



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Valley Transit

For the period January 1, 2024 through December 31, 2024

Published September 25, 2025

Report No. 1038099



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

September 25, 2025

Board of Directors
Valley Transit
Walla Walla, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Valley Transit January 1, 2024 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<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 Transit did not qualify 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*

Valley Transit January 1, 2024 through December 31, 2024

Board of Directors
Valley Transit
Walla Walla, 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 Valley Transit, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated September 17, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

We noted certain other matters that we have reported to the management of the Transit in a separate letter dated September 17, 2025.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 17, 2025

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

Valley Transit January 1, 2024 through December 31, 2024

Board of Directors
Valley Transit
Walla Walla, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Valley Transit, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Transit's major federal programs for the year ended December 31, 2024. The Transit's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Transit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Transit's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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 17, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Valley Transit January 1, 2024 through December 31, 2024

Board of Directors
Valley Transit
Walla Walla, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Valley Transit, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Valley Transit, as of December 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2024, the Transit adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 101, Compensated Absences*. 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 Transit's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Transit's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2025 on our consideration of the Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Transit's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

September 17, 2025

FINANCIAL SECTION

Valley Transit January 1, 2024 through December 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2024

Statement of Revenues, Expenses and Changes in Net Position – 2024

Statement of Cash Flows – 2024

Notes to Financial Statements – 2024

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2024

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2024

Schedule of Changes in the Total OPEB Liability and Related Ratios – PEBB – 2024

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2024

Notes to the Schedule of Expenditures of Federal Awards – 2024

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTORY NARRATIVE AND OVERVIEW OF ORGANIZATION

The Reporting Entity

Valley Transit is a special-purpose municipal corporation providing public transportation services to the cities of Walla Walla and College Place and parts of unincorporated Walla Walla County. The Public Transportation Benefit Area (PTBA) was created in 1979 by the Walla Walla County Board of County Commissioners, and funded by a public vote in March of 1980, approving a sales tax of three-tenths of one percent to fund operations. Valley Transit began operations in January of 1981. In February of 2010 voters increased the local sales tax dedicated to transit to six-tenths of one percent.

Valley Transit is governed by an eight-member Board of Directors comprised of two Walla Walla County Commissioners, three elected officials from the City of Walla Walla, two elected officials from the City of College Place, and a non-voting representative of the Amalgamated Transit Union.

During fiscal year 2024, City Council Member Heather Schermann from the City of College Place served as Board Chair and Commissioner Gunner Fulmer from Walla Walla County served as Vice Chair.

The responsibility for the operation of Valley Transit is vested with the General Manager, Angelic Peters.

The Operations Department responsibilities consist of service planning, scheduling activities, operator training, dispatching, fixed-route operations and Valley Transit's demand-response services, which include Dial-A-Ride, the Evening and Saturday Flex Routes, the Connector, and Job Access. The Operations Department is managed by Lowell Nee.

The Maintenance Department performs vehicle maintenance, facilities maintenance, vehicle parts inventory purchasing and control, and maintenance and operation of the compressed natural gas (CNG) vehicle refueling station. The Maintenance Department is managed by Randy Alexander.

The Administration Department is responsible for all accounting and reporting, grant management and customer relations. The Administration Department in conjunction with the Human Resources Department are jointly responsible for administrative functions, including recruitment, salary and benefits administration, labor relations and risk management. The Administration Department also oversees the Rideshare Program. The Administration Department was managed by Melanie Hall. The Human Resources Department was managed by Victoria Croes.

Valley Transit's Services

Fixed-Route – Valley Transit provides fixed-route transit service to the cities of Walla Walla and College Place and parts of unincorporated Walla Walla County. Valley Transit operates eight fixed routes Monday through Friday from 6:15 a.m. – 5:45 p.m.

Flex-Route – Valley Transit's Evening and Saturday service provides general-public, demand-responsive transit service with two flex routes and one demand-responsive route on weekday evenings from 5:50 p.m. – 9:10 p.m., and Saturday from 10:45 a.m. – 6:10 p.m. Customers may request a route-deviation for

their convenience. For customers who live near the route, the vehicle will deviate to their location and then return to its route. Customers who live more than one-fourth of a mile from a route are served by the “Connector”. The Connector is a curb-to-curb, demand-responsive vehicle that connects people with the flex routes, providing access to the full community.

