Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Snohomish County Public Transportation Benefit Area

(Community Transit)

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

Published September 19, 2024

Report No. 1035544

Office of the Washington State Auditor
Pat McCarthy

September 19, 2024

Board of Directors
Community Transit
Everett, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Community Transit
January 1, 2023 through December 31, 2023

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The results of our audit of Community Transit 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 Transit.

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 Transit's compliance with requirements applicable to each of its major federal programs.

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

Identification of Major Federal Programs

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

ALN	Program or Cluster Title
20.500	Federal Transit Cluster - Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.507	COVID-19 - Federal Transit Cluster - Federal Transit Formula Grants
20.525	Federal Transit Cluster - State of Good Repair Grants Program
20.526	Federal Transit Cluster - Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,721,673.

The Transit 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*

Community Transit
January 1, 2023 through December 31, 2023

Board of Directors
Community Transit
Everett, 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 Community Transit, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated June 27, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Transit'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 Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit'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 Transit'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 Transit'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 Transit'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 Transit'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

June 27, 2024, except as to the Schedule of Expenditures of Federal Awards, for which the date is September 13, 2024

INDEPENDENT AUDITOR'S REPORT

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

Community Transit
January 1, 2023 through December 31, 2023

Board of Directors
Community Transit
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Community Transit, 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 Transit's major federal programs for the year ended December 31, 2023. The Transit'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 Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Transit 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 Transit'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 Transit'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 Transit'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 Transit'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 Transit'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 Transit'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 Transit's internal control over compliance. Accordingly, no such opinion is expressed; and

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy, State Auditor

Olympia, WA

September 13, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Community Transit
January 1, 2023 through December 31, 2023

Board of Directors
Community Transit
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Community Transit, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Transit'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 Community Transit, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Transit 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.

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 Transit'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 Transit'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 Transit'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 Transit'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 June 27, 2024 on our consideration of the Transit'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 Transit'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 Transit's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 27, 2024, except as to the Schedule of Expenditures of Federal Awards, for which the date is September 13, 2024

FINANCIAL SECTION

Community Transit
January 1, 2023 through December 31, 2023

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Management's Discussion and Analysis

This section of Community Transit's Annual Comprehensive Financial Report (ACFR) represents management's overview and analysis of Community Transit's financial performance for the fiscal year ended December 31, 2023. This section should be read in conjunction with the financial statements that follow.

Introduction

Community Transit is a public transportation benefit area corporation providing public transportation services to the Snohomish County community. Services include:

- Local and intercounty bus services.
- Paratransit services for the elderly and disabled.
- A vanpool program and Ridematch services.
- Regional express bus services funded through Sound Transit.

Financial Summary

- As of December 31, 2023, Community Transit's net position totaled $862.2 million. Of this amount, $504.2 million is available to meet our primary goal of providing service to the public and to be invested in future capital improvements as discussed in Community Transit's six-year plan.
- Community Transit's total net position increased by $128.5 million.
- Capital grants and contributions amounted to $43.2 million.
- Community Transit's primary source of funding is from local sales taxes. In 2023, sales tax revenue increased by $0.8 million.

Overview of the Financial Statements

This discussion and analysis section serves as an introduction to Community Transit's basic financial statements. Community Transit is a stand-alone enterprise fund, and our financial statements report information using the accrual basis of accounting, a method similar to those used by private-sector businesses. Under this method, revenues are recorded when earned, and expenses are recorded as soon as they result in liabilities for benefits received.

The Statement of Net Position presents information about all of Community Transit's assets, liabilities, deferred inflows of resources, and deferred outflows of resources. The difference is reported as net position. When net position is compared for several years, increases and decreases may serve as useful indicators of whether Community Transit's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how Community Transit's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents information on Community Transit's cash receipts, cash payments, and changes in cash and cash equivalents during the fiscal year.

The basic financial statements can be found following this Management Discussion and Analysis. The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. *Notes to the Financial Statements* can be found following the basic financial statements.

Community Transit's Financial Position

Community Transit's overall financial position improved in 2023. The improvement was mainly due to an increase of $26.5 million in investment income, along with a increase of $31.4 million in FTA capital grants. Net investment in capital assets increased by $34.9 million, restricted net position increased by $6.8 million, and unrestricted net position increased by $86.7 million. This resulted in an increase in total net position of $128.5 million.

Current assets net of current liabilities amounted to $335.0 million for the year ended December 31, 2023, as compared to $261.9 million for 2022.

Sales tax revenues increased by 0.4 percent for 2023 as compared to 2022. In 2023, sales tax was flat as compared to 2022 due to the consistency of inflation and interest rates on the consumer.

Cash reserves available to meet current and future obligations increased to $264.4 million in 2023 from $225.4 million in 2022. As of December 31, 2023, Community Transit had $5.4 million in long-term public financing debt, of which $1.3 million was due within one year.

Financial Analysis

For the year ended December 31, 2023, Community Transit's net position totaled $862.2 million. A summary of Community Transit's net position follows.

Summary Statement of Net Position

		2023		2022
Assets:				
Current and Other Noncurrent Assets	$	578,149,556	$	495,337,196
Capital Assets		335,261,541		301,638,483
Total Assets		**913,411,097**		**796,975,679**
Deferred Outflows of Resources:		**21,491,710**		**24,673,407**
Liabilities:				
Current and Other Liabilities		27,608,090		31,565,833
Noncurrent Liabilities		27,859,028		35,217,676
Total Liabilities		**55,467,118**		**66,783,509**
Deferred Inflows of Resources:		**17,275,900**		**21,190,161**
Net Position:				
Net investment in capital assets		329,963,067		295,035,838
Restricted		28,040,494		21,226,050
Unrestricted		504,156,228		417,413,528
Total Net Position	**$**	**862,159,789**	**$**	**733,675,416**

Community Transit's improved net position was due mostly to an increase of $26.5 million in investment income, along with an increase of $31.4 million in FTA capital grants. Public transportation is a capital-intensive enterprise. Consequently, 38.3 percent of Community Transit's net position was invested in capital assets in 2023, as compared to 40.2 percent in 2022. Because these capital assets are used to provide services to citizens, they are not available for future spending.

There were 3.3 percent in external restrictions on assets affecting net position in 2023 as compared to 2.9 percent for 2022. Additional information regarding net position can be obtained from Note 7 in the *Notes to the Financial Statements* section. Community Transit's Board of Directors designated 39.6 percent of total net position for vehicle replacements and other capital improvements in 2023 compared to 36.9 percent in 2022. An additional $4.6 million was designated for workers' compensation in 2023; correspondingly, $4.5 million was designated in 2022. The remaining $158.5 million in 2023 is available to support our public obligation for future transit operations as compared to $142.2 million in 2022.

Deferred outflows of resources decreased by $3.2 million from 2022 to 2023, while deferred inflows of resources decreased by $3.9 million. The decrease is primarily due to the net difference between projected and actual earnings on pension plan investments.

Community Transit's net position increased by $128.5 million during the current fiscal year. Key elements of this increase follow.

Summary Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022
Operating Revenues:		
Passenger Fares	$ 9,549,722	$ 8,918,811
Regional Transit Service	20,957,108	19,848,650
Advertising	445,870	446,225
Nonoperating Revenues:		
Subsidies	254,906,937	247,066,673
Investment Income (Loss)	20,228,288	(6,248,384)
Other Revenues	416,058	268,466
Total Revenues	**306,503,983**	**270,300,441**
Expenses:		
Operations and Maintenance	99,060,121	94,711,429
General and Administrative	51,476,095	44,594,549
Contracted Transportation	30,061,640	27,257,139
Depreciation and Amortization	29,975,621	27,478,333
Nonoperating Expenses	5,727,269	5,377,945
Total Expenses	**216,300,746**	**199,419,395**
Net Income (Loss) Before Contributions and Special Item	**90,203,237**	**70,881,046**
Capital Grants and Contributions	43,196,682	9,972,854
Special Item: Assets Transferred to Other Agencies	-	(11,380,636)
Total Change in Net Position	**133,399,919**	**69,473,264**
Net Position—Beginning of Year	**733,675,416**	**664,209,400**
Prior Period Adjustments	(4,915,546)	(7,248)
Net Position—Beginning of Year Restated	**728,759,870**	**664,202,152**
Net Position—End of Year	**$ 862,159,789**	**$ 733,675,416**

Revenues

During 2023, revenues increased by $36.2 million, or 13.4 percent when compared to 2022. The major components of the overall increase in revenues were investment income and state operating grants.

Passenger fares increased by 7.1 percent in 2023 when compared to 2022. Regional transit service increased by 5.6 percent when compared to 2022. Both benefited by an increase in ridership as we continue to emerge from the restrictions of the pandemic. Advertising decreased by 0.1 percent while other revenue increased by 55.2 percent when compared to 2022.

Sales tax revenues increased by less than 1 percent in 2023, resulting in an additional $0.8 million in sales tax revenue. Sales tax continues to be the largest source of revenue for the agency.

Operating grants increased 14.3 percent in 2023 when compared to 2022. This increase resulted in an additional $6.8 million in grant funding in 2023.

Investment income increased by $26.5 million, or 423.7 percent in 2023 as compared to 2021. Investment income increase was due to higher interest rates and more favorable fair value adjustments on various investments that included U.S. treasury obligations, federal agency securities and municipal bonds.

Expenses

During 2023, total expenses increased by $16.9 million, or 8.5 percent. The increase is primarily due to the following reasons:

Community Transit salary and benefits increased by $8.3 million, or 8.8 percent. The increase was due to a 15.7 percent increase in FTE's and overall salary and benefits.

