Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane Transit Authority

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

Published September 7, 2023

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Office of the Washington State Auditor
Pat McCarthy

September 7, 2023

Board of Directors
Spokane Transit Authority
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Spokane Transit Authority
January 1, 2022 through December 31, 2022

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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 – COVID-19 – Federal Transit Capital Investment Grant (ARPA)
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grant
20.507	Federal Transit Cluster – COVID-19 – Federal Transit Formula Grant (CRRSAA)
20.507	Federal Transit Cluster – COVID-19 – Federal Transit Formula Grant (ARPA)
20.507	Federal Transit Cluster – Federal Transit Formula Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,312,191.

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, 2022 through December 31, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 30, 2023.

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

August 30, 2023

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, 2022 through December 31, 2022

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, 2022. 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, 2022.

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

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Transit Authority
January 1, 2022 through December 31, 2022

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, 2022, 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, 2022, 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.

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, 2021, from which such partial information was derived. We have previously audited the Authority's 2021 financial statements and we expressed an unmodified opinion on the respective financial statements of the Authority in our report dated June 14, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2021, 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 August 30, 2023 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

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2023

FINANCIAL SECTION

Spokane Transit Authority
January 1, 2022 through December 31, 2022

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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022
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Spokane Transit Authority
For the Year Ended December 31, 2022

Management Discussion and Analysis

This section of Spokane Transit Authority's (STA) Annual Financial Report presents management's discussion and analysis (MD&A) of the financial performance for the year ended December 31, 2022. 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 (formerly vanpool) and ride match program.

Financial Highlights

- The assets of STA exceeded its liabilities at December 31, 2022 by $419,261,471. Of this amount, $223,400,543 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 $50,160,113 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 $65,275,809 (excluding prior period adjustments). The Net Position increase was favorably impacted by the federal and state portions of capital grant revenue totaling $12,833,403 combined with the $52,442,406 Gain Before Contributions.
- STA continues to operate on a "pay-as-you-go" basis and remained free of debt during the period. Cash balances, less designated reserves, are planned for future operating and capital expenses.

Overview of the Financial Statements

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

The financial statements of STA report information using accounting methods that are similar to those used by private sector companies. 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.

The Statement of Net Position 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.

The Statement of Revenues, Expenses and Change in Net Position 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 2022. For the year ended December 31, 2022, assets exceeded liabilities by $419,261,471. STA is a capital-intensive enterprise and nearly 45 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,		
	2022	**2021**	**2020**
Assets:			
Current Assets	$251,211,437	$215,213,997	$168,306,575
Non-current Assets	11,677,245	32,668,001	-
Capital Assets (Net)	186,146,396	159,055,146	119,602,397
Total Assets	449,035,078	406,937,144	287,908,972
Deferred Outflows	17,436,760	10,301,314	5,837,042
Total Assets and Deferred Outflows	$466,471,838	$417,238,458	$293,746,014
Liabilities:			
Current Liabilities	$16,962,708	$15,035,927	$15,539,975
Long-Term Liabilities	12,810,899	11,000,655	15,122,567
Total Liabilities	29,773,607	26,036,582	30,662,542
Deferred Inflows	15,117,047	34,896,501	4,011,419
Net Position:			
Invested in Capital Assets	186,146,396	159,055,146	119,602,397
Restricted Reserves	357,000	357,000	357,000
Restricted for Net Pension Asset	11,677,245	32,668,001	-
Unrestricted Reserves	223,400,543	164,225,228	139,112,656
Total Net Position	421,581,184	356,305,375	259,072,053
Total Liabilities, Deferred Inflows, and Net Position	$466,471,838	$417,238,458	$293,746,014

During 2022, STA's net position increased by $65,275,809 (excluding prior period adjustments). The following is a summary Statement of Revenues, Expenses and Change in Net Position. Also shown are the comparatives for the years ended December 31, 2021 and 2020.

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

	For the years ended December 31,		
	2022	2021	2020
Operating Revenue	$7,248,388	$6,479,567	$5,536,583
Nonoperating Revenue			
Sales Tax	113,124,088	107,256,427	90,030,263
Grants – Noncapital	32,978,905	29,431,780	32,416,515
Other Nonoperating Revenue	2,600,257	1,753,312	2,416,169
Total Nonoperating Revenue	148,703,250	138,441,519	124,862,947
Total Revenue (before capital contributions)	155,951,638	144,921,086	130,399,530
Operating Expenses	90,031,970	68,783,256	72,386,020
Depreciation	13,372,276	12,718,935	11,842,615
Nonoperating Expenses			
Other Nonoperating Expenses	104,986	484,052	1,836,755
Total Expenses	103,509,232	81,986,243	86,065,390
Gain before Contributions	52,442,406	62,934,843	44,334,140
Contributions			
Capital grants	12,833,403	34,367,283	14,178,683
Change in Net Position	65,275,809	97,302,126	58,512,823
Beginning Net Position	356,305,375	259,072,053	200,559,230
Prior Period Adjustments	-	(68,804)	-
Ending Net Position	$421,581,184	$356,305,375	$259,072,053

Revenues

Passenger fares are the major source of operating revenues. The Board updated its fare policy in 2022 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, there are reduced fares for military, honored riders, adult students, and free 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 the day and $60 for a monthly pass.

In 2020, STA experienced a loss of ridership from the pandemic which caused fare revenues to decrease dramatically that year. While the pandemic continued to impact ridership and fare revenue during 2021 and 2022, STA experienced recovery as restrictions eased and recorded a tempered increase in operating revenues of 17.0 percent in 2021 and 11.9 percent in 2022. Operating revenue remains 36.9 percent below 2019 pre-pandemic levels.

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 $10,679,315 in 2022, $8,318,157 in 2021, and $8,268,528 in 2020. 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 2021, of which $16,018,947 was drawn down in 2022,
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. $23,440,069 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020 which was fully drawn in 2020.

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.

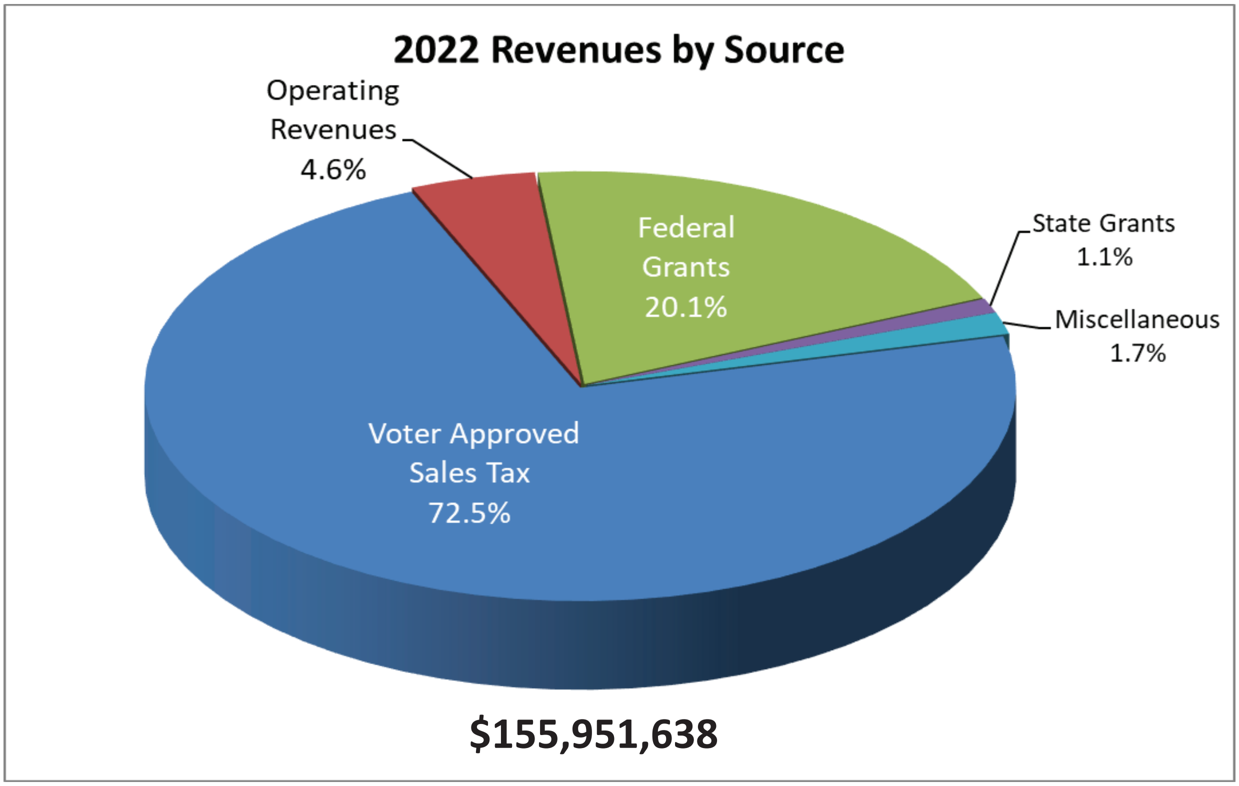
STA was awarded FEMA disaster assistance under the COVID-19 Emergency Declaration for emergency protective measures. This assistance was used to protect public health and safety. STA accrued $299,854 in 2021 and $631,465 in 2022 related to expenditures from February 27, 2020 to July 1, 2022.