Paratransit – The Dial-A-Ride program provides paratransit service for those who are ADA-eligible and unable to utilize the fixed-route service, and honored citizens who are age 70 or more. Dial-A-Ride is a reservation-based, door-to-door service, operating Monday through Friday from 6:15 a.m. - 5:45 p.m.

Job Access – Valley Transit operates a specialized reservation-based transportation program providing rides to and from work, including a stop at a child-care provider, when Valley Transit’s regular services are closed. Job Access trips are provided seven days a week from 5:00 a.m. – 11:30 p.m. at a cost of \$12 for a one-month pass. Eligibility for the Job Access Program is determined through an application process using federal guidelines which are based on the applicant’s household income.

Rideshare – Valley Transit maintains a fleet of six 12-passenger vans used to transport groups of people who commute a minimum of 15 miles with one or both ends of the trip within Walla Walla County. Each group must have a minimum of five active riders and a minimum of two riders must meet the requirements to become a rideshare van driver prior to having a van assigned to the group. However, in 2021 Governor Jay Inslee signed SHB 1514 reducing the minimum number of active riders including the driver to three; effective September 1, 2021. The costs directly associated with the rideshare program are offset by usage fees charged to the individual rideshare groups.

Fare Structure

To remain compliant with the eligibility requirements of the Transit Support Grant program created in 2022, Valley Transit’s Board of Directors approved the continuation of zero-fare policy for all riders on all modes of service except Job Access and Rideshare at the February 20, 2025 board meeting. Job Access and Rideshare services are zero-fare for riders eighteen and under. Job Access and passes for qualified individuals above age 18 are \$12 per month and provide unlimited trips during the calendar month. Rideshare rates for individuals above age 18 vary based on the length of the commute and the associated program costs for individual Rideshare groups.

Ridership

The Fixed-Route system’s ridership increased by 10.5 percent during 2024, providing a total of 432,620 unlinked trips. The increase in ridership can be attributed to the continuation of the zero-fare policy. Valley Transit’s demand-response services, which include Dial-A-Ride, the Evening and Saturday Flex-Routes, and Job Access, experienced an increase in ridership of 26.1 percent, reaching a total of 57,694 trips for the year. The Rideshare program ridership increased by 9.0 percent during 2024 for a total of 11,700 trips. This increase is attributable to all Rideshare groups operating and the addition of several new riders in 2024.

Service and Facility Changes

In 2024, the safety and security fencing around Valley Transit’s main facility was completed. Valley Transit continued working on plans for the installation of additional battery-electric bus charging stations to accommodate the 5 battery-electric buses that were ordered in 2022. This project will be completed in 2025. Valley Transit also entered the final design phase of a new Dial-A-Ride vehicle storage building that will include space for document storage as well as employee training. This project will move forward

upon the confirmation of receipt of a WSDOT 28922-2025-2027 State Bus and Bus Facilities consolidated grant.

Accounting System and Budgetary Control

Valley Transit is a single enterprise that uses the accrual method of accounting similar to the method used by a private enterprise. Under this method of accounting, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received.

By developing and evaluating the agency's accounting system, emphasis is placed on the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- The protection of assets against loss from unauthorized use or disposition.
- The reliability of financial records used to prepare financial statements and account for assets.

The concept of reasonable assurance recognizes that:

- The cost of controls should not exceed the benefits likely to be derived.
- The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe Valley Transit's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at varying levels. Operating expenditures are monitored by department managers who are assigned the responsibility of controlling their budgeted appropriations. Emphasis is placed on the total appropriation for the department. Budget overruns must be authorized by Valley Transit's Board of Directors. Capital expenditures operate under the control of the annual capital budget.

Cash Management

Cash that was temporarily idle during fiscal year 2024 was invested with the Walla Walla County Treasurer in short-term certificates of deposit. Interest rates on investments during the year ranged from 3.5 percent to 4.5 percent. Investment income earned during 2024 totaled \$1,090,224 which is an increase of \$383,389 over 2023 earnings.