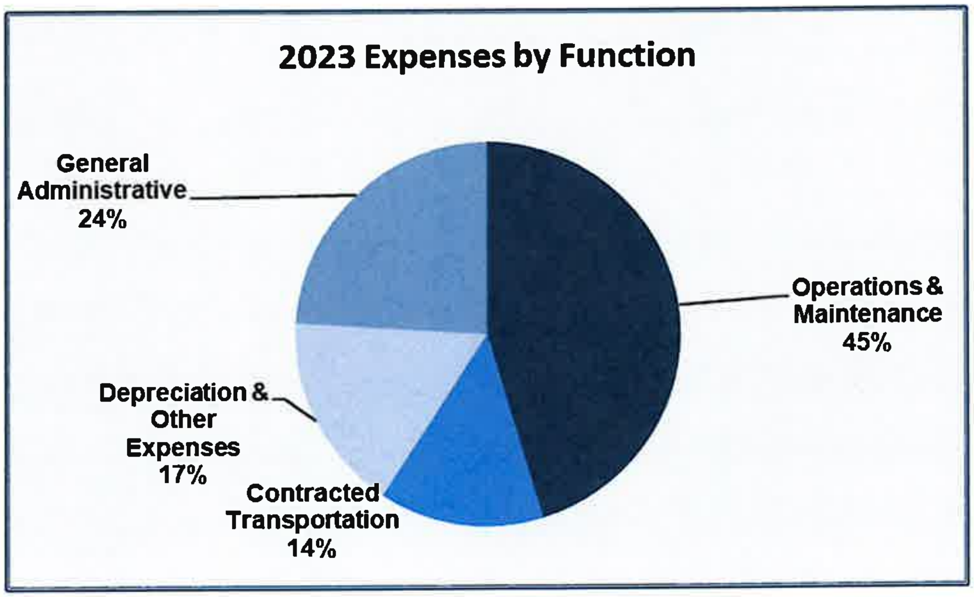
Paratransit costs increased by $0.9 million, or 13.0 percent. Ridership increased by 15.9 percent when compared to 2022.

Other services costs increased by $2.1 million, or 15.7 percent. The largest increases were software leases at 40.3 percent, advertising at 20.3 percent and professional services at 8.4 percent.

Prior Period Adjustment

Adjustments were made to Work in Progress, Vehicles/Machinery/Equipment and Accumulated Depreciation as a result of a year-long strategy to align the asset management system and the general ledger.

This chart summarizes expenses by major function.



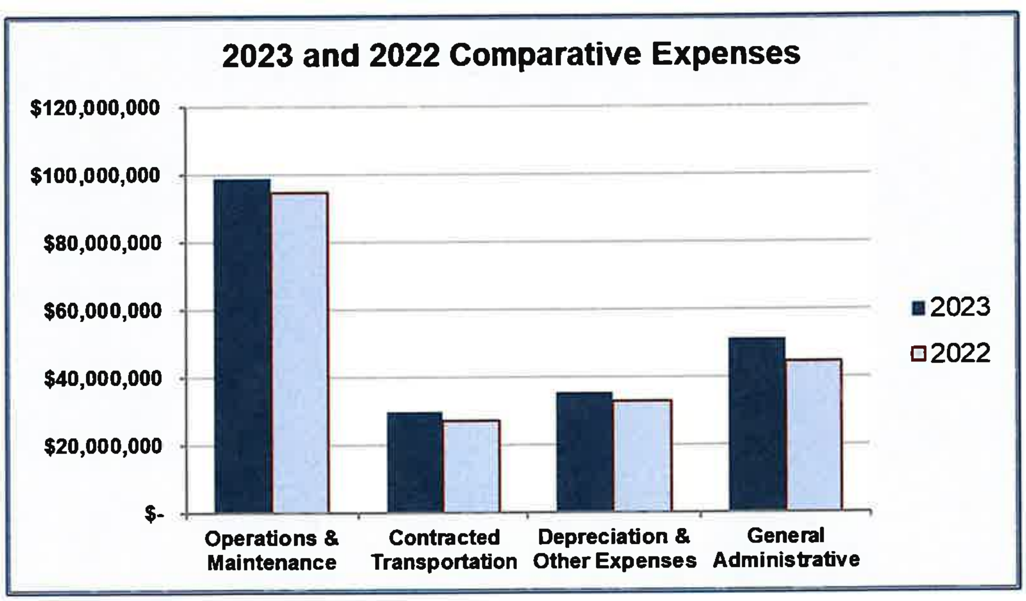
Operations and maintenance expenses in 2023 increased by $4.3 million, or 4.6 percent.

General and administrative expenses increased by $6.9 million, or 15.4 percent.

Contracted transportation expenses increased by $2.8 million, or 10.3 percent.

Depreciation and other nonoperating expenses increased $2.8 million, or 8.7 percent.

This chart compares expenses by function for 2023 and 2022.



Capital Asset

Capital assets include revenue vehicles, support vehicles, land and buildings, equipment, and passenger facilities.

As of December 31, 2023, Community Transit's investment in capital assets amounted to $335.3 million, net of accumulated depreciation. Capital assets increased by 11.1 percent during 2023.

Major capital projects during 2023 included:

- Facility renovations (phases 1-6) in the amount of $27.6 million.
- *Swift* Orange Line corridor & terminal in the amount of $22.7 million.
- Revenue vehicles in the amount of $21.0 million.
- *Swift* Orange Line technology systems in the amount of $4.2 million.

For additional information on Community Transit's capital assets, please see Note 4 in the *Notes to the Financial Statements* section.

Debt Administration

Limited sales tax general-obligation (LSTGO) bonds were issued on June 20, 2017 for the purchase of capital assets. The bonds par value was $10,990,000 with an additional $2,130,072 in original issue premium, less $39,267 underwriting discount. The resulting funds were used to purchase buses.

The bond interest is payable on February 1 and August 1 of each year, commencing February 1, 2018, and ending August 1, 2027. The bonds are not subject to redemption prior to their maturity. The bonds have a coupon rate of 4 percent in 2018 and 5 percent from 2019 to 2027. These bonds are subject to federal arbitrage rules. For additional information on Community Transit's bonds payable, please see Note 6(A) in the *Notes to the Financial Statements* section.

Under Washington State law, bonds secured by and payable from sale tax revenues are general obligations of the issuer and are subject to this debt limitation: the bonds may not exceed 0.375 percent of the value of taxable property within the agency's boundaries. Larger amounts may be approved with a public vote.

Assessed valuation in 2023 for collection of taxes in 2024	$ 170,632,748,040
Maximum nonvoted debt capacity at 0.375 percent of valuation	639,872,805
Less outstanding bond issues - net	5,414,756
Nonvoted debt capacity remaining	$ 634,458,049

Economic Conditions

Snohomish County is the third most populous county in the state, with a population of 858,614 in 2023, with approximately 78.5% residing in the public transportation benefit area, which is served by Community Transit. It is home to over 22,000 businesses, ranging from small family farms to the world's largest advanced manufacturing facility producing state-of-the-art aerospace equipment. The county boasts a labor force of about 307,000 workers, and the median household income is $104,508. It is also the manufacturing center of Washington State, and has the state's second highest concentration of tech-based jobs. Employment rates are in line with pre-pandemic levels and trending up.

Community Transit's primary operating revenue source is retail sales tax, which is driven by personal income, consumer confidence, local business purchases, and construction projects. Economic indicators are used to help the agency forecast sales tax revenue. After growing 19% and 8%, respectively, year-over-year during 2021 and 2022, Community Transit's sales tax collections have flattened to less than 1% during 2023. A significant driver of this may be the cooling off in the construction industry. Fewer housing permits in 2022 led to less building in 2023, affecting taxable retail spending in construction and building materials categories. We expect this trend to continue into 2024 with some persistence until inflation and interest rates begin to fall.

On the positive side, the county has seen a steady upward trend in personal income and employment growth since the end of the pandemic. We remain optimistic about the Snohomish County economy but continue to plan for continued financial sustainability through the long horizon.

Requests for Information

This financial report is designed to provide a general overview of Community Transit's finances for anyone who has an interest. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Nathan Roberts, Senior Director - Finance
Community Transit
2312 West Casino Road
Everett, WA 98204

Community Transit
Statement of Net Position
December 31, 2023

Assets	2023
Current Assets:	
Cash and Cash Equivalents	$ 264,369,808
Accounts Receivable and Accrued Interest	1,611,570
Due from Other Governments	93,392,453
Maintenance Parts Inventory	2,317,170
Prepaid Expenses	922,928
Total Current Assets	*362,613,929*
Noncurrent Assets:	
Capital Assets Not Being Depreciated:	
Land	18,684,203
Intangible Property	1,943,228
Intangible Property - Transfers to Other Agencies	1,337,971
Work in Progress	73,037,664
Work in Progress - Transfers to Other Agencies	3,377
Capital Assets (Net of Accumulated Depreciation):	
Buildings	37,619,932
Site Improvements	46,588,579
Vehicles, Machinery, and Equipment	149,590,926
Intangible Property	6,455,661
Capital Assets (Net of Accumulated Depreciation)	*335,261,541*
Other Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	*1,638,088*
Investments	*192,739,113*
Net Pension Asset	21,158,426
Total Other Noncurrent Assets	215,535,627
Total Noncurrent Assets	*550,797,168*
Total Assets	***913,411,097***
Deferred Outflows of Resources	
Pensions	18,396,345
Other Postemployment Benefits	3,095,365
Total Deferred Outflows of Resources	***21,491,710***
Total Assets and Deferred Outflows of Resources	***$ 934,902,807***

Continued on the following page.

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Net Position
December 31, 2023
(Continued)

Liabilities	2023
Current Liabilities:	
Accounts Payable and Accrued Expenses	$ 11,596,922
Accrued Payroll Liabilities	3,591,384
Compensated Absences Payable	6,048,459
Unearned Revenue	3,743,915
Lease Liability	-
Interest Payable	105,521
Bonds Payable - Current Portion	1,322,361
Total OPEB Liability	277,528
Provision for Workers' Compensation Claims	922,000
Total Current Liabilities	*27,608,090*
Noncurrent Liabilities:	
Compensated Absences Payable	942,174
Provision for Workers' Compensation Claims	1,511,000
Net Pension Liability	9,125,016
Total OPEB Liability	12,188,443
Bonds Payable	4,092,395
Total Noncurrent Liabilities	*27,859,028*
Total Liabilities	***55,467,118***
Deferred Inflows of Resources	
Pensions	11,340,700
Other Postemployment Benefits	5,935,200
Total Deferred Inflows of Resources	***17,275,900***
Net Position	
Net Investment in Capital Assets	329,963,067
Restricted For:	
Pensions	27,950,406
Federal Grants	90,088
Unrestricted	504,156,228
Total Net Position	***862,159,789***
Total Liabilities, Deferred Inflows of Resources, and Net Position	***$ 934,902,807***

The accompanying notes are an integral part of this statement.

