



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Whatcom Transportation Authority

For the period January 1, 2022 through December 31, 2023

*Published September 19, 2024*

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

September 19, 2024

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Whatcom Transportation Authority January 1, 2023 through December 31, 2023

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

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

#### Financial Statements

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

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 2000.516(a).

## Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.507	Federal Transit Cluster – Federal Transit Formula Grants
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 \$750,000.

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

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

#### **Whatcom Transportation Authority January 1, 2022 through December 31, 2023**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Whatcom Transportation Authority, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 16, 2024.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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



Pat McCarthy, State Auditor

Olympia, WA

September 16, 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

### Whatcom Transportation Authority January 1, 2023 through December 31, 2023

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

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

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

### Basis for Opinion on Each Major Federal Program

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

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



## Responsibilities of Management for Compliance

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

## Auditor's Responsibilities for the Audit of Compliance

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

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

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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

### Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

September 16, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Whatcom Transportation Authority January 1, 2022 through December 31, 2023**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the Whatcom Transportation Authority, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Whatcom Transportation Authority, as of December 31, 2023 and 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Matters of Emphasis**

As discussed in Note 2 to the financial statements, in 2023, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority’s ability to continue as a going concern for a reasonable period of time; and
- 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 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 opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

September 16, 2024

## **FINANCIAL SECTION**

### **Whatcom Transportation Authority January 1, 2022 through December 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2022 and 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2022 and 2023

Statement of Revenues, Expenses and Changes in Net Position – 2022 and 2023

Statement of Cash Flows – 2022 and 2023

Notes to Financial Statements – 2022 and 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3– 2023 and 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023 and 2022

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

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**Overview**

The management of Whatcom Transportation Authority (WTA) provides the readers of WTA's Financial Statements with this narrative as an overview and analysis of the financial activities for the year ended December 31, 2023.

Management is responsible for the completeness, reliability, and objectivity of these financial statements. Estimates and judgments used in the financial statements have been made on a prudent and reasonable basis.

Whatcom Transportation Authority was established in 1983 to provide public transit services within the Public Benefit Transportation Area. Current services include:

- Fixed Route – Provides standard bus service on fixed, regularly scheduled routes.
- Paratransit Service – Provides dial-a-ride transportation service to passengers unable to utilize fixed route service.
- Vanpool - A program that makes a vehicle available to groups of 5-15 people for commuting to work.
- On-Demand Service – A service that allows passengers to hail a ride anywhere within the City of Lynden. Rides can be booked via a mobile app or by calling WTA. Rides are open to all passengers and vehicles are ADA compliant.

**Mission Based Workplan Accomplishments**

WTA achieved many of the Mission Based goals set for 2023; several are listed below:

**Deliver safe, reliable, efficient, and friendly service.**

- Began providing all front-line employees with de-escalation training.
- Received the 2023 Well City Award from the Association of Washington Cities (AWC).
- Implemented the Transit Safety Officer (TSO) program with four (4) employees in the field. These employees spend time on WTA buses, at the stations and engaging with customers in challenging situations utilizing communication and de-escalation techniques. Initial indications are positive.

**Partnering with our community to improve transportation systems.**

- Partnered with non-profit organizations and the City of Lynden to assess the feasibility of transit supportive development at Lynden Station.
- Continued work with state and federal legislative delegation and administrative agencies to support improved, innovative transportation solutions.
- Completed a "visioning study" with community partners on the potential for the Bellingham Station to meet broader community needs.



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**WTA Organizational**

- Engaged a consultant to partner on developing a long-term financial plan.
- Presented financial highlights and ratios to the Board quarterly.
- Ended 2023 under budget with strong reserves and continued research of potential future project funding.
- Received the 26th consecutive clean financial and accountability audit from the Washington State Auditor's Office.
- Hired nine (9) new employees, filled thirteen (13) existing positions, and promoted nineteen (19) current employees.
- Continued offering professional development opportunities to employees such as a mentor program and skill set training.
- Sponsored three (3) employees to participate in the Washington State Transit Association's (WSTA) Transit Next Leadership Institute (TNLI).
- Sponsored two (2) employees to participate in Leadership Whatcom to develop the next generation of active leaders in Whatcom County.

**Offering environmentally sound transportation choices.**

- Received two (2) electric fixed route buses.
- Continued supporting Bellingham and Whatcom County climate action plan initiatives.
- Received a WSDOT (Washington State Department of Transportation) grant to purchase fourteen (14) rideshare vehicles to reduce single occupancy cars on the road.
- Continued installation of electric charging stations at Midway Lot and Cordata Station in partnership with the City of Bellingham.

**Providing leadership in creating innovative transportation solutions.**

- Continued funding the Transit Access Fund (TAF) to support communities' completion of infrastructure projects.
- Partnered with Smart Trips to enhance efforts to increase mode shift for walking, biking, rideshare and transit.
- Completed Phase 1 of the rapid bus line study.

**Looking Forward**

- Participating in many studies to determine future projects for WTA: rapid transit, community economic impact, transit-oriented development, and on-demand service.
- Develop plans for a building and backup generator on the Midway Property to support transition to zero emission efforts.
- Completed due diligence to validate the idea of transit supported development at Lynden Station.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

### **Financial Highlights**

On December 31, 2023, WTA assets and deferred outflows of resources surpassed liabilities and deferred inflows of resources by \$116.9 million. Within the net position balance, \$49.1 million represents the net investment in capital assets and \$8.6 million is restricted for the PERS 2/3 pension asset. Reserves of \$39.3 million are to support operations, fleet replacement and expansion and additional capital assets are held within the unrestricted net position.

Assets and total deferred outflows of resources of WTA exceeded its liabilities and deferred inflows of resources on December 31, 2022, by \$112.1 million. Of this amount, \$48.7 million represents WTA's net position invested in capital assets and \$6.2 million is restricted for the PERS 2/3 pension asset. In the unrestricted amount, the WTA Board has designated reserves of \$21.2 million for operations, fleet replacement and expansion, and additional capital projects.

Net position increased \$4.8 million or 4.3% during 2023 compared to a \$20.7 million or 22.6% increase in 2022. The difference is primarily due to the receipt of significant federal relief funds related to the COVID-19 pandemic in 2022.

This is the third year WTA shows a Restricted Net Position relating to the Pension Asset resulting from the State's PERS Retirement Plans 2 and 3 being fully funded.

WTA continued to fund operations via current cash flow and remained debt free during the year, although a \$6 million line of credit for bus purchases is available. Cash balances, less designated reserves, are planned for future operating and capital expenses.

### **Financial Statements**

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Under GAAP, revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Most capital assets are depreciated over their useful lives. The notes to the financial statements provide a summary of WTA's significant accounting policies.

The Statement of Net Position presents information on WTA's assets and liabilities, with the difference between the two reported as Net Position. Over time, changes in assets and liabilities may serve as a useful indicator of whether WTA's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing WTA's net asset changes during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

The Statement of Cash Flows presents actual cash activity during the fiscal period related to operating activities, noncapital financing activities, capital activities and investing activities. Additionally, a reconciliation of net cash (used) by operating activities to operating (loss) is included. Over time, increases or decreases in cash balances serve as a useful indicator of the financial stability of WTA.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information essential to fully understand the data provided in WTA's financial statements and are located following the Statement of Cash Flows and should be read in conjunction with the Financial Statements.