Asset Replacement

At this time, Valley Transit's capital replacement plan relies heavily on federal and state financial assistance grants to provide up to 80 percent of the acquisition cost of vehicles and equipment. Financial assistance grants to fund vehicle replacement and large capital projects have become more selective as the grants are becoming more environmentally specific, especially for low-no emissions grants.

As of December 31, 2024, Valley Transit's dedicated vehicle replacement reserve ending balance was \$6,695,050, which is approximately 40.0 percent of the current replacement cost of Valley Transit's fleet. During 2024, the reserve balance increased by \$1,807,388 due to interest earnings and the funding of depreciation.

As of December 31, 2024, Valley Transit's building and equipment reserve was funded to a level of \$9,351,259, or approximately 86.2 percent of the insured value of Valley Transit's non-vehicle capital assets. The increase of \$4,854,570 over the December 31, 2023 balance is due to interest earnings and setting aside funds in anticipation of construction of the Dial-A-Ride vehicle storage building.

As of December 31, 2024, the Transit's capital reserves were considered sufficient to meet the immediate needs of its vehicle and capital equipment replacement plans. These capital reserves are Valley Transit's primary source of local matching funds which are required to obtain capital assistance grants.

Capital Projects

Procurement efforts continued through 2024 to build and accept delivery the five (5) battery-electric 35-foot RIDE buses ordered in 2022. Other ongoing capital projects include final design engineering for the Dial-A-Ride vehicle storage building, the installation of utilities to support the addition of five (5) charging stations for battery-electric buses, the ADA Bus Stop Improvement Project and the installation of main facility security cameras.

Risk Management

Valley Transit is a member of the Washington State Transit Insurance Pool (WSTIP). Valley Transit joined the Pool in December of 2004 with the goal of controlling insurance costs. The Pool self-insures the first \$2,000,000 of each auto, public official, and general liability insurance claim. Losses in excess of \$2,000,000 are covered by contracts and risk-sharing agreements with private carriers for up to the policy limits. Valley Transit is required to maintain a \$1 million policy which covers potential environmental damage related to its underground fuel-storage tanks.

Valley Transit's workers' compensation claims are insured through participation in the Washington State Workers' Compensation Insurance Plan. Unemployment compensation claims are insured through retrospective tax assessments paid to the Washington State Employment Security Department.

Valley Transit
Walla Walla County, Washington
January 1, 2024 through December 31, 2024

Directory of Officials

Appointed By Local Government or Union Representing Employees

	<u>Board of Directors:</u>	<u>Representing</u>	<u>Status</u>
Chair	Heather Schermann	City of College Place	Voting
Vice Chair	Gunner Fulmer	Walla Walla County	Voting
	Rick Eskil	City of Walla Walla	Voting
	Norma Hernandez	City of College Place	Voting
	Todd Kimball	Walla Walla County	Voting
	Steve Moss	City of Walla Walla	Voting
	Gustavo Reyna	City of Walla Walla	Voting
	Ron Grace	Amalgamated Transit Union	Non-Voting

Valley Transit Staff

General Manager	Angelic Peters
Finance Manager	Melanie Hall
Human Resources Manager	Victoria Croes
Operations Manager	Lowell Nee
Maintenance Manager	Randy Alexander
Attorney	Nikki Thompson