Community Transit

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2023

	2023
Operating Revenues:	
Passenger Fares	$ 9,549,722
Regional Transit Service	20,957,108
Advertising	445,870
Total Operating Revenues	30,952,700
Operating Expenses:	
Operations	74,012,408
Maintenance	25,047,713
General and Administrative	51,476,095
Contracted Transportation	30,061,640
Depreciation and Amortization	29,975,621
Total Operating Expenses	210,573,477
Operating Loss	(179,620,777)
Nonoperating Revenues (Expenses):	
Subsidies	254,906,937
Investment Income (Loss)	20,228,288
Insurance Recoveries and Other Revenues	416,058
Interest Expense	(102,945)
Gain (Loss) on Sale of Capital Assets	(5,624,324)
Total Nonoperating Revenues (Expenses)	269,824,014
Net Income Before Contributions	90,203,237
Capital Grants and Contributions	43,196,682
Special Item: Assets Transferred to Other Agencies	-
Change in Net Position	**133,399,919**
Net Position - Beginning of Year	733,675,416
Prior Period Adjustment for Change in Accounting Principle	(4,915,546)
Net Position - Beginning of Year, Restated	728,759,870
Net Position - End of Year	**$ 862,159,789**

The accompanying notes are an integral part of this statement.

Community Transit

Statement of Cash Flows

For the Year Ended December 31, 2023

	2023
Cash Flows from Operating Activities:	
Cash Received for Operating Revenues	$ 33,701,043
Cash Received for Miscellaneous Revenue	416,393
Cash Paid to Vendors for Goods and Services	(81,074,902)
Cash Paid for Employee Services and Benefits	(108,581,491)
Net Cash Used for Operating Activities	*(155,538,957)*
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	242,159,968
Net Cash Provided by Noncapital Financing Activities	*242,159,968*
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(79,189,271)
Lease Payments	(86,400)
Capital Grants and Contributions	22,874,949
Principal Payment on Bonds	(1,120,000)
Interest Paid on Bonds	(309,250)
Proceeds From the Sale of Capital Assets	416,813
Net Cash Used for Capital and Related Financing Activities	*(57,413,159)*
Cash Flows from Investing Activities:	
Proceeds from Maturing Investments	15,850,000
Investment Income	13,777,252
Purchase of Investments	(19,984,070)
Net Cash Used for Investing Activities	*9,643,182*
Net Increase (Decrease) in Cash and Cash Equivalents	*38,851,034*
Cash and Cash Equivalents - Beginning of Year	*227,156,862*
Cash and Cash Equivalents - End of Year	***$ 266,007,896***

Continued on the following page.

The accompanying notes are an integral part of this statement.

Community Transit

Statement of Cash Flows

For the Year Ended December 31, 2023

(Continued)

		2023
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(179,620,777)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation and Amortization		29,975,621
Miscellaneous Revenue		416,058
Change in Assets - Decrease (Increase):		
Accounts Receivable		(497,835)
Due from Other Governments		2,610,993
Maintenance Parts Inventory		(270,570)
Prepaid Expenses		(425,431)
Net Pension Asset		(1,724,673)
Change in Deferred Outflows of Resources - Decrease (Increase):		
Pensions		2,682,520
Other Postemployment Benefits		499,177
Change in Liabilities - Increase (Decrease):		
Accounts Payable and Accrued Expenses		(1,032,794)
Accrued Payroll Liabilities		438,289
Compensated Absences Payable		672,902
Unearned Revenue		635,520
Provision for Workers' Compensation Claims		59,000
Net Pension Liability		(2,068,473)
Other Postemployment Benefits		(3,974,223)
Change in Deferred Inflows of Resources - Increase (Decrease):		
Pensions		(8,367,722)
Other Postemployment Benefits		4,453,461
Net Cash Used for Operating Activities	***$***	***(155,538,957)***

Schedule of Noncash Investing, Capital, and Financing Activities

The change in fair value for investments that are not cash equivalents was a increase of $6,151,749 in 2023.

Capital Grants and Contributions differs from the statement of revenues, expenses, and changes in net position due to the accrual of revenues.

The accompanying notes are an integral part of this statement.

Community Transit
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Snohomish County Public Transportation Benefit Area Corporation, dba Community Transit, was authorized to begin operation of a public transportation system in 1976. The agency was incorporated under the provisions of Washington State law pertaining to public transportation benefit area corporations (RCW 36.57A) and operates under the control of a Board of Directors.

Community Transit has an undivided interest in a nonequity joint venture, jointly governed with six other transit agencies for the provision of regional smart card fare (ORCA) collection services. Community Transit's undivided interests in the assets, liabilities and operations of the ORCA smart card are consolidated within these financial statements on a proportionate basis.

B. Basis of Accounting

The accounting policies of Community Transit conform to generally accepted accounting principles applicable to governmental units. Community Transit applies all applicable GASB pronouncements. Community Transit uses an enterprise fund to account for its operations and prepares its financial statements on the accrual basis of accounting along with the economic resources measurement focus. Under this method, revenues are recorded when earned, and expenses are recorded as soon as the benefits are received.

Operating revenues and expenses generally result from providing transportation services. Community Transit's primary operating revenues include: passenger fares (charges to customer for transportation services), reimbursements from Sound Transit for providing regional express bus service, and revenues earned from advertisements posted on buses. Operating expenses consist of service directly operated and service provided under contract, vehicle and facility maintenance, administrative expenses, depreciation, and amortization of capital assets.

All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses and include subsidies such as tax revenues and operating grants, investment income, miscellaneous revenues, interest expense, and gains or losses on the sale of capital assets and maintenance parts inventory.

Community Transit's accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State law. Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Budget

Community Transit adopts its annual budget in December of the preceding fiscal year. The budget is based on corporatewide goals and departmental programs and objectives as well as revenue and service growth assumptions outlined in the Board adopted six-year transit development plan. After these programs and objectives are developed, revenue for the coming year is estimated. The estimated revenue is used to determine the level of service to be provided the following year.

Most operating revenues and expenses are budgeted on the accrual basis. Significant differences include sales tax revenue, depreciation and amortization, compensated absences payable, actuarial accrual of future workers' compensation losses, postemployment benefits, and other revenues. Investment income is budgeted without accounting for changes in fair value. Debt service is budgeted on a cash basis.

Capital projects are budgeted in their entirety when approved, regardless of anticipated expense dates, and are accounted for on the full accrual basis. Each year thereafter, the remaining unexpended portion of each project, as well as related grant reimbursements, is re-budgeted.

Community Transit encumbers expenses for management information. Encumbrances do not constitute a legal reduction of appropriations and are not reported on the financial statements.

The schedules that follow show budgeted versus actual revenues and expenses for the period ended December 31, 2023.

Revenues: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2023

	2023 Budget	2023 Actuals	Variance Over (Under) Budget
Sales Tax Revenue	$ 203,397,000	$ 200,281,643	$ (3,115,357)
Passenger Fares	10,618,106	9,549,782	(1,068,324)
Regional Transit Service	20,542,223	20,957,108	414,885
Federal Grants	108,369,942	57,386,989	(50,982,953)
State Grants and Contributions	12,355,299	37,856,482	25,501,183
Local Contributions	2,315,000	2,428,829	113,829
Investment Income	2,869,381	14,818,253	11,948,872
Miscellaneous	761,900	1,278,682	516,782
Total Revenues	**$ 361,228,851**	**$ 344,557,768**	**$ (16,671,083)**

Expenses: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2023

	2023 Budget	2023 Actuals	Variance Under (Over) Budget
Personnel	$ 126,152,848	$ 109,284,834	$ 16,868,014
Services and Other Charges	67,253,971	24,279,170	42,974,801
Intergovernmental	7,058,465	4,364,425	2,694,040
Purchased Transportation	30,878,813	30,061,640	817,173
Supplies	24,552,044	19,413,085	5,138,959
Capital Acquisitions	180,599,382	73,041,405	107,557,977
Insurance	3,137,113	2,499,289	637,824
Debt Service - Interest	309,252	309,250	2
Debt Service - Principal	1,120,000	1,120,000	-
Total Expenses	**$ 441,061,888**	**$ 264,373,098**	**$ 176,688,790**

The following schedule reconciles the accrual to budgetary differences for 2023.

	2023
Revenues and Capital Contributions Reported on the Accrual Basis	**$ 349,700,665**
Accruals for Sales Tax Revenue and Interest	(183,304)
Investment Income for Fair Value Reporting	(5,376,406)
Proceeds from Sales of Capital Assets	416,813
Revenues Reported on the Budgetary Basis	**$ 344,557,768**

	2023
Expenses Reported on the Accrual Basis	**$ 216,300,746**
Loss on the Sale of Disposed Assets	(5,624,324)
Depreciation and Amortization	(29,975,621)
Capital Projects	74,577,961
Accrued Interest Expense	206,305
Debt Service - Principal	1,120,000
Change in Compensated Absences Payable	(672,902)
Change in Actuarial Accrual for Workers' Compensation	(59,000)
Change in Actuarial Accrual for Other Postemployment Benefits	(978,415)
Change in Actuarial Accrual for Pensions	9,478,348
Expenses Reported on the Budgetary Basis	**$ 264,373,098**

D. Cash and Short-Term Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments purchased with a remaining maturity of three months or less. Community Transit's investment policies are governed by regulations established for public funds by Washington State law.

Investments are reported at fair value except for the position in the Washington State Local Government Investment Pool (LGIP) which is reported at amortized cost. Changes in fair value are included as revenue in the financial statements.

E. Restricted Assets

Restricted assets (are those) whose use is subject to constraints that are either 1) externally imposed by creditors, grants, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. As of December 31, 2023, the state-required workers' compensation reserve amounted to $1,548,000. In addition, the Federal Transit Administration (FTA) required vehicle auction proceeds that were over $5,000 be placed in an interest-bearing restricted account. These funds must remain in this account until the FTA provides guidance on their future use. At year-end, the funds amounted to $90,088.

F. Maintenance Parts Inventory

Vehicle maintenance parts are held for consumption and valued at cost using the weighted-average method. The costs of maintenance parts are recorded as an expense when consumed rather than when purchased.

G. Capital Assets and Depreciation

Assets with a useful life in excess of one year are capitalized if the individual cost is at least $5,000. Capital assets are recorded at historical cost. Donated assets are measured at acquisition value. Replacements which improve or extend the lives of property are capitalized. Repairs and maintenance are expensed as incurred.

Community Transit participates with the Washington State Department of Transportation in the construction of passenger park-and-ride facilities within the transit service area. Community Transit contributes funds to provide the local match required under the terms of federal construction grants. The State of Washington retains park-and-ride facility ownership, but Community Transit's contribution allows us to use these facilities. The rights are valued at the amount of the contribution made and are reported under capital assets as site improvements.

Depreciation is computed using the straight-line method (without salvage values) over the estimated useful life of the asset. When used assets are acquired, they are assigned a useful life of one-half the new life.

