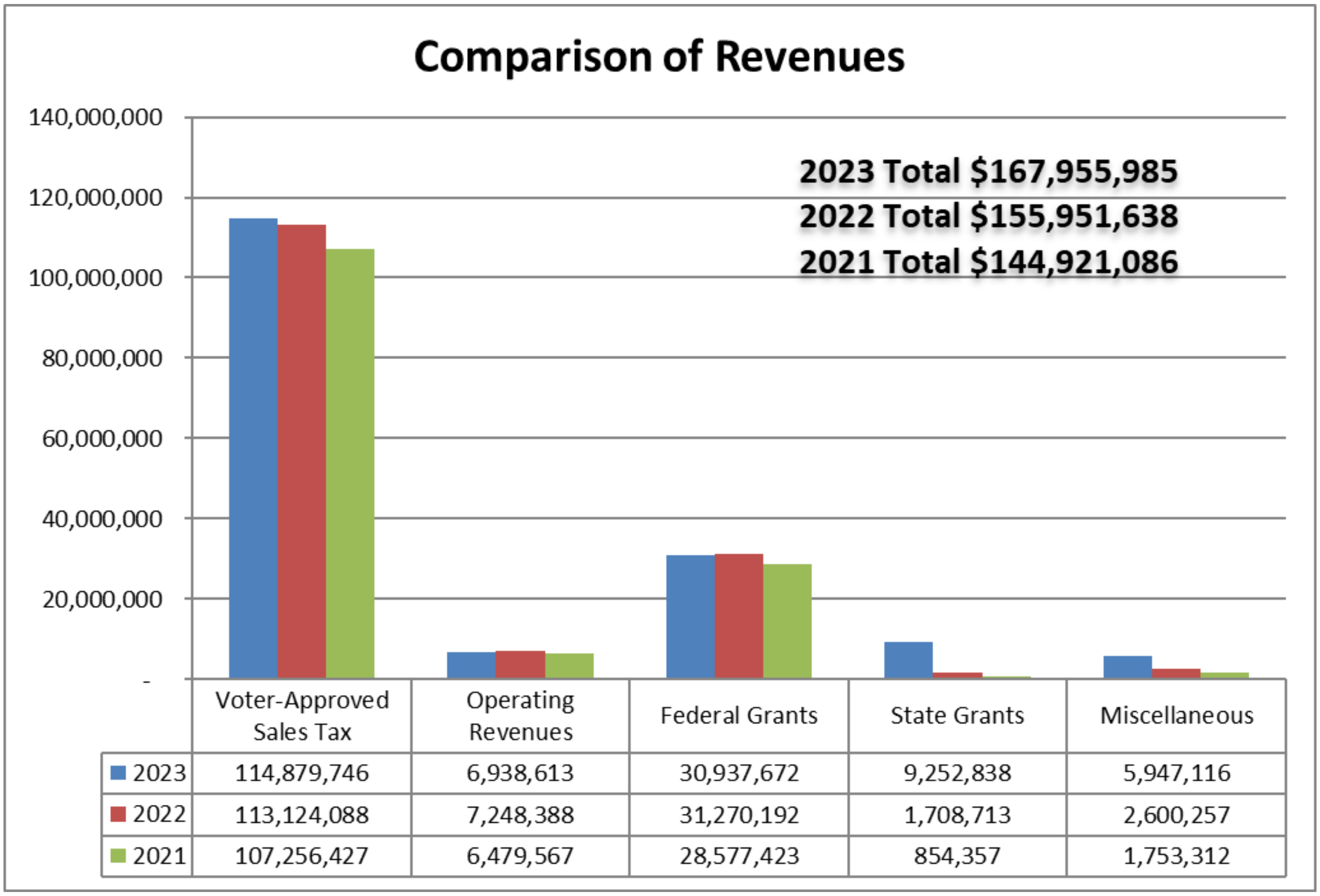
STA obtained state funding from the Washington State Department of Transportation in the amount of $9,252,838 in 2023, $1,708,713 in 2022, and $854,357 in 2021. These grant funds were used for special-needs-related service as well as portions of projects categorized as operating. In March 2022, the Washington State

legislature enacted Move Ahead Washington, a new state transportation funding package that provides $3 billion for public transportation over the next sixteen years. Move Ahead Washington funding added support to existing programs and led to the development of new programs. STA received additional Special Needs Grant Program funds of $0.7M and Transit Support Grant Program funds of $2.5M in 2023 as part of the 2021-2023 biennium related to the adoption of a new zero fare for youth tariff policy.
Miscellaneous revenue, primarily investment earnings, increased to $5,788,612 in 2023 from $2,349,861 in 2022. Interest income increased due to higher interest rates during the year, which averaged 2.46, up from 1.13 percent in 2022, and higher average cash balances.

During 2023, STA Operating and Nonoperating revenues were $167,955,895. The federal stimulus grants received as well as the increase in state operating grants received impacted STA's traditional funding model of approximately 80 percent collected on sales tax to 68.4 percent for 2023. The following chart shows the major sources of revenue:



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



	Voter-Approved Sales Tax	Operating Revenues	Federal Grants	State Grants	Miscellaneous
2023	114,879,746	6,938,613	30,937,672	9,252,838	5,947,116
2022	113,124,088	7,248,388	31,270,192	1,708,713	2,600,257
2021	107,256,427	6,479,567	28,577,423	854,357	1,753,312

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.

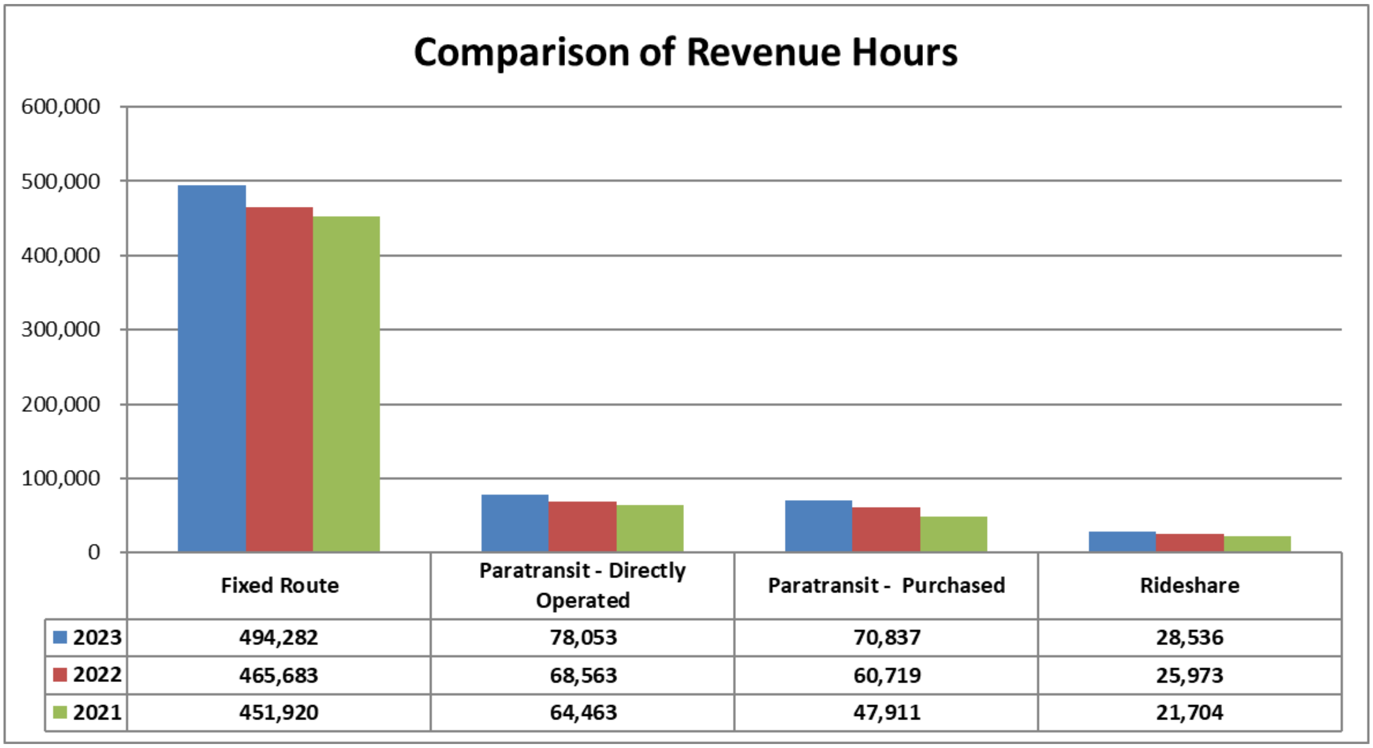
The mode describes the type of service that STA provides:

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

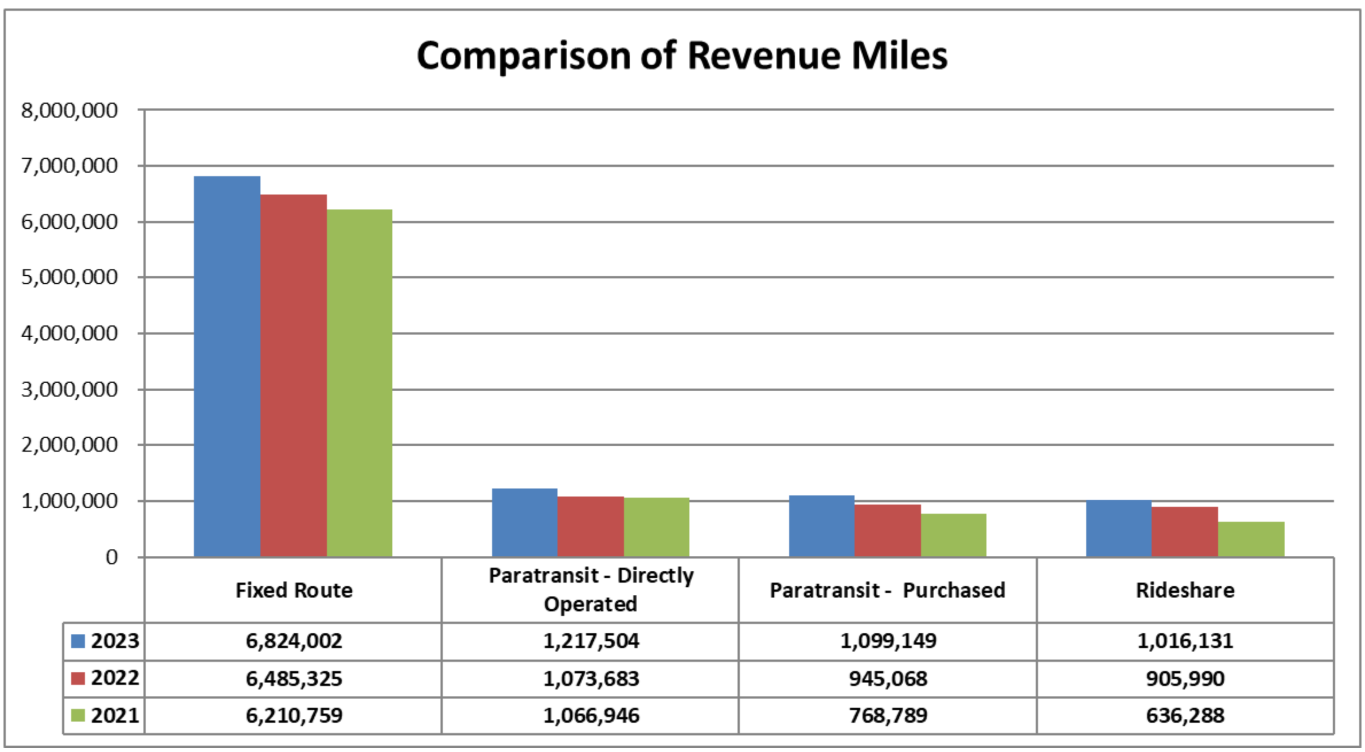
Paratransit (Demand Response) - Paratransit refers to the mode that provides a complementary service for those unable to use the regular bus because of the effects of their disability as provided under the Americans with Disabilities Act (ADA). Directly operated service is provided by STA personnel during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

Rideshare - Rideshare is a service for prearranged groups of passengers who commute to a common destination in a van or passenger vehicle 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 plan. Through its more than 25 projects, STAMF maintains the existing transit system, including paratransit and rideshare 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 and new routes, and expands passenger services including new and enhanced park and ride lots and enhanced amenities. 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.