**Statement of Net Position**

The Condensed Statement of Net Position represents the financial condition of WTA at the end of the last three calendar years and reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

A summarized comparison as of December 31, 2023, 2022 and 2021, is on the following page:

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**Condensed Statement of Net Position**

	2023	2022	2021
Current Assets	\$ 70,306,201	\$ 68,424,178	\$ 47,983,525
Noncurrent Assets	7,204,214	6,159,358	15,253,813
Capital Assets	<u>49,145,712</u>	<u>49,794,585</u>	<u>49,028,319</u>
<b>Total Assets</b>	<b><u>\$ 126,656,127</u></b>	<b><u>\$ 124,378,121</u></b>	<b><u>\$ 112,265,657</u></b>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 5,703,277</u></b>	<b><u>\$ 6,288,124</u></b>	<b><u>\$ 2,036,733</u></b>
Current Liabilities	\$ 4,605,412	\$ 5,619,147	\$ 3,855,661
Noncurrent Liabilities	<u>6,009,446</u>	<u>6,518,271</u>	<u>3,256,921</u>
<b>Total Liabilities</b>	<b><u>\$ 10,614,858</u></b>	<b><u>\$ 12,137,418</u></b>	<b><u>\$ 7,112,582</u></b>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 4,792,306</u></b>	<b><u>\$ 6,395,284</u></b>	<b><u>\$ 15,728,359</u></b>
Invested in capital assets (net of debt)	\$ 49,145,712	\$ 49,794,585	\$ 49,028,319
Restricted	8,647,847	6,211,504	2,818,227
Unrestricted	<u>59,158,681</u>	<u>56,127,454</u>	<u>39,614,903</u>
<b>Total Net Position</b>	<b><u>\$ 116,952,240</u></b>	<b><u>\$ 112,133,543</u></b>	<b><u>\$ 91,461,449</u></b>

### Assets

Current assets in 2023 grew by \$1.9 million or 2.8% from 2022 for grant funds due to WTA at year end from the Washington State Department of Transportation. Accounts receivable, interest receivable and inventories all increased slightly over the 2022 balances.

For 2022, current assets increased \$20.4 million or 42.6% over 2021 primarily due to a larger cash and cash equivalents balance because of federal relief funds received from the American Rescue Plan Act (ARPA), a slight increase in taxes receivable at year end, and a larger ending balance in grants receivable due to amounts owed but not received at year end.

Noncurrent assets grew \$1.6 million or 25.8% over 2022 due to an increase in the pension asset resulting from the difference between the actual and expected experience of PERS Retirement Plans 2 and 3. A new noncurrent Lease Receivable of \$545 thousand was recorded in 2023 as required by GASB 87.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

The noncurrent pension asset decreased \$9.1 million or -59.6% from 2021. The decrease in this asset results from the difference between the actual and expected experience of PERS Retirement Plans 2 and 3. These entries are required by GASB 68.

Net capital assets fell by \$1.2 million or -2.4% from 2022 due to the disposal of assets and the corresponding depreciation expense. 2022 amounts were restated to record the required addition of Subscription-Based Information Technology Arrangements (SBITAs) conveying to WTA the right to use another party's information technology software, as specified in the contract for a period of time in an exchange or exchange-like transaction. This entry is required by GASB 96.

During 2022, net capital assets increased \$0.4 million or .7% from 2021 primarily due to the addition of seven (7) fixed route buses, the completion of the MOAB (Maintenance Office Administrative Building) 2<sup>nd</sup> floor remodel and the completed Ferndale Station LED lighting project, offset by disposals and depreciation.

#### **Deferred Outflows of Resources**

For 2023, deferred outflows of resources decreased \$585 thousand or -9.3% due to changes in assumptions and WTA's proportionate share of PERS Plans 2/3 and the differences between expected and actual experience.

During 2022, deferred outflows of resources increased \$4.3 million or 208.5% due to investment earnings outpacing assumptions for PERS Plans 1, 2 and 3, plus a combination of actual experience being greater than projected and greater earnings.

#### **Liabilities**

Current liabilities decreased \$1.0 million or -18.0% during 2023 due to lower accounts payable due at year end and lower accrued wages as all federal COVID Relief payments were made during 2022.

During 2022, current liabilities increased \$1.8 million or 45.7% over 2021. This was due to a \$575 thousand accounts payable invoice for charging equipment that was unpaid at year end and accrued wages that included the final COVID Relief payment of \$738 thousand that was paid in January 2023.

Noncurrent liabilities decrease \$509 thousand or -7.8% from 2022 as the pension liability decreased.

During 2022, noncurrent liabilities increased \$2.1 million or 65.5% over 2021 due to an increase in WTA's pension liability and the implementation of GASB 87 for Leases.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**Deferred Inflows of Resources**

Deferred inflows of resources decreased \$1.6 million or -25.1% from 2022 due to the decline in pension liability and the recording of deferred inflows related to leases resulting from GASB 87.

During 2022, deferred inflows of resources decreased \$9.3 million or -59.3% due to the changes in earnings and experience level for PERS Plans 1, 2, and 3.

**Net Position**

The difference between total assets, deferred outflows and inflows, and total liabilities is net position. The change in net position measures whether the agency's overall financial condition has improved or diminished during the year.

Net position increased \$4.8 million or 4.3% during 2023 compared to \$20.7 million in 2022. The difference is attributable to the receipt of significant federal relief funds related to the COVID-19 pandemic during 2022. WTA accrued the final relief funds in 2022 and received the final payment as of December 31, 2023.

WTA's 2022 net position increased \$20.7 million or 22.6% due to the increase required for the pension asset and the receipt of \$21.2 million in federal COVID relief funds.

Net position is reported in the following three categories:

**Net Investment in Capital Assets:** WTA's total investments in land, buildings, buses, equipment, technology, and other infrastructure net of accumulated depreciation. WTA uses these capital assets to provide public transportation services to the citizens and visitors of Whatcom County.

**Restricted:** WTA funds restricted for the pension asset resulting from PERS Plans 2 and 3 becoming fully funded during 2021.

**Unrestricted:** WTA funds available to the agency to meet obligations to its citizens and creditors.

**Statement of Revenues, Expenses and Changes in Fund Net Position**

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents WTA's results of operating and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

A summarized comparison of WTA's revenues, expenses, and changes in net position for the years ended December 31, 2023, 2022, and 2021, follows on the next page:

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**Condensed Statement of  
Revenues, Expenses and Changes in Fund Net Position**

(including depreciation)

	<u>12/31/2023</u>		<u>12/31/2022</u>		<u>12/31/2021</u>
Operating Revenues	\$ 1,663,498	\$	1,546,622	\$	684,831
Operating Expenses	<u>46,635,315</u>		<u>46,653,215</u>		<u>34,254,339</u>
Operating (Loss)	(44,971,817)		(45,106,593)		(33,569,508)
Non-operating Revenue	50,114,138		66,139,442		51,866,900
Non-operating Expense	(42,162)		(29,989)		-
Special Item	49,018		-		(49,018)
(Loss) / Gain on Disposal of Assets	<u>(330,480)</u>		<u>(330,766)</u>		<u>(154,493)</u>
<b>Increase / (Decrease) in Net Position</b>	<b>4,818,697</b>		<b>20,672,094</b>		<b>18,093,881</b>
Net Position - Beginning of Period	<u>112,133,543</u>		<u>91,461,449</u>		<u>73,367,568</u>
<b>Net Position - End of Period</b>	<b>\$ <u>116,952,240</u></b>	<b>\$</b>	<b><u>112,133,543</u></b>	<b>\$</b>	<b><u>91,461,449</u></b>

## Revenues

WTA's operations are primarily funded with local sales tax revenue, passenger fares, and partnerships with other local agencies. Capital expenditures, primarily for procuring or improving fleet and facilities, are largely reimbursed with federal and state grant funds. Local funds, such as sales tax revenue and passenger fares, are required to supplement the capital project budget to meet grant-match requirements or fund projects that do not have grant funding.

Operating revenues consist primarily of transit and transit related services such as passenger fares, special transit agreements, and vanpool charges.

For 2023, operating revenues increased \$117 thousand or 7.6% as WTA continued to see ridership increase after the pandemic. No fare increases were introduced during 2023.

During 2022, operating revenues increased \$862 thousand or 125.8% as WTA collected fares for the entire calendar year. Fare revenue from Western Washington University and Whatcom Community College declined due to a revised billing method and the implementation of youth 18 and under riding free.