Newly acquired assets are assigned useful lives as follows:

Asset Category	*Years*
Land	Not Depreciated
Work in Progress	Not Depreciated
Intangible Property—Easements	Not Depreciated
Buildings	5 to 30
Site Improvements	5 to 30

Asset Category	Years
Buses	12 to 15
Other Vehicles	5 to 8
Machinery and Equipment	3 to 10
Computer Equipment	3 to 7
Intangible Property	3 to 10

H. Compensated Absences

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 employees are covered in three plans: paid time off, major sick leave, and Washington State sick leave. Paid time off is payable upon an employee's termination. Major sick leave and Washington State sick leave is payable at 25 percent of the hours accrued with the exception of retired employees, who are paid out at 50 percent. The portion of both sick leave plans payable at termination represents the vested portion of major sick leave earned and is subject to accrual.

I. Unearned Revenue

Revenues received in advance are recorded as unearned revenue on the Statement of Net Position. As of December 31, 2023, unearned revenue amounted to $3,743,915, which consisted primarily of ORCA fare revenue.

J. Pensions

Information about the fiduciary net position of all state-sponsored pension plans and additions to or deductions from the fiduciary net position of those plans has been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. This information was used to measure net liability, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, Community Transit includes the net pension asset and the related deferred outflows and deferred inflows in accordance to GAAP reporting requirements.

K. New Accounting Pronouncements

In fiscal year 2023, Community Transit implemented Governmental Accounting Standards Board (GASB) Statement No. 94 *Public-Private and Public-Public Partnerships and Available*

Payment Arrangements, No. 96 *Subscription-Based Information Technology Arrangements*, and No. 99 *Omnibus 2022.*

GASB No. 94: the primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB No. 96: this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). 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 costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

GASB 99: 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.

L. Net Position

Net Position is divided into three categories: (1) Net investment in capital assets includes capital assets less accumulated depreciation/amortization and outstanding principal of the related debt; (2) Restricted net position reflects restrictions on assets imposed by parties outside the agency; and (3) Unrestricted net position is total net position of the Community Transit less net investment in capital assets, and restricted net position.

When both restricted and unrestricted resources are available for use, the agency will use restricted resources first and then use unrestricted resources as they are needed.

Note 2: Cash and Investments

As of December 31, 2023, Community Transit had the following cash, cash equivalents, and investments:

Investment Type		***2023***
Demand Deposits	$	36,576,814
Local Government Investment Pool		229,431,083
U.S Treasury Obligations		48,858,398
U.S. Federal Agency Obligations		116,412,192
Municipal Bonds		27,468,522
Total Cash, Cash Equivalents, and Investments	**$**	**458,747,009**

A. Deposits

There is no custodial credit risk for demand deposits held by Community Transit because they are entirely covered either by the Federal Deposit Insurance Corporation (FDIC) or the Public Deposit Protection Commission (PDPC) of the state of Washington. In addition, there was $4.5 million in deposits held by the fiscal agent of the Central Puget Sound Regional Fare Coordination System. These deposits represent Community Transit's proportional share of its undivided interest in the non-equity joint venture. Note 8 (c) provides additional information regarding this system.

B. Investments

Throughout 2023, Community Transit's portfolio complied with conditions set forth in the investment policy.

Community Transit's investment policy clearly states that safety and liquidity take precedence over return on investment. Allowable investments are limited to:

- U.S. Treasury obligations.
- U.S. Government agency obligations and U.S. Government sponsored enterprises.
- Banker's acceptances.
- Commercial paper.
- Certificates of deposit.
- Repurchase agreements.

- Bonds of Washington State and any local government in Washington State.
- General obligation bonds of a state other than Washington State.
- Washington State Local Government Investment Pool (LGIP).

Community Transit's investment policy limits the maximum maturity of any investment security purchased to 5 years from the settlement date. The following table shows the maximum percentage that any single type of security may contribute to Community Transit's overall investment portfolio.

Security Type	***Maturity***	***% of Portfolio***	***Maximum % of Portfolio***
Washington State Local Government Investment Pool (LGIP)	n/a	54%	100%
U.S. Treasury Obligations	5 Years	12%	100%
Federal Agency Securities	5 Years	28%	90%
Municipal Investment Accounts	5 Years	0%	40%
Certificates of Deposit	5 Years	0%	40%
Repurchase Agreements	5 Years	0%	40%
Bonds issued by Washington State or any local government in Washington State	5 Years	0%	20%
Bonds issued by other states or local governments in states other than Washington State	5 Years	7%	15%

Interest Rate Risk: Interest rate risk is the risk that an investment's fair value decrease as market interest rates rises. Community Transit's investment guidelines and policies state that safety of funds is the number one priority in all investment decisions. Maturities are generally limited to five years. The weighted average maturity and modified duration of the overall portfolio may not exceed three years. For 2023, the modified duration of the portfolio was approximately 1.57. Thus, all investments held are considered to have a low interest rate risk.

The table shows the distribution of fair values by investment type and remaining maturities. As of December 31, 2023, the LGIP investment was 54.0% of the Community Transit's total investment pool.

Investment Type	Fair value	Maturities (in Years) Less than 1	1-3	More than 3	Percentage of Total portfolio
Washington State Local Government Investment Pool *	$ 229,431,083	$ 229,431,083	$ -	$ -	54%
Debt Securities					
U.S. Treasury Notes	48,858,398		48,858,398	-	12.0%
Federal agencies securities:					
Federal Nat'l Mortgage Assn (FNMA)	$ 11,179,476	$ -	$ 11,179,476	$ -	2.6%
Federal Home Loan Bank (FHLB)	66,223,015	42,600,896.84	23,622,118	-	16%
Federal Home Loan Mortgage Corporation (FHLMC)	11,335,169	5,766,581.64	5,568,588	-	3%
Federal Farm Credit Bank (FFCB)	27,674,532	-	27,674,532	-	7%
Municipal Bonds	27,468,522	12,672,010	14,796,512	-	7%
Total Portfolio	$ 422,170,195	$ 290,470,571	$ 131,699,624	$ -	
Percentage of total portfolio	100.0%	68.8%	31.2%	0.0%	

Credit Risk: Community Transit's credit risk is indirectly controlled via the kind of investment instruments allowed by the investment policy which includes only one direct, credit-risk requirement. The requirement applies to bonds of any state and any local government in Washington State in which the rating must be one of the three highest credit ratings of a nationally organized rating agency. The risk ranges from minimal to none, based on the investment instruments Community Transit holds.

At December 31, 2023, Community Transit investments had the following credit quality distribution for municipal securities with credit exposure:

	Fair Value	S & P	Moody's	Fitch
New York NY GO	12,672,010.00	AA	Aa2	AA
New York ST GO Unltd Txbl Ref	2,910,780.00	AA+	Aa1	AA+
Pflugerville TX Indep Sch Dist	866,783.75	AA+	NA	NA
Berkeley Cnty SC Sch Dist GO	632,294.00	AA	Aa1	NA
Oregon St GO Unltd Txbl Ser B	608,939.20	AA+	Aa1	AA+
Hawaii St Txbl-Ser FZ GO	2,071,134.45	AA+	Aa2	AA
Prince Georges Cnty MD GO	800,640.50	AAA	Aaa	AAA
Grant Cnty WA PUB Util Dist#2	944,850.00	AA	Aa3	AA
Willingboro TWP NJ Sch Dist GO	1,117,281.60	AA	NA	NA
Deschutes Cnty OR Taxable GO	3,557,632.50	NA	Aa2	NA
Chicago IL MET WTR REC Taxable GO	1,286,176.05	AA+	NA	AAA
	$ 27,468,522.05			

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counter-party, Community Transit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. According to Community Transit's investment policy, all security transactions are settled on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the securities to the safekeeping bank. Therefore, custodial credit risk for Community Transit's investments is minimal.

Investments in Local Government Investment Pool (LGIP)

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

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

Investments Measured at Fair Value

Community Transit measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

- Level 1: Quoted prices in active markets for identical assets.
- Level 2: Quoted market prices for similar assets or other observable inputs.
- Level 3: Unobservable inputs for an asset.

As of December 31, 2023, Community Transit held $48,858,398 in U.S. Treasury obligations, $116,412,192 in U.S. Federal agency bonds, and $27,468,522 in municipal bonds that were valued by a pricing service that uses a matrix pricing model (Level 2 inputs).

Note 3: Receivables

As of December 31, 2023, the following amounts were due to Community Transit:

Accounts Receivable		***2023***
Fares and Miscellaneous	$	4,634
Interest		820,541
ORCA Fiscal Agent - nongovernment source		786,395
Total Accounts Receivable	**$**	**1,611,570**

Due from Other Governments		***2023***
Sales Tax Collected in Future Periods	$	35,562,663
Operating Grants and Contributions		25,986,105
Capital Grants and Contributions		29,107,692
Sound Transit Regional Service		3,265,936
Fares and Miscellaneous		(632,497)
ORCA Fiscal Agent - other government agencies		102,554
Total Due from Other Governments	**$**	**93,392,453**

Note 4: Capital Assets

The table that follows summarizes changes in capital assets for the year ending December 31, 2023.

	*Prior Period Adjustment	Beginning Balance 1/1/2023	Additions/ Adjustments	Retirements	Ending Balance 12/31/2023
Capital Assets Not Being Depreciated:					
Land	$ -	$ 18,684,203	$ -	$ -	$ 18,684,203
Intangible Property	-	1,790,479	152,749	-	1,943,228
Intangible Property-To Be Transferred	-	1,490,720	(152,749)	-	1,337,971
Work in Progress (WIP)	(3,917,211)	58,184,312	84,393,830	(69,540,477)	73,037,664
WIP - Transfers to other Agencies	-	3,377	-	-	3,377
Subtotal	**(3,917,211)**	**80,153,090**	**84,393,830**	**(69,540,477)**	**95,006,443**
Capital Assets Being Depreciated:					
Buildings	-	55,209,829	10,082,478	-	65,292,308
Site Improvements	-	68,329,174	14,054,015	-	82,383,189
Vehicles/Machinery/Equipment	36,088	287,734,912	26,687,588	(12,703,936)	301,718,564
Intangible Property	-	14,226,903	3,641,273	-	17,868,176
Subtotal	**36,088**	**425,500,818**	**54,465,354**	**(12,703,936)**	**467,262,236**
Less Accumulated Depreciation For:					
Buildings	(154,368)	(25,516,320)	(2,156,056)	-	(27,672,377)
Site Improvements	(79,383)	(31,667,976)	(4,126,634)	-	(35,794,610)
Vehicles/Machinery/Equipment	(849,862)	(144,141,424)	(19,806,711)	11,820,496	(152,127,639)
Intangible Property	49,190	(7,624,838)	(3,787,677)	-	(11,412,515)
Subtotal	**(1,034,423)**	**(208,950,559)**	**(29,877,077)**	**11,820,496**	**(227,007,141)**
Total Capital Assets (Net of Accumulated Depreciation)	**$ (4,915,546)**	**$ 296,703,349**	**$ 108,982,107**	**$ (70,423,917)**	**$ 335,261,538**

*** Prior Period Adjustment:** Prior Period Adjustments made to Work in Progress, Vehicles/Machinery/Equipment and Accumulated Depreciation are the result of a year-long strategy to align the asset management system and the general ledger. The 01/01/2023 beginning balance has been amended to reflect the prior period adjustments.