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 (FTA) in January 2020 and a $5.8 million grant from FTA, as part of the CRRSAA funding, in September 2021 which, along with $18.6 million in previous federal and state funding and $14.4 million in local money, is fully funding the construction and procurement in support of its service which launched in July 2023. The City Line is served by modern-style electric buses estimated to provide 1 million rides per year. It features more frequent trips and convenient elements like pre-board ticketing, level boarding and improved stations with real-time signage, way-finding and other amenities. Groundbreaking for the construction was in May 2020. At the end of 2022, construction of stations and installation of shelters and amenities were deemed complete and were placed in service in line with STA's asset policy in the amount of $47,085,941 with an additional $4,709,471 added in 2023. The launch of City Line service was celebrated on July 15, 2023 with the first City Line bus leaving Browne's Addition and opening-day celebrations held in five neighborhoods along the route. In addition, STA held a ceremonial ribbon cutting for the launch on July 18. The launch of the new Bus Rapid Transit (BRT) route, City Line, marked a major public transit milestone for the Spokane region.

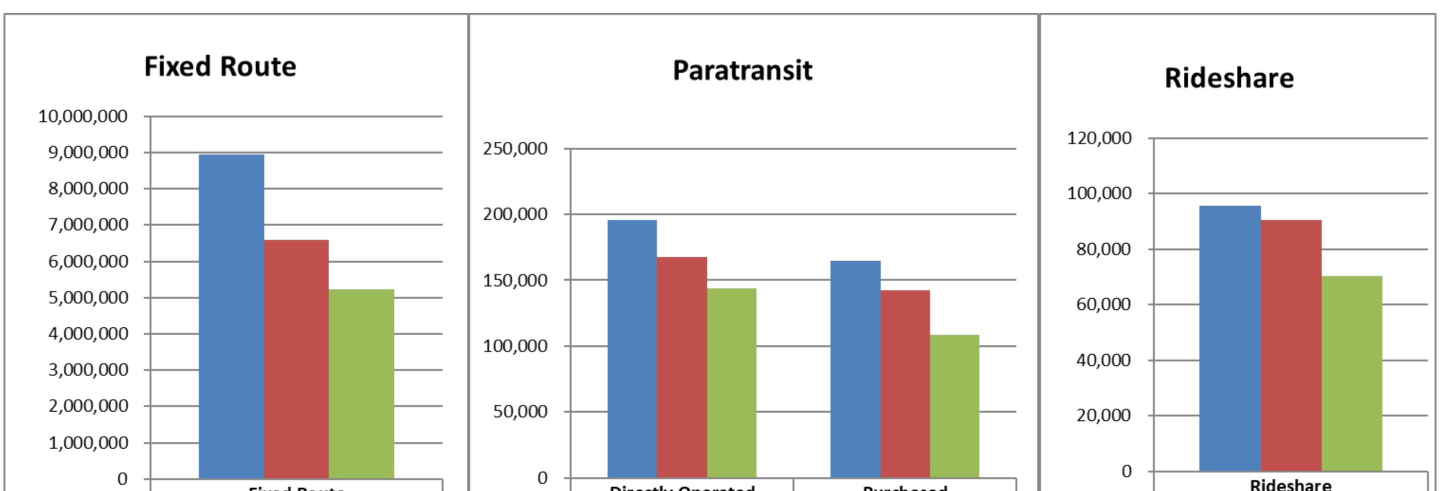
As an essential service, STA used its ARPA, CRRSAA and CARES Act funding in 2023, 2022 and 2021 to maintain its Fixed Route service at full levels while expanding service from approved STAMF projects despite reduced ridership levels precipitated by and during the pandemic.

Because of its demand response nature, Paratransit revenue hours have recovering throughout 2023, 2022, and 2021 after having decreased in 2020 due to the pandemic.

Fluctuations in revenue miles 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 continued to decline in Fixed Route and the public rideshare program in 2021 due to the COVID-19 pandemic yet began recovering in 2022 and 2023 as restrictions were lifted and TA introduced more service. Paratransit ridership has continued to increase each year since the pandemic in 2020. Results for the last three years appear below:

Comparison of Ridership



	Fixed Route
2023	8,947,157
2022	6,581,876
2021	5,238,135

	Directly Operated	Purchased
2023	195,972	164,955
2022	167,704	142,612
2021	143,809	108,392

	Rideshare
2023	95,655
2022	90,576
2021	70,298

- Fixed Route ridership increased by 35.9 percent in 2023.
- Paratransit ridership across the combined directly operated and purchased service increased by 16.3 percent in 2023.
- Rideshare ridership increased in 2023 by 5.6 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 table below, combined expenses for each function were as follows:

- Transportation expense increased 14.7 percent due primarily to the following:
    1. higher salaries and fringe benefit costs from added staff to support greater activity levels from expanded service from STAMF project completions, particularly the City Line, the region's first Bus Rapid Transit (BRT) line, as well as impacts of general wage increases; and
    2. higher contracted transportation costs for Paratransit in response to increased passenger demand.
- Maintenance expense increased 18.7 percent primarily due to the following:
    1. higher salaries, fringe benefits from added staff and contracted maintenance costs to support higher deployment of vehicles from expanded service as well as impacts of general wage increases;
    2. impacts of inflation on cost of vehicle parts used in repair and maintenance of STA vehicles; and
    3. increase custodial and contracted maintenance expense for plaza operations.

- Administration expense increased 14.2 percent primarily due to the following:
    1. higher salaries and fringe benefits from added staff to support increased activity level as well as general wage increases;
    2. increases in consulting, software licensing/maintenance, and telecommunications costs; and
    3. higher premiums for casualty and property insurance.

Expense By Mode & Function For Years Ended December 31, 2023, 2022 and 2021

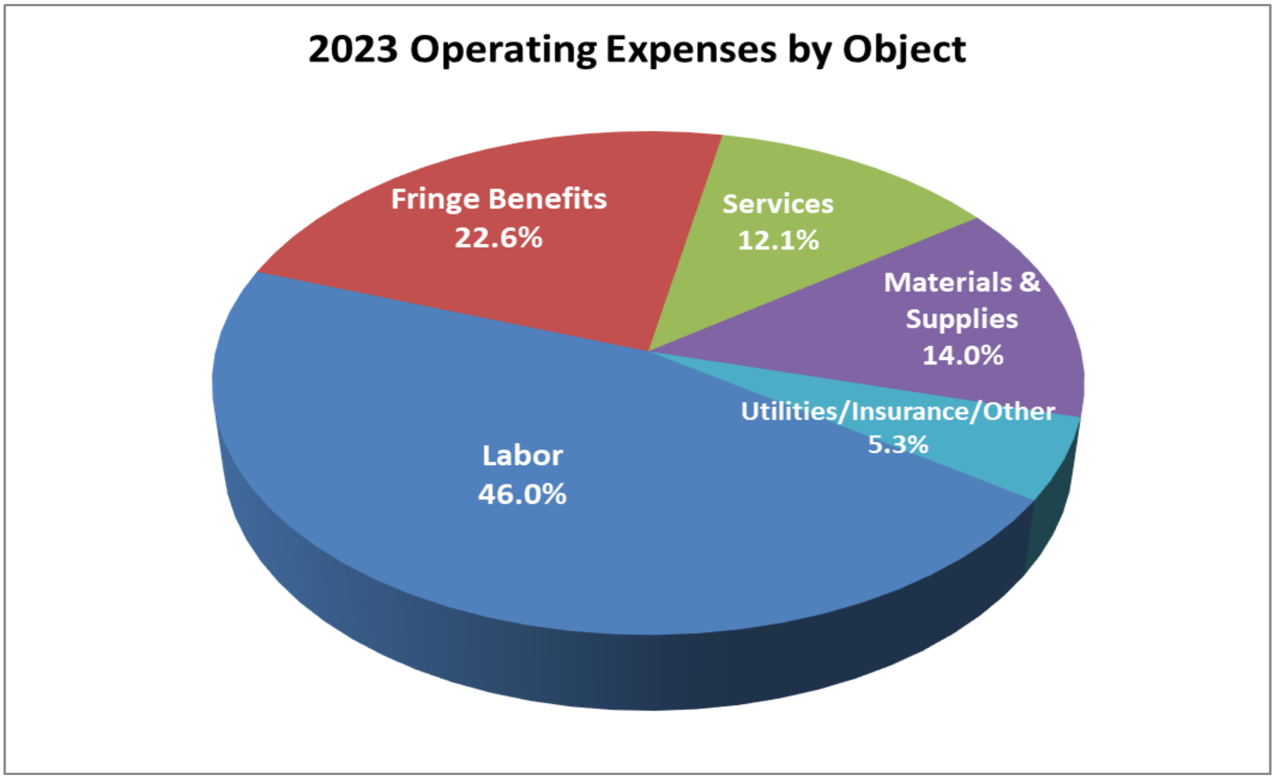
Mode & Function	2023	2022	Increase (Decrease)	% Change	2021
Fixed Route:					
Transportation	$45,938,141	$40,050,665	$5,887,476	14.7%	$31,237,888
Maintenance	18,069,900	15,351,416	2,718,484	17.7%	12,513,054
Administration	18,509,902	16,292,491	2,217,411	13.6%	11,213,487
Fixed Route Total	$82,517,943	$71,694,572	$10,823,371	15.1%	$54,964,429
Paratransit:					
Transportation	$14,808,573	$12,927,241	$1,881,332	14.6%	$9,878,152
Maintenance	1,966,456	1,508,968	457,488	30.3%	1,320,656
Administration	3,740,407	3,152,105	588,302	18.7%	2,067,048
Paratransit Total	$20,515,436	$17,588,314	$2,927,122	16.6%	$13,265,856
Rideshare:					
Transportation	$219,118	$197,391	$21,727	11.0%	$112,124
Maintenance	104,309	105,346	(1,037)	-1.0%	80,354
Administration	464,999	446,347	18,652	4.2%	360,493
Rideshare Total	$788,426	$749,084	$39,342	5.3%	$552,971
Modes Combined Expense:					
Transportation	$60,965,832	$53,175,297	$7,790,535	14.7%	$41,228,164
Maintenance	20,140,665	16,965,730	3,174,935	18.7%	13,914,064
Administration	22,715,308	19,890,943	2,824,365	14.2%	13,641,028
Modes Combined Expense Total	$103,821,805	$90,031,970	$13,789,835	15.3%	$68,783,256
Depreciation/Amortization	19,846,525	13,372,276	6,474,249	48.4%	12,718,935
Total Operating Expense after Depreciation	$123,668,330	$103,404,246	$20,264,084	19.6%	$81,502,191

Expenses in the table above are also shown by mode of operation.