For the years ended December 31, 2022, 2021, and 2020, STA received total federal operating funding of $31,270,192, $28,577,243, and $31,708,597, respectively.

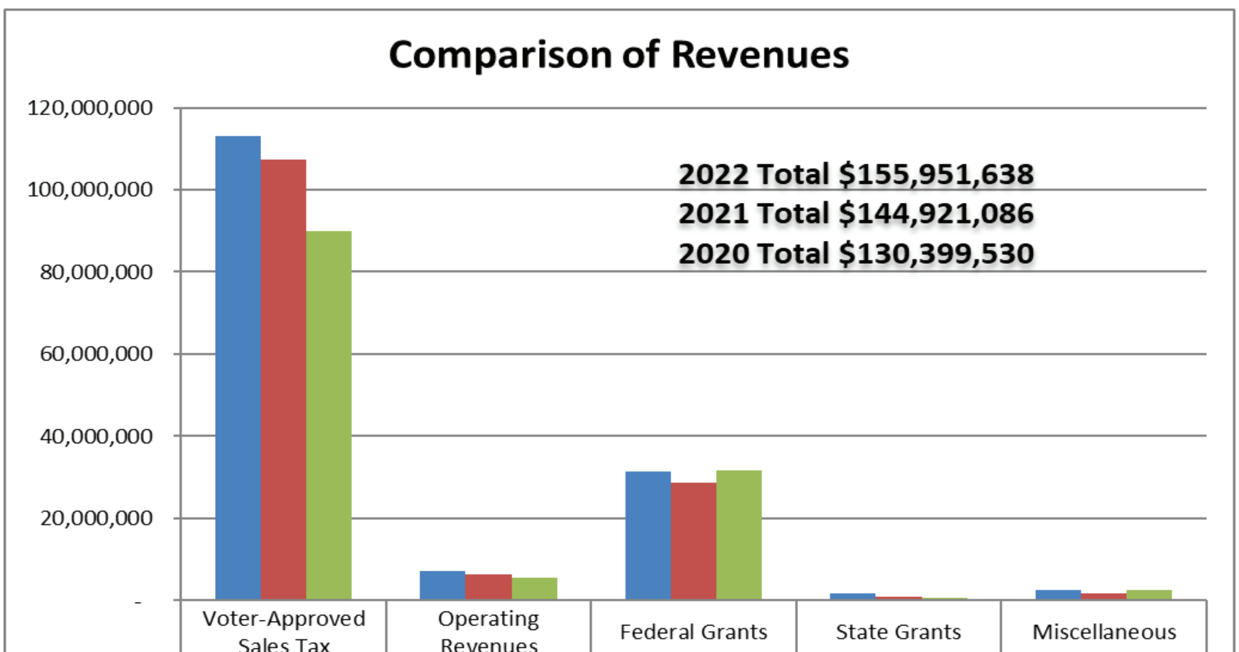
STA obtained state funding from the Washington State Department of Transportation in the amount of $1,708,713 in 2022, $854,357 in 2021, and $707,918 in 2020. These grant funds were used for special needs related service as well as portions of projects categorized as operating.

Miscellaneous revenue, primarily investment earnings, increased by $846,945. Interest income increased due to higher interest rates during the year, which averaged 1.13, up from 1.01 percent in 2021, and higher average cash balances.

During 2022, STA Operating and Nonoperating revenues were $155,951,638. The federal stimulus grants received impacted STA's traditional funding model of approximately 80 percent collected on sales tax to 72.5 percent. 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
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
2020	90,030,263	5,536,583	31,708,597	707,918	2,416,169

Service Delivery, Ridership and Operating Expenses

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

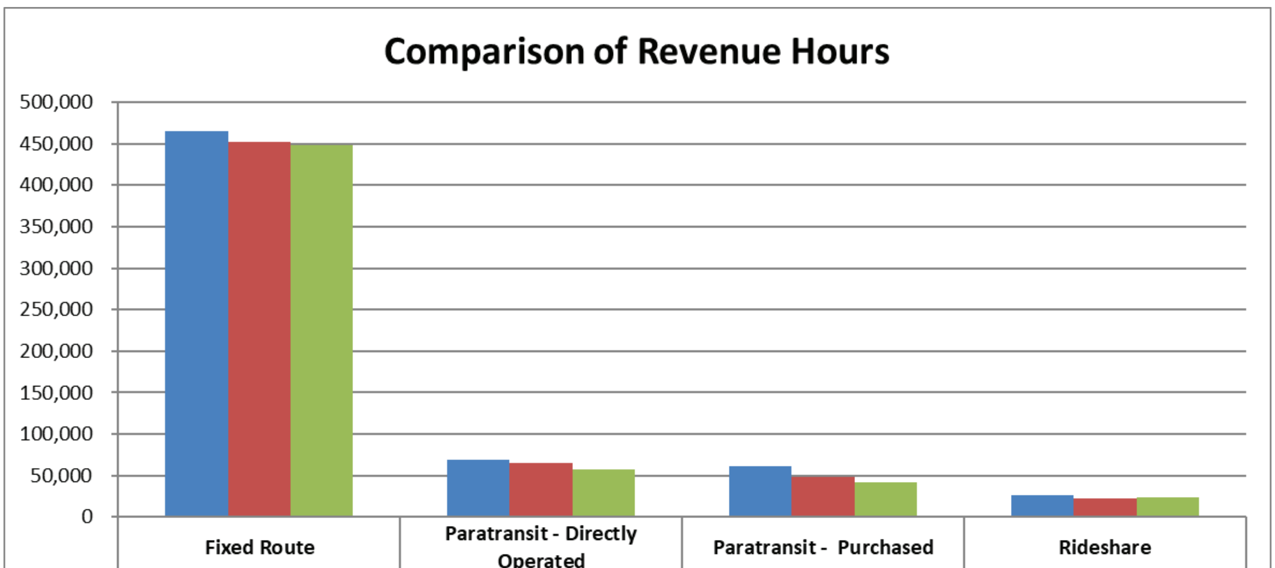
The mode describes the type of service that STA provides:

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

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

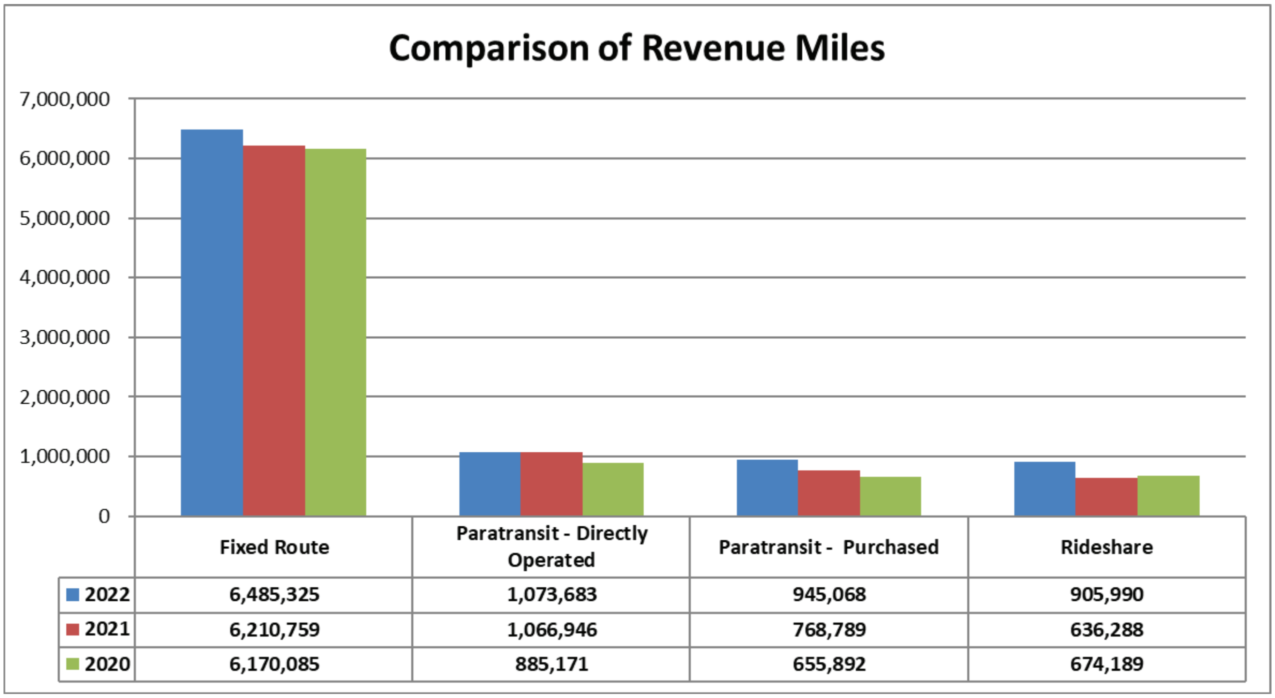
Ridershare - Rideshare is a service for prearranged groups of passengers who commute to a common destination in a van owned and maintained by STA. One of the passengers is designated as the driver and the program may receive an employer subsidy as a part of its commute trip reduction (CTR) program.