Note 5: Risk Pool and Insurance

A. Risk Pool

Community Transit is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member governmental risk pool located in Olympia, Washington. WSTIP supplies Community Transit with 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. WSTIP also manages claims and litigation for its members and provides them with risk management and training.

At the end of 2023, Community Transit retained a $5,000 property and physical damage deductibles for its all-risk property coverage which includes auto physical damage. Community Transit has a $5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

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 and at the end of the fiscal year. 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, 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.

Community Transit has not presented any claims to WSTIP in the last three years, that exceeded its current coverage limits through WSTIP.

The pool is governed by a Board of Directors consisting of a representative of each member system. A list of current members and copies of the pool's audited, and unaudited financial statements can be found on the pool's website at https://www.wstip.org.

B. Liability Insurance

Community Transit assumes the liability for claims up to the deductible amounts listed in the following table for each type of risk. Risk of claims in excess of the deductible amount has been transferred to WSTIP.

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

AUTO PHYSICAL DAMAGE Auto Physical Damage (below $250,000 in value)	Fair market value		$5,000
Auto Physical Damage for all vehicles valued over $250,000 and less than 10 years old	Replacement Cost	Limited to $1.6 million any one vehicle	$5,000
BOILER AND MACHINERY	$100 million		$250,000 or $350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	$2 million	Per occurrence	$10,000
Employee theft	$2 million	Per occurrence	$10,000
Forgery or alteration	$2 million	Per occurrence	$10,000
Inside the premises – theft of money and securities	$2 million	Per occurrence	$10,000
Inside the premises – robbery or safe burglary of other property	$2 million	Per occurrence	$10,000
Outside premises	$2 million	Per occurrence	$10,000
Computer fraud	$2 million	Per occurrence	$10,000
Funds Transfer Fraud	$2 million	Per occurrence	$10,000
Money orders and counterfeit money	$2 million	Per occurrence	$10,000
CYBER LIABILITY INSURANCE		Coverage	Deductible
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	$45 million		
Insured/Member Annual Aggregate Limit of Liability	$2 million		$5,000
BREACH RESPONSE COSTS	$500,000	Aggregate for each insured/member (limit is increased to $1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS Business Interruption Resulting from Security Breach Resulting from System Failure	 $750,000 $500,000	 Aggregate limit Aggregate limit	
Dependent Business Loss Resulting from Security Breach Resulting from System Failure	 $750,000 $100,000	 Aggregate limit Aggregate limit	

Cyber Extortion Loss	$750,000	Aggregate limit	
Data Recovery Costs	$750,000	Aggregate limit	
LIABILITY Data & Network Liability	$2 million	Aggregate limit	
Regulatory defense and penalties	$2 million	Aggregate limit	
Payment Card Liabilities & Costs	$2 million	Aggregate limit	
Media Liability	$2 million	Aggregate limit	
eCRIME Fraudulent Instruction	$75,000	Aggregate limit	
Funds Transfer Fraud	$75,000	Aggregate limit	
Telephone Fraud	$75,000	Aggregate limit	
CRIMINAL REWARD	$25,000	Limit	
COVERAGE ENDORSEMENTS Reputation Loss	$100,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	$50,000	Limit of Liability	
Computer Hardware Replacement Costs	$100,000	Limit of Liability	
Invoice Manipulation	$100,000	Limit of Liability	
Cryptojacking	$25,000	Limit of Liability	

Extra Auto Physical Damage Limits

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

Underground Storage Tank – Pollution Liability Insurance Policy

Community Transit purchases an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier is Mid-Continent Casualty Company. Insurance provisions on each policy were essentially the same. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is $1 million per environmental incident with a $1 million aggregate and a $500,000 limit on defense per environmental incident. Community Transit has a $25,000 deductible per environmental incident. Tanks must be listed to be covered.

The Washington State Department of Ecology (DOE) and EPA monitor and regulate the transit's underground storage tanks, including requirements for removal and permanent closure, pursuant to Washington Administrative Code (WAC) Chapter 173-360A. Routine repairs and maintenance are performed for these types of assets as they continue in operation. Community Transit has not recognized a liability calculation associated to their retirement because the transit has no formal written plans to decommission these storage tanks and the fair value cannot be reasonably estimated since the dismantlement and removal date of the underground storage tanks are indeterminate. Such obligations will be recognized in the period when sufficient information becomes available to estimate a range of potential removal dates.

Covered Locations Pollution Liability Insurance Policy

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

C. Self-Insured Workers' Compensation and Unemployment Compensation

Community Transit continues to be self-insured for unemployment compensation and workers' compensation (industrial insurance), with excess workers' compensation retained consistent with statutory requirements.

On December 31, 2023, cash and investments set aside for self-insurance totaled $7,251,900. Community Transit reported a liability on December 31, 2023, of $2,433,000 which represents the estimated liability for workers' compensation claims for which Community Transit may ultimately be liable, including a provision for claims incurred but not yet reported. Of the $2,433,000 estimated liability, Community Transit expects to pay out $922,000 within the coming year, and the remaining $1,511,000 is expected to be paid out later than one year.

No outstanding liabilities have been removed from the Statement of Net Position due to the purchase of annuity contracts from third parties in the name of the claimants. In addition to the reserve, Community Transit purchased a commercial workers' compensation policy with a $1,000,000 limit per occurrence and a $550,000 self-insured retention per occurrence.

In 2023, Community Transit paid out $244,597 in unemployment compensation claims. There is no accrued liability for future unemployment claims. The following table shows the claims liabilities for Workers' Compensation.

	2023	2022
Total Claims Liability: Beginning of Year	***$ 2,374,000***	***$ 2,365,000***
Incurred Claims:		
Provision for Incurred Claims	1,338,000	1,320,000
Change in Provision for Incurred Claims, Prior Year	123,970	(258,739)
Total Provision for Incurred Claims	1,461,970	1,061,261
Total Incurred	**3,835,970**	**3,426,261**
Payments:		
Payment Made for Current-Year Claims	395,021	451,306
Payment Made for Prior-Year Claims	1,007,949	600,955
Total Payments	**1,402,970**	**1,052,261**
Total Claims Liability: End of Year	***$ 2,433,000***	***$ 2,374,000***

Note 6: Changes in Long-Term Liabilities

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

Note	Description	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
6 A.	General Obligation Bonds	$ 6,185,000	$ -	$ (1,120,000)	$ 5,065,000	$ 1,175,000
	Premiums	533,927	-	(184,171)	349,756	147,361
	Total Bonds Payable	**6,718,927**	**-**	**(1,304,171)**	**5,414,756**	**1,322,361**
6 B.	Compensated Absences	6,317,731	6,608,849	(5,935,947)	6,990,633	6,048,459
6 C.	Workers' Compensation (See Note 5C)	2,374,000	1,461,970	(1,402,970)	2,433,000	922,000
6 D.	Net Pension Liability	11,193,489		(2,068,473)	9,125,016	-
6 E.	Total OPEB Liability	16,440,194	1,401,785	(5,376,008)	12,465,971	277,528
	Total Long-Term Liabilities	***$ 43,044,341***	***$ 9,472,604***	***$ (16,087,569)***	***$ 36,429,376***	***$ 8,570,348***

A. Bonds Payable

Limited sales tax general-obligation (LSTGO) bonds were issued on June 20, 2017, for the purchase of capital assets. The bonds par value was $10,990,000 with an additional premium of $2,130,072 for total proceeds of $13,120,072. Of these proceeds, $116,282 was used to pay for bond issue costs and the underwriting discount.

The bond interest is payable on February 1 and August 1 of each year commencing February 1, 2018 and ending August 1, 2027. The bonds are not subject to redemption prior to their maturity. The bonds have a coupon rate of 4 percent in 2018 and 5 percent from 2019 to 2027. These bonds are subject to federal arbitrage rules.

	As of 12/31/2023
Current Portion of Bonds Payable	$ 1,322,361
Long-Term Portion of Bonds Payable	4,092,395
Total Bonds Payable	**$ 5,414,756**

The following table presents the annual debt service amounts for principal and interest:

Annual Debt Service

Year	Principal	Interest	Total Debt Service
2024	$ 1,175,000	$ 253,250	$ 1,428,250
2025	1,235,000	194,500	1,429,500
2026	1,295,000	132,750	1,427,750
2027	1,360,000	68,000	1,428,000
Total	***$ 5,065,000***	***$ 648,500***	***$ 5,713,500***

B. Compensated Absences

The two categories of compensated absences are paid time off (PTO) and sick leave (major sick leave and Washington sick leave). As of December 31, 2023, PTO payable was $5,606,442. The 2023 current portion amounted to $5,309,301, which was an increase of $664,253 compared to 2022. The amount classified as long term was $297,141, which was an increase of $57,806 over 2022.

As of December 31, 2023, the vested portion of sick leave payable was $1,384,191. The 2023 current portion amounted to $739,158, which was an increase of $9,584 compared to 2022. The amount classified as long term was $645,033 which was a decrease of $58,741 over 2022. Schedules for all categories of compensated absences follow.

Paid Time Off (PTO)	*2023*
Beginning Balance - Current Liability	**$ 4,645,048**
PTO Earned	5,343,474
PTO Paid	(4,679,221)
Ending Balance - Current Liability	***5,309,301***
Beginning Balance - Long-Term Liability	**239,335**
PTO Earned	304,081
PTO Paid	(246,275)
Ending Balance - Long-Term Liability	***$ 297,141***

The PTO short-term and long-term classification is based on a five-year historical average of leave paid as a percentage of the liability.

The sick leave short-term and long-term classification is based on a five-year historical average on leave paid as a percentage of the liability.