Non-operating revenues consist primarily of sales tax revenue, grants, interest income, advertising revenue, and tenant lease income. WTA currently receives six-tenths of one percent of Whatcom County sales and use tax.

Sales tax revenue increased \$1.8 million or 4.5% over 2022 with continued recovery in nearly all categories.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

For 2022, sales tax revenues continued to grow ending the year \$4.1 million or 12.0% over 2021 with increases in all categories, the largest being manufacturing and accommodation and food services.

Grant revenue declined \$18.8 million or -70.7% from 2022 due to WTA not recording any federal COVID-19 relief funds during 2023. All relief funds due were accrued as 2022 revenue.

WTA received approximately \$21.2 and \$9.3 million in federal COVID-19 relief funds during 2022 and 2021 respectively, to reimburse payroll and benefit expenses during and after the COVID-19 pandemic.

WTA received \$4,500 from the Washington State Transit Insurance Pool (WSTIP) in both 2023 and 2022 to reimburse the agency for the promotion of cybersecurity activities, including educating our staff on email security and for safety related equipment.

Interest rates during 2023 were raised three (3) times or 1.25% by the Federal Reserve, four (4) times less than during 2022. This resulted in interest income increasing \$937 thousand or 164.7% over the prior year.

Interest income increased \$290 thousand or 103.4% over 2021 due to significant growth in cash holdings with the receipt of the final federal COVID relief payments coupled with increased interest rates.

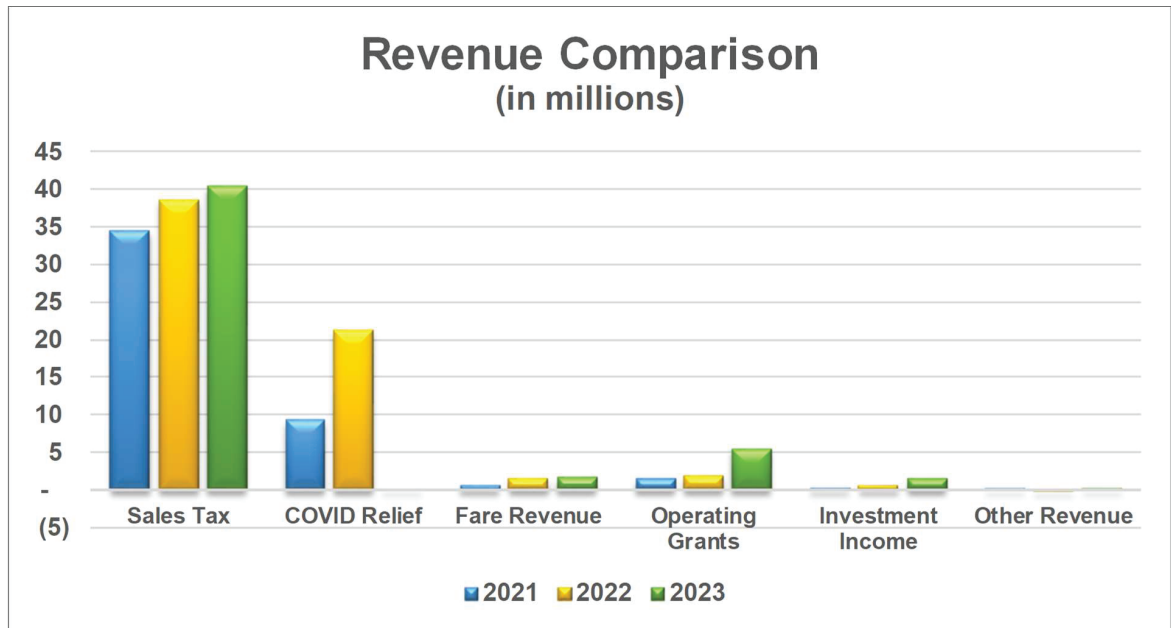
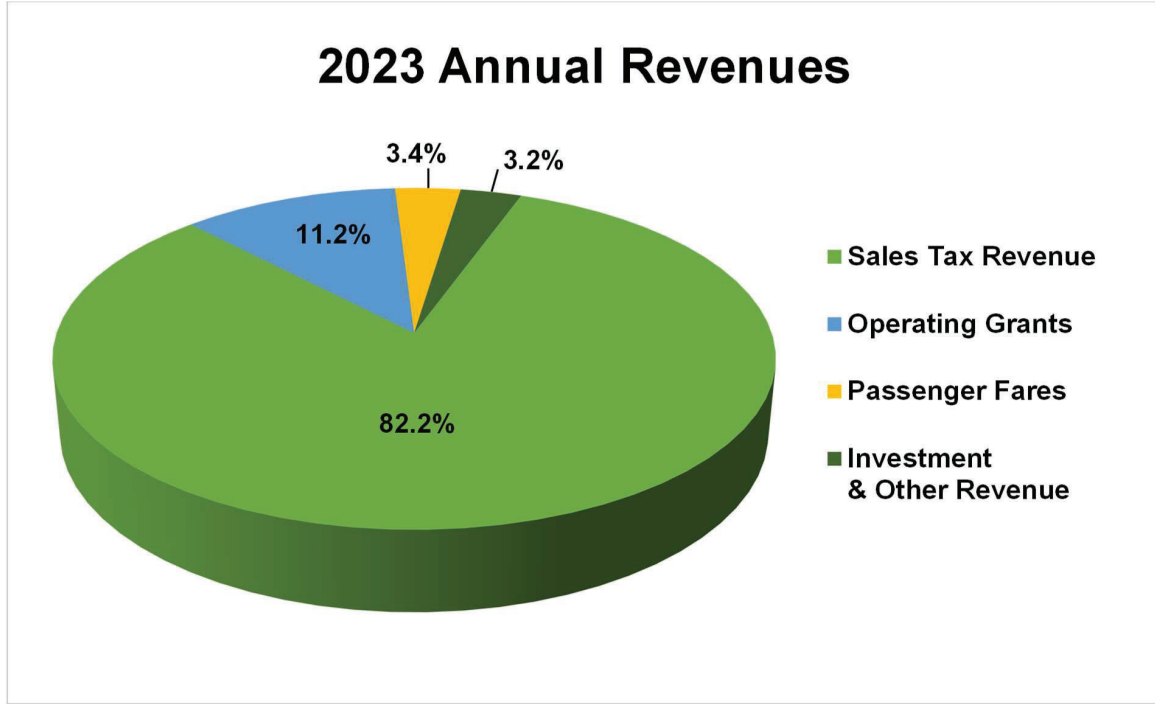
The Federal Reserve raised interest rates seven (7) times during 2022 to combat the nation's growing inflation rate. The first increase occurred in March 2022 and the last in December. The increases ranged from .25% to .75%, ending the year at 4.25-4.5%. These increased rates and the level of WTA's cash holdings had a positive impact on the agency's interest income in 2022.

**Revenue Analysis**

<b>Revenues</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2023 % of Total</b>	<b>2023 vs. Prev Yr</b>
Operating	\$ 1,663,498	\$ 1,546,622	\$ 684,831	3.23%	\$ 116,876
Invest. Income	1,506,566	569,243	279,227	2.93%	937,323
Sales Tax	40,459,954	38,699,783	34,563,375	78.64%	1,760,171
Operating Grants	5,516,454	23,078,345	10,826,322	10.72%	(17,561,891)
Capital Grants	2,253,906	3,461,688	5,946,169	4.38%	(1,207,782)
Other Revenue	377,258	330,383	251,807	0.73%	46,875
(Loss) / Gain on Disposal of Assets	(330,480)	(330,766)	(154,493)	-0.63%	286
<b>Total Revenue</b>	<b>\$ 51,447,156</b>	<b>\$ 67,355,298</b>	<b>\$ 52,397,238</b>	<b>100.00%</b>	<b>\$ (15,908,142)</b>



WHATCOM TRANSPORTATION AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
 For the Year Ended December 31, 2023



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**Expenses**

Operating expenses consist of expenses related to transit operations, maintenance, administration, customer service, marketing, and depreciation.