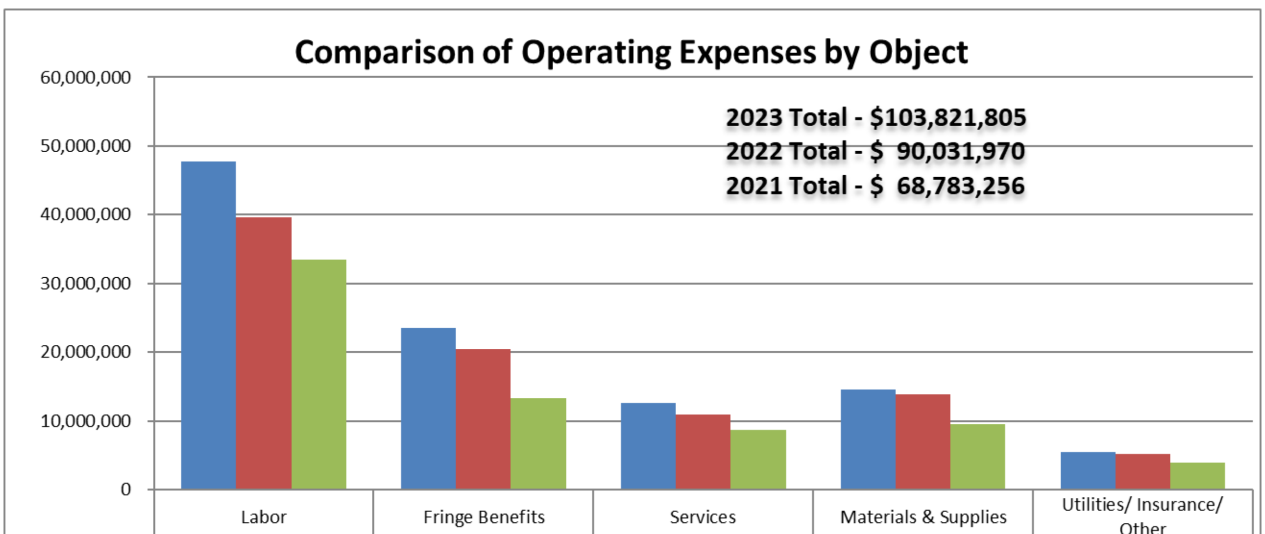
- Fixed Route costs increased 15.1 percent in 2023 over 2022 as STA increased its service levels.
- Paratransit costs increased 16.6 percent as service demand increased.
- Rideshare expenses increased 5.3 percent primarily due to increased fuel and property/liability insurance as well as increased ridership.

<u>Operating Expense by Object</u> – 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 2023, STA operating expenses, excluding depreciation and amortization, were $103,821,805. The following chart shows the operating expenses by object:



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



	Labor	Fringe Benefits	Services	Materials & Supplies	Utilities/ Insurance/ Other
2023	47,743,727	23,520,166	12,563,420	14,496,858	5,497,634
2022	39,586,461	20,473,353	10,949,596	13,867,187	5,155,373
2021	33,428,194	13,242,238	8,746,584	9,448,596	3,917,644

<u>Labor</u> expense increased by 20.6 percent in 2023. This is primarily due to the impacts of the general wage increases summarized below, Retention and Hiring Incentives, and increases in staffing to support current service levels. STA staffing increased by 55 employees in 2023 and 19 employees in 2022.

	2021				2022					2023		
Effective Date	**1/1**	**2/1**	**4/1**	**7/25**	**1/1**	**2/1**	**4/1**	**7/1**	**12/18**	**1/1**	**2/1**	**7/1**
Amalgamated Transit Union Local 1015			3.00%				2.00%			9.00%		
Amalgamated Transit Union Local 1598		2.00%				2.00%				4.50%	2.00%	
The American Federation of State, County, and Municipal Employees Local 3939	1.00%			3.75%				3.00%		4.50%		2.25%
Management & Administrative employees	2.00%				3.00%				6.00%	4.00%		

<u>Fringe Benefits</u> expense primarily includes health insurance premiums, retirement contributions, FICA/Medicare taxes and paid time off costs. The 14.9 percent increase in fringe benefits in 2023 was primarily due to the large increase in medical and dental expense as well as the increase in pension expense from higher salaries and increased staffing levels. This was offset by a decrease in pension and other post-employment benefits (OPEB) year-end expense adjustment required by GASB 68 for Pensions and GASB 75 for OPEB.

<u>Services</u> expense increased by 14.7 percent in 2023 primarily due to increases in contracted transportation for Paratransit, custodial services, consulting, and contracted maintenance offset by decreases temporary help for maintenance and administration.

<u>Materials and Supplies</u> expense increased by 4.5 percent in 2023. This was primarily due to a) higher purchases of fare media from the increasing use of the Connect system by riders, b) the establishment of an obsolete inventory reserve, c) lubricants/additives, d) furnishing/fixtures/equipment, and e) software licensing/maintenance offset by decrease in computer hardware and vehicle repair materials.

<u>Utilities, Insurance and Other</u> expense include costs related to utilities, liability and property insurance, taxes, leases and miscellaneous expenses. The 6.6 percent increase in 2023 is primarily attributed to increases in property insurance, utilities, and miscellaneous expense offset by a decrease in fare discounts and promotions.

Capital Assets

STA's capital assets as of December 31, 2023 amounted to $385,756,945 less $165,079,209 in accumulated depreciation and amortization. This includes $11,737,892 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 $54,650,802 of additions and adjustments and $2,492,037 of retirements and dispositions. Depreciation and amortization expense of $20,055,674 was recorded.

Major capital asset acquisitions, including work in process and accruals, during 2023 consisted of the following:

- Twenty-six fixed route battery electric coaches, thirty paratransit vans, ten rideshare vans, two service vehicles, and upgrades to a tow truck for a total cost of $33,551,775;
- Additions to Buildings and Improvements consisted of diesel underground storage tank replacements, sunroom remodel, tire shop and shipping/receiving door replacement, and railed fall protection installation at STA's main Boone facility as well as additions to non-diesel underground storage tank replacements, and cooling towers at STA's Plaza facility previously installed. Additions to transit benefiting improvements included the Monroe/Regal shelters and amenities and improvements to the City Line Bus Rapid Transit infrastructure, as well as additions to the high-performance transit shelters and markers at STA's Plaza transit center and minor additions to Eagle Station and the Cheney high performance transit corridor. The total additions to Buildings and Improvements amounted to $13,727,309;
- Additions to Equipment and Furnishings include minor improvements to the bus charging infrastructure at the Boone Northwest garage; twenty-one bus shelters, shelters and amenities at Moran Station, computer hardware replacements which includes the newly implemented Fare Collection Connect System, maintenance equipment replacements, replacement security cameras at STA's Plaza transit center, bike racks and ticket vending machines along the City Line route, additional fareboxes for

coaches, facility fans at STA's Boone facility as well as the STA Plaza transit center, uniform lockers, and driver barrier door systems installed on all STA coaches. The combined amount of these equipment purchases was $5,805,737;

- Additions to Intangibles of $5,948,858 include right-to-use leases, right-to-use software agreements, positioning and mapping software for Fixed Route and Paratransit vehicles, the Connect fare collection system and Automatic Passenger Counter software;
- Land in amount of $485,500 at Mission and Greene; and
- Work in Process (including accruals) decreased $4,868,376 primarily due to the completion of projects such as the Fare Collection Connect System, diesel underground storage tank replacements, and shelters and amenities along Monroe/Regal and at the Moran Prairie Park and Ride.

STA capital 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. Additional cash designations of $4,950,000 and $25,000,000 were established by the Board in December 2011, and December 2022 respectively. The designated cash amount of $4,950,000 is for future right of way acquisition, while $25,000,000 is a real estate acquisition reserve as STA has several projects which will require real property acquisitions to complete. The level of designated cash is reviewed and approved annually by the Board in conjunction with the budget adoption process.

In 2015, STA established a Fleet Replacement Fund to streamline the cash flow impact of its operating vehicle purchases. STA contributes a designated amount each year to this fund which is then reduced by the cost of any vehicle replacements net of grant awards. The Fleet Replacement Fund balance was $18,299,045 at year-end 2023, $25,484,925 at year-end 2022, and $23,584,201 at year-end 2021.

The designated cash balances in combination with the Fleet Replacement Fund and excess revenue over expense will be used over the next five years to provide capital infrastructure that supports service plans, expansion via STAMF as well as projects which will be defined as part of STA's next 10-year plan, *Connect 2035*.

In March 2022, the Washington legislature enacted Move Ahead Washington (MAW), a new state transportation funding package that provides $3 billion for public transportation over the next sixteen years. MAW funding added support to existing programs and lead to the development of new programs. STA expects to receive, on an annual basis, $1.7M in additional Special Needs Grant Program funds and $6.5M in new Transit Support Grant Program funds for having adopted a zero fare for youth tariff policy. A current ballot initiative (I-2117) is being put forward to Washington State voters in the November 2024 election to repeal the 2021 Climate Commitment Act (CCA) which funds MAW. If passed, I-2117 would unwind the funding created by the CCA and consequently defund MAW. Beginning in July 2025, STA would no longer receive the additional and new program funds created by MAW.

2023 Budgetary Analysis

The 2023 budget in the table below was adopted by the STA Board in December 2022. The approved operating revenues total $157,044,144 with approved operating expenses of $113,822,411 for a total of $43,221,733 budgeted revenues over expenses.

STA's 2023 actual operating and non-operating revenues exceeded the budget by $10,911,841 or 6.9 percent. Sales tax revenue, STA's largest source of revenue, came in ahead of its budget by $7,878,205 due to stronger than expected retail sales in the PTBA. Federal and State grant revenue was $1,165,294 favorable to budget. This was primarily due to the receipt of higher preventive maintenance funding than anticipated from the IIJA. STA's fare and other transit revenue was below budget for 2023 coming in $866,524 or 11.1 percent lower, primarily due to fare capping and free fares for youth. Finally, miscellaneous revenue, which consists mainly of investment earnings, came in above budget by $2,734,866 due to higher interest rates earned on higher average invested balances throughout 2023.

Operating expenditures also ended the year favorably compared with the 2023 budget. STA expended 91.2 percent of its operating budget, or $10,000,606 under budgeted levels. This result benefited mainly from: a) GASB 68 related pension expense credit of $5,955,856, b) lower fuel costs of $1,608,020, c) lower salaries including paid time off of 1,453,832, and d) lower medical and dental premiums expense of $1,193,871. These favorable variances were offset by the increase to contracted paratransit service due to higher service demand of $1,419,847.

The comparison of the 2023 budget to 2023 actuals is as follows.