Sick Leave	***2023***
Beginning Balance - Current Liability	**$ 729,574**
Sick Leave Earned	545,123
Sick Leave Paid	(535,539)
Ending Balance - Current Liability	***739,158***
Beginning Balance - Long-Term Liability	**703,774**
Sick Leave Earned	416,171
Sick Leave Paid	(474,912)
Ending Balance - Long-Term Liability	***$ 645,033***

C. Workers' Compensation

Please refer to Note 5C, Self-Insured Workers' Compensation and Unemployment Compensation

D. Pensions

The table below represents the aggregate pension amounts for all Community Transit plans for the year 2023:

Aggregate Pension Amounts:
PERS Plans 1, 2, and 3

		2023
Pension Liabilities	$	9,125,016
Pension Assets	$	21,158,426
Deferred Outflows of Resources	$	18,396,345
Deferred Inflows of Resources	$	11,340,700
Pension Expense	$	(2,161,005)

Substantially all of Community Transit's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available Annual Comprehensive Financial Report

(ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Descriptions

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for accounting 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 2 and the defined-benefit portion of PERS Plan 3 are accounted for as one plan. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS 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 Plan 1 was closed to new entrants on September 30, 1977. Those joining thereafter are enrolled in PERS Plan 2 or PERS Plan 3 by election.

Vesting

PERS Plan 1 and Plan 2 members are vested after completing five years of eligible service. PERS 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. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Benefits Provided

All PERS plans provide retirement, disability, and death benefits. Retirement benefits are actuarially reduced if a survivor benefit is chosen. Additional benefits include duty and nonduty disability payments and a one-time, duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 retirement benefits are determined as 2 percent of the member's average final compensation times the member's years of service, capped at 30 years. The average final compensation is the average of the member's 24 highest consecutive service months. Upon retirement, members can choose an optional cost-of-living adjustment.

PERS Plan 1 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.

PERS Plan 2/3 retirement benefits are determined as a percentage of the member's average final compensation times the member's years of service. Plan 2 is calculated at 2 percent, and Plan 3 is calculated at 1 percent. The average final compensation is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. A cost-of-living allowance is applied based on the Consumer Price Index and capped at 3 percent annually.

PERS Plan 2/3 members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. Members may be eligible for early retirement at 55 years of age or older based on various factors including plan choice, service credit, and hire date. The benefit is reduced by a factor that varies according to certain provisions and age at retirement.

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

Contributions

Employer contribution rates for all the PERS plans are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL). The PERS Plan 1 member contribution rate is established by State statute at 6 percent. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The employer rates include an administrative expense component that is currently set at 0.20 percent. The required contribution rates (expressed as a percentage of covered payroll) for 2023 are shown in the following table:

Actual Contribution Rates	Employer Plans 1, 2, 3	Employee Plan 1	Employee Plan 2	Employee Plan 3
January 2023 through June 2023:				
Base Plan Contribution	6.36%	6.00%	6.36%	varies
PERS Plan 1 UAAL	3.85%			
Administrative Fee	0.18%			
Total	**10.39%**	**6.00%**	**6.36%**	**varies**
July 2023 through August 2023:				
Base Plan Contribution	6.36%	6.00%	6.36%	varies
PERS Plan 1 UAAL	2.85%			
Administrative Fee	0.18%			
Total	**9.39%**	**6.00%**	**6.36%**	**varies**
September 2023 through December 2023:				
Base Plan Contribution	6.36%	6.00%	6.36%	varies
PERS Plan 1 UAAL	2.97%			
Administrative Fee	0.20%			
Total	**9.53%**	**6.00%**	**6.36%**	**varies**

Community Transit's actual employer contributions to the plans, excluding administrative fees, were $2,498,123 to PERS Plan 1 and $4,714,402 to PERS Plan 2/3 for the fiscal year ended December 31, 2023.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

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

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

Methods did not change from the prior contribution rate setting June 30, 2021, Actuarial Valuation Report (AVR), however, OSA made adjustments to TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7 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 the 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 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return of 7 percent on DRS pension plan investments 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 (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table. The inflation component used to create the table is 2.2 percent and represents 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%

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Private Equity	23%	8.9%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents Community Transit's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7 percent, as well as what Community Transit's proportionate share of the net pension liability or asset would be if it were calculated using a discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 12,748,336	$ 9,125,016	$ 5,962,709
PERS 2/3	$ 23,012,325	$ (21,158,426)	$ (57,447,490)

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, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, Community Transit reported its proportionate share of the net pension liability/(asset) as follows:

	2023 Liability/ (Asset)
PERS 1	$ 9,125,016
PERS 2/3	$ (21,158,426)

Community Transit's proportionate share of the collective net pension liability/(asset) was as follows:

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2023	Change in Proportion
PERS 1	0.402012%	0.399741%	-0.002271%
PERS 2/3	0.523993%	0.516225%	-0.007768%

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

Pension Expense

For the year ended December 31, 2023, Community Transit recognized pension expense as shown:

	2023 Pension Expense
PERS 1	$ (133,948)
PERS 2/3	$ (2,027,057)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	1,029,341
Contributions subsequent to the measurement date	1,293,006	-
Total	**$ 1,293,006**	**$ 1,029,341**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,309,947	$ 236,405
Net difference between projected and actual investment earnings on pension plan investments	-	7,973,774
Changes of assumptions	8,883,039	1,936,153
Changes in proportion and differences between contributions and proportionate share of contributions	1,186,814	165,027
Contributions subsequent to the measurement date	2,723,539	-
Total	**$ 17,103,339**	**$ 10,311,359**

Deferred outflows of resources related to pensions resulting from Community Transit's contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown:

Year Ended December 31	PERS 1
2024	$ (700,320)
2025	(880,736)
2026	543,048
2027	8,667
2028	-
Thereafter	-
Total	**$ (1,029,341)**

Year Ended December 31	PERS 2/3
2024	$ (3,394,716)
2025	(4,232,517)
2026	6,714,414
2027	2,435,798
2028	2,416,988
Thereafter	128,474
Total	**$ 4,068,441**

E. Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table presents the key GASB Statement No. 75 valuation and accounting results for the OPEB benefits offered to Community Transit Employees for the year 2023:

Aggregated OPEB Amounts	2023
OPEB liabilities	$ 12,465,971
Deferred outflows of resources	$ 3,095,365
Deferred inflows of resources	$ 5,935,200
OPEB expenses	$ 1,242,288

Plan Description: During the working careers of active employees, Community Transit contributes to the state Public Employees Benefits Board (PEBB), a single-employer, defined-benefit, healthcare program administered by the Washington State Health Care Authority (HCA), an agent.

The program provides medical, prescription drug, and vision coverage. No stand-alone financial statements are available for the program.

Under state law, active Community Transit employees who are covered by the state public employee retirement system are eligible upon retirement to obtain medical, prescription drug, and vision coverage through the state PEBB program at the retiree rate associated with the elected plan.

Because the rate is based on a pool of both active employees and retirees, the rate paid by pre-Medicare retirees is less than the full cost of the benefits, based on their age and other demographic factors. This creates an implicit subsidy where the "underpayment" of retiree premium is funded through the premiums paid by Community Transit for active employees.

The HCA calculates the premium amounts each year that are sufficient to fund the program on a pay-as-you-go basis. These costs are passed through to all participating agencies based on active employee headcount.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	74
Inactive employees entitled to but not yet receiving benefits	0
Active employees	849
Total	923

Community Transit's obligation is unfunded at December 31, 2023. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Assumptions and Other Inputs: Projections of benefits for financial reporting purposes are based on the substantive plan (the program as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuary calculated the OPEB obligation based on individual Community Transit employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Actuarial assumptions are detailed below:

Actuarial Assumptions and Methods

Actuarial Cost Method

The Entry Age Normal Level Percentage of Pay Actuarial Cost Method was used to determine the total OPEB liability.

The **actuarial present value of future benefits** is the present value necessary today to provide for a benefit payment or series of benefit payments in the future for all plan participants. It is determined by discounting the future benefit payments at the assumed investment return and reflect the probability of payment.

The **service cost** is determined as the sum of the individual normal costs for each active participant. A normal cost accrual rate is determined for each active participant. The normal cost accrual rate is equal to the actuarial present value of future benefits determined as of the participant's entry age, divided by the actuarial present value of the assumed salaries paid to the participant from entry age to assumed exit age. The normal cost accrual rate is multiplied by current salary to provide the participant's individual normal cost.

The **total OPEB liability** is the sum of the individual accrued liabilities for all plan participants. Each participant's actuarial accrued liability equals the actuarial present value of future benefits, less the actuarial present value of the participant's normal costs payable in the future. These present values are calculated at the participant's attained age.

Asset Valuation Method

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. The Transit's obligation is unfunded at December 31, 2023. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The next table summarizes actuarial assumptions used:

Actuarial Assumptions

Measurement Date	December 31, 2023
Valuation Date	December 31, 2023; rolled forward to December 31, 2024
Measurement Period	January 1, 2023 to December 31, 2023
Discount Rate*	3.26% Per Year
General Inflation	3.0% Per Year
Salary Increases	2.0% Per Year

As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 3.26% as of December 31, 2023.

Initial Health Coverage Claims Cost (including administrative expenses)

Age	**Per Participant**	
Under Age 65 (Age 60 Rates)	**Retiree**	**Spouse**
Kaiser Foundation WA Classic	$16,267	$16,163
Kaiser Foundation WA CDHP	$12,876	$12,749
Kaiser Foundation WA SoundChoice	$13,546	$13,442
Kaiser Foundation WA Value	$16,019	$15,915
Kaiser Foundation NW Classic	$18,107	$18,003
Kaiser Foundation NW CDHP	$15,817	$15,689
UMP Classic	$14,492	$14,388
UMP CDHP	$13,030	$12,902
UMP Plus	$14,227	$14,123
UMP Select	$13,358	$13,254
Weighted Average	**$14,833**	**$14,728**

Age 65 and Over	Retiree	Spouse
Kaiser Permanente WA Medicare Plan	$4,459	$4,384
Kaiser Permanente NW Medicare Plan	$4,523	$4,452
UMP Classic	$8,591	$8,520
United Healthcare PEBB Balance	$3,256	$3,113
United Healthcare PEBB Complete	$3,854	$3,711
Premera Blue Cross Plan F	$2,857	$2,714
Premera Blue Cross Plan G	$2,448	$2,305
Weighted Average	**$5,725**	**$5,622**

The assumed under age 65 claim costs were determined from the premiums and underlying claim experience of the OPEB Plans and actuarial age adjustment factors. The assumed age 65 and over claim costs were determined from the premiums and the PEBB's stated explicit subsidy.