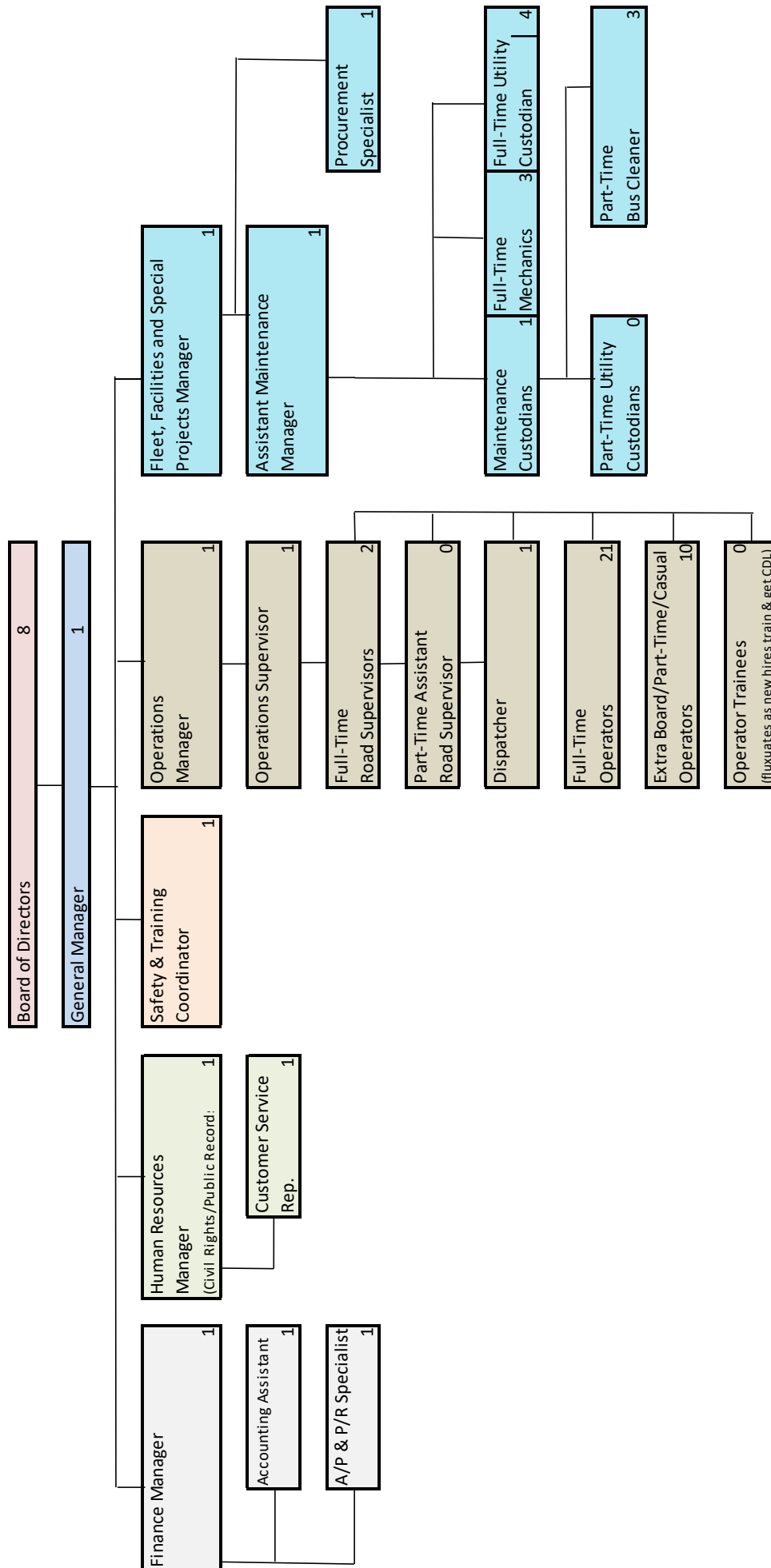
Mailing Address

Valley Transit Walla Walla, WA 99362	1401 West Rose Street
Attorney Walla Walla, WA 99362	110 Cedar Ave, Ste 102 Snohomish, WA 98290

Valley Transit

Organization Chart

As of December 2024



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS SECTION

This section of the Annual Financial Report presents management's overview and analysis of Valley Transit's financial performance for the fiscal year ended December 31, 2024. This section should be read in conjunction with the financial statements which follow this section.