Salaries decreased \$1.2 million or -4.9% from 2022 as COVID-19 relief / retention funds of \$4.3 million were not paid during the year. These decreases were offset by wage increases of 7.5% to all employees retroactive to January 1, 2023.

During 2022, wages and salaries increased \$6.0 million or 30.7% over 2021 primarily due to payments in COVID relief / retention funds to most employees. The last of these payments was recorded in December.

During 2023, benefit costs decreased \$320 thousand or -4.2% from 2022 due to lower payments made for payroll taxes, sick leave and lower pension expense related to GASB 68.

For 2022, benefit costs increased \$4.6 million or 155.1% over 2021 due primarily to the required adjustment for GASB 68.

During 2023, supplies and services expense grew \$1.2 million or 14.6% from 2022 for a variety of reasons including an increase in professional and technical services for studies performed during the year, more temporary help, rentals and repairs, the purchase of small tools and increased utility usage.

For 2022, supplies and services costs increased \$1.8 million or 28.9% as costs for fuel and supplies rose due to limited supply and high demand. WTA also began work on projects that were delayed during 2021.

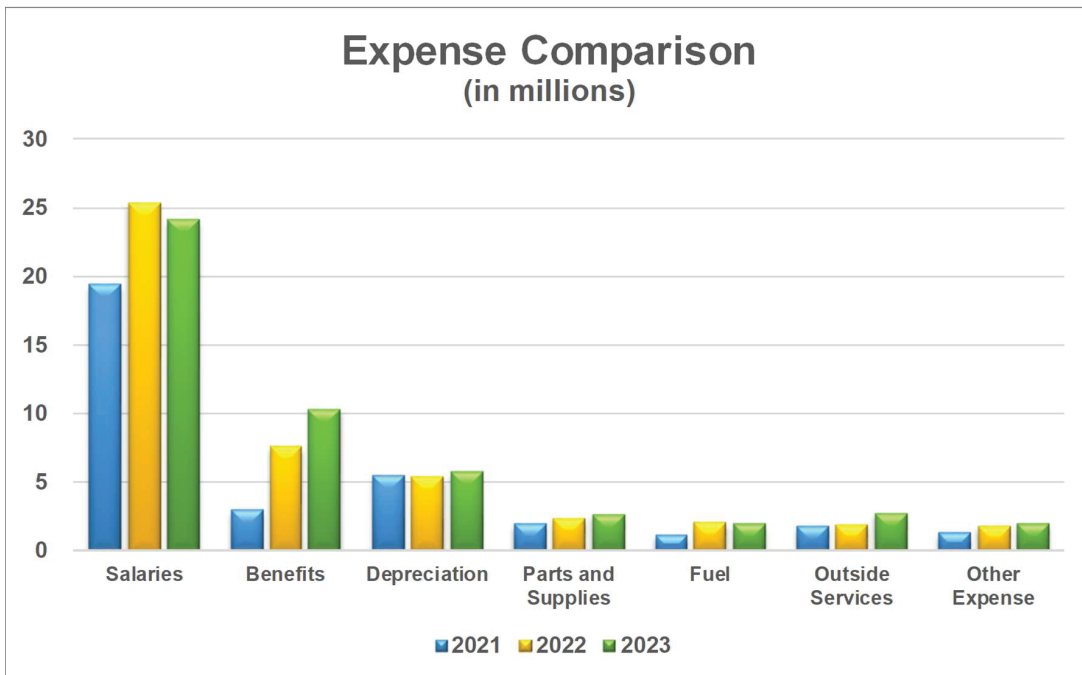
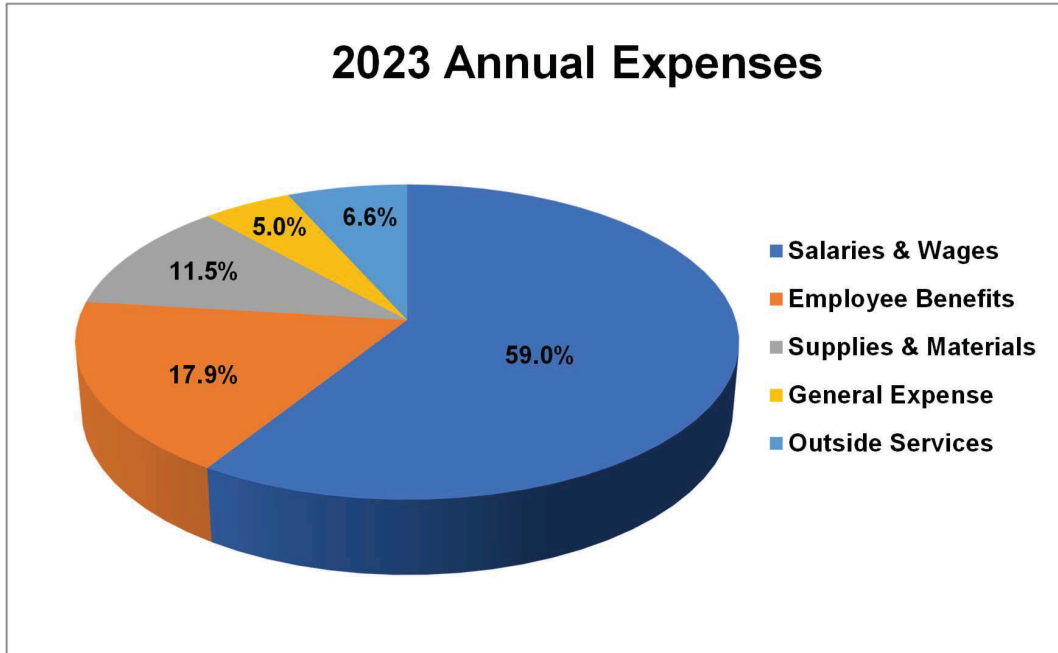
For 2023, depreciation/amortization expense increased by \$337 thousand or 6.2% from 2022 due to subscription assets and the related amortization being added to the balance sheet.

Depreciation expense fell by \$49 thousand or -.9% during 2022 as the value of depreciated assets changed slightly from 2021.

Capital expenses decreased \$388 thousand or -7.6% from 2022 primarily due to projects not being completed during 2023 and rolling forward for completion in 2024.

For 2022, capital expenses decreased \$7.3 million or 59.2% from 2021 as WTA waited for buses to be constructed, delivered, and paid for. These expenses should occur during 2023 as the agency plans to receive two (2) electric buses and thirty (30) paratransit vehicles.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2023**

**2023 Budgetary Analysis**

WTA's 2023 actual operating revenues were slightly above budget by \$194 thousand or 13.1% as ridership continues to return after the pandemic. Nonoperating revenues were above budget by \$5.0 million or 11% due to a combination of sales tax revenues exceeding budget and interest income greatly exceeding budget.

Operating expenses also ended the year favorably compared with the 2023 budget. WTA expended \$7.3 million less than budget or -13.6%. This variance is primarily due to salaries and benefits being under budget by \$4.5 million or -12.6% as WTA was not fully staffed for the entire year as we experienced recruiting challenges and retirements and the impacts of GASB 68. Also under budget were supplies and materials by \$646 thousand or -20.8%, fuel by \$473 thousand or -19.2% and education, meetings, and travel by \$203 thousand or -37.5%. These categories are under budget due to WTA traveling less miles in 2023 versus 2022, reduced travel for education and the delay in projects requiring supplies.