	2023 Budget	2023 Actual	Favorable (Unfavorable) Budget Variance $	Budget Variance %
Operating and Nonoperating Revenues				
Fares & Other Transit Revenue	$7,805,137	$6,938,613	(866,524)	-11.1%
Sales Tax	107,001,541	114,879,746	7,878,205	7.4%
Federal & State Grants	39,025,216	40,190,510	1,165,294	3.0%
Miscellaneous Revenue	3,212,250	5,947,116	2,734,866	85.1%
Total Revenues	$157,044,144	$167,955,985	$10,911,841	6.9%
Operating Expenses				
Fixed Route	$91,991,444	$82,517,943	$9,473,501	10.3%
Paratransit	20,937,963	20,515,436	422,527	2.0%
Rideshare	893,004	788,426	104,578	11.7%
Total Operating Expense	$113,822,411	$103,821,805	$10,000,606	8.8%
Revenues over Expenses	$43,221,733	$64,134,180	$20,912,447	48.4%

Economic Factors and Next Year's Budget

The 2024 budget includes the continued commitment to STAMF as well as the increase in revenue service of the City Line to increase frequency. It also includes the 2024 wage and salary impacts of the continuation of the retention and recruitment plan adopted by STA's Board in March 2022 and extended into the first half of 2024, and the impact of a general wage increase for management and administrative staff. STA will be in bargaining with all three unions for their respective contracts expiring in 2024. Any potential wage increase that could be negotiated has not been budgeted in 2024 as is STA's practice.

The table below is the summary of the 2024 budget adopted by the STA Board in December 2023.

Summary of 2024 Budget

	2024 Adopted Budget
Operating and Non-Operating Revenues	
Fares & Other Transit Revenue	$7,548,864
Sales Tax	108,869,671
Federal & State Grants	21,380,052
Miscellaneous Revenue	5,398,945
Total Revenues	$143,197,532
Operating Expenses	
Fixed Route	$96,584,875
Paratransit	24,493,486
Rideshare	1,111,686
Total Operating Expenses	$122,190,047
Net Revenues over Expenses	$21,007,485

More information about the 2024 Adopted Budget can be found at 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.

Spokane Transit Authority
Statement of Net Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 243,221,697	$ 222,224,836
Accounts Receivable, Net of Allowance for Doubtful Accounts	482,006	401,380
Sales Tax Receivable	19,636,012	19,237,573
Due from Other Governments	15,062,541	6,643,772
Total Receivables	35,180,559	26,282,725
Maintenance Parts Inventory	2,080,329	2,178,045
Prepaid Expenses and Other Assets	848,305	525,831
Total Current Assets	281,330,890	251,211,437
Noncurrent Assets:		
Capital Assets		
Vehicles	143,616,895	112,238,767
Buildings and Improvements	162,939,271	149,246,916
Equipment and Furnishings	35,689,542	30,079,685
Intangible Property	16,021,219	11,189,961
Right-to-Use Lease Assets	856,101	705,193
Right-to-Use Software Assets	879,135	-
Land	14,016,890	13,531,390
Work in Process	11,737,892	16,606,268
Total Capital Assets	385,756,945	333,598,180
Less Accumulated Depreciation and Amortization	(165,079,209)	(147,451,784)
Capital Assets, Net of Accumulated Depreciation and Amortization	220,677,736	186,146,396
Net Pension Asset	14,714,354	11,677,245
Total Noncurrent Assets	235,392,090	197,823,641
Total Assets	516,722,980	449,035,078
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	12,262,746	12,521,906
Deferred Outflows Related to Other Post Employment Benefits	4,348,799	4,914,854
Total Deferred Outflows of Resources	16,611,545	17,436,760
Total Assets and Deferred Outflows of Resources	**$ 533,334,525**	**$ 466,471,838**

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, 2023 and 2022
(Continued)

	2023	2022
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 7,507,548	$ 5,248,093
Accrued Wages, Benefits, and Other Liabilities	9,116,192	8,149,822
Contracts Payable (includes retainage)	1,538,744	1,555,172
Provision for Uninsured Claims and Premiums	1,630,646	1,873,527
Current portion of Other Post-Employment Benefits Liability	111,293	136,094
Total Current Liabilities	19,904,423	16,962,708
Long-Term Liabilities:		
Right-to-Use Liabilities	841,297	518,302
Net Pension Liability	6,359,738	6,703,559
Other Post-Employment Benefits Liability	5,069,677	5,589,038
Total Long-Term Liabilities	12,270,712	12,810,899
Total Liabilities	32,175,135	29,773,607
Deferred Inflows of Resources:		
Advance Payment of Fares	725,587	265,635
Deferred Inflows Related to Pensions	9,137,960	11,972,046
Deferred Inflows Related to Other-Post Employment Benefits	3,583,658	2,879,366
Total Deferred Inflows of Resources	13,447,205	15,117,047
Net Position		
Net Investment in Capital Assets	220,677,736	186,146,396
Restricted for Net Pension Asset	14,714,354	11,677,245
Restricted for Workers' Compensation	357,000	357,000
Unrestricted	251,963,095	223,400,543
Total Net Position	487,712,185	421,581,184
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 533,334,525**	**$ 466,471,838**

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

Spokane Transit Authority
Statement of Revenues, Expenses, and Change in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Passenger Fares	$ 6,534,383	$ 6,914,112
Other Transit Revenue	404,230	334,276
Total Operating Revenues	6,938,613	7,248,388
Operating Expenses:		
Transportation	60,965,832	53,175,297
Maintenance	20,140,665	16,965,730
Administration	22,715,308	19,890,943
Depreciation and Amortization	19,846,525	13,372,276
Total Operating Expenses	123,668,330	103,404,246
Operating Loss	(116,729,717)	(96,155,858)
Nonoperating Revenues (Expenses):		
Sales Tax	114,879,746	113,124,088
Interest Income	5,788,612	2,349,861
Other Nonoperating Revenues	151,697	169,336
Other Nonoperating Expenses	(1,830,032)	(104,986)
State and Local Grants	9,252,838	1,708,713
Federal Preventive Maintenance and Other Noncapital Grants	30,937,672	31,270,192
Gain on Sale of Capital Assets	6,807	81,060
Total Nonoperating Revenues (Expenses)	159,187,340	148,598,264
Net Gain Before Contributions	42,457,623	52,442,406
Capital Grants and Contributions:		
FTA Formula and Discretionary Capital Grants	15,843,263	12,159,213
State Capital Grants	7,843,616	674,190
Total Capital Grants and Contributions	23,686,879	12,833,403
Change in Net Position	66,144,502	65,275,809
Net Position - Beginning of Year, as previously reported	421,581,184	356,305,375
Prior Period Adjustment (Work in Process Adjustment)	(29,139)	-
Prior Period Adjustment (GASB 96 SBITA Implementation)	15,638	-
Net Position - Beginning of Year, as restated	421,567,683	356,305,375
Net Position - End of Year	**$ 487,712,185**	**$ 421,581,184**

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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash Received from Operating Revenues	$ 7,317,939	$ 7,486,837
Cash Payments to Suppliers for Goods and Services	(32,962,512)	(29,542,775)
Cash Payments to Employees for Services	(75,849,504)	(63,471,377)
Net Cash Used in Operating Activities	(101,494,077)	(85,527,315)
Cash Flows from Noncapital Financing Activities:		
Sales Tax Receipts Collected by Other Governmental Entities	114,481,307	112,732,567
Noncapital Grants and Other Revenue	37,579,288	31,670,093
Other Nonoperating Expense	(1,179,626)	(298,500)
Net Cash Provided by Noncapital Financing Activities	150,880,969	144,104,160
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property, Plant, and Equipment	(52,269,173)	(40,461,361)
Proceeds from Disposition of Property, Plant, and Equipment	59,501	96,174
Federal Capital Grants	15,497,834	15,685,748
Other Capital Grants	2,533,195	1,242,996
Net Cash Used in Capital and Related Financing Activities	(34,178,643)	(23,436,443)
Cash Flows from Investing Activities:		
Interest Income	5,788,612	2,349,861
Net Cash Provided by Investing Activities	5,788,612	2,349,861
Net Increase in Cash and Cash Equivalents	20,996,861	37,490,263
Cash and Cash Equivalents - Beginning of Year	222,224,836	184,734,573
Cash and Cash Equivalents - End of Year	**$243,221,697**	**$ 222,224,836**

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, 2023 and 2022
(Continued)

	2023	2022
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	$(116,729,717)	$ (96,155,858)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Noncash Adjustments:		
Depreciation and Amortization	19,846,525	13,372,276
Pension Expense	(5,955,856)	(5,444,556)
Other Post Employment Benefits	726,185	930,903
Reserve for Obsolete Inventory	234,380	-
Allowance for Doubtful Accounts	37,000	-
Changes in Assets - Decrease (Increase):		
Accounts Receivable	(117,626)	(12,389)
Maintenance Parts Inventory	(136,664)	(422,601)
Prepaid Expenses	(322,474)	(297,859)
Changes in Liabilities - Increase (Decrease):		
Accounts Payable and Accrued Expenses	(262,603)	1,267,757
Accrued Wages, Benefits and Other Liabilities	966,370	936,722
Advance Payment of Fares	459,952	250,838
Provision for Uninsured Claims	(115,716)	47,516
Provision for Insurance Premiums	(127,165)	-
Contracts Payable	3,332	(64)
Net Cash Used in Operating Activities	**$(101,494,077)**	**$ (85,527,315)**

NON-CASH TRANSACTIONS:

Non-cash investing, capital or financing activities includes capital accruals of $783,093.

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

Spokane Transit Authority
Notes to the Financial Statements
December 31, 2023 and 2022

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. Four 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 and has determined that STA has no component units.

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

B. Measurement Focus, Basis of Accounting

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, noncapital 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 nonoperating 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 public rideshare programs. STA's fixed route base cash fare is $2.00 per ride, which is capped at $4.00 per day and $60.00 per month. The fare policy was updated in 2022. Paratransit base cash fare aligns with fixed route at $2.00 per ride with the same daily and monthly capping limits. Youth 18 years and under ride free. In addition, there are discounted fares for military, honored riders, and adult students.

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

   STA receives two main sources of nonoperating revenues in the form of voter-approved sales tax and Federal Preventive Maintenance 5307 formula funding. In addition, STA received Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), American Rescue Plan Act (ARPA), and Federal Emergency Management Agency (FEMA) funding in both 2022 and 2023 for operating expenses as further detailed below. Sales tax accounted for 68.4 percent of total revenues while Federal grants accounted for 18.4 percent in 2023 versus 72.5 percent and 20.1 percent in 2022, respectively.

   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.

   In response to the economic fallout related to the COVID-19 pandemic, the Federal government passed a number of stimulus packages. On December 27, 2020, CRRSAA was signed into law. CRRSAA provides $14 billion in funding for public transit with an apportionment for STA of $23,899,877, at a 100 percent federal share, with no local match required. The CRRSAA funds are available for payroll and operations of public transit. STA utilized $3,940,465 for operations drawn in 2022 after drawing the majority of funds in 2021. On March 11, 2021, ARPA was signed into law. ARPA provides $30.5 billion to support the nation's public transportation systems with an apportionment for STA of $35,978,359, at a 100 percent federal share, with no local match required. This funding is available for payroll and operations of public transit. STA utilized $16,018,947 of these funds in 2022 and with the remaining $19,959,412 drawn in 2023.

   STA was awarded FEMA disaster assistance under the COVID-19 Emergency Declaration for emergency protective measures. This assistance was used to reimburse expenditures used to protect public health and safety. STA drew $631,465 in 2022, and $120,096 in 2023 related to expenditures from February 27, 2020 through May 11, 2023 when the COVID-19 Emergency Declaration ended.