2024 Financial Highlights

Valley Transit's total current assets have increased by \$5,861,087 or 19.6 percent during 2024. This increase is the result of steady sales tax revenue and increased revenues from investment interest. Valley Transit's net liabilities have increased by \$1,818,734 during 2024. Annual adjustments mandated by GASB Statements No. 68 & 75, require Valley Transit to rely on actuarial assumptions to calculate and present its long-term obligation for pension liability and net pension asset. Also affecting net liabilities is the implementation of GASB Statement 101 - Compensated Absences and the procurement of 5 battery-electric buses. These liability adjustments constituted the majority of the increase to Valley Transit's net liabilities. The application of GASB Statement 68 created a net pension asset of \$683,808. The application of GASB Statements No. 68 & 75 also created Deferred Outflows of \$994,679 and Deferred Inflows \$318,861. GASB Statement 83 – Asset Retirement Obligation created a Deferred Outflow of \$8,335. Valley Transit's total net position has increased by \$8,815,552 during fiscal year 2024. This increase in net position can be attributed to steady sales tax revenues and increased revenues from investment interest.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Valley Transit's basic financial statements. The notes to the financial statements contain additional detail for the information presented in the financial statements. The financial statements report information about Valley Transit's use of accounting methods similar to those used by private-sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of Valley Transit's assets, liabilities, deferred outflows of resources, and deferred inflows of resources with the difference between these financial elements reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of Valley Transit is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how Valley Transit's net assets changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, sales tax collected by the State but not yet remitted to Valley Transit, and earned but unused Leave banks).

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

The Required Supplementary Information (RSI) contains other information the Governmental Accounting Standards Board deems necessary. Valley Transit's RSI contains additional information related to GASB Statement No. 68, Accounting and Financial Reporting for

Pensions, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Financial Analysis

Valley Transit is a capital-intensive enterprise with over one-third of its net position invested in capital assets. The following is a summary of Valley Transit's net position on December 31:

Summarized Statement of Net Position

	2024	2023	2024 Increase (Decrease) Over 2023
Assets:			
Current Assets	\$35,804,683	\$29,943,596	\$5,861,087
Non-Current Assets	\$10,709,402	\$6,236,030	\$4,473,372
Deferred Outflows of Resources	\$1,003,014	\$758,447	\$244,567
Total Assets Plus Deferred Outflows	\$47,517,099	\$36,938,073	\$10,579,026
Liabilities:			
Current Liabilities	\$2,790,810	\$895,922	\$1,894,888
Non-Current Liabilities	\$3,163,205	\$3,117,094	\$46,111
Deferred Inflows of Resources	\$318,861	\$496,385	(\$177,524)
Total Liabilities Plus Deferred Inflows	\$6,272,876	\$4,509,401	\$1,763,475
Net Position:			
Invested In Capital Assets	\$8,261,555	\$5,401,456	\$2,860,099
Unrestricted	\$32,982,668	\$27,027,215	\$5,955,453
Net Total Position	\$41,244,223	\$32,428,671	\$8,815,552

Valley Transit's total net position has increased by \$8,815,552 in fiscal year 2024. The following Summarized Statement of Revenues, Expenses, and Changes in Net Position presents how the increase or decrease in net position occurred.

Summarized Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023	2024 Increase (Decrease) Over 2023
Operating Revenues	\$56,329	\$60,027	(\$3,697)
Operating Expenses	\$7,343,866	\$6,562,331	\$781,535
Operating Loss	(\$7,287,537)	(\$6,502,304)	\$785,233
Gain (Loss) on Disposal of Assets	\$0	\$0	\$0
Sales Tax	\$8,236,636	\$8,334,005	(\$97,369)
Other Non-Operating Revenues (net)	\$2,906,537	\$3,336,813	(\$430,276)
Total Non-Operating Revenues	\$11,143,173	\$11,670,818	(\$527,645)
Net Income (Loss)- Before Contributions	\$3,855,637	\$5,216,796	(\$1,361,159)
Capital Contributions-Grants	\$4,760,433	\$120,000	\$4,640,433
Net Position-Beginning of Period	\$32,476,953	\$27,140,157	\$5,336,796
Change in Accounting Principle	\$151,200	\$0	\$151,200
Net Position-End of Period	\$41,244,223	\$32,476,953	\$8,767,270

Valley Transit expended \$1,294,551 in federal funding on the Main Facility Security Fencing project and the battery-electric bus purchase. (See Note 3 of the Notes to the Schedule of Expenditures of Federal Awards)

Operating Revenues

During the fiscal year ending December 31, 2024, fare revenues decreased 6.2 percent or \$3,697. The decrease is in direct correlation to the dip in fuel prices the last half of 2024 related to the Rideshare program.

During 2024, local sales tax revenues decreased by 1.2 percent or \$97,369. This decrease can be attributed to a decline in sales in key retail sectors such as automobiles, appliances and building materials.