The comparison of the 2023 actuals to 2023 budget:

**2023 Condensed Statement of  
Actual to Budgeted Results  
(including depreciation)**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>% CHANGE</u>
Operating Revenues	\$ 1,663,498	\$ 1,470,310	\$ 193,188	13.1%
Operating Expenses	<u>46,562,566</u>	<u>53,866,518</u>	<u>(7,303,952)</u>	<u>-13.6%</u>
Operating (Loss)	(44,899,068)	(52,396,208)	7,497,140	-14.3%
Non-operating Revenue	49,999,227	45,038,175	4,961,052	11.0%
Special Item	49,018	-	49,018	100.0%
(Loss) / Gain on Disposal of Assets	<u>(330,480)</u>	<u>-</u>	<u>(330,480)</u>	<u>100.0%</u>
<b>Increase / (Decrease) in Net Position</b>	4,818,697	(7,358,033)	12,176,730	-165.5%
Net Position - Beginning of Period	<u>112,133,543</u>	<u>88,752,603</u>	<u>23,380,940</u>	<u>26.3%</u>
<b>Net Position - End of Period</b>	<u>\$ 116,952,240</u>	<u>\$ 81,394,570</u>	<u>\$ 35,557,670</u>	<u>43.7%</u>

**Requests for Information**

This financial report is designed to provide a general overview of Whatcom Transportation Authority's financial position. Questions regarding this report or requests for additional information should be directed to:

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Finance Director  
Whatcom Transportation Authority  
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Bellingham, WA 98226-8056  
(360) 788-9331  
Shondas@ridewta.com

**WHATCOM TRANSPORTATION AUTHORITY  
STATEMENT OF NET POSITION**

**December 31, 2023 and 2022**

<b>ASSETS</b>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 57,508,477	\$ 57,967,966
Taxes Receivable	6,457,578	6,668,843
Grants Receivable	3,965,382	1,762,338
Interest Receivable	171,908	90,232
Accounts Receivable	352,821	261,159
Inventories	1,513,917	1,315,115
Prepayments	336,118	358,525
Total Current Assets	<u>70,306,201</u>	<u>68,424,178</u>
Noncurrent assets:		
Pension Asset	7,204,214	6,159,358
Lease Receivable	545,739	-
Capital Assets not Being Depreciated:		
Land	7,170,167	7,170,167
Work in Progress	1,382,627	1,948,776
Capital Assets Being Depreciated:		
Buildings	24,263,281	24,263,281
Improvements	7,771,407	7,013,607
Transportation Equipment	46,954,326	45,084,811
Other Equipment	3,550,080	3,525,801
Maintenance/Shop Equipment	2,026,936	2,024,602
Communications Equipment	8,842,871	8,704,099
Less: Accumulated Depreciation	(55,857,896)	(52,594,714)
Leased Assets	1,774,023	1,657,056
Subscription Assets	1,186,923	1,128,646
Less: Accumulated Amortization	<u>(464,772)</u>	<u>(131,547)</u>
Total Noncurrent Assets	56,349,926	55,953,943
 TOTAL ASSETS	 <u>\$ 126,656,127</u>	 <u>\$ 124,378,121</u>
 <b>DEFERRED OUTFLOWS of RESOURCES</b>		
Deferred Outflows Related to Pensions	\$ 5,703,277	\$ 6,288,124
 TOTAL DEFERRED OUTFLOWS of RESOURCES	 <u>\$ 5,703,277</u>	 <u>\$ 6,288,124</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY  
STATEMENT OF NET POSITION**

**December 31, 2023 and 2022**

<b>LIABILITIES</b>	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts Payable	\$ 828,150	\$ 1,158,126
Accrued Compensated Absences	2,442,303	2,199,860
Accrued Wages	831,940	1,545,362
Other Accrued Liabilities	494,686	559,698
Due to other governmental agencies	-	49,018
Unearned Revenue	8,333	107,083
Total Current Liabilities	<u>4,605,412</u>	<u>5,619,147</u>
Noncurrent Liabilities:		
Pension Liability	3,135,036	3,578,134
Accrued Long-Term Compensated Absences	259,120	234,133
Other Noncurrent Liabilities	5,426	9,176
Lease Liability	1,591,080	1,568,182
Subscription Liability	1,018,784	1,128,646
Total Noncurrent Liabilities	<u>6,009,446</u>	<u>6,518,271</u>
 TOTAL LIABILITIES	 <u>\$ 10,614,858</u>	 <u>\$ 12,137,418</u>
 <b>DEFERRED INFLOWS of RESOURCES</b>		
Deferred Inflows Related to Pensions	\$ 4,256,730	\$ 6,395,284
Deferred Inflows Related to Leases	\$ 535,576	\$ -
 TOTAL DEFERRED INFLOWS of RESOURCES	 <u>\$ 4,792,306</u>	 <u>\$ 6,395,284</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	49,145,712	49,794,585
Restricted for Pension Asset	8,647,847	6,211,504
Unrestricted	59,158,681	56,127,454
<b>TOTAL NET POSITION</b>	<u>\$ 116,952,240</u>	<u>\$ 112,133,543</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Passenger Fares	\$ 1,663,498	\$ 1,546,622
Total Operating Revenues	<u>1,663,498</u>	<u>1,546,622</u>
OPERATING EXPENSES:		
Salaries	24,153,249	25,391,001
Benefits	7,305,047	7,624,995
Supplies	3,879,188	3,760,127
Services	5,540,013	4,456,322
Depreciation	5,757,818	5,420,770
Total Operating Expenses	<u>46,635,315</u>	<u>46,653,215</u>
Operating Loss	<u>(44,971,817)</u>	<u>(45,106,593)</u>
NONOPERATING REVENUES (EXPENSES):		
Sales Tax	40,459,954	38,699,783
External Subsidies - Grant Revenue	7,770,360	26,540,033
Investment Income	1,506,566	569,243
Other Nonoperating Revenues	377,258	330,383
Interest Expense	(42,162)	(29,989)
Total Nonoperating Revenues (Expenses)	<u>50,071,976</u>	<u>66,109,453</u>
Gain before Contributions, Gains and Losses	5,100,159	21,002,860
Special item	49,018	-
(Loss) on asset disposal	<u>(330,480)</u>	<u>(330,766)</u>
Increase in net position	4,818,697	20,672,094
Net Position - Beginning of Period	<u>112,133,543</u>	<u>91,461,449</u>
Net Position - End of Period	<u>\$ 116,952,240</u>	<u>\$ 112,133,543</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS**

**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 1,571,836	\$ 1,703,567
Payments to suppliers	(9,883,927)	(7,628,435)
Payments to employees	(34,811,200)	(34,461,307)
Other receipts	(2,172,205)	(1,163,106)
Other payments	<u>(245,157)</u>	<u>(13,202)</u>
Net cash used by operating activities	(45,540,653)	(41,562,483)
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>		
Sales Tax receipts	40,459,954	38,699,783
Operating contributions - grants	5,516,455	23,078,345
Other noncapital financing activities	<u>377,260</u>	<u>330,387</u>
Net cash provided by noncapital financing activities	46,353,669	62,108,515
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Capital contributions - grants	2,253,906	3,461,688
Purchases of capital assets	(4,660,335)	(5,048,718)
Other payments	(330,480)	(330,766)
Interest paid on capital debt	<u>(42,162)</u>	<u>(29,989)</u>
Net cash used by capital and related financial activities	(2,779,071)	(1,947,785)
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Interest and dividends	<u>1,506,566</u>	<u>569,239</u>
Net cash provided by investing activities	1,506,566	569,239
Net (decrease) increase in cash and cash equivalents	(459,489)	19,167,486
Balances - beginning of the year	57,967,966	38,800,480
Balances - end of the year	<u>\$ 57,508,477</u>	<u>\$ 57,967,966</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating loss	\$ (44,971,817)	\$ (45,106,593)
Adjustments to reconcile operating loss to net cash used:		
Depreciation expense	5,757,818	5,420,770
Change in assets and liabilities:		
Receivables	(2,165,117)	(1,105,761)
Inventories and other current assets	(176,395)	(167,406)
Accounts and other payables	(964,717)	1,763,486
Accrued expenses	<u>(3,020,425)</u>	<u>(2,366,979)</u>
Net cash used by operating activities	<u>\$ (45,540,653)</u>	<u>\$ (41,562,483)</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Whatcom Transportation Authority (the Authority) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

### **A. Reporting Entity**

Whatcom Transportation Authority was incorporated in August 1983 and operates under the laws of the state of Washington applicable to a municipality.