Annual Dental and Vision Claims Costs

The dental and vision claims costs were assumed to be equal to the dental and vision premiums

Age Based Morbidity

The assumed under age 65 health coverage claim costs are assumed to increase related to age as follows:

Ages	Rate
18 - 29	1.00%
30 - 39	2.50%
40 - 49	3.00%
50 - 54	3.30%
55 - 59	3.60%
60 - 64	4.20%

Health Care Cost Trend Rates

Year	Rate
All Years	5.00%

Mortality

RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.

Future Retiree Participation Rate

40% for employees currently electing coverage.

0% for employees currently waiving coverage.

Initial Spouse Participation Rate

Male Employees: 50%

Female Employees: 50%

Husbands are assumed to be three years older than wives.

Turnover

Rates based on Scale T-7 of the Actuary's Pension Handbook.
Sample rates varying by age:

Age	Rate
20	9.90%
25	9.70%
30	9.30%
35	8.70%
40	7.80%
45	6.40%
50	4.20%
55	1.50%
60	0.10%

Disability

None.

Retirement

Sample rates varying by age:

Age	Rate
55	5.00%
56 - 59	2.50%
60 - 61	10.00%
62	20.00%
63 - 64	10.00%
65 - 67	30.00%
68 - 69	50.00%
70 or Over	100.00%

Community Transit will use a third-party vendor to complete the actuarial report every two years. In the interim years between valuations, the actuary will update the annual OPEB expense and the OPEB liability. All other assumptions and data will remain the same. The actuarial report is available upon request from Community Transit.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5 percent, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4 percent) or 1-percentage point higher (6 percent) than the current rate:

	1% Decrease (4.0%)	*Current Healthcare Cost Trend Rate (5.0%)*	*1% Increase (6.0%)*
Total OPEB Liability	$10,457,013	$12,465,971	$15,061,762

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the current discount rate of 3.26 percent, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	*Current Discount Rate (3.26%)*	*1% Increase (4.26%)*
Total OPEB Liability	$14,741,220	$12,465,971	$10,664,753

Changes in the Total OPEB Liability

Total OPEB Liability at 01/01/2023	**$16,440,194**
Service cost	1,044,322
Interest	357,463
Benefit payments	(263,873)
Total OPEB Liability at 12/31/2023	**$12,465,971**

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience*	$3,085,557	$377,602
Changes of assumptions	$2,849,643	$2,717,763
TOTAL	**$5,935,200**	**$3,095,365**

*Economic/demographic (gains) and losses for the period ending December 31, 2023 should be adjusted by the unamortized balance of the difference between actual and employer contributions.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year ended December 31:	Annual Recognition
2024	($159,497)
2025	($159,497)
2026	($159,497)
2027	($159,497)
2028	($200,062)
Thereafter	($2,001,785)

Note 7: Net Position

Community Transit's net position includes a restricted component which consists of the reported net pension asset and the related deferred outflows and deferred inflows.

Community Transit's Board of Directors has designated portions of Community Transit's net position under the following categories:

- Vehicle Replacement: Funds set aside for future replacement of buses, paratransit vehicles, and vanpools.
- Future Capital Improvements: Amounts designated to fund capital projects.
- Workers' Compensation: Additional funds set aside in excess of the state-required restrictions for the payment of workers' compensation claims.

The next table shows net position as reported on the Statement of Net Position, including the breakdown of restricted, designated and undesignated net position, as of December 31, 2023. The federal grants included in restricted net position is the result of federally funded vehicles sold in auction above the $5,000 threshold which resulted in the requirement to hold the funds in a restricted account until the Federal Transit Administration (FTA) provides guidance on usage.

	2023
Net Investment in Capital Assets	***$ 329,963,067***
Restricted Net Position	
Pensions	27,950,406
Federal Grants	90,088
Unrestricted Net Position	
Designated - Vehicle Replacement	48,464,824
Designated - Future Capital Improvements	292,535,038
Designated - Workers Compensation	4,624,744
Undesignated	158,531,622
Total Unrestricted Net Position	**504,156,228**
Net Position	***$ 862,159,789***

Note 8: Commitments

A. Paratransit Service (DART)

On October 1, 2020, Community Transit entered into a new five-year contract with Transdev for the provision of paratransit service, with renewal options for five additional one-year terms.

The annual cost of paratransit service is within the annual budget. Paratransit Services amounted to $8,024,108 during 2023.

B. Commuter Service

On May 9, 2012, Community Transit entered into a ten year contract with First Transit. Under the terms of the contract, First Transit will operate Community Transit's express commuter bus service for a five-year, seven-month period with renewal options for five additional one-year term extensions beginning January 1, 2018 and ending December 31, 2022. In June of 2022, a one year extension was approved, beginning January 1, 2023 and ending December 31, 2023.

Effective January 1, 2024, Community Transit entered into a six year contract with First Transit. The contract terms were for a three year period with an additional three year renewal option. The final expiration date would be December 31, 2029.

Contract service with First Transit for Community Transit service amounted to $6,321,896 in 2023. Contract service with First Transit for Sound Transit service amounted to $14,631,801 in 2023.

C. Central Puget Sound Regional Fare Coordination System

Community Transit has an undivided interest in a nonequity joint venture jointly governed with six other Puget Sound-area public transit agencies for the provision of regional ORCA card fare collection services.

On April 14, 2009, Community Transit entered into an amended interlocal agreement with King County Metro Transit, Pierce Transit, Sound Transit, Everett Transit, Kitsap Transit, and the Washington State Ferries to provide for joint operation of the Central Puget Sound Regional Fare Coordination System.

The regional fare coordination system began a phased implementation on April 1, 2009, with substantial deployment in 2010. The system is governed by a joint board consisting of one representative from each participating agency. The participating agencies have committed to use the system for a minimum of ten years and fund a proportional share of regional shared costs.

Under the terms of the interlocal agreement, Sound Transit acts as the fiscal agent. Participating agencies remit all funds collected through the sale of ORCA fare media to Sound Transit. When customers use ORCA cards to pay transit fares, statistical information is collected which determines how Sound Transit remits fare revenue back to participating agencies.

Community Transit's undivided interests in the assets, liabilities, and operations of the ORCA smart card are consolidated within these financial statements on a proportionate basis. Expenses associated with the regional fare coordination system are shared proportionally by each participating agency. The joint venture does not publish public financial statements. Please direct requests for information about the joint venture's financial statements to Nathan Roberts at the address shown in the Management Discussion and Analysis section of this report.

This table represents the amount included in Community Transit's financial statements that is an undivided interest:

Current Assets		***2023***
Cash and Cash Equivalents	$	4,457,859
Accounts Receivable		974,906
Total Assets	**$**	**5,432,765**
Current Liabilities		
Accounts Payable and Accrued Liabilities	$	652,288
Deferred Receipts		4,807,406
Total Liabilities	**$**	**5,459,694**
Total Operating Revenues	**$**	**671,451**
Total Expenses	**$**	**671,451**

D. Transit Police Contract with Snohomish County

On December 16, 2020, Community Transit's Board of Directors approved a new interlocal agreement with Snohomish County to continue the police services which the Snohomish County Sheriff's Office has provided since April 2003.

Under the terms of the agreement, the County will provide transit safety and protection services along with supplemental law enforcement services.

The current contract term is January 1, 2021, to December 31, 2023. The cost of police services provided to Community Transit amounted to $2,892,206 in 2023. A new three year contract was established with a term date of January 1, 2024 to December 31, 2026.

E. Express Bus Operating Agreement with Sound Transit

Community Transit has operated Sound Transit's express bus service since September 1999. In June of 2021, Community Transit established a new agreement with Sound Transit to continue operating Sound Transit express bus service. The agreement covers various aspects of providing the service including operations, vehicle maintenance, fare collection, and security. The first year of this agreement ended on December 31, 2021; all subsequent years of this agreement begin on January 1 and end on December 31. The agreement will expire on December 31, 2025, with an option to extend for three additional one-year periods, ending December 31, 2028. In 2023, Community Transit received $20,957,108 from Sound Transit.

F. Five-Year Bus Purchase Contracts

Community Transit entered into a new five-year contract with New Flyer of America in December of 2021, for a total of 85 diesel buses in a mix of 40-foot, standard 60-foot, and bus rapid transit 60-foot coaches over the term of the contract. Due to the agencies transition to zero emission buses, the plan is to not order any new diesel buses utilizing this contract.

In December of 2021, the Board of Directors authorized an order of twenty-one BRT 60-foot New Flyer buses for $20,241,127 (includes tax and contingency). In the fourth quarter of 2023, we received the twenty-one 60-foot New Flyer buses. Fifteen buses are for the Orange Line expansion, four buses are for the Blue Line Expansion, while two buses are for general Swift BRT routes.

In October of 2022, the Board of Directors authorized an order of fifteen BRT 60-foot New Flyer Hybrid buses for $21,550,030 (includes tax and contingency) utilizing Washington State contract #06719. In the fourth quarter of 2023, we received the fifteen 60-foot Hybrid New Flyer buses. These are for the Swift Blue Line replacements.

In December of 2022, the Board of Directors authorized an order of one 40-foot Gillig Battery Electric bus for $1,336,067 and one 40-foot New Flyer Hydrogen Fuel Cell bus for $1,693,699 utilizing Washington State contract #06719. These two buses will be received in the first quarter of 2024.

Note 9: Contingencies and Litigations

A. Legal Proceedings

There are several pending lawsuits in which Community Transit is involved. Community Transit's attorney estimates that the potential claim against Community Transit not covered by insurance resulting from such litigation would not materially affect the financial statements.

B. Federal Grants

Community Transit has received several federal grants for specific purposes that are subject to review and audit. Such audits could lead to requests for reimbursement of expenses disallowed under the terms of the grant. In the opinion of management, such disallowances, if any, will be immaterial and will not have any significant effect on the financial position of Community Transit.

C. Environmental Liability

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

Note 10: Subsequent Events

Subsequent events were evaluated up to May 2, 2024. There are no subsequent events to report.