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



	Fixed Route	Paratransit - Directly Operated	Paratransit - Purchased	Rideshare
2022	465,683	68,563	60,719	25,973
2021	451,920	64,463	47,911	21,704
2020	448,142	57,729	42,276	22,979

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



	Fixed Route	Paratransit - Directly Operated	Paratransit - Purchased	Rideshare
2022	6,485,325	1,073,683	945,068	905,990
2021	6,210,759	1,066,946	768,789	636,288
2020	6,170,085	885,171	655,892	674,189

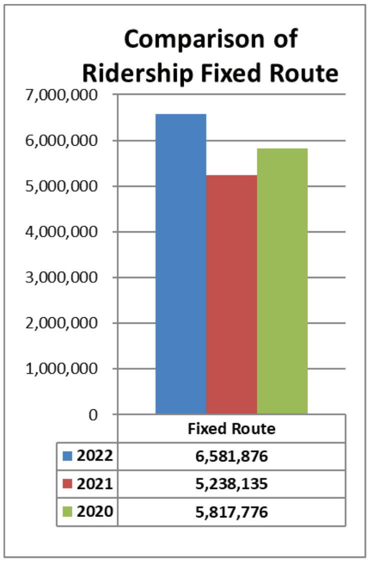
In 2017, after the approval of Proposition 1, STA began executing on its STAMF initiative. Through its more than 25 projects, STAMF maintains the existing transit system, including paratransit and rideshare services, and also improves fixed route bus service through high frequency, high performance transit service, including extended hours on all basic and frequent routes, as well as expands transit service to new areas, new routes, and expanded 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. In 2020, these increases were offset by service reductions and adjustments made as a result of the pandemic.

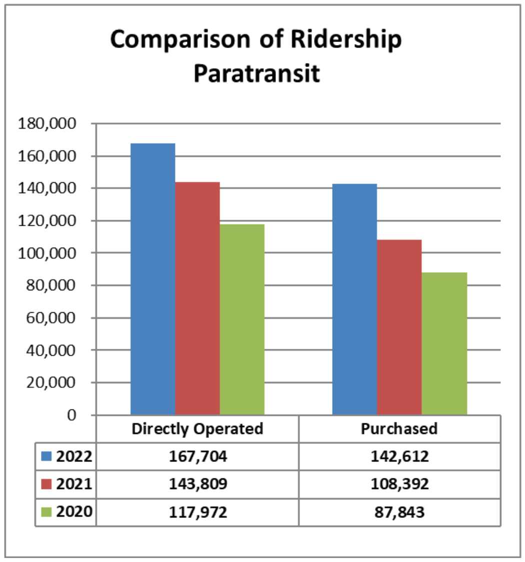
As an essential service, STA used its ARPA, CRRSAA and CARES Act funding in 2022, 2021 and 2020 to maintain its Fixed Route service at full deployment and expanding in line with STAMF projects despite reduced ridership levels precipitated by the pandemic, with a temporary service adjustment in 2020 in the first year of the pandemic when service was reduced.

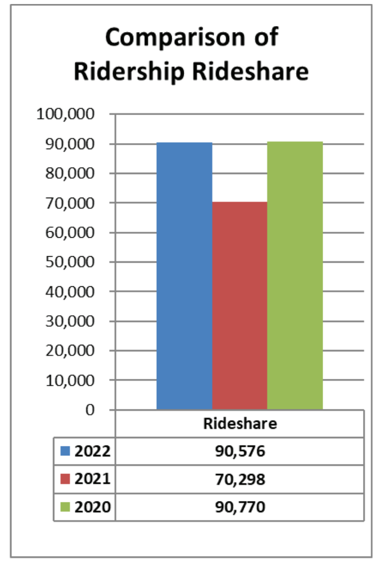
Because of its demand response nature, Paratransit revenue hours started increasing in 2021 and continued in 2022 after having decreased in 2020 compared to 2019 as more venues reopened in late 2021 and 2022, attracting riders back.

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

Most of the common operating efficiency and effectiveness measures in the transit industry have a ridership component. Ridership continued to decline in Fixed Route and the public rideshare program in 2021 due to the COVID-19 pandemic yet showed indications of recovery in 2022. Paratransit ridership continually increased in 2021 and 2022. Results for the last three years appear below:







- Fixed Route ridership increased by 25.7 percent in 2022.
- Paratransit ridership across the combined directly operated and purchased service increased by 23.0 percent in 2022.
- Rideshare ridership increased in 2022 by 28.8 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 29.0 percent due primarily to the following:
  1) a lower credit in pension costs related to GASB 68 of $3.6M in 2022 compared to the $7.6M credit in 2021,
  2) the higher cost of diesel fuel and gasoline,
  3) higher salaries and fringe benefit costs to support greater activity levels from expanded service from STAMF combined with signing bonuses for an extension of labor contracts.
  4) higher contracted transportation costs for Paratransit in line with increased passenger demand.

- Maintenance expense increased 21.9 percent primarily due to the following:
    1) a lower credit in pension costs related to GASB 68 of $0.9M in 2022 compared to the $2.1 million credit in 2021,
    2) impacts of inflation on cost of vehicle parts used in repair and maintenance of STA vehicles,
    3) higher salaries, fringe benefit and contracted maintenance costs to support higher utilization of vehicles from expanded service.
- Administration expense increased 45.8 percent primarily due to the following:
    1) a lower credit in pension costs related to GASB 68 of $0.9M in 2022 compared to the $2.0M credit in 2021,
    2) higher salaries and fringe benefits including $3.2M of retention and recruitment bonuses.

Expense By Mode & Function For Years Ended December 31, 2022, 2021 and 2020

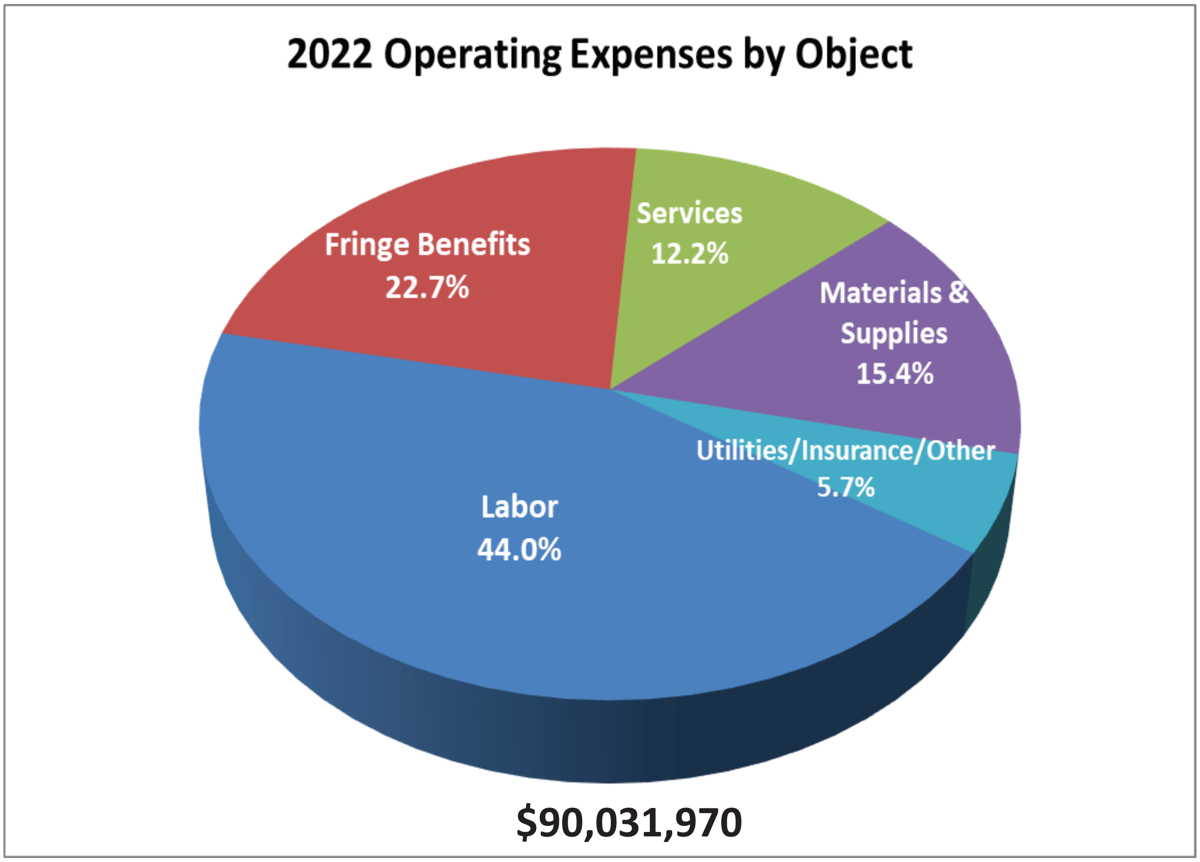
	2022	2021	Increase (Decrease)	% Change	2020
Mode & Function					
Fixed Route:					
Transportation	$40,050,665	$31,237,888	$8,812,777	28.2%	$33,107,389
Maintenance	15,351,416	12,513,054	2,838,362	22.7%	12,768,674
Administration	16,292,491	11,213,487	5,079,004	45.3%	11,980,191
Fixed Route Total	$71,694,572	$54,964,429	$16,730,143	30.4%	$57,856,254
Paratransit:					
Transportation	$12,927,241	$9,878,152	$3,049,089	30.9%	$10,227,047
Maintenance	1,508,968	1,320,656	188,312	14.3%	1,517,673
Administration	3,152,105	2,067,048	1,085,057	52.5%	2,243,779
Paratransit Total	$17,588,314	$13,265,856	$4,322,458	32.6%	$13,988,499
Rideshare:					
Transportation	$197,391	$112,124	$85,267	76.0%	$76,274
Maintenance	105,346	80,354	24,992	31.1%	79,016
Administration	446,347	360,493	85,854	23.8%	385,977
Rideshare Total	$749,084	$552,971	$196,113	35.5%	$541,267
Modes Combined Expense:					
Transportation	$53,175,297	$41,228,164	$11,947,133	29.0%	$43,410,710
Maintenance	16,965,730	13,914,064	3,051,666	21.9%	14,365,363
Administration	19,890,943	13,641,028	6,249,915	45.8%	14,609,947
Modes Combined Expense Total	$90,031,970	$68,783,256	$21,248,714	30.9%	$72,386,020
Depreciation/Amortization	13,372,276	12,718,935	653,341	5.1%	11,842,615
Total Operating Expense after Depreciation	$103,404,246	$81,502,191	$21,902,055	26.9%	$84,228,635