The Authority is a special purpose government and provides transportation services to the public within Whatcom County and is supported primarily through local sales tax collections and user charges. It is governed by an appointed nine-member board of elected officials representing the districts served and the Amalgamated Transit Union #843 President as a non-voting member. As required by the generally accepted accounting principles, management has considered all potential component units in defining the reporting entity and has determined that the Authority has no component units.

### **B. Measurement Focus, Basis of Accounting**

Statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority come from farebox collections and bus pass media sales. The Authority also recognizes vanpool income and special transit fare agreements with other governmental agencies as operating revenue. Operating expenses for the Authority include, but are not limited to, wages and benefits, vehicle maintenance and operations costs, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **C. Assets, Liabilities and Net Position**

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

It is the Authority's policy to invest all temporary cash surpluses. At December 31, 2023, Whatcom Transportation Authority was holding \$57,508,477, in short-term residual investments of surplus cash, of which \$57,154,951 was held in the Whatcom

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

County Investment Pool. This amount is classified on the balance sheet as cash and cash equivalents. The 2022 year-end balance was \$57,967,966.

For the cash flow statement, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables

Taxes receivable at December 31, 2023, consist of \$6,420,042 in state sales tax receivable for the months of November and December 2023, and \$37,537 due from the Washington State Department of Licensing representing the State gas and diesel taxes paid on fuel purchases to be refunded. WTA is required to pay this fuel tax on purchases of fuel from its vendor then applies for a refund based upon monthly revenue vehicle usage. Taxes receivable at December 31, 2022, were \$6,624,857 and \$43,986, respectively.

Grants receivable at December 31, 2023, consist of \$3,282,538 due from the Washington State Department of Transportation and \$682,844 due from the Federal Transit Administration. Grants receivable at December 31, 2022, were \$655,472 due from the Washington State Department of Transportation, \$1,106,866 due from the Federal Transit Administration.

Interest receivable at December 31, 2023, totaled \$171,908 This is interest earned on investments and tax revenues through the end of the year but not received by year end. Interest receivable at December 31, 2022, was \$90,232.

Accounts receivable at December 31, 2023, of \$352,121 consist of amounts owed from private individuals or organizations for goods and services. This amount is considered fully collectible by WTA. Accounts receivable at December 31, 2022, were \$261,159.

3. Inventories are valued by the weighted average method. Inventories were valued at \$1,513,917 at December 31, 2023, and \$1,315,115 at December 31, 2022.

4. Capital Assets See Note 3 - *Capital Assets* on page 24.

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than three years. Such assets are recorded at historical cost.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

The Authority has acquired certain assets with funding provided by state and federal financial assistance programs. Depending on the terms of the agreements involved, the state or federal government could retain an equity interest in these assets. However, the Authority has enough legal interest to include these assets in WTA's records.

Property, plant, and equipment of the Authority is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Computer Software	3-7
Equipment	5-10
Vehicles	4-15
Bus Shelters	15
Buildings	30

5. Leases See Note 7 and Note 8 - *Leases* on pages 27 and 28.

Lessee: The Authority is a lessee for noncancelable leases. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements related to the lease include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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(These notes are an integral part of these financial statements)

The Authority monitors changes in circumstances that would require a remeasurement of each lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The Authority is a lessor for noncancelable leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. The Authority recognizes lease receivables with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line method.

Key estimates and judgments related to the lease include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of each lease and will re-measure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

6. Deferred Outflows/Inflows of Resources See Note 10 - *Pension Plans* on page 28.
7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Employees represented by the Amalgamated Transit Union #843 contract accrue vacation benefits at rates of 168-296 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. Exempt employees accrue vacation benefits at rates of 200-304 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. The maximum amount of vacation accrual is 24 months and sick leave is 1,000 hours.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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At separation, an employee in good standing can cash out 60% of sick leave balances of 500 hours or greater. Accrued sick leave balances of 300 to 499 hours can be cashed out at 30% of that balance. All accrued vacation is payable upon separation. As of December 31, 2023, a liability of \$2,701,423 has been accrued for vacation, sick leave, and related benefits. The liability at year end 2022 was \$2,433,993.

8. Pensions See Note 10 - *Pension Plans* on page 28.

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

For purposes of calculating the restricted net pension related to the net pension asset, the Authority includes the net pension asset and the related deferred outflows and deferred inflows.

9. Accrued Wages and Other Accrued Liabilities

These accounts consist of accrued wages and employee benefits.

10. Unearned Revenues

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met. As of December 31, 2023, \$8,333 was recognized for advertising revenue received but not earned at year end. \$107,083 for unearned advertising and rent revenue was recognized in 2022.

## **NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

The Authority implemented GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITAs) in 2023. The Statement took effect for governments in fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Statement revises and establishes new financial reporting requirements for most state and local governments that have a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

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NOTES TO FINANCIAL STATEMENTS  
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The implementation required a restatement of the 2022 subscription asset and subscription liability balances in the amount of \$1,128,646 to properly reflect the Authority's activity prior to 2023.

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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(These notes are an integral part of these financial statements)

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

	<b>Beginning Balance 1/1/2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2023</b>
Capital assets, not being depreciated:				
Land	\$ 7,170,167	\$ -	\$ -	\$ 7,170,167
Work in progress	1,948,776	1,212,972	1,779,121	1,382,627
<b>Total Capital Assets, Not being Depreciated</b>	<b>9,118,943</b>	<b>1,212,972</b>	<b>1,779,121</b>	<b>8,552,794</b>
Capital assets, being depreciated:				
Buildings	24,263,281	-	-	24,263,281
Improvements other than buildings	7,013,607	765,355	7,555	7,771,407
Transportation equipment	45,084,810	4,242,248	2,372,732	46,954,326
Communications equipment	8,704,099	200,964	62,192	8,842,871
Maintenance/shop equipment	2,024,602	25,400	23,066	2,026,936
Other equipment	3,525,801	29,419	5,140	3,550,080
Intangible leased assets	1,657,057	147,025	30,059	1,774,023
Intangible SBITA assets	1,128,646	58,278	-	1,186,924
<b>Total Capital Assets being Depreciated</b>	<b>93,401,903</b>	<b>5,468,689</b>	<b>2,500,744</b>	<b>96,369,848</b>
Less accumulated depreciation for:				
Buildings	16,652,892	814,461	-	17,467,353
Improvements other than buildings	3,731,483	356,003	168	4,087,318
Transportation equipment	24,608,581	3,548,754	2,028,336	26,128,999
Communications equipment	3,001,820	441,112	62,192	3,380,740
Maintenance/shop equipment	1,549,983	69,161	23,066	1,596,078
Other equipment	3,049,955	152,593	5,140	3,197,408
Intangible leased assets	131,547	181,496	27,331	285,712
Intangible SBITA assets	-	179,061	-	179,061
<b>Total Accumulated Depreciation</b>	<b>52,726,261</b>	<b>5,742,641</b>	<b>2,146,233</b>	<b>56,322,669</b>
<b>Total Capital Assets, Net</b>	<b>\$ 49,794,585</b>	<b>\$ 939,020</b>	<b>\$ 2,133,632</b>	<b>\$ 48,599,973</b>

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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(These notes are an integral part of these financial statements)

Capital asset activity for the year ended December 31, 2022, was as follows:

	<b>Beginning Balance 1/1/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2022</b>
Capital assets, not being depreciated:				
Land	\$ 7,170,167	\$ -	\$ -	\$ 7,170,167
Work in progress	327,075	1,926,845	305,144	1,948,776
<b>Total Capital Assets, Not being Depreciated</b>	<b>7,497,242</b>	<b>1,926,845</b>	<b>305,144</b>	<b>9,118,943</b>
Capital assets, being depreciated:				
Buildings	24,263,281	-	-	24,263,281
Improvements other than buildings	6,501,589	531,418	19,400	7,013,607
Transportation equipment	43,972,280	3,122,445	2,009,915	45,084,810
Communications equipment	8,904,491	10,015	210,407	8,704,099
Maintenance/shop equipment	2,007,320	17,282	-	2,024,602
Other equipment	3,938,978	-	413,177	3,525,801
Intangible leased assets	1,558,509	101,857	3,309	1,657,057
<b>Total Capital Assets being Depreciated</b>	<b>91,146,448</b>	<b>3,783,017</b>	<b>2,656,208</b>	<b>92,273,257</b>
Less accumulated depreciation for:				
Buildings	15,838,431	814,461	-	16,652,892
Improvements other than buildings	3,380,386	366,656	15,559	3,731,483
Transportation equipment	22,847,421	3,431,898	1,670,738	24,608,581
Communications equipment	2,756,969	455,258	210,407	3,001,820
Maintenance/shop equipment	1,478,478	71,505	-	1,549,983
Other equipment	3,313,686	149,446	413,177	3,049,955
Intangible leased assets	-	131,547	-	131,547
<b>Total Accumulated Depreciation</b>	<b>49,615,371</b>	<b>5,420,771</b>	<b>2,309,881</b>	<b>52,726,261</b>
<b>Total Capital Assets, Net</b>	<b>\$ 49,028,319</b>	<b>\$ 289,091</b>	<b>\$ 651,471</b>	<b>\$ 48,665,939</b>



**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 – CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning			Ending	
	Balance			Balance	Due Within
	1/1/2023	Additions	Reductions	12/31/2023	One Year
Pension obligations	\$ 3,578,134	\$ -	\$ 443,098	\$ 3,135,036	\$ -
Lease Liability	1,568,182	109,293	86,395	1,591,080	170,296
Subscription Liability	1,128,646	58,278	168,140	1,018,784	176,613
Compensated absences	234,133	24,987	-	259,120	-
Other noncurrent liabilities	9,176	-	3,750	5,426	-
<b>Total Long-Term Liabilities</b>	<b>\$ 6,518,271</b>	<b>\$ 192,558</b>	<b>\$ 701,383</b>	<b>\$ 6,009,446</b>	<b>\$ 346,909</b>

**NOTE 5 - CONTINGENCIES AND LITIGATIONS**

The Authority has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on the available information, management believes it is probable that the Authority will have to make payment. In the opinion of management, the Authority’s insurance policies are adequate to pay all known or pending claims.

The Authority participates in several federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Authority management believes that any such disallowances, if any, will be immaterial.

**NOTE 6 – DEPOSITS AND INVESTMENTS**

The Authority is a voluntary participant in the Whatcom County Investment Pool (WCIP), an external investment pool operated by the Whatcom County Treasurer. The WCIP is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the WCIP are reported at amortized cost, which is the same as the value of the pool per share. The WCIP does not impose liquidity fees and explains its deposit and withdrawal procedures in its Operating Terms and Conditions document available on the Whatcom County Treasurer website.

<https://www.whatcomcounty.us/DocumentCenter/View/25728>

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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(These notes are an integral part of these financial statements)

**NOTE 7 – LEASES (LESSEES)**

The Authority is a lessee for noncancelable leases. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

Lease asset activity for the year ended December 31, 2023, was as follows:

	<b>Lease Asset Balances</b>			
	<b>Beg Bal</b>	<b>Increases</b>	<b>Decreases</b>	<b>End Bal</b>
Leased Equipment	\$ 34,127	\$ 27,820	\$ (7,197)	\$ 54,750
Leased Buildings	-	117,543	-	117,543
Leased IT Infrastructure	113,672	953	(21,573)	93,052
Leased Radio Towers	1,509,258	709	(1,289)	1,508,678
<b>Total</b>	<b>\$ 1,657,057</b>	<b>\$ 147,025</b>	<b>\$ (30,059)</b>	<b>\$ 1,774,023</b>

	<b>Accumulated Lease Amortization</b>			
	<b>Beg Bal</b>	<b>Increases</b>	<b>Decreases</b>	<b>End Bal</b>
Leased Equipment	\$ 11,970	\$ 12,476	\$ (5,758)	\$ 18,688
Leased Buildings	-	48,976	-	48,976
Leased IT Infrastructure	25,703	25,664	(21,573)	29,794
Leased Radio Towers	93,874	94,380	-	188,254
<b>Total</b>	<b>\$ 131,547</b>	<b>\$ 181,496</b>	<b>\$ (27,331)</b>	<b>\$ 285,712</b>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	170,296	37,382	207,678
2025	101,074	31,643	132,717
2026	68,141	28,468	96,609
2027	57,696	26,705	84,401
2028	55,542	25,245	80,787
2029-2033	334,983	105,839	440,822
2034-2038	469,505	62,995	532,500
2039-2043	333,843	10,451	344,294
<b>Total</b>	<b>1,591,080</b>	<b>328,729</b>	<b>1,919,809</b>

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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(These notes are an integral part of these financial statements)

**NOTE 8 – LEASES (LESSORS)**

The Authority is a lessor for noncancelable leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. The Authority recognizes lease receivables with an initial, individual value of \$5,000 or more. As of December 31, 2023, future lease receivable principal and interest payments are as follows:

	Principal	Interest	Total
2024	6,405	10,857	17,262
2025	7,057	10,723	17,780
2026	7,738	10,575	18,313
2027	8,449	10,414	18,863
2028	9,190	10,238	19,428
2029-2033	58,241	48,003	106,244
2034-2038	82,120	41,045	123,165
2039-2043	111,338	31,444	142,782
2044-2048	146,905	18,619	165,524
2049-2053	108,296	3,418	111,714
Total	545,739	195,336	741,075

**NOTE 9 – LONG-TERM DEBT**

The Authority has an outstanding line of credit of \$6,000,000. The balance as of December 31, 2023, and 2022 was \$0.

**NOTE 10 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 202:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$(3,135,036)
Pension assets	\$7,204,214
Deferred outflows of resources	\$5,703,277
Deferred inflows of resources	\$(4,256,730)
Pension expense/expenditures	\$(651,933)

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### **State Sponsored Pension Plans**

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

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

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

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

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

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

**PERS Plan 1** provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

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Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January - June:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>
July - August:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>9.39%</b>	<b>6.00%</b>
September - December:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
<b>Total</b>	<b>9.53%</b>	<b>6.00%</b>

\* For employees participating in JBM, the contribution rate was 12.26%.

**PERS Plan 2/3** provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

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purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

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

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

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

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

\* For employees participating in JBM, the contribution rate was 15.90%.

\*\* For employees participating in JBM, the contribution rate was 7.50%.

The Authority’s actual PERS plan contributions were \$836,910 to PERS Plan 1 and \$1,552,819 to PERS Plan 2/3 for the year ended December 31, 2023.