   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 received preventive maintenance 5307 formula funding of $10,863,286 and $10,679,315 in 2023 and 2022, respectively.

Additionally, STA received state funding from the Washington State Department of Transportation in the amount of $9,252,838 in 2023, $1,708,713 in 2022, and $854,357 in 2021. These grant funds were used for special-needs-related service as well as portions of projects categorized as operating. In March 2022, the Washington State legislature enacted Move Ahead Washington, a new state transportation funding package that provides $3 billion for public transportation over the next sixteen years. Move Ahead Washington funding added support to existing programs and led to the development of new programs. STA received additional Special Needs Grant Program funds of $0.7M and Transit Support Grant Program funds of $2.5M in 2023 as part of the 2021-2023 biennium related to the adoption of a new zero fare for youth tariff policy.

2. 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 nonoperating 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, 2023 and 2022 was $243,221,697 and $222,224,836, 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 2023 consist of $482,006 net of allowance for doubtful accounts of $40,000 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 lower in 2022 at $401,380, net allowance for doubtful accounts of $3,000.

The sales tax receivable amount is $19,636,012 and represents sales tax for November and December 2023 received in January and February 2024. Sales tax receivable was $19,237,573 as of December 31, 2022.

Due from other governments receivable is the amount due from federal and state governments for grants. The balance at year-end 2023 and 2022 was $15,062,541 and $6,643,772, respectively. The increase in the balance was primarily due to timing of expenditures eligible for federal and state grant funding.

4. Inventory and Prepaid Expenses

Maintenance parts inventory, consisting principally of expendable items held for business consumption related to state of good repair for vehicles, is 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 $2,080,329, net of reserve for obsolete inventory, of $234,380 for 2023 and $2,178,045 for 2022. A reserve for obsolete inventory was established for the first time in 2023 to anticipate any risk of obsolescence from the growing fleet of buses in service.

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 2023 amounting to $848,305 related to prepaid maintenance agreements of $547,242, prepaid rent, lease, and technology agreements of $266,977 and $34,086 of prepaid excess workers' compensation insurance. At December 31, 2022, the prepaid expense balance was $525,831.

5. Restricted Assets and Liabilities

STA has no restricted liabilities as of December 31, 2023. Restricted assets include $357,000 for a Washington State Department Labor & Industries (L&I) requirement due to being self-insured for workers' compensation benefits and $14,714,354 related to Net Pension Assets. Restricted assets increased for 2023 due to the change in Net Pension Asset from $11,677,245 in 2022 while the L&I asset remained unchanged.

6. Capital Assets, Intangibles, and Depreciation/Amortization (See Note 3 – Capital Assets)

STA capitalizes a) major expenditures for capital assets, b) major repairs which extend the underlying asset's useful life by over 3 years, c) an individual cost over $5,000, and d) equipment and technology assets with individual costs less than $5,000 with an aggregate cost over $250,000 procured under the capital improvement plan. 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 respective government entity 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.

Capitalized costs related to a tangible capital asset that is not yet substantially ready to be placed in service is reported as work in process.

Depreciation and amortization 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. Right-to-use lease asset lives are assigned based on the shorter of the lease term or the nature of the leased asset. Right-to-use subscription-based asset (SBITA) lives are assigned based on the term of the subscription. 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 and amortization of all depreciable capital assets and total gains or losses upon disposition.

7. Leases and Subscription-Based Information Technology Arrangements (SBITA) (See Note 9 – Leases and SBITA)

In 2021, STA implemented Governmental Accounting Standards Board (GASB) 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. STA implemented this Statement in 2021 as early implementation is permitted and recognized $513,610 of intangible assets and related debt with the adoption of this standard. This increased by $150,908 for a total of $856,101 in 2023.

A lease is a contract that conveys the control of the right to use another entity's nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction. STA has contracts in which it is a lessor, and it is a lessee. Lessors recognize a lease receivable and a deferred inflow of resources. Lessees recognize an intangible right-to-use asset and a lease liability. These transactions are measured at the present value of payments expected to be made during the non-cancellable period of the lease term using the discount rate in the lease. Subsequently, the lease liability is reduced by the principal portion of lease payments made. If the lease discount rate cannot be readily determined from the lease, STA uses its incremental borrowing rate.

A right-to-use lease asset with a lease term greater than 1 year and an initial present value over $50,000 are recorded as intangible assets. Right-to-use lease assets are amortized, using the straight-line method, over the contract term of the lease. Leases that do not meet these criteria are recognized as current period revenues and expenses. STA monitors all leases for changes in circumstances that would require remeasurement.

In 2023, STA implemented GASB Statement No. 96 - Subscription-based Information Technology Arrangements (SBITA). 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 scope of the statement contains exceptions for short-term SBITAs, IT software qualifying as a lease, contracts that meet the definition of GASB 94 and governments its IT software provided to other entities through SBITAs.

Like leases, a SBITA is defined "as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction."

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets, plus options to extend or terminate as well as other criteria.

The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

STA will use the same threshold as it does for leases of $50,000 for individual SBITAs and in the aggregate.

8. 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 and unused, is payable upon resignation, retirement, or death. The accrued vacation balance at December 31, 2023 and 2022 was $3,089,967 and $2,709,493, 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. Each year, all unused WPSL over 40 hours is converted to STA sick leave. Sick leave is recorded as an expense at the time it is earned. At retirement, most hourly employees receive the value of unused accumulated sick leave up to a maximum of 60 to 80 days. The accrued sick leave balance at December 31, 2023 and 2022 was $3,140,670 and $2,994,427, respectively.

All unpaid but earned wages and related fringe benefits as of December 31, 2023 and 2022 are included in accrued Wages, Benefits, and Other Liabilities.

Total Wages, Benefits, and Other Liabilities, which include compensated absences, were $9,116,192 and $8,149,822 as of December 31, 2023 and 2022, respectively.

9. Long-Term Liabilities

Net pension liability of $6,359,738 for 2023 and $6,703,559 for 2022 is further described below in Item 11 and in Note 6-Retirement Plans. Net Other Post-Employment Benefits Liability, including the current portion, of $5,180,970 and $5,725,132 for 2023 and 2022 respectively, is further described in Item 12 below and Note 5-Defined Benefit Plans - Other Post-Employment Benefits (OPEB).

10. Deferred Inflows and Outflows of Resources

Advance Payment of Fares – The advance payment of fares is a deferred inflow and represents pre-payments of public rideshare fares, and prepaid fares for passes and stored value outstanding from the Connect fare collection system at the end of the year. The balance represents payments received, but not yet activated and/or used for fares. The advance payment for 2023 and 2022 was $725,587 and $265,635, respectively. The increase is due to the continued adoption of the Connect system launched in October 2022.

11. Other Post-Employment Benefits (see Note 5 – Defined Benefit Plans – Other Post-employment Benefits (OPEB))

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.

12. Pensions (see Note 6 – Retirement Plans)

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

STA chose GASB's preferred method of calculating the restricted amount for the net pension asset by including the amount of the net pension asset only.

E. Budgetary Information

STA adopts its annual operating and capital budget in December of the preceding fiscal year following analysis by staff and approval by 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 an accrual basis. Some exceptions include sales tax revenue, depreciation and amortization, postemployment benefits, and other revenues.

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

The 2023 Operating and Capital Budget was approved by the STA Board in December 2022. The 2023 budget did not require any amendments.

The 2022 Operating and Capital Budget was approved by the STA Board in December 2021. In March 2022, the STA Board approved an amendment to the 2022 budget to fund a new employee retention and recruitment incentive plan to address staffing challenges across the organization. It is a two-year plan, with funding approved for 2022, with financial incentives available for every employee, full- and part-time, who remains with STA for a defined eligibility period, plus incentives for referring an applicant that STA hires, and a hiring incentive for new employees. The amendment to the budget for the 2022 portion of this plan was $3,139,039.

In December 2022, the STA Board approved a second amendment to the 2022 budget which increased the operating expense budget by $1,700,017. The Board approved this funding needed to award employees the signing bonuses associated with the ratification of a one-year renewal contract with ATU 1015 and wage reopeners with ATU 1598 and AFSCME 3939. These were agreed upon to ensure appropriate compensation for STA's workforce.

A six-year Capital Improvement Program (CIP) is developed each year in conjunction with the TDP. The annual capital budget is the applicable year from this plan adjusted for any changes in timing of expenditure and cost. The CIP is reviewed and modified each year.

Note 2: Deposits and Investments

STA is a participant in the Spokane County Investment Pool (SCIP), an external investment pool (Pool) operated by the Spokane County Treasurer. The Pool is not rated or registered with the SEC. 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 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. This oversight committee is established in accordance with RCW 36.48.070.

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. As of December 31, 2023, STA's Cash and Cash Equivalents in the SCIP were $243,221,697. This increased over the amount reported at December 31, 2022 of $222,224,836 as detailed in the Statement of Cash Flows.

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2023 and 2022 was as follows:

	Beginning Balance 1/1/2023	Additions/ Adjustments	Retirements	Ending Balance 12/31/2023
Capital Assets, Not Being Depreciated:				
Land	$13,531,390	$485,500	$ -	$14,016,890
Work in Process	16,606,268	(4,868,376)	-	11,737,892
Subtotal	30,137,658	(4,382,876)	-	25,754,782
Capital Assets Being Depreciated or Amortized:				
Vehicles	112,238,767	33,551,775	(2,173,647)	143,616,895
Buildings and Improvements	149,246,916	13,727,309	(34,954)	162,939,271
Equipment and Furnishings	30,079,685	5,805,737	(195,880)	35,689,542
Intangible Property	11,189,961	4,918,814	(87,556)	16,021,219
Right-to-Use Lease Asset	705,193	150,908	-	856,101
Right-to-Use Software Asset	-	879,135	-	879,135
Subtotal	303,460,522	59,033,678	(2,492,037)	360,002,163
Less Accumulated Depreciation and Amortization For:				
Vehicles	69,019,521	7,180,676	(2,141,168)	74,059,029
Buildings and Improvements	53,435,002	8,130,283	(33,012)	61,532,273
Equipment and Furnishings	16,188,114	2,992,157	(173,394)	19,006,877
Intangible Property	8,809,147	1,752,558	(80,675)	10,481,030
Subtotal	147,451,784	20,055,674	(2,428,249)	165,079,209
Total Capital Assets, Net of Accumulated Depreciation and Amortization	**$186,146,396**	**$34,595,128**	**($63,788)**	**$220,677,736**

	Beginning Balance 1/1/2022	Additions/ Adjustments	Retirements	Ending Balance 12/31/2022
Capital Assets, Not Being Depreciated:				
Land	$13,531,390	$ -	$ -	$13,531,390
Work in Process	36,798,510	(20,192,242)	-	16,606,268
Subtotal	50,329,900	(20,192,242)	-	30,137,658
Capital Assets Being Depreciated or Amortized:				
Vehicles	104,750,752	7,690,144	(202,129)	112,238,767
Buildings and Improvements	98,409,944	50,836,972	-	149,246,916
Equipment and Furnishings	28,929,063	1,493,121	(342,499)	30,079,685
Intangible Property	10,730,899	459,062	-	11,189,961
Right-to-Use Lease Asset	513,610	191,583	-	705,193
Subtotal	243,334,268	60,670,882	(544,628)	303,460,522
Less Accumulated Depreciation and Amortization For:				
Vehicles	63,646,222	5,573,914	(200,615)	69,019,521
Buildings and Improvements	48,729,216	4,705,786	-	53,435,002
Equipment and Furnishings	14,313,408	2,203,605	(328,899)	16,188,114
Intangible Property	7,920,176	888,971	-	8,809,147
Subtotal	134,609,022	13,372,276	(529,514)	147,451,784
Total Capital Assets, Net of Accumulated Depreciation and Amortization	**$159,055,146**	**$27,106,364**	**($15,114)**	**$186,146,396**