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

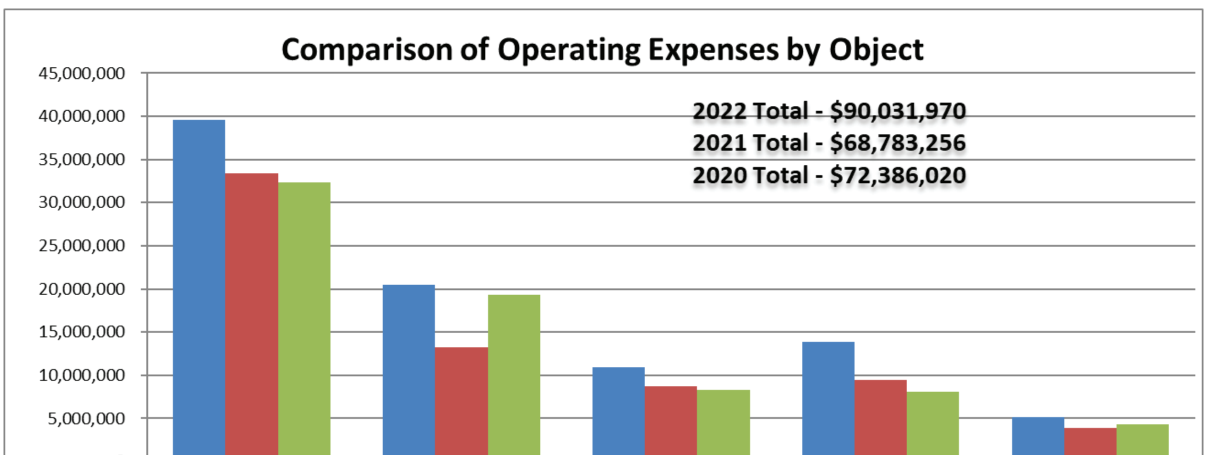
- Fixed Route costs increased 30.4 percent in 2022 over 2021 as STA increased its service levels.
- Paratransit costs increased 32.6 percent as service demand increased.
- Rideshare expenses increased 35.5 percent primarily due to increased fuel and tire expense as well as increased ridership.

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

During 2022, STA operating expenses, excluding depreciation and amortization, were $90,031,970. 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
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
2020	32,298,567	19,365,444	8,291,205	8,130,279	4,300,525

Labor expense increased by 18.4 percent in 2022. This is primarily due to the impacts of the general wage increases summarized below, Retention and Hiring Incentives, signing bonuses for union contracts, and increases in staffing to support current service levels.

	2020			2021				2022				
Effective Date	1/1	2/1	7/1	1/1	2/1	4/1	7/25	1/1	2/1	4/1	7/1	12/18
Amalgamated Transit Union Local 1015			3.00%			3.00%				2.00%		
Amalgamated Transit Union Local 1598		3.00%			2.00%				2.00%			
The American Federation of State, County, and Municipal Employees Local 3939	1.00%		2.50%	1.00%			3.75%				3.00%	
Management & Administrative employees	3.00%			2.00%				3.00%				6.00%

Fringe Benefits expense primarily includes health insurance premiums, retirement contributions, FICA/Medicare taxes and paid time off costs. The 54.6 percent increase in fringe benefits in 2022 was primarily due to the large decrease in pension expense from the GASB 68 year-end adjustment in 2021 compared to 2022 and lower pension contributions due to the Department of Retirement System rate decreases effective July 1, 2021. This was offset by increases in staffing combined with cost of benefits such as FICA/Medicare, medical/dental premiums, paid leave, state industrial and the GASB 75 other post-employment expense (OPEB).

Services expense increased by 25.2 percent in 2022 primarily due to increases in contracted transportation for Paratransit, temporary help, and contracted maintenance offset by decreases in plaza contracted equipment maintenance and security services.

Materials and Supplies expense increased by 46.8 percent in 2022. This was primarily due to higher fuel prices and consumption from higher mileage, software licensing/maintenance, and vehicle repair materials which experienced cost increases from inflation offset by decrease in computer hardware and other materials and supplies for the safety and facilities and grounds departments. The increase to other materials and supplies includes COVID-19 related for items such as masks and cleaning supplies.

Utilities, Insurance and Other expense includes costs related to utilities, liability and property insurance, taxes, leases and miscellaneous expenses. The 31.6 percent increase in 2022 is primarily attributed to increases in property insurance, utilities, and discounts and promotions.

Capital Assets

STA's capital assets as of December 31, 2022 amounted to $333,598,180 less $147,451,784 in accumulated depreciation and amortization. This includes $16,606,268 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 $40,478,640 of additions and adjustments and $544,628 of retirements and dispositions. Depreciation and amortization expense of $13,372,276 was recorded.

Major capital asset acquisitions, including work in process and accruals, during 2022 consisted of the following:

- Additions to Vehicles of ten Fixed Route diesel coaches, added features to fourteen Fixed Route electric coaches, sixteen Paratransit vans, eleven Rideshare vans, seven service vehicles, and additions to four service vehicles for a total cost of $7,690,144;
- Additions to Buildings and Improvements consisted of a cooling tower replacement, Plaza high performance transit markers, additions to non-diesel underground storage replacement, energy savings improvements, and railed fall protection installation at STA's main Boone facility and garage, additions to transit benefiting improvements, including the City Line Bus Rapid Transit infrastructure, and an addition to the high performance transit platforms at STA's Plaza transit center for a total cost of $50,836,972;
- Additions to Equipment and Furnishings include bus charging infrastructure at the Boone Northwest garage, Moran Station, and Spokane Community College; two bus shelters, computer hardware replacements, maintenance equipment replacements, as well as City Line Digital Displays, monitors, and accessories. The combined amount of these equipment purchases was $1,493,121;

- Additions to Intangibles of $650,645 include right to use leases, additional software for Trapeze Paracutter and OPS-Web, and Neighborhood Station Identifications; and
- Work in Process (including accruals) decreased $20,192,242 primarily due to the City Line project moving to Improvements.

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 $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*.

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 launch in July 2023. In 2021, due to the impacts of the pandemic on the supply chain for materials used in the City Line shelters, STA's Board made the decision to delay the launch of the City Line from its prior date of May 2022 to July 2023. The City Line will be served by modern-style electric buses estimated to provide 1 million rides per year. It will feature more frequent trips and convenient elements like pre-board ticketing, level boarding and improved stations with real-time signage, wayfinding and other amenities. Groundbreaking for the construction was in May 2020. 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.

In response to pandemic conditions which initially surfaced in 2020 and continued through 2022, STA implemented a series of operational protocols in response to the changing health situation. These protocols included increasing sanitization measures to prevent the spread of the virus, temporary suspension of fares and rear-door boarding to maximize social distancing, masking requirements for all riders and STA employees as well as installation of shields at the front of the coach to protect the health of operators. Protocols are expected to subside with the end of the emergency order both at the state and federal levels in May 2023. Any significant on-going changes to the overall public health outlook could increase operating costs and alter this expected change.