Note 11: Tax Abatement

Community Transit is subject to tax abatements granted by the State of Washington, which if present, would require disclosure in accordance to GASB No. 77, *Tax Abatement Disclosures.*

For the fiscal year ending December 31, 2023, Community Transit had several small tax abatement agreements involving less than three taxpayers. The Department of Revenue cannot disclose tax information for less than three taxpayers for either state or local estimates. In 2023, one category qualified for this classification. The category was high-technology. In addition, the category computer hardware, software, and peripherals had taxpayer savings of $1,143 in total from more than three taxpayers. This is an immaterial revenue loss to Community Transit.

Note 12: Leases

Community Transit entered into agreement to lease a limited license for temporary use of Unleased space with BPP Pacific Industrial WA Reit Owner 1 LLC, a Delaware limited liability company for 21 months, commencing in June 2020 and terminated in February 2022. In June of 2021 a first amendment was signed and approved to extend the term for another year, commencing as of March 1, 2022(the “Extended Term Commencement Date”), expiring on February 28, 2023. In March of 2023 a second amendment was signed and approved to extend the term for another six months, commencing as of March 1, 2023(the “Extended Term Commencement Date”), expiring on August 31, 2023. Under the extended term of the limited license for temporary use of space, Community Transit pays a monthly fee of $10,800. For the year ended December 31, 2023, this lease is based on a fixed payment and does not have variable payment components.

On December 31, 2023, Community Transit has recognized a right to use asset of $386,955 and a lease liability of $386,955 related to this agreement. The right to use lease asset is amortized on a straight-line basis over the term of the lease. On August 31, 2023, Community Transit recorded $83,387 in amortization expense and $1,199 in interest expense for the right of use the temporary space. The lease contract was ended on August 31, 2023, and therefore the ending balances for lease asset, liability and amortization expenses were zero. The lease contract does not provide information about the discount rate implicit in the lease. Therefore, the agency has elected to use a discount rate of 8 percent based on the Federal Reserve Bank prime loan rate relative to the length of the lease term.

The table below shows the amount of lease asset and the related accumulated amortization for the year ending December 31, 2023. The lease threshold was $100,000 for 2023.

	Beg Bal.	Increases	Decreases	End Bal.
Leased Equip	$ 323,152.42	$ 63,802.08	$ 386,954.50	$ -
Total	**$ 323,152.42**	**$ 63,802.08**	**$ 386,954.50**	**$ -**
Accum Amor. Leased Equip	$ 303,567.43	$ 83,387.07	$ 386,954.50	$ -
Total	**$ 303,567.43**	**$ 83,387.07**	**$ 386,954.50**	**$ -**

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

Year Ended December 31	Principal	Interest
2023	$ 85,201.25	$ 1,198.75

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years* (as of June 30)

PERS Plan 1

	2023	2022	2021	2020
Employer's proportion of the net pension liability	0.399741%	0.402012%	0.421859%	0.428746%
Employer's proportionate share of the net pension liability	$ 9,125,016	$ 11,193,489	$ 5,151,886	$ 15,137,049
Covered payroll	$ 71,363,613	$ 65,386,052	$ 64,822,950	$ 65,054,500
Employer's proportionate share of the net pension liability as a percentage of covered payroll	12.79%	17.12%	7.95%	23.27%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%

PERS Plans 2/3

	2023	2022	2021	2020
Employer's proportion of the net pension liability	0.516225%	0.523993%	0.541960%	0.557270%
Employer's proportionate share of the net pension liability	$ (21,158,426)	$ (19,433,753)	$ (53,987,936)	$ 7,127,166
Covered payroll	$ 71,363,613	$ 65,386,052	$ 64,822,950	$ 65,054,413
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.65%	-29.72%	-83.29%	10.96%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%

* Until a full ten-year trend is completed, information is presented only for the years available.

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years* (as of June 30)

(continued)

2019	2018	2017	2016	2015	2014
0.420678%	0.375860%	0.375570%	0.374817%	0.336190%	0.323760%
$ 16,176,563	$ 16,786,035	$ 17,821,089	$ 20,129,438	$ 17,585,864	$ 16,309,562
$ 58,932,204	$ 49,881,866	$ 47,217,768	$ 44,826,960	$ 38,290,475	$ 35,459,496
27.45%	33.65%	37.74%	44.90%	45.93%	45.99%
67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

2019	2018	2017	2016	2015	2014
0.540610%	0.480152%	0.480489%	0.476787%	0.429238%	0.411328%
$ 5,251,161	$ 8,198,168	$ 16,694,696	$ 24,005,849	$ 15,336,918	$ 8,314,424
$ 58,834,403	$ 49,771,462	$ 47,107,467	$ 44,696,052	$ 38,087,086	$ 35,246,857
8.93%	16.47%	35.44%	53.71%	40.27%	23.59%
97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

Required Supplementary Information

Schedule of Employer Contributions

Last 10 Fiscal Years* (as of December 31)

PERS Plan 1

	2023	2022	2021	2020
Statutorily or contractually required contributions	$ 2,498,123	$ 2,584,436	$ 2,872,265	$ 3,099,233
Contributions in relation to the statutorily or contractually required contributions	(2,498,123)	(2,584,436)	(2,872,265)	(3,099,233)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 74,125,772	$ 68,767,738	$ 66,948,475	$ 64,611,290
Contributions as a percentage of covered payroll	3.37%	3.76%	4.29%	4.80%

PERS Plans 2/3

	2023	2022	2021	2020
Statutorily or contractually required contributions	$ 4,714,402	$ 4,374,413	$ 4,780,350	$ 5,117,013
Contributions in relation to the statutorily or contractually required contributions	(4,714,402)	(4,374,413)	(4,780,350)	(5,117,013)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 74,125,772	$ 68,767,738	$ 66,948,475	$ 64,611,290
Contributions as a percentage of covered payroll	6.36%	6.36%	7.14%	7.92%

* Until a full ten-year trend is completed, information is presented only for the years available.

Required Supplementary Information

Schedule of Employer Contributions

Last 10 Fiscal Years* (as of December 31)

2019	2018	2017	2016	2015	2014
$ 3,084,721	$ 2,785,410	$ 2,390,019	$ 2,186,830	$ 1,831,790	$ 1,489,527
(3,084,721)	(2,785,410)	(2,390,019)	(2,186,830)	(1,831,790)	(1,489,527)
$ -	$ -	$ -	$ -	$ -	$ -
$ 62,451,846	$ 54,811,840	$ 48,599,566	$ 45,704,111	$ 41,422,068	$ 36,567,727
4.94%	5.08%	4.92%	4.78%	4.42%	4.07%

2019	2018	2017	2016	2015	2014
$ 4,817,848	$ 4,094,539	$ 3,331,932	$ 2,840,622	$ 2,334,035	$ 1,820,562
(4,817,848)	(4,094,539)	(3,331,932)	(2,840,622)	(2,334,035)	(1,820,562)
$ -	$ -	$ -	$ -	$ -	$ -
$ 62,451,846	$ 54,663,153	$ 48,490,161	$ 45,595,885	$ 41,266,619	$ 36,342,265
7.71%	7.49%	6.87%	6.23%	5.66%	5.01%

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31 2023

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 16,440,194	$ 15,318,506	$ 14,293,223	$ 13,154,214	$ 9,413,812	$ 8,177,537
Service cost	1,044,322	1,023,845	1,010,557	990,742	493,350	427,266
Interest	357,463	334,218	415,884	384,338	402,113	383,362
Changes in benefit terms	0	0	0	0	0	0
Differences between expected and actual experience**	(1,965,654)	0	(1,834,533)	0	697,602	0
Changes of assumptions	(3,146,481)	0	1,684,382	0	2,346,371	596,929
Benefit payments	(263,873)	(236,375)	(251,007)	(236,071)	(199,034)	(171,282)
Other changes	0	0	0	0	0	0
Total OPEB liability - ending	12,465,971	16,440,194	15,318,506	14,293,223	13,154,214	9,413,812
Covered-employee payroll	76,733,297	61,762,562	60,551,531	60,569,129	59,381,499	47,296,845
Total OPEB liability as a % of covered-employee payroll	16.25%	26.62%	25.30%	23.60%	22.15%	19.90%

Notes to Schedule:

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

* Until a full ten-year trend is completed, information is presented only for the years available.

**These are to be re-determined using actual employer contributions for the period January 1, 2023 to December 31, 2023. For self-insured plans, this is the difference between actual retiree claims/expenses and the actual retiree contributions for the retirees covering during this period. For fully insured plans this is the difference between the actual age-adjusted total retiree premiums and actual collected retiree contributions.

The difference between expected and actual experience for the period ending December 31, 2023 should be adjusted by the difference between actual employer contributions for the period January 1, 2023 to December 31, 2023 and the expected employer contribution of $263,873 shown above. The actuarial valuation reflects changes in assumptions from the prior actuarial valuation. The discount rate was changed from 2.06% to 3.26%. The RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.

Snohomish County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500		-	15,424,239	15,424,239	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500		-	6,106,165	6,106,165	-	
			Total ALN 20.500:	**-**	**21,530,404**	**21,530,404**	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507		-	17,781,282	17,781,282	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	834,413	834,413	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	14,785,720	14,785,720	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	962,171	962,171	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	1,492,469	1,492,469	-	

The accompanying notes are an integral part of this schedule.

Snohomish County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	1,514	1,514	-	
			Total ALN 20.507:	**-**	**35,857,569**	**35,857,569**	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525		-	757	757	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	379	379	-	
			Total Federal Transit Cluster:	**-**	**57,389,109**	**57,389,109**	-	
			Total Federal Awards Expended:	**-**	**57,389,109**	**57,389,109**	**-**	

The accompanying notes are an integral part of this schedule.

Snohomish County Public Transportation Benefit Area

Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the financial statements for the Snohomish County Public Transportation Benefit Area (PTBA). The PTBA uses the accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The PTBA has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Expended amounts for operations and capital are direct costs and do not include indirect costs.

Note 3 – Program Income

Program Income generated by grant supported activity in 2023 was retained and used for allowable capital or operating expenses as permitted by FTA's Grant Management Guidelines in Circular 5010.1E Chapter 7. Community Transit only generates Farebox or Advertising (on buses) revenue. In 2023, only Farebox Revenue was generated; there was no Advertising Revenue because there were no federal grants with active buses to attribute the revenue. Farebox Revenue was generated for operating projects and is always subtracted from the gross project cost to arrive at net eligible grant expense. During 2023, Farebox revenues of $776,954 were generated under the following grants: WA-2022-025 ($769,688; CFDA 20.507) and WA-2022-036 ($7,266; CFDA 20.507).

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the PTBA's portion, are more than shown. Such expenditures are recognized in 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 reimbursement.

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

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

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