Construction and Other Commitments

STA has active construction projects as of December 31, 2023. The projects and commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Sprague Line HPT - Phase 1	$141,888	$1,172,662
2022 Service Change Bus Stops Phase 2	345,819	286,181
Plaza Restroom Door Additions & Plumbing Mods	-	200,000
Cheney Line HPT Corridor Improvements & WPTC	1,252,076	137,255
South Hill Park & Ride Improvements	677,748	32,152
2022 Bus Stop Improvements - Phase 3	45,468	24,532
Total	**$2,462,999**	**$1,852,782**

The projects and commitments with contractors as of year-end 2022 were:

Project	Spent to Date	Remaining Commitment
Boone Diesel Fuel Tank Replacement	$3,494,528	$1,842,560
HPT Amenities Installation	6,223,422	1,831,469
Battery Electric Bus Charging Infrastructure	6,149,951	922,568
West Plains Transit Center Interchange Access	1,181,456	68,544
2022 Service Change Bus Stops Phase I	662,174	50,258
Total	**$17,711,531**	**$4,715,399**

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, 2023 and 2022.

Note 5: Defined Benefit Plans - Other Post-employment Benefits (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years 2023 and 2022:

Aggregate OPEB Amounts		
	2023	**2022**
OPEB liability	$ 5,180,970	$ 5,725,132
Deferred outflows of resources	$ 4,348,799	$ 4,914,854
Deferred inflows of resources	$ 3,583,658	$ 2,879,366
OPEB expenses/expenditures	$ 823,512	$ 1,066,999

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. 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 healthcare premium. Dental benefits end after the death of the eligible retired employee. Dental was excluded from the actuarial valuation as it was determined to have an immaterial implicit rate subsidy. 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 for those retirees on Kaiser due to the lack of an implicit rate subsidy. The valuation done for 2023 does include retirees and spouses over age 65 for those retirees on Premera.

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, 2023 and 2022, the following employees were covered by the benefit terms:

	2023	**2022**
Inactive employees or beneficiaries currently receiving benefits	149	125
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	715	612
Total	864	737

STA's total OPEB liability of $5,180,970 was measured as of December 31, 2023 and was determined by an actuarial valuation as of December 31, 2023.

Assumptions and Other Inputs

The total OPEB liability in the December 31, 2023 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	3.89%
Healthcare Cost Trend Rates:	
2024 Trend	8.00%
Decrement	0.50%
Ultimate Trend	4.00%
Year Ultimate Trend is Reached	2032
Salary Increases	2.00%

The discount rate was based on the average December 31, 2023 Fidelity General Obligation AA 20-Year Yield and the December 31, 2023 S&P Municipal Bond 20-Year High Grade Index.

Mortality rates for active employees were based on the PubG.H-2010 Employee Mortality Table, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Mortality rates for retirees/disabled employees were based on the PubG.H-2010 Healthy Retiree Mortality Table, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Significant Changes from the Previous Actuarial Valuation

- Decreased the discount rate from 4.18% to 3.89% which resulted in an increase in the Total OPEB Liability.
- Medical trend rates were updated and applied to claim costs and retiree contributions. This resulted in an increase in the Total OPEB Liability.
- Claim costs assumptions and retiree contributions were revised based on the actual premium rates being offered to plan members, age adjusted for the risk characteristics of the current covered group. This resulted in an increase in the Total OPEB Liability.
- Plan participation for future retirees - Updated the distribution of participation by plan for future retirees based on the current plan uptake of the current group. This resulted in a decrease in the Total OPEB Liability.
- Spouse participation for Future Retirees – Updated the percent of future retirees assumed to be married based on the current group. This resulted in a decrease in the Total OPEB Liability.

Sensitivity of the Net OPEB Liability

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

	1% Decrease	Current Healthcare Cost Trend Rate (no change)	1% Increase
Total OPEB Liability	$4,316,282	$5,180,970	$6,317,502

The following presents the total OPEB liability of STA calculated using the discount rate of 4.18 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 (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	$6,203,123	$5,180,970	$4,374,830

Changes in the Total OPEB Liability

Spokane Transit	
Total OPEB Liability at January 1, 2023	$5,725,132
Service cost	255,950
Interest	247,975
Changes of benefit terms	-
Differences between expected and actual experience	(1,413,351)
Changes of assumptions/inputs	462,591
Benefit payments	(97,327)
Administrative Expense	-
Total OPEB Liability at December 31, 2023	$5,180,970

Spokane Transit	
Total OPEB Liability at January 1, 2022	$7,648,916
Service cost	447,018
Interest	164,572
Changes of benefit terms	-
Differences between expected and actual experience	(12,972)
Changes of assumptions	(2,386,308)
Benefit payments	(136,094)
Administrative Expense	-
Total OPEB Liability at December 31, 2022	$5,725,132

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

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 590,771	$ 1,867,253
Changes of assumptions or other inputs	3,758,028	1,716,405
Employer amounts for OPEB subsequent to the measurement date	-	-
TOTAL	$4,348,799	$3,583,658

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 716,440	$ 819,298
Changes of assumptions or other inputs	4,198,414	2,060,068
Employer amounts for OPEB subsequent to the measurement date	-	-
TOTAL	$4,914,854	$2,879,366

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/Inflows of Resources
2024	$319,587
2025	$319,587
2026	$319,587
2027	$319,587
2028	$(377,384)
Thereafter	$(135,823)

Note 6: Retirement Plans

<u>Public Employees' Retirement System – Defined Benefit Plan</u>

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

Aggregate Pension Amounts – All Plans		
	2023	**2022**
Pension liabilities	$ 6,359,738	$ 6,703,559
Pension assets	$ 14,714,354	$ 11,677,245
Deferred outflows of resources	$ 12,262,746	$ 12,521,906
Deferred inflows of resources	$ 9,137,960	$ 11,972,046
Pension expense/expenditures	$ 704,458	$ 1,051,022

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 (DRS), 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.

DRS, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

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

Contributions (PERS 1)

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 (OSA), adopted by the Pension Funding Council (PFC) and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL*	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July – August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL*	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL*	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**
*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 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. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at three percent annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions (PERS 2/3)</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Liability (UAAL).

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

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

PERS Plan 2/3			
Actual Contribution Rates	**Employer 2/3**	**Employee 2**	**Employee 3**
January – June 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	**10.39%**	**6.36%**	
July – August 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	**9.39%**	**6.36%**	
September – December 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	**9.53%**	**6.36%**	

STA's actual PERS plan contributions were $1,827,654 to PERS Plan 1 and $3,423,744 to PERS Plan 2/3 for the year ended December 31, 2023. Contributions were $1,631,600 to PERS Plan 1 and $2,761,935 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30,

2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010

base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023. 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Assets)

The table below presents STA's proportionate share of the 2023 net pension liability calculated using the discount rate of 7.0 percent, as well as what STA's proportionate share of the net pension liability/(assets) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	**Current Discount Rate (7.0%)**	**1% Increase (8.0%)**
PERS 1	$ 8,885,033	$ 6,359,738	$ 4,155,747
PERS 2/3	$ 16,003,623	$ (14,714,354)	$(39,951,114)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2023 and 2022, STA reported its proportionate share of the net pension liabilities and assets as follows:

Liability (or Asset)		
	2023	**2022**
PERS 1	$ 6,359,738	$ 6,703,559
PERS 2/3	$ (14,714,354)	$ (11,677,245)

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

	Proportionate Share June 30, 2022	**Proportionate Share June 30, 2023**	**Change in Proportion**
PERS 1	0.240757 %	0.278602 %	0.037845 %
PERS 2/3	0.314854 %	0.359002 %	0.044148 %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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').

Pension Expense

For the years ended December 31, 2023 and 2022, STA's recognized pension expense is as follows:

	Pension Expense (Credit)	
	2023	**2022**
PERS 1	$(1,161,092)	$(2,711,168)
PERS 2/3	$ 1,865,550	$ 3,762,190
TOTAL	$ 704,458	$ 1,051,022

Deferred Outflows of Resources and Deferred Inflows of Resources

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

2023 PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	717,406
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	816,579	-
TOTAL	$ 816,579	$ 717,406

2023 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,997,297	$ 164,405
Net difference between projected and actual investment earnings on pension plan investments	-	5,545,258
Changes of assumptions	6,177,595	1,346,473
Changes in proportion and differences between contributions and proportionate share of contributions	517,777	1,364,418
Contributions subsequent to the measurement date	1,753,498	-
TOTAL	$ 11,446,167	$ 8,420,554

2023 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,997,297	$ 164,405
Net difference between projected and actual investment earnings on pension plan investments	-	6,262,664
Changes of assumptions	6,177,595	1,346,473
Changes in proportion and differences between contributions and proportionate share of contributions	517,777	1,364,418
Contributions subsequent to the measurement date	2,570,077	-
TOTAL	$ 12,262,746	$ 9,137,960

2022 PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,110,977
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	887,409	-
TOTAL	$ 887,409	$ 1,110,977

2022 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,893,348	$ 264,343
Net difference between projected and actual investment earnings on pension plan investments	-	8,633,073
Changes of assumptions	6,508,452	1,704,146
Changes in proportion and differences between contributions and proportionate share of contributions	746,520	259,507
Contributions subsequent to the measurement date	1,486,177	-
TOTAL	$ 11,634,497	$ 10,861,069

2022 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,893,348	$ 264,343
Net difference between projected and actual investment earnings on pension plan investments	-	9,744,050
Changes of assumptions	6,508,452	1,704,146
Changes in proportion and differences between contributions and proportionate share of contributions	746,520	259,507
Contributions subsequent to the measurement date	2,373,586	-
TOTAL	$ 12,521,906	$ 11,972,046

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, 2023. 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
2024	$488,093	$2,676,851	$3,164,944
2025	$613,835	$3,338,198	$3,952,033
2026	$(378,481)	$(4,452,427)	$(4,830,908)
2027	$(6,041)	$(1,517,473)	$(1,523,514)
2028		$(1,442,993)	$(1,442,993)
Thereafter		$125,729	$125,729

Defined Contribution Plan

Prior to becoming a member of PERS, STA's primary retirement plans were defined contribution plans. The plans were established pursuant to Internal Revenue Code Section 401(a), in a money purchase format. MissionSquare (formerly ICMA Retirement Corporation (RC)) serves as plan administrator, trustee, and record keeper under the plans.

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 hold member assets but 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 were 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 2023. 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 $208,073 in 2023 and $195,664 in 2022. During the years ended December 31, 2023 and 2022, STA contributed a total of $45,330 and $42,416 respectively, to the Section 401(a) defined contribution plans. These amounts were recognized as a fringe benefit by STA in 2023. There was no outstanding liability as of December 31, 2023.