In response to the economic fallout expected from COVID-19, on March 27, 2020, the CARES Act was signed into law. The bill allocated $25 billion in funding to the transit industry with an apportionment for STA of $23,440,069. Funding was provided at a 100 percent federal share, with no local match required, and was available to reimburse operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to COVID-19. STA drew down its full apportionment of $23,440,069 during 2020 to fund the additional costs needed to implement its health protocols in response to the pandemic and to fund its operations.

With transit agencies profoundly impacted by reduced ridership and reductions in revenue sources, Congress passed two additional stimulus funding bills - CRRSAA in December 2020 and ARPA in March 2021. These two bills provide $14 billion and $30.5 billion to transit agencies, respectively, with apportionments for STA of $23,899,877 and $35,978,359. Like CARES, monies from CRRSAA and ARPA can be used for payroll and operations. STA drew down $19,959,412 of the CRRSAA funding in 2021 and the remaining $3,940,465 in 2022. STA drew down $16,018,947 of ARPA funds in 2022 and plans to use the remaining $19,959,412 in 2023 in line with operating requirements.

In late 2021, the Infrastructure Investment and Jobs Act (IIJA) was enacted which provided additional funding to transit, expanding existing formula funds for state of good repair programs. The addition provides approximately 30 percent or $1.7 million annually to STA.

In March 2022, the Washington 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 will add support to existing programs and lead to the development of new programs. STA will receive additional Special Needs Grant Program funds of $0.7M and Transit Support Grant Program funds of $2.5M in 2023 for the 2021-2023 biennium.

2022 Budgetary Analysis

The 2022 budget in the table below is the final amended budget after the Board adopted budget amendments in March 2022 and December 2022 to reflect the impact of a new retention and recruitment plan adopted by STA's Board in March, and the impact of Wage Reopener Agreements with all three unions at STA as well as wage adjustments for management and administrative staff in December.

STA's 2022 actual operating and non-operating revenues exceeded the budget by $10,706,706 or 7.4 percent. Sales tax revenue, STA's largest source of revenue, came in ahead of its budget by $7,050,062 due to stronger than expected retail sales. Federal and State grant revenue was $2,888,051 favorable to budget. This was primarily due to the receipt of higher preventive maintenance funding than anticipated from IIJA. STA's fare and other transit revenue was slightly below budget for 2022 coming in $210,514 or 2.8 percent lower. Finally investment earnings came in above budget by $928,440 from higher interest rates and higher average invested balances.

Operating expenditures also ended the year favorably compared with the 2022 budget. STA expended 94.1 percent of its operating budget, or $5,655,450 under budgeted levels. This variance occurred primarily due to a GASB 68 related pension expense credit of $5,444,556, lower than anticipated contracted maintenance and consulting fees of $1,297,120, lower salaries including paid time off of $1,298,311, and lower medical and dental premiums expense of $1,531,922. These favorable variances were offset by higher than expected computer hardware and software needs of $310,540, increased discounts and promotions primarily related to the implementation of Connect in November of $498,310, higher than expected repair and other materials expenses of $673,773, increased to contracted paratransit service due to higher service demand of $716,361, and higher than expected fuel costs of $1,871,129.

The comparison of the 2022 budget to 2022 actuals is on the following page.

	2022 Amended Budget	2022 Actual	Favorable (Unfavorable) Budget Variance $	Budget Variance %
Operating and Nonoperating Revenues				
Fares & Other Transit Revenue	$7,458,902	$7,248,388	(210,514)	-2.8%
Sales Tax	106,074,026	113,124,088	7,050,062	6.6%
Federal & State Grants	30,090,854	32,978,905	2,888,051	9.6%
Miscellaneous Revenue	1,621,150	2,600,257	979,107	60.4%
Total Revenues	$145,244,932	$155,951,638	$10,706,706	7.4%
Operating Expenses				
Fixed Route	$76,237,553	$71,694,572	$4,542,981	6.0%
Paratransit	18,653,806	17,588,314	1,065,492	5.7%
Rideshare	796,061	749,084	46,977	5.9%
Total Operating Expense	$95,687,420	$90,031,970	$5,655,450	5.9%
Revenues over Expenses	$49,557,512	$65,919,668	$16,362,156	33.0%

Economic Factors and Next Year's Budget

The 2023 budget includes the continued commitment to STAMF as well as the launch of revenue service of the City Line in July. It also includes the 2023 wage and salary impacts of the retention and recruitment plan adopted by STA's Board in March 2022, and the impact of Wage Reopener Agreements with all three unions at STA as well as wage adjustments for management and administrative staff in December 2022.

The table below is the summary of the 2023 budget adopted by the Board in December 2022.

Summary of 2023 Budget

	2023 Adopted Budget
Operating and Non-Operating Revenue	
Fares & Other Transit Revenue	$7,805,137
Sales Tax	107,001,541
Federal & State Grants	39,025,216
Miscellaneous Revenue	3,212,250
Total Revenue	$157,044,144
Operating Expenses	
Fixed Route	$91,991,444
Paratransit	20,937,963
Rideshare	893,004
Total Operating Expense	$113,822,411
Net Gain before Contributions	$43,221,733

More information about the 2023 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, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 222,224,836	$ 184,734,573
Accounts Receivable, Net of Allowance for Doubtful Accounts	401,380	388,991
Sales Tax Receivable	19,237,573	18,846,052
Due from Other Governments	6,643,772	9,260,965
Total Receivables	26,282,725	28,496,008
Maintenance Parts Inventory	2,178,045	1,755,444
Prepaid Expenses and Other Assets	525,831	227,972
Total Current Assets	251,211,437	215,213,997
Noncurrent Assets:		
Vehicles	112,238,767	104,750,752
Buildings and Improvements	149,246,916	98,409,944
Equipment and Furnishings	30,079,685	28,929,063
Intangible Property	11,189,961	10,730,899
Right-to-Use Lease Assets	705,193	513,610
Land	13,531,390	13,531,390
Work in Process	16,606,268	36,798,510
Total Capital Assets	333,598,180	293,664,168
Less Accumulated Depreciation and Amortization	(147,451,784)	(134,609,022)
Capital Assets, Net of Accumulated Depreciation and Amortization	186,146,396	159,055,146
Net Pension Asset	11,677,245	32,668,001
Total Noncurrent Assets	197,823,641	191,723,147
Total Assets	449,035,078	406,937,144
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	12,521,906	4,423,902
Deferred Outflows Related to Other Post Employment Benefits	4,914,854	5,877,412
Total Deferred Outflows of Resources	17,436,760	10,301,314
Total Assets and Deferred Outflows of Resources	**$ 466,471,838**	**$ 417,238,458**

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, 2022 and 2021
(Continued)

		2022		2021
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Expenses	$	5,248,093	$	2,509,412
Accrued Wages, Benefits, and Other Liabilities		8,149,822		7,213,100
Contracts Payable (includes retainage)		1,555,172		3,338,470
Provision for Uninsured Claims and Premiums		1,873,527		1,826,011
Current portion of Other Post-Employment Benefits Liability		136,094		148,934
Total Current Liabilities		16,962,708		15,035,927
Long-Term Liabilities:				
Right-to-Use Lease Liability		518,302		382,227
Net Pension Liability		6,703,559		3,118,446
Other Post-Employment Benefits Liability		5,589,038		7,499,982
Total Long-Term Liabilities		12,810,899		11,000,655
Total Liabilities		29,773,607		26,036,582
Deferred Inflows of Resources:				
Advance Payment of Fares		265,635		14,797
Deferred Inflows Related to Pensions		11,972,046		33,894,467
Deferred Inflows Related to Other-Post Employment Benefits		2,879,366		987,237
Total Deferred Inflows of Resources		15,117,047		34,896,501
Net Position				
Net Investment in Capital Assets		186,146,396		159,055,146
Restricted for Net Pension Asset		11,677,245		32,668,001
Restricted for Workers' Compensation		357,000		357,000
Unrestricted		223,400,543		164,225,228
Total Net Position		421,581,184		356,305,375
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$**	**466,471,838**	**$**	**417,238,458**