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### **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 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 promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021, Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust 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 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

**Sensitivity of the Net Pension Liability/ (Asset)**

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

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
PERS 1	\$4,379,882	\$3,135,036	\$2,048,578
PERS 2/3	\$7,835,446	\$(7,204,214)	\$(19,560,246)



**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

**Pension Plan Fiduciary Net Position**

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

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

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

	Liability (or Asset)
PERS 1	\$3,135,036
PERS 2/3	\$(7,204,214)

At June 30, 2023, the Authority’s proportionate share of the collective net pension liabilities and net pension assets was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.128508%	0.137337%	0.008829%
PERS 2/3	0.166075%	0.175769%	0.009694%

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

**Pension Expense**

For the year ended December 31, 2023, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$231,591
PERS 2/3	\$(883,524)
TOTAL	\$(651,933)

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

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

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(353,646)
Contributions subsequent to the measurement date	\$356,560	\$0
<b>TOTAL</b>	<b>\$356,560</b>	<b>\$(353,646)</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,467,490	\$(80,493)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(2,714,983)
Changes of assumptions	\$3,024,578	\$(659,239)
Changes in proportion and differences between contributions and proportionate share of contributions	\$88,741	\$(448,368)
Contributions subsequent to the measurement date	\$765,908	\$0
<b>TOTAL</b>	<b>\$5,346,717</b>	<b>\$(3,903,084)</b>

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

Year ended December 31:	PERS 1
2024	\$(240,606)
2025	\$(302,590)
2026	\$186,572
2027	\$2,978
2028	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2024	\$(1,304,668)
2025	\$(1,630,312)
2026	\$2,163,583
2027	\$731,028
2028	\$727,908
Thereafter	\$(9,814)

**NOTE 11 – RISK MANAGEMENT**

Whatcom Transportation Authority is a member of the Washington State Transit Insurance Pool (WSTIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on January 1, 1989, when transit agencies in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Twenty-five transit agencies have joined the Pool.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

**(These notes are an integral part of these financial statements)**

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 months' written notice 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 and The Burlington Insurance Company 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.

WTA joined WSTIP in December 1995, for coverage effective January 1, 1996. WTA has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

Current coverage and deductible levels are available upon request.

**NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

The Authority has several Subscription Based Information Technology Arrangements (SBITAs). The Authority recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The Authority recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

Subscription asset activity for the year ended December 31, 2023, was as follows:

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

(These notes are an integral part of these financial statements)

<b>SBITA Asset Balances</b>			
<b>Beg Bal</b>	<b>Increases</b>	<b>Decreases</b>	<b>End Bal</b>
\$ 1,128,646	\$ 58,278	\$ -	\$ 1,186,924

<b>Accumulated SBITA Amortization</b>			
<b>Beg Bal</b>	<b>Increases</b>	<b>Decreases</b>	<b>End Bal</b>
\$ -	\$ 179,061	\$ -	\$ 179,061

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	176,613	13,619	190,232
2025	170,336	9,835	180,171
2026	149,649	6,466	156,115
2027	146,020	3,874	149,894
2028	87,816	1,604	89,420
2029-2033	149,243	4,566	153,809
2034-2038	139,107	1,400	140,507
2039-2043	-	-	-
<b>Total</b>	<b>1,018,784</b>	<b>41,364</b>	<b>1,060,148</b>

**NOTE 13 – HEALTH AND WELFARE**

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

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

As of December 31, 2023, 264 cities/towns/non-city entities participate in the AWC Trust HCP.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

**(These notes are an integral part of these financial statements)**

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW, and Chapter 200-110-WAC.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

**(These notes are an integral part of these financial statements)**

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

**NOTE 14 – SPECIAL ITEM – SALE OF FTA FUNDED VEHICLES**

During 2021, WTA sold at auction, surplus revenue vehicles that had reached the end of their useful lives. These vehicles were originally purchased using Federal Transit Administration (FTA) grant funding. Per FTA Circular 5010.1E, Page IV-42, when a vehicle is sold for greater than \$5,000, FTA is entitled to an amount calculated by multiplying the proceeds from sale by FTA's percentage of participation in the cost of the original purchase. With FTA approval, WTA was authorized to keep the federal share of \$49,018 in a restricted account to be applied to a future eligible capital transit project.

These funds were incorporated into a new grant application in 2023, and the liability payable to the FTA has been reversed.

**WHATCOM TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2023**

**Whatcom Transportation Authority  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30:**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.137337%	0.128508%	0.120307%	0.122642%	0.123276%	0.121820%	0.116134%	0.113245%	0.114870%	0.114069%
Employer's proportionate share of the net pension liability	\$ 3,135,036	\$ 3,578,134	\$ 1,469,230	\$ 4,329,925	\$ 4,740,400	\$ 5,440,523	\$ 5,510,649	\$ 6,081,790	\$ 6,008,769	\$ 5,746,279
Covered payroll	\$23,758,622	\$21,649,746	\$18,446,099	\$18,538,492	\$17,220,954	\$16,170,727	\$14,633,946	\$13,433,571	\$12,931,070	\$12,365,861
Employer's proportionate share of the net pension liability as a percentage of covered payroll	13.20%	16.53%	7.96%	23.36%	27.53%	33.64%	37.66%	45.27%	46.47%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

**Whatcom Transportation Authority  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
PERS 2/3  
As of June 30:**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.175769%	0.166075%	0.153126%	0.158004%	0.157717%	0.154941%	0.147940%	0.142251%	0.143104%	0.141492%
Employer's proportionate share of the net pension liability (asset)	(7,204,214)	(6,159,358)	(15,253,813)	2,020,781	1,531,968	2,645,480	5,140,208	7,162,225	5,113,187	2,860,064
Covered payroll	23,680,703	21,575,217	18,380,000	18,474,730	17,158,336	16,109,190	14,561,826	13,317,631	12,728,953	12,158,934
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-30.42%	-28.55%	-82.99%	10.94%	8.93%	16.42%	35.30%	53.78%	40.17%	23.52%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	106.73%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

**WHATCOM TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2023**

**Whatcom Transportation Authority  
Schedule of Employer Contributions  
PERS 1**

**For the year ended December 31:**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	836,910	867,381	831,028	882,692	898,146	856,033	759,821	672,192	577,964	523,496
Contributions in relation to the statutorily or contractually required contributions	(836,910)	(867,381)	(831,028)	(882,692)	(898,146)	(856,033)	(759,821)	(672,192)	(577,964)	(523,496)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	24,498,413	22,965,616	19,354,561	18,297,993	18,068,461	16,812,665	15,413,674	13,976,438	13,029,862	12,666,334
Contributions as a percentage of covered payroll	3.42%	3.78%	4.29%	4.82%	4.97%	5.09%	4.93%	4.81%	4.44%	4.13%

**Whatcom Transportation Authority  
Schedule of Employer Contributions  
PERS 2/3**

**For the year ended December 31:**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	1,552,819	1,455,655	1,371,588	1,444,165	1,389,803	1,256,296	1,055,358	865,216	727,640	620,275
Contributions in relation to the statutorily or contractually required contributions	(1,552,819)	(1,455,655)	(1,371,588)	(1,444,165)	(1,389,803)	(1,256,296)	(1,055,358)	(865,216)	(727,640)	(620,275)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	24,419,641	22,886,491	19,287,027	18,234,395	18,004,064	16,750,321	15,353,706	13,874,771	12,917,257	12,418,906
Contributions as a percentage of covered payroll	6.36%	6.36%	7.11%	7.92%	7.72%	7.50%	6.87%	6.24%	5.63%	4.99%



**Whatcom Transportation Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	Expenditures		Passed through to Subrecipients	Note
					From Direct Awards	Total		
<b>Federal Transit Cluster</b>								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	4,014	4,014	-	1, 2, 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	570,994	570,994	-	1, 2, 3
			<b>Total ALN 20.507:</b>	-	<b>575,008</b>	<b>575,008</b>	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	95,460	95,460	-	1, 2, 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	PTD0386	2,671	-	2,671	-	1, 2, 3
			<b>Total ALN 20.526:</b>	<b>2,671</b>	<b>95,460</b>	<b>98,131</b>	-	
			<b>Total Federal Transit Cluster:</b>	<b>2,671</b>	<b>670,468</b>	<b>673,139</b>	-	
<b>Transit Services Programs Cluster</b>								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0387	95,393	-	95,393	-	1, 2, 3
			<b>Total Transit Services Programs Cluster:</b>	<b>95,393</b>	<b>-</b>	<b>95,393</b>	-	
			<b>Total Federal Awards Expended:</b>	<b>98,064</b>	<b>670,468</b>	<b>768,532</b>	-	

The accompanying notes are an integral part of this schedule.

Whatcom Transportation Authority

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 Authority's financial statements. The Authority uses the full-accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Program Costs

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

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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