Valley Transit also received external operating subsidies in the form of state operating assistance grants. The following table presents funding received from operating assistance grants:

External Subsidies - Operating Assistance Grants	2024	2023	2024 Increase (Decrease) Over 2023
Federal Transit Administration Operating Assistance			
Section 5307 Operating Assistance	\$0	\$0	\$0
Section 5307 CRRSA Operating Assistance	\$0	\$28,162	(\$28,162)
Section 5307 ARPA	\$0	\$2,644,537	(\$2,644,537)
Section 5310 Planning	\$0	\$0	\$0
Total Federal Operating Assistance	\$0	\$2,672,699	(\$2,672,699)
State Operating Assistance			
Green Transportation – CCA (Planning)	\$74,596	\$0	\$74,596
Paratransit - Special Transportation Needs (CCA)	\$756,323	\$0	\$756,323
Transit Support (CCA)	\$977,633	\$0	\$977,633
Rural Mobility - Transit Formula	\$0	\$0	\$0
Total State Operating Assistance	\$1,808,552	\$0	\$1,808,552
Private Operating Assistance			
WSTIP – Risk Management Grant	\$5,000	\$2,500	\$2,500
WSTIP – Network Security Grant	\$2,000	\$2,000	\$0
Total Private Operating Assistance	\$7,000	\$4,500	\$2,500
Total External Subsidies - Operating Assistance	\$1,815,552	\$2,677,199	(\$861,647)

Valley Transit's external operating subsidies decreased by \$861,647 in 2024.

The following table presents Valley Transit's revenues (excluding capital assistance grants) by source and their percentage of total transit revenues for fiscal years 2023 and 2024:

Revenue Source	2024	Percent of Total Revenue	2023	Percent of Total Revenue
<u>Operating Revenues:</u>				
Passenger Fares	\$56,329	0.5%	\$60,027	.5%
Supplementary Transportation (Advertising)	\$0	0%	\$0	0%
Other Operating Revenues	\$0	0%	\$0	0%
Total Operating Revenues	\$56,329	0.5%	\$60,027	.5%
<u>Non-Operating Revenues:</u>				
Gain (Loss) on Disposal of Assets	\$0	0%	\$0	0%
Sales Tax	\$8,236,636	73.2%	\$8,334,005	70.75%
External Operating Subsidies:				
Federal Operating Assistance	\$0	0%	\$2,672,699	22.69%
State Operating Assistance	\$1,808,552	16.1%	\$0	0%
Private Operating Assistance	\$7,000	0.09%	\$4,500	0.04%
Investment Income	\$1,090,224	10.1%	\$706,835	6.0%
Other Non-Operating Revenue	\$762	0.01%	\$1,062	0.01%
Total Non-Operating Revenues	\$11,143,173	99.5%	\$11,719,100	99.5%
Total Revenues (Excluding Capital Grants)	\$11,199,503	100%	\$11,839,148	100%

Operating Expenses

Total Operating Expenses increased 11.9 percent during fiscal year 2024.

Operations Department expenses increased 12.0 percent in 2024. The increase can be attributed to growth in the workforce and corresponding benefits and training costs, contractual wage increases, and high inflation costs on materials and supplies.

Maintenance Department expenses increased 14.1 percent in 2024 which is attributable to higher benefit costs, contractual wage increases, high inflation costs on all materials, supplies, including freight and outside labor.

Administration Department expenses increased 25.5 percent during the year, which is attributable to an increase in wages and benefits as well as consulting services for the creation of a Zero-Emission Vehicle Transition Plan.

Depreciation Expense decreased 11.5 percent in 2024. The decrease is the result of several assets becoming fully depreciated but not due for replacement.

Other Operating Expenses remained the same in 2024 as the Asset Retirement Obligation (ARO) expense is equally distributed over six years. Valley Transit has one asset, an underground fuel storage tank that meets the requirements of the ARO.