Note 7: Deferred Compensation Plan

STA offers its employees a tax-deferred compensation plan created in accordance with Internal Revenue Code Section 457. MissionSquare 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 three percent to 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 is 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, 2023 and 2022, were $17,534,559 and $14,917,622 respectively.

Note 8: Risk Management

A. Liability Insurance

STA joined the Washington State Transit Insurance Pool (WSTIP) in June 2004, for coverage effective July 1, 2004. WSTIP is a 25-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 a six-month 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, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley Cyber Services for the cyber liability policy. The excess property carrier for all risk property and boiler and machinery is Alliant Property Insurance Program provided by Alliant Insurance Services.

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

Here is a summary of coverage provided in 2023:

RISK / EXPOSURE		**COVERAGE**	**DEDUCTIBLE**
GENERAL LIABILITY: Bodily Injury & Property Damage	$25 million	Per occurrence	$0
Personal Injury and Advertising Injury	$25 million	Per offense	$0
Contractual liability	$25 million	Per occurrence	$0
Vanpool Driver Medical Expense Protection	$35,000	Per occurrence	$0
Underinsured Motorist Coverage (by mode)	$60,000	Per occurrence	$0
Permissive Use of a Member-Owned Motor Vehicle	$100,000 for property damage and $300,000 for bodily injury	Per occurrence	$0
Agency, rental, and personal/private vehicle occupants not covered by workers compensation or transit passengers	$100,000 for property damage and $300,000 for bodily injury	Per occurrence Per occurrence	$0 $0
Endorsement 1: **COMMUNICABLE DISEASE LIABILITY**:	$500,000	Per occurrence	$0
Annual aggregate for all Members or Additional Covered Parties	$2 million		
PUBLIC OFFICIALS LIABILITY	$25 million	Per occurrence and aggregate	$5,000
Endorsement 1: **VIOLATIONS OF WAGE & HOUR LAWS**	$250,000	Per occurrence	$25,000
Annual aggregate per Member	$250,000		
PROPERTY COVERAGE All perils subject to the following sublimits:	$500 million	Per occurrence, all perils and insureds/members combined	$25,000 Jan-July; $10,000 July on
Flood zones A & V – annual aggregate	$10 million	Per occurrence, annual aggregate	$500,000
All flood zones except A & V – annual aggregate	$50 million	Per occurrence, annual aggregate	$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	$35 million	Per occurrence, annual aggregate	5% subject to $500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below $250,000 in value)	Fair market value		$25,000 Jan-July; $10,000 July on

Auto Physical Damage for all vehicles valued over $250,000 and less than 10 years old	Replacement Cost	Limited to $1.6 million any one vehicle	$25,000 Jan-July; $10,000 July on
BOILER AND MACHINERY	$100 million		$250,000 or $350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	$2 million	Per occurrence	$10,000
Employee theft	$2 million	Per occurrence	$10,000
Forgery or alteration	$2 million	Per occurrence	$10,000
Inside the premises – theft of money and securities	$2 million	Per occurrence	$10,000
Inside the premises – robbery or safe burglary of other property	$2 million	Per occurrence	$10,000
Outside premises	$2 million	Per occurrence	$10,000
Computer fraud	$2 million	Per occurrence	$10,000
Funds Transfer Fraud	$2 million	Per occurrence	$10,000
Money orders and counterfeit money	$2 million	Per occurrence	$10,000

Extra Cyber Limits

In addition to the coverage detailed in the basic Cyber Liability insurance description, STA has chosen to purchase additional limits. This limit will be in excess to any limit of the basic cyber liability policy and increases the availability of insurance and/or drop down if the basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not shared with any other policy holder or WSTIP member. STA elected to purchase $2 million (in excess of $2 million). The carrier is Palomar Excess & Surplus Insurance Co.

Extra Auto Physical Damage Limits

In addition to the coverage detailed in the basic Auto Physical Damage insurance description, STA has chosen to purchase additional limits. This limit will be in excess to any limit of the basic auto physical damage policy and increases the availability of insurance. STA elected to purchase $10 million (in excess of $20 million). The carrier is The Burlington Insurance Company.

Covered Locations Pollution Liability Insurance Policy

STA purchases a Covered Locations Pollution Liability Insurance policy. The policy term is from April 4, 2021 to April 4, 2024. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is $5 million each pollution condition – includes claims expense with a $5 million aggregate including claims expenses. STA has a $100,000 deductible per pollution condition. Locations must be listed to be covered.

B. Workers' Compensation Insurance

STA reported a liability on December 31, 2023 and 2022, of $1,630,646 and $1,717,612, 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 claim of $550,000.

Note 9: Leases and Subscription-Based Information Technology Arrangements

Right-to-Use Lease Assets and Liabilities

Ground Leases

STA entered into ground lease agreements for the purpose of constructing and operating a Transit Station at Spokane Community College (SCC) and at Spokane Falls Community College (SFCC). The initial term of the leases are for twenty (20) years beginning March 2019. For accounting purposes, the right-to-use lease asset and lease liability are reported at the present value of the future minimum lease payments using 1.5 percent interest rate. The initial rent of $16,892 for the SCC lease and $6,970 for the SFCC lease were used to calculate the present value of these leases. Rent under these ground leases are to be recalculated every three (3) years based on the number of parking spaces lost by lessor due to construction multiplied by the current cost of a parking permit. The change in rents will be accounted for as additional interest related to the lease liability when incurred. The rents were recalculated in 2022. The new rent amount is $18,746 for SCC and $7,735 for SFCC. The difference in rent is accounted for as additional interest. The leases do not convey ownership at the end of the lease, provide a purchase option or guaranteed residual value.

Building Lease

STA has a lease agreement for a warehouse on E. Holland Avenue. The initial lease was for three (3) years beginning August 2019. For accounting purposes, the right-to-use leased asset and lease liability are reported at the present value of the future minimum lease payments using 1.5 percent interest rate. The lease sets forth fixed monthly payments of $3,750 for year 1, $3,862.50 for year 2 and $3,978.38 for year 3. The present value of the total payments under the lease were used to calculate the value of the leased asset and lease liability. This lease agreement was extended for an additional five years. The right-to-use leased asset and lease liability were remeasured using a 2.85 percent interest rate. This interest rate was based on the U.S. 10 year Treasury Note at the time of the lease modification. The lease does not convey ownership at the end of the lease, provide a purchase option or guaranteed residual value.

STA has an additional lease agreement for office space in Schade Towers. The initial lease was for one (1) year beginning January 2023 with the right to extend the term of the lease for three (3) periods of one (1) year each. STA renewed the lease for one (1) year for 2024 and plans to end the lease December 2024. For accounting purposes, the right-to-use leased asset and lease liability are reported at the present value of the future minimum lease payments using 4.73 percent interest rate. The lease sets forth fixed monthly payments of $6,808.30 for 2023 and $7,012.55 for 2024. The present value of the total payments under the lease were used to calculate the value of the leased asset and lease liability. The interest rate was based on the U.S. 10 year Treasury Note at the time of the lease agreement. The lease does not convey ownership at the end of the lease, provide a purchase option or guaranteed residual value.

The tables below summarize the lease assets and the related accumulated amortization:

	Beginning Balance 1/1/2023	**Increases**	**Decreases**	**Ending Balance 12/31/2023**
Leased Lands	$397,841	$ -	$ -	$397,841
Leased Buildings	307,352	150,908	-	458,260
Total Right-to-Use Lease Assets	**705,193**	**150,908**	**-**	**856,101**
Accumulated Amort. - Lease Land	59,676	19,892	-	79,568
Accumulated Amort. - Lease Buildings	115,541	113,817	-	229,358
Total Amortization	**$175,217**	**$133,709**	**$ -**	**$308,926**

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Leased Lands	$397,841	$ -	$ -	$397,841
Leased Buildings	115,769	191,583	-	307,352
Total Right-to-Use Lease Assets	**513,610**	**191,583**	**-**	**705,193**
Accumulated Amort. - Lease Land	39,784	19,892	-	59,676
Accumulated Amort. - Lease Buildings	77,180	38,361	-	115,541
Total Amortization	**$116,964**	**$58,253**	**$ -**	**$175,217**

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2024	$134,621	$27,292	$161,913
2025	59,089	17,592	76,681
2026	60,525	17,741	78,266
2027	44,359	11,787	56,146
2028	20,257	3,605	23,862
2029-2033	105,935	13,375	119,310
2034-2038	114,126	5,187	119,313
Total	**$538,912**	**$96,579**	**$635,491**

Right-to-Use Subscription-Based Information Technology Arrangements (SBITA)

STA contracted with Remix Technologies LLC for transit planning software subscription. Remix Software provides a combination of route design, geospatial analysis, and operating cost calculations in a single transit planning tool for use in service planning, Title VI analysis, short-range planning, and longer-range planning. The Remix license is for an unlimited number of users within STA, and it is a fully hosted, cloud-based web platform. The term of this agreement is three years starting January 1, 2023 and expiring on December 31, 2025. The total subscription amount for the three-year term is $143,800 plus Washington sales tax of $12,942 for a total of $156,742. For accounting purposes, the right-to-use SBITA asset and SBITA liability are reported at the present value of the future minimum subscription payments using 3.44 percent interest rate. The subscription sets forth fixed annual payments of $45,126 for 2023, $51,884 for 2024, and $59,732 for 2025. The present value of the total payments under the subscription were used to calculate the value of the SBITA asset and SBITA liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement.

STA has contracted with Swiftly Inc for use of four modules in its Swiftly Software platform with an unlimited number of users within STA. It is a fully hosted, intuitive, cloud-based web platform which displays and analyzes transit vehicle location data to assist with customer service and fixed route scheduling. STA has access to the following modules: Run Time Module, GPS Playback Module, On-Time Performance Module, and Speed Map Module. The initial term of this agreement was for one year for two modules commencing on February 19, 2020. Two amendments to the agreement have occurred. The first amendment extended the agreement for an additional year, and the second amendment added the two additional modules and extended the agreement three additional years making the contract end date February 18, 2025. For the purposes of calculating the SBITA, the term of 1/1/2022 through 2/18/2025 will be used. The total subscription amount for the term of this agreement is $518,507. For accounting purposes, the right-to -use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.44 percent interest rate. The subscription sets forth fixed annual payments. The present value of the total payments, applicable to 1/1/2022 through 2/18/2025, for the subscription were used to calculate the value of the SBITA asset and liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement.

The last agreement STA determined to be a SBITA is for Content Management System Software for Digital

Signage provided by Nanonation Inc. STA awarded a five-year contract with an optional extended warranty for an estimated contract value of up to $656,784 for a Content Management System for Digital Signage to Nanonation, Inc. effective August 1, 2020. The software, CommandPoint Software, is part of this contract. The term for the software as a service agreement varies by unit and covers the time period 2/1/2022 through 1/31/2025 at a cost of $150,089. For accounting purposes, the right-to-use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.44 percent interest rate. The subscription sets forth annual payments per unit with varying terms and payments. The present value of the total software payments plus capitalizable implementation costs were used to calculate the value of the SBITA asset and liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement.