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, 2022 and 2021

	2022	2021
Operating Revenues:		
Passenger Fares	$ 6,914,112	$ 6,201,175
Other Transit Revenue	334,276	278,392
Total Operating Revenues	7,248,388	6,479,567
Operating Expenses:		
Transportation	53,175,297	41,228,164
Maintenance	16,965,730	13,914,064
Administration	19,890,943	13,641,028
Depreciation and Amortization	13,372,276	12,718,935
Total Operating Expenses	103,404,246	81,502,191
Operating Loss	(96,155,858)	(75,022,624)
Nonoperating Revenues (Expenses):		
Sales Tax	113,124,088	107,256,427
Interest Income	2,349,861	1,421,421
Other Nonoperating Revenues	169,336	331,891
Other Nonoperating Expenses	(104,986)	(433,748)
State and Local Grants	1,708,713	854,357
Federal Preventive Maintenance and Other Noncapital Grants	31,270,192	28,577,423
Gain/(Loss) on Sale of Capital Assets	81,060	(50,304)
Total Nonoperating Revenues (Expenses)	148,598,264	137,957,467
Net Gain Before Contributions	52,442,406	62,934,843
Capital Grants and Contributions:		
FTA Formula and Discretionary Capital Grants	12,159,213	31,283,356
State Capital Grants	674,190	3,083,927
Total Capital Grants and Contributions	12,833,403	34,367,283
Change in Net Position	65,275,809	97,302,126
Net Position - Beginning of Year, as previously reported	356,305,375	259,072,053
Prior Period Adjustment (Capital Asset Adjustment)		(78,557)
Prior Period Adjustment (GASB 87 Lease Implementation)		9,753
Net Position - Beginning of Year, as restated	356,305,375	259,003,249
Net Position - End of Year	**$ 421,581,184**	**$ 356,305,375**

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash Received from Operating Revenues	$ 7,486,837	$ 6,294,138
Cash Payments to Suppliers for Goods and Services	(29,542,775)	(22,170,671)
Cash Payments to Employees for Services	(63,471,377)	(56,899,465)
Net Cash Used in Operating Activities	(85,527,315)	(72,775,998)
Cash Flows from Noncapital Financing Activities:		
Sales Tax Receipts Collected by Other Governmental Entities	112,732,567	104,722,181
Noncapital Grants and Other Revenue	31,670,093	38,149,620
Other Nonoperating Expense	(298,500)	(1,012,136)
Net Cash Provided by Noncapital Financing Activities	144,104,160	141,859,665
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property, Plant, and Equipment	(40,461,361)	(52,448,305)
Proceeds from Disposition of Property, Plant, and Equipment	96,174	38,723
Federal Capital Grants	15,685,748	24,615,905
Other Capital Grants	1,242,996	6,964,704
Net Cash Used in Capital and Related Financing Activities	(23,436,443)	(20,828,973)
Cash Flows from Investing Activities:		
Interest Income	2,349,861	1,421,421
Net Cash Provided by Investing Activities	2,349,861	1,421,421
Net Increase in Cash and Cash Equivalents	37,490,263	49,676,115
Cash and Cash Equivalents - Beginning of Year	184,734,573	135,058,458
Cash and Cash Equivalents - End of Year	**$222,224,836**	**$ 184,734,573**

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, 2022 and 2021
(Continued)

	2022	2021
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	$ (96,155,858)	$ (75,022,624)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Noncash Adjustments:		
Depreciation and Amortization	13,372,276	12,718,935
Pension Expense	(5,444,556)	(11,687,974)
Other Post Employment Benefits	930,903	950,596
Changes in Assets - Decrease (Increase):		
Accounts Receivable	(12,389)	(193,615)
Maintenance Parts Inventory	(422,601)	(131,581)
Prepaid Expenses	(297,859)	28,861
Changes in Liabilities - Increase (Decrease):		
Accounts Payable and Accrued Expenses	1,267,757	24,822
Accrued Wages, Benefits and Other Liabilities	936,722	190,036
Advance Payment of Fares	250,838	8,186
Provision for Uninsured Claims	47,516	322,414
Contracts Payable	(64)	15,946
Net Cash Used in Operating Activities	**$ (85,527,315)**	**$ (72,775,998)**

NON-CASH TRANSACTIONS:
Non-cash investing, capital or financing activities includes capital accruals of $982,494.

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

Spokane Transit Authority
Notes to the Financial Statements
December 31, 2022 and 2021

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 board and, by Federal and State law, is a partner in the metropolitan transportation planning process. This organization is not part of STA and is excluded from the accompanying financial statements.

B. 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, 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 with the same daily and monthly capping limits. Youth 18 years and under ride free. In addition, there are reduced fares for military, honored riders, and adult students.

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

   STA receives two main sources of 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 2021 and 2022 for operating expenses as further detailed below. Sales tax accounted for 72.5 percent of total revenues while Federal grants accounted for 20.1 percent in 2022 versus 74.0 percent and 19.7 percent in 2021, 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. Funding is provided 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 $19,959,412 of the available funds for operations in 2021, with the remaining $3,940,465 drawn in 2022. 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. Funding will be provided 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 plans to draw the remaining funds 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 accrued $299,854 in 2021 and $631,465 in 2022 related to expenditures from February 27, 2020 to July 1, 2022.

   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 funding of $10,679,315 and $8,318,157 in 2022 and 2021, respectively.

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, 2022 and 2021 was $222,224,836 and $184,734,573, 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 2022 consist of $401,380 (net of allowance for doubtful accounts of $3,000) owed from private individuals or organizations for goods and services or damages. Accounts are charged to expense, if they are deemed uncollectible, based upon a periodic review of the accounts. These net receivables were lower in 2021 at $388,991, net allowance for doubtful accounts of $3,000.

The sales tax receivable amount is $19,237,573 and represents sales tax for November and December 2022 received in January and February 2023. Sales tax receivable was $18,846,052 as of December 31, 2021.

Due from other governments receivable is the amount due from federal and state governments for grants. The balance at year-end 2022 and 2021 was $6,643,772 and $9,260,965, respectively. The decrease in the balance was primarily due to the change in timing of the draw for Federal 5307 formula grant funding and 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 $2,178,045 for 2022 and $1,755,444 for 2021. This increase can be attributed to the rising cost for parts as well as an increase in the price for fuel which is an inventory item.

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 2022 amounting to $525,831 related to prepaid maintenance agreements of $334,461, prepaid rent/lease of $150,000 and $41,370 of prepaid excess workers' compensation insurance. At December 31, 2021 the prepaid expense balance was $227,972

5. Restricted Assets and Liabilities

STA has no restricted liabilities as of December 31, 2022. 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 $11,677,245 related to Net Pension Assets. Restricted assets decreased for 2022 due to the change in Net Pension Asset from $32,668,001 in 2021 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 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. 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 (See Note 9 – Leases)

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, of the FY 2022. 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. In addition, certain amounts were reclassified to conform to the current year presentation.

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 lease term using the discount rate in the lease. 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 over the contract term of the lease. Leases that do not meet these criteria are recognized as current period revenues and expenses.

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, 2022 and 2021 was $2,709,493 and $2,469,220, 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 WPSL over 40 hours not used 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, 2022 and 2021 was $2,994,427 and $2,821,642, respectively.

All unpaid but earned wages and related fringe benefits as of December 31, 2022 and 2021 are included in accrued Wages, Benefits, and Other Liabilities.

Total Wages, Benefits, and Other Liabilities, which include compensated absences, were $8,149,822 and $7,213,100 for 2022 and 2021, respectively.

9. Long-Term Liabilities

Net pension liability of $6,703,559 for 2022 and $3,118,446 for 2021 is further described below in Item 11 and in Note 6: Retirement Plans. Net Other Post-Employment Benefits Liability, including the current portion, of $5,725,132 and $7,648,916 for 2022 and 2021 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 at the end of the year. The balance represents payments received, but not yet activated and/or used for fares. The advance payment for 2022 and 2021 was $265,635 and $14,797, respectively. The increase is due to the change in the fare collection system that was 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 differences 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.

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 an increase to the operating budget of $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 to in order to ensure appropriate compensation of 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, 2022, STA's cash and cash equivalents in the SCIP were $222,224,836. This increased over the amount reported at December 31, 2021 of $184,734,573 as detailed in the Statement of Cash Flows.

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2022 and 2021 was as follows:

	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 (includes Right-to-Use)	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**

	Beginning Balance 1/1/2021	Additions/ Adjustments	Retirements	Ending Balance 12/31/2021
Capital Assets, Not Being Depreciated:				
Land	$13,531,390	$ -	$ -	$13,531,390
Work in Process	26,278,203	10,520,307	-	36,798,510
Subtotal	39,809,593	10,520,307	-	50,329,900
Capital Assets Being Depreciated or Amortized:				
Vehicles	82,348,285	25,766,086	(3,363,619)	104,750,752
Buildings and Improvements	92,793,888	5,616,056		98,409,944
Equipment and Furnishings	22,298,681	9,173,744	(2,543,362)	28,929,063
Intangible Property	10,029,332	729,391	(27,824)	10,730,899
Right-to-Use Lease Asset	-	513,610	-	513,610
Subtotal	207,470,186	41,798,887	(5,934,805)	243,334,268
Less Accumulated Depreciation and Amortization For:				
Vehicles	61,356,138	5,631,876	(3,341,792)	63,646,222
Buildings and Improvements	44,618,604	4,110,613	-	48,729,216
Equipment and Furnishings	14,686,906	2,102,662	(2,476,161)	14,313,408
Intangible Property (includes Right-to-Use)	7,015,734	932,266	(27,824)	7,920,176
Subtotal	127,677,382	12,777,417	(5,845,777)	134,609,022
Total Capital Assets, Net of Accumulated Depreciation and Amortization	**$119,602,397**	**$39,541,777**	**($89,028)**	**$159,055,146**

Construction and Other Commitments

STA has active construction projects as of December 31, 2022. The projects and commitments with contractors are as follows:

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**

The projects and commitments with contractors as of year-end 2021 were:

Project	Spent to Date	Remaining Commitment
City Line Core Construction	$11,368,783	$4,621,217
Non-Diesel Fuel Tank replacement	436,260	1,168,992
Battery Electric Bus Charging Infrastructure	6,079,161	993,358
City Line-Riverside Station Construction	345,012	867,360
City Line-Wall Street Reconstruction	1,846,226	473,228
Cheney Line-Eagle Station	559,904	271,066
Plaza-Cooling Towers and Boiler Replacement	104,124	249,987
Four Lakes Station	748,619	153,308
West Plains Transit Center Interchange Access	1,168,412	81,588
Boone Fall Protection	55,560	2,924
Total	**$22,712,061**	**$8,883,028**

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, 2022 and 2021.