The relationship of each major operating expense classification as compared to total operating expenses is presented in the following table:

Operating Expenses:	2024	Percent of Total Expenses	2023	Percent of Total Expenses
Operations	\$3,915,495	53.3%	\$3,494,968	53.3%
Maintenance	\$1,689,593	23.0%	\$1,480,553	22.6%
Administration	\$1,131,606	15.4%	\$902,008	13.7%
Depreciation	\$598,839	8.2%	\$676,469	10.3%
Other Operating Expenses	\$8,333	0.1%	\$8,333	0.1%
Total Operating Expenses	\$7,343,866	100%	\$6,562,331	100%

Capital Assets

Valley Transit's capital assets consist of land, vehicles, equipment, passenger facilities, administration and maintenance facility, and projects in progress, with an acquisition value of more than \$5,000 and a useful life of more than one year. Valley Transit's investment in capital assets net of depreciation as of December 31, 2024, totaled \$10,025,594. Capital assets increased by 29.0 percent or a total of \$5,222,977 which is the result of purchasing five (5) RIDE battery-electric buses, the completion of the main facility security fencing and several projects in the planning stage with RH2 Engineering. For more detailed information, see Note 4 of the Notes to the Financial Statements.

Future Outlook

Valley Transit's operations are funded primarily through the collection of a locally approved transit sales tax (6 tenths of one percent). Due to the nature of its funding, Valley Transit is heavily reliant on sales tax revenues and susceptible to fluctuations in the local economy. While we have experienced a historic increase in sales tax revenues in recent years, in 2024 sales tax revenues were relatively flat compared to the previous year, if sales tax revenues should decrease our ability to maintain operations at present levels may be affected.

In 2024, Valley Transit was still considered a small-urban transit system and eligible to receive Federal Transit Administration (FTA) Section 5307 Urbanized Area Formula funding. This funding may be used to fund operations or capital projects such as vehicle replacement. FTA Section 5307 funding was programmed during the development of the six-year Transit Development Plan (TDP) to fund the replacement of Valley Transit service vehicles as they reach the end of their useful life. Capital investments will focus on vehicle replacement as funds allow and maintaining a state of good repair of existing assets for safe and reliable transit operations.

In 2021, Senate Bill 5974 (Move Ahead Washington) passed providing a new funding source for public transit operations. The new funding program, Transit Support Grants, are formulated with specific requirements to be met to be eligible for the funding. Two known requirements are: an agency must maintain (or increase) the sales tax collection level they were at as of 1/1/2022; and by 10/1/2022 an agency must adopt a fare policy that has a minimum bench mark of zero fares for riders who are 18 years of age and under on all service modes. Valley Transit approved a zero-fare pilot policy that was due to expire in December 2025; the Board of Directors approved the continuation of the zero-fare policy indefinitely at the February 2025 board meeting. However, the availability of Climate Commitment Act funding is uncertain as the state legislature continues to deliberate over a balanced budget. The consistency of funding allocations from the state is yet to be determined.

As in all regions, Walla Walla County has many unmet transportation needs. If Valley Transit's services were expanded to meet the region's other transportation needs, local revenues alone will not be sufficient to address them. Adding new transportation projects such as, a downtown parking shuttle, expanding service hours, Sunday Service, or expansion of the Dial-A-Ride service area, will likely require funding from new revenue sources. Valley Transit will continue to work collaboratively with community partners, social service organizations, and federal and state agencies to identify and prioritize needs as well as stable long-term funding solutions to address the community's growing transportation needs.

Request for Information

This financial report is designed to provide a general overview of Valley Transit's finances. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Valley Transit, Attention: Finance Manager, 1401 West Rose Street, Walla Walla, WA 99362.

VALLEY TRANSIT

MCAG NO. 0375

Statement A-1

STATEMENT OF NET POSITION

As of December 31, 2024

ASSETS

CURRENT ASSETS:

2024

Cash and Cash Equivalents	\$	29,850,848
Investments		0
Taxes Receivable		1,439,314
Accounts Receivable		0
Interest Receivable		3,472
Grants Receivable		3,465,882
Inventories		729,173
Prepaid Expenses		315,994

TOTAL CURRENT ASSETS	\$	<u>35,804,683</u>
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NONCURRENT ASSETS:

Capital Assets Not Being Depreciated		
Land	\$	262,848
Construction in Progress		4,790,963
Capital Assets Being Depreciated		
Facilities/Improvements		5,504,999
Equipment		12,754,419
Less Accumulated Depreciation		(13,287,634)