The table below summarizes the subscription assets and the related accumulated amortization:

	Beginning Balance 1/1/2023	**Increases**	**Decreases**	**Ending Balance 12/31/2023**
Subscription Based Software Asset (SBITA)	$661,121	$218,014	$ -	$879,135
Accumulated Amortization (SBITA)	220,374	301,194	-	521,568
Net Right-to-Use SBITA	**$440,747**	**$(83,180)**	**$ -**	**$357,567**

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended December 31	**Principal**	**Interest**	**Total**
2024	$253,710	$48,525	$302,235
2025	48,675	11,057	59,732
Thereafter	-	-	-
Total	**$302,385**	**$59,582**	**$361,967**

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 and $14,714,354 which is for the Net Pension Asset. The restricted net position is equal to the net pension asset excluding deferred inflows and deferred outflows which is the GASB's preferred method.

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.

STA went through an FTA Triennial Review that started in 2020 but finished in 2021 due to the pandemic. The Triennial Review focused on STA's compliance in 21 areas. No deficiencies were found with the FTA requirements in 20 areas. One deficiency was found in the Technical Capacity – Award Management area. STA submitted corrective action for this finding and it has been closed with no further action needed. STA is currently undergoing an FTA Triennial Review for the three years since the last review.

C. Environmental Liability

As a public transit operator, STA has certain environmental risks related to its operations 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 or position 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. Additional cash designations of $4,950,000 and $25,000,000 were established by the Board in December 2011, and December 2022 respectively. The designated cash amount of $4,950,000 is for future High-Performance Transit Right of Way acquisition, while $25,000,000 is a real estate acquisition reserve. The level of designated cash is reviewed and approved annually by the Board, in conjunction with the budget adoption process. In 2023, the total cash reserves were $54,135,507. This included $4,950,000 Right of Way acquisition, $25,000,000 real estate acquisition, $5,500,000 for catastrophic self-insurance exposure protection, $18,328,507 for operating expense reserves, and $357,000 for self-insurance reserves for workers' compensation (Note 10). The reserve was $50,160,113 in 2022. The difference from 2022 to 2023 is in the operating reserve which was $14,353,113 in 2022.

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 2023 and 2022 budgets did not provide additional funding as all remaining commitments of this program have been met. Further awards may be authorized by the Board if desired.

Note 14: Other Disclosures

Accounting and Reporting Changes

STA implemented GASB Statement No. 96 - *Subscription-based Information Technology Arrangements (SBITA)*. 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 and therefore STA implemented necessary changes in fiscal year 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. STA implemented the portion of the requirements related to leases, PPPs, and SBITAs that were effective for fiscal years beginning after June 15, 2022. The remainder of the requirements in this Statement do not have an impact on STA.

Prior Period Adjustments

In 2023, during STA's review of work in process it was determined that $29,139 in project expenses did not meet the asset capitalization requirements and these items were therefore reclassified to expense as prior period adjustments. In addition, STA had a prior period adjustment of $15,638 related to the implementation of GASB 96, SBITA. There were no such adjustments in 2022.

Accounting Pronouncements

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. STA reviewed agreements and determined that none meet the definition of a PPP, SCA, or APA at this time. STA will continue to monitor contracts and agreements and will report as needed should any arise that meet the requirements of this Statement in fiscal year 2024 and beyond.

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. STA has determined that the requirements that were effective immediately were not applicable to STA. STA evaluated the impact of the requirements of the Statement effective after June 15, 2021 and determined that those are not applicable as well.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the us of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. These requirements do not impact STA. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. STA has evaluated and implemented the portions of this Statement applicable to STA (as noted above in Accounting and Reporting Changes section) and effective in 2023 and beyond.

GASB Statement No. 100 – In June, 2022 GASB issued Statement No 100, *Accounting Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. STA will implement the requirements of this Statement in fiscal year 2024.

GASB Statement No. 101 – In June, 2022 GASB issued Statement No 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. STA will evaluate the impacts of this Statement and implement in fiscal year 2024.

GASB Statement No. 102 – In December 2023, GASB issued Statement No 102, *Certain Risk Disclosures.* State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. STA will evaluate the impacts of this Statement and implement as needed in fiscal year 2025.

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,

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.278602%	0.240757%	0.255352%	0.236616%	0.239708%	0.248251%	0.227220%	0.245403%	0.262319%
Employer's proportionate share of the net pension liability	$	6,359,737	6,703,558	3,118,445	8,353,823	9,217,624	11,086,974	10,781,766	13,179,297	13,721,723
Employer's covered employee payroll	$	49,629,243	39,771,007	39,223,204	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	%	12.81%	16.86%	7.95%	23.30%	27.51%	33.68%	37.86%	45.43%	46.13%
Plan fiduciary net position as a percentage of the total pension liability	%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

*** 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 (Asset)
Public Employees' Retirements System (PERS) Plan 2/3
As of and for the twelve months ended June 30,

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.359002%	0.314854%	0.327939%	0.307228%	0.307335%	0.314681%	0.289129%	0.309094%	0.332237%
Employer's proportionate share of the net pension liability (asset)	$	(14,714,354)	(11,677,245)	(32,668,001)	3,929,271	2,985,268	5,372,898	10,045,851	15,562,639	11,871,017
Employer's covered employee payroll	$	49,629,243	39,771,007	39,223,204	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 (asset) as a percentage of covered employee payroll	%	-29.65%	-29.36%	-83.29%	10.97%	8.94%	16.38%	35.44%	54.05%	40.26%
Plan fiduciary net position as a percentage of the total pension liability (asset)	%	107.02%	106.73%	120.29%	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,

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	1,827,654	1,631,600	1,655,596	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	$	(1,827,654)	(1,631,600)	(1,655,596)	(1,837,785)	(1,736,979)	(1,637,888)	(1,522,907)	(1,410,242)	(1,291,060)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-
Covered employer payroll	$	53,832,428	43,426,594	38,690,957	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	%	3.40%	3.76%	4.28%	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,

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	3,423,744	2,761,935	2,756,825	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	$	(3,423,744)	(2,761,935)	(2,756,825)	(3,033,888)	(2,684,188)	(2,409,686)	(2,102,960)	(1,819,355)	(1,624,865)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-
Covered employer payroll	$	53,832,428	43,426,594	38,690,957	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	%	6.36%	6.36%	7.13%	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

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 5,725,132	$ 7,648,916	$ 2,966,269	$ 1,893,692	$ 1,786,073	$ 1,327,804
Changes for the Year						
Service cost	255,950	447,018	221,815	217,466	171,746	91,402
Interest	247,975	164,572	66,151	58,381	47,063	58,224
Changes in benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	(1,413,351)	(12,972)	(1,131,451)	834,400	0	321,393
Changes of assumptions	462,591	(2,386,308)	5,661,667	89,126	(25,705)	185,464
Benefit payments	(97,327)	(136,094)	(135,535)	(126,796)	(85,485)	(67,875)
Change in Actuarial Cost Method	-	-	-	-	-	(130,339)
Total OPEB liability - ending	$ 5,180,970	$ 5,725,132	$ 7,648,916	$ 2,966,269	$ 1,893,692	$ 1,786,073
Covered-employee payroll	$ 54,381,284	$ 45,482,154	$ 39,206,523	$ 38,893,413	$ 35,421,230	$ 32,680,465
Total OPEB liability as a % of covered payroll	9.5%	12.6%	19.5%	7.6%	5.4%	5.5%

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.

Changes of Benefit Terms: None
Changes of Assumptions for 2023: The following assumptions have been revised: claim costs, contributions, future retiree spouse participation, future retiree participation by plan, discount rate and healthcare cost trends.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.10%
2019	2.74%
2020	2.12%
2021	2.05%
2022	4.18%
2023	3.89%

SCHEDULE 16

SPOKANE TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMEBER 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Federal Transit Cluster								
Department of Transportation, Federal Transit Administration	Federal Transit Capital Investment Grant	20.500	WA-2020-009		$5,263,035	$5,263,035		1,2,3
Subtotal Federal Transit Cluster CFDA 20.500:				**$0**	**$5,263,035**	**$5,263,035**		
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2021-014		$2,042	$2,042		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2018-069		$3,973	$3,973		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2019-073		$1,572,133	$1,572,133		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2023-078		$10,863,286	$10,863,286		1,2, 3,4
Department of Transportation, Federal Transit Administration	COVID-19 (ARPA) Federal Transit Formula Grant	20.507	WA-2021-055		$19,959,412	$19,959,412		1,2,3
Subtotal Federal Transit Cluster CFDA # 20.507:				**$0**	**$32,400,846**	**$32,400,846**		
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2022-052		$939,977	$939,977		1,2,3
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2021-034		$981,040	$981,040		1,2,3
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2021-010		$1,057,903	$1,057,903		1,2,3
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2022-011		$6,005,049	$6,005,049		1,2,3
Subtotal Federal Transit Cluster CFDA # 20.526:				**$0**	**$8,983,969**	**$8,983,969**		
Total Federal Transit Cluster					**$46,647,850**	**$46,647,850**		

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, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Transit Services Programs Cluster								
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2018-067		$14,358	$14,358	$14,358	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513	WA-2022-022		$15,115	$15,115	$15,115	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSAA)	20.513	WA-2021-029		$17,614	$17,614	$17,614	1,2,3
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2020-025		$20,386	$20,386	$2,276	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (ARPA)	20.513	WA-2022-021		$38,528	$38,528	$38,528	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513	WA-2023-044		$95,913	$95,913	$95,913	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513	WA-2021-023		$130,893	$130,893	$130,893	1,2,3
Total Transit Services Programs Cluster				**$0**	**$332,807**	**$332,807**	**$314,697**	

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, 2023

				Expenditures				
Federal Agency (Pass-Through Agency)	**Federal Program**	**ALN Number**	**Other Award Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total**	**Passed through to Subrecipients**	**Note**
Department of Homeland Security-FEMA								
Department of Homeland Security, Federal Emergency Management Agency (via WA State Military Department)	COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-10-WA-4481-PW-00485 (658)	$3		$3		1,2,3,5
Department of Homeland Security, Federal Emergency Management Agency (via WA State Military Department)	COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-10-WA-4481-PW-01295 (1506)	$22,785		$22,785		1,2,3,5
Department of Homeland Security, Federal Emergency Management Agency (via WA State Military Department)	COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-10-WA-4481-PW-01218 (1414)	$92,187		$92,187		1,2,3,5
Total Department of Homeland Security-FEMA				**$114,975**		**$114,975**		
			TOTAL FEDERAL AWARDS EXPENDED	**$114,975**	**$46,980,657**	**$47,095,632**	**$314,697**	

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

SPOKANE TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 1 - Basis of Accounting

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

Note 2 – Federal De Minimis Indirect Cost Rate

Spokane Transit 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 2023. For this program, it is acceptable to include the current year's costs on the SEFA because the FTA approves these costs on a retroactive basis. Spokane Transit was given "pre-award authority" for its preventive maintenance expenses. The official grant award was made by the FTA for the 2023 apportionment on September 25, 2023.

Note 5 – FEMA Disaster Assistance

The amount reported for the FEMA disaster awards include eligible expenditures for years' 2022 and 2023 along with management costs for all projects from 2020 through 2023. Project PA-10-WA-4481-PW-01218 for $102,431 covers expenditures incurred from 7/2/2022-5/11/2023. The amounts incurred were $68,979 in 2022 and $33,452 in 2023. Project PA-10-WA-4481-PW-01295 for $22,785 is the management costs for all projects related to the FEMA disaster 4481-DR-WA with incident period of 1/20/2020-5/11/2023.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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