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 2022 and 2021:

Aggregate OPEB Amounts		
	2022	**2021**
OPEB liability	$ 5,725,132	$ 7,648,916
Deferred outflows of resources	$ 4,914,854	$ 5,877,412
Deferred inflows of resources	$ 2,879,366	$ 987,237
OPEB expenses/expenditures	$ 1,066,999	$ 1,086,130

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 2021 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. The valuation done for 2021 does include retirees and spouses over age 65 for those retirees on Premera. These were excluded in 2020.

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, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	125	125
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	612	612
Total	737	737

STA's total OPEB liability of $5,725,132 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2021.

Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 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	4.18%
Healthcare Cost Trend Rates:	
2022 Trend (Premera/Kaiser/CDHP)	10.5%/6.7%/0.6%
2023 Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.00%
Year Ultimate Trend is Reached	2030
Salary Increases	2.00%

The discount rate was based on the average December 31, 2022 Fidelity General Obligation AA 20-Year Yield and the December 31, 2022 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

- Increased the discount rate from 2.05% to 4.18%
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.

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	$4,812,805	$5,725,132	$6,909,127

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 (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB Liability	$6,761,799	$5,725,132	$4,899,235

Changes in the Total OPEB Liability

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/inputs	(2,386,308)
Benefit payments	(136,094)
Change in Actuarial Cost Method	-
Total OPEB Liability at December 31, 2022	$5,725,132

Spokane Transit	
Total OPEB Liability at January 1, 2021	$2,966,269
Service cost	221,815
Interest	66,151
Changes of benefit terms	-
Differences between expected and actual experience	(1,131,451)
Changes of assumptions	5,661,667
Benefit payments	(135,535)
Change in Actuarial Cost Method	-
Total OPEB Liability at December 31, 2021	$7,648,916

At December 31, 2022 and 2021, STA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 716,440	$ 819,298
Changes of assumptions	4,198,413	2,060,068
Payments subsequent to the measurement date	-	-
TOTAL	$4,914,854	$2,879,366

December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 842,109	$969,815
Changes of assumptions	5,035,303	17,422
Payments subsequent to the measurement date	-	-
TOTAL	$5,877,412	$987,237

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
2023	$455,410
2024	$455,410
2025	$455,410
2026	$455,410
2027	$455,410
Thereafter	$(241,561)

Note 6: Retirement Plans

Public Employees' Retirement System – Defined Benefit Plan

The following table represents the aggregate pension amounts for all plans for the years 2022 and 2021:

Aggregate Pension Amounts – All Plans		
	2022	**2021**
Pension liabilities	$ 6,703,559	$ 3,118,446
Pension assets	$ 11,677,245	$ 32,668,001
Deferred outflows of resources	$ 12,521,906	$ 4,423,902
Deferred inflows of resources	$ 11,972,046	$ 33,894,467
Pension expense/expenditures	$ 1,051,022	$ 7,275,554

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 obtained by writing to:

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

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

Public Employees' Retirement System (PERS)

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

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

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

<u>Contributions (PERS 1)</u>

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council (PFC) adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL*	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL*	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**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 average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

Contributions (PERS 2/3)

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

STA's actual PERS plan 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. Contributions were $1,655,596 to PERS Plan 1 and $2,756,825 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. 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 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, 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 promotions and longevity.

- **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, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC. The investment return assumption was reduced from 7.5 percent to 7.0 percent, and the salary growth assumption was lowered from 3.5 percent to 3.25 percent. This action is a result of recommendations from OSA's biennial economic experience study.

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, 2022. 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 2022 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	$ 8,955,862	$ 6,703,559	$ 4,737,826
PERS 2/3	$ 13,751,485	$ (11,677,245)	$(32,568,554)

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, 2022, STA reported a total pension asset of $4,973,686 for its proportionate share of the net pension liabilities (assets). The proportionate share for 2021 was an asset of $29,549,555. The breakdown of these liabilities (assets) are as follows:

Liability (or Asset)		
	2022	2021
PERS 1	$ 6,703,559	$ 3,118,446
PERS 2/3	$ (11,677,245)	$ (32,668,001)
TOTAL LIABILITY (ASSET)	$ (4,973,686)	$ (29,549,555)

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

	Proportionate Share June 30, 2021	Proportionate Share June 30, 2022	Change in Proportion
PERS 1	0.255352 %	0.240757 %	(0.014595) %
PERS 2/3	0.327939 %	0.314854 %	(0.013085) %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1 (Law Enforcement Officers' and Fire Fighters').

Pension Expense

For the years ended December 31, 2022 and 2021, STA's recognized pension expense is as follows:

	Pension Expense (Credit)	
	2022	2021
PERS 1	$(2,711,168)	$ (80,627)
PERS 2/3	$ 3,762,190	$ 7,356,181
TOTAL	$ 1,051,022	$ 7,275,554

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022 and 2021, STA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

2021 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	-	3,460,431
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	731,318	-
TOTAL	$ 731,318	$3,460,431

2021 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,586,638	$ 400,478
Net difference between projected and actual investment earnings on pension plan investments	-	27,302,786
Changes of assumptions	47,738	2,319,969
Changes in proportion and differences between contributions and proportionate share of contributions	804,522	410,803
Contributions subsequent to the measurement date	1,253,686	-
TOTAL	$ 3,692,584	$ 30,434,036

2021 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,586,638	$ 400,478
Net difference between projected and actual investment earnings on pension plan investments	-	30,763,217
Changes of assumptions	47,738	2,319,969
Changes in proportion and differences between contributions and proportionate share of contributions	804,522	410,803
Contributions subsequent to the measurement date	1,985,004	-
TOTAL	$ 4,423,902	$ 33,894,467

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
2023	$ 470,142	$ 2,582,611	$ 3,052,753
2024	427,011	2,210,344	2,637,355
2025	535,672	2,800,465	3,336,137
2026	(321,848)	(4,032,303)	(4,354,151)
2027		(1,457,309)	(1,457,309)
Thereafter		(1,391,061)	(1,391,061)

Defined Contribution Plan

Prior to becoming a member of PERS, STA's primary retirement plans were defined contribution plans. The plans are established pursuant to Internal Revenue Code Section 401(a), in a money purchase format. 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 are established by the individual plan adoption agreements and, where applicable, the related collective bargaining agreement or contract. Employer and employee contributions were determined based upon a percentage of base pay, subject to certain defined wage limits. The employee contributions through October 2, 2010 ranged from 0 percent to 6.5 percent and the employer contribution ranged from 9 percent to 25 percent. The Chief Executive Officer's (CEO) contract provided for an employer contribution of 16 percent from October 3, 2010 to December 31, 2010, 18 percent for 2011 and 22 percent for 2012 through 2022. 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 $195,664 in 2022 and $188,250 in 2021. During the years ended December 31, 2022 and 2021, STA contributed a total of $42,416 and $41,230 respectively, to the Section 401(a) defined contribution plans. These amounts were recognized as a fringe benefit by STA in 2022. There was no outstanding liability as of December 31, 2022.

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 3 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 are therefore not subject to claims by the employer's creditors. While STA has no liability for investment losses under the plan, it performs the fiduciary duty of continual evaluation of investment options for plan participants. Total assets, which equal the total trustees' liability under this plan at December 31, 2022 and 2021, were $14,917,622 and $18,193,832 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 six-month's notice. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

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

WSTIP utilizes a combination of self-insurance, reinsurance and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance America, Lloyds of London, 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 exceeded its current coverage limits through WSTIP.

WSTIP provided the following coverage for 2022 which was generally consistent with 2021 coverage.

General/ Auto Liability	$25,000,000 per occurrence with $0 deductible
Communicable Disease Liability	$500,000 per occurrence with $0 deductible
Public Officials Liability	$25,000,000 per claim/aggregate with $5,000 deductible
Property Insurance	$500,000,000 per occurrence with $25,000 deductible
Auto Physical Damage:	
Vehicles with value less than $250,000	Fair Market Value with $25,000 deductible
Vehicles 2012 or later and value over $250,000	Replacement Cost limited to $1,500,000 with $25,000 deductible
Crime/Public Employee Dishonesty/Faithful Perf.	$2,000,000 per claim with $10,000 deductible
Boiler and Machinery	$100,000,000 with $250,000 or $350,000 deductible
Cyber Liability	$2,000,000 annual aggregate with $5,000 deductible
Pollution Liability	$5,000,000 per claim/aggregate with $100,000 deductible

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

B. Workers' Compensation Insurance

STA reported a liability on December 31, 2022 and 2021, of $1,717,612 and $1,670,096, 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 $500,000.

Note 9: Leases

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.

The tables below summarized of the lease assets and the related accumulated amortization:

	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**

	Beginning Balance 1/1/2021	**Increase s**	**Decreases**	**Ending Balance 12/31/2021**
Leased Lands	$397,841	$ -	$ -	$397,841
Leased Buildings	115,769	-	-	115,769
Total Right-to-Use Lease Assets	**513,610**	**-**	**-**	**513,610**
Accumulated Amort. - Lease Land	19,892	19,892	-	39,784
Accumulated Amort. - Lease Buildings	38,590	38,590	-	77,180
Total Amortization	**$58,482**	**$58,482**	**$ -**	**$116,964**

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

Year ended December 31	**Principal**	**Interest**	**Total**
2023	$ 56,322	$19,946	$ 76,268
2024	57,689	20,073	77,762
2025	59,089	17,592	76,681
2026	60,525	17,741	78,266
2027	44,359	11,787	56,146
2028-2032	104,370	14,940	119,310
2033-2037	112,436	6,874	119,310
2038-2039	23,512	353	23,865
Total	**$518,302**	**$109,306**	**$627,608**

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 $11,677,245 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.

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 2022, the total cash reserves were a $50,160,113. This included $4,950,000 Right of Way acquisition, $25,000,000 real estate acquisition, $5,500,000 for catastrophic self-insurance exposure protection, $14,353,113 for operating expense reserves, and $357,000 for self-insurance reserves for workers' compensation (Note 10). The reserve was $23,141,454 in 2021. The difference from 2021 to 2022 is in the operating reserve which was $12,334,454 in 2021 and the $25,000,000 real estate acquisition reserve added 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 2022 and 2021 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 early implemented GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

Prior Period Adjustments

In 2021, during STA's review of work in process it was determined that $78,557 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 $9,753 related to the implementation of GASB 87, Leases. There were no such adjustments in 2022.

Accounting Pronouncements

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

GASB Statement No. 92 - In January 2020, GASB issued Statement No. 92*, Omnibus 2020*. The objective of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, inter-entity transfers of assets, post-employment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements were deferred to be effective for fiscal years beginning after June 15, 2021, except for the Statement 87 and Implementation guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. This statement does not impact STA.

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

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

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

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 will evaluate the impact of the portions of this Statement effective in 2023 and beyond.

GASB Statements No. 100 – *Accounting Changes and Error Corrections* and No. 101 – *Compensated Absences* were issued June 2022. STA will evaluate the impacts of these Statements and implement as needed in the fiscal year beginning after June 15, 2023.

Note 15: COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus were in effect through most of the financial periods contained in this report. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. Many of the COVID-19 emergency orders were lifted throughout 2022 with the remaining orders lifted October 31, 2022. It is expected that the U.S. public health emergency declaration will end May 11, 2023.

STA operated at normal service levels during 2021 and 2022 funded by better than expected voter-approved sales tax collections. While unlikely, future potential residual impacts from the pandemic are unknown and may necessitate service reductions and other actions required to maintain the health and safety of STA employees and the community. Changes to the operating environment, if required, are expected to increase operating costs.

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

		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	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	$	6,703,558	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	$	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	%	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	%	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,

		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	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)	$	(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	$	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	%	-29.36%	-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)	%	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,

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	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	$	(1,631,600)	(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	$	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	%	3.76%	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,

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	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	$	(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	$	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%	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

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 7,648,916	$ 2,966,269	$ 1,893,692	$ 1,786,073	$ 1,327,804
Changes for the Year					
Service cost	447,018	221,815	217,466	171,746	91,402
Interest	164,572	66,151	58,381	47,063	58,224
Changes in benefit terms	0	0	0	0	0
Differences between expected and actual experience	(12,972)	(1,131,451)	834,400	0	321,393
Changes of assumptions	(2,386,308)	5,661,667	89,126	(25,705)	185,464
Benefit payments	(136,094)	(135,535)	(126,796)	(85,485)	(67,875)
Change in Actuarial Cost Method	0	0	0	0	(130,339)
Total OPEB liability - ending	$ 5,725,132	$ 7,648,916	$ 2,966,269	$ 1,893,692	$ 1,786,073
Covered-employee payroll	$ 45,482,154	$ 39,206,523	$ 38,893,413	$ 35,421,230	$ 32,680,465
Total OPEB liability as a % of covered payroll	12.59%	19.51%	7.63%	5.35%	5.47%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Changes of Benefit Terms: None
Changes of Assumptions for 2022: The following assumptions have been revised: discount rate and healthcare cost trend.

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%

SPOKANE TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

1	2	3	4	5				6
Federal Agency / Pass-Through Agency	**Federal Program**	**CFDA Number**	**Other Award Number**	**Expenditures**				**Note**
				From Pass-Through Awards	**From Direct Awards**	**Total**	**Passed through to Subrecipients**	
Federal Transit Cluster								
Department of Transportation, Federal Transit Administration	COVID-19 Federal Transit Capital Investment Grant (ARPA)	20.500			$3,876,848	$3,876,848		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Capital Investment Grant	20.500			$7,434,357	$7,434,357		1,2,3
Subtotal Federal Transit Cluster CFDA 20.500:				**$0**	**$11,311,205**	**$11,311,205**		
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507			$5,790	$5,790		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507			$115,274	$115,274		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507			$156,494	$156,494		1,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507			$301,428	$301,428		1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Federal Transit Formula Grant (CRRSAA)	20.507			$3,940,465	$3,940,465		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507			$10,679,315	$10,679,315		1,2, 3,4
Department of Transportation, Federal Transit Administration	COVID-19 Federal Transit Formula Grant (ARPA)	20.507			$16,018,947	$16,018,947		1,2,3
Subtotal Federal Transit Cluster CFDA # 20.507:				**$0**	**$31,217,713**	**$31,217,713**		
TOTAL FEDERAL TRANSIT CLUSTER					**$42,528,918**	**$42,528,918**		

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, 2022

1	2	3	4	5			6	7
Federal Agency (Pass-Through Agency)	**Federal Program**	**CFDA Number**	**Other Award Number**	**Expenditures**			**Passed through to Subrecipients**	**Note**
				From Pass-Through Awards	**From Direct Awards**	**Total**		
Transit Services Programs Cluster								
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513			$39,940	$39,940	$39,940	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSAA)	20.513			$60,536	$60,536	$60,536	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513			$129,848	$129,848	$123,972	1,2,3
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			$139,534	$139,534	$25,072	1,2,3
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			$209,459	$209,459	$60,775	1,2,3
Total Transit Services Programs Cluster:				**$0**	**$579,317**	**$579,317**	**$310,295**	

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, 2022

1	2	3	4	5			6	7
Federal Agency (Pass-Through Agency)	**Federal Program**	**CFDA Number**	**Other Award Number**	**Expenditures**			**Passed through to Subrecipients**	**Note**
				From Pass-Through Awards	**From Direct Awards**	**Total**		
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)	$339,783		$339,783		1,2,3
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-00519 (710)	$146,936		$146,936		1,2,3
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-00785 (984)	$144,746		$144,746		1,2,3
Total Department of Homeland Security-FEMA:				**$631,465**		**$631,465**		
TOTAL FEDERAL AWARDS EXPENDED:				**$631,465**	**$43,108,235**	**$43,739,700**	**$310,295**	

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

Note 1 - Basis of Accounting

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

Note 2 – Indirect Cost Rate

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

Note 3 - Program Costs

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

Note 4 - Preventive Maintenance

The amount reported for this award includes eligible expenditures made in 2022. 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 2022 apportionment on September 20, 2022.

Note 5 – FEMA Disaster Assistance

The amount reported for the FEMA disaster awards include eligible expenditures for years 2020, 2021, and 2022. Project PA-10-WA-4481-PW-00485 for $339,783 covers expenditures incurred from 8/24/2020-7/12/2021. The amounts incurred were $137,487 in 2020 and $202,296 in 2021. Project PA-10-WA-4481-PW-00519 for $146,936 covers expenditures incurred from 5/24/2021-12/30/2021 so all expenses were incurred in 2021. Project PA-10-WA-4481-PW-00785 for $144,746 for $144,746 covers expenditures incurred from 1/1/2022-7/1/2022 so all expenses were incurred in 2022.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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