Net Pension Asset		<u>683,808</u>
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TOTAL NONCURRENT ASSETS	\$	<u>10,709,402</u>
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TOTAL ASSETS	\$	<u><u>46,514,085</u></u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Related to OPEB	\$	70,997
Deferred Outflows - Related to Pensions		923,682
Deferred Outflows - Related to Asset Retirement Obligation		8,335

TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	<u><u>1,003,014</u></u>
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NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375

Statement A-1

STATEMENT OF NET POSITION

As of December 31, 2024

LIABILITIES

CURRENT LIABILITIES:

2024

Accounts/Warrants Payable	\$	2,457,328
Compensated Absences		333,482

TOTAL CURRENT LIABILITIES		<u>2,790,810</u>
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NON-CURRENT LIABILITIES:

Compensated Absences	\$	176,262
Net Pension Liability		284,472
Total OPEB Liability		2,652,471
Asset Retirement Obligation		50,000

TOTAL NON-CURRENT LIABILITIES		<u>3,163,205</u>
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TOTAL LIABILITIES	\$	<u>5,954,015</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Related to OPEB		0
Deferred Inflows - related to Pensions		318,861

TOTAL DEFERRED INFLOWS OF RESOURCES	\$	<u>318,861</u>
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NET POSITION:

Net Investment in Capital Assets		8,261,555
Unrestricted		32,982,668

TOTAL NET POSITION	\$	<u>41,244,223</u>
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NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375

Statement D-1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For The Year Ended December 31, 2024

	<u>2024</u>
OPERATING REVENUES:	
Passenger Fares	\$ 56,329
Supplementary Transportation	0
Other Operating Revenues	0
TOTAL OPERATING REVENUES	\$ <u>56,329</u>
OPERATING EXPENSES:	
Operations	\$ 3,915,495
Maintenance	1,689,593
Administration	1,131,606
Depreciation	598,839
Other Operating Expenses	8,333
TOTAL OPERATING EXPENSES	\$ <u>7,343,866</u>
OPERATING INCOME (LOSS)	\$ <u>(7,287,537)</u>
NON-OPERATING REVENUES (EXPENSES):	
Gain (Loss) on Disposal of Assets	\$ 0
Sales Tax	8,236,636
Operating Grants	1,815,552
Investment Income	1,090,224
Other Non-Operating Revenues (Expenses)	762
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ <u>11,143,173</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	\$ <u>3,855,637</u>
Capital Contributions - Federal Grants	<u>4,760,433</u>
INCREASE (DECREASE) IN NET POSITION	\$ <u>8,616,070</u>
NET POSITION - BEGINNING OF PERIOD	<u>32,476,953</u>
CHANGE IN ACCOUNTING PRINCIPLE	151,200
NET POSITION - END OF PERIOD	\$ <u><u>41,244,223</u></u>

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

VALLEY TRANSIT

MCAG NO. 0375

Statement E-1B

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers	\$	56,702
Payments to Suppliers		44,633
Payments to Employees		(5,113,471)
Internal Activities		0
Claims Paid to Outsiders		0
Other Receipts (payments)		0

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	(5,012,136)
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Operating Assessments & Tax Levies	\$	8,168,153
External Operating Subsidies		1,815,552
Other Non-Operating Revenues (Expenses)		762

NET CASH PROVIDED FROM

NON-CAPITAL FINANCING ACTIVITIES	\$	9,984,467
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Purchase of Capital Assets	\$	(5,239,996)
Disposal of Capital Assets		17,019
Capital Contributions - Grants		1,414,551

NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	\$	(3,808,426)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sales and Maturities of Investments	\$	0
Interest and Dividends on Investments		1,139,607

NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	1,139,607
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NET INCREASE (DECREASE) IN

CASH AND CASH EQUIVALENTS	\$	2,303,512
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BALANCE - BEGINNING OF YEAR		27,547,337
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BALANCE - END OF YEAR	\$	29,850,849
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NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VALLEY TRANSIT

MCAG NO. 0375

Statement E-1B

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2024

RECONCILIATION OF OPERATING INCOME (LOSS) TO

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (loss)	\$	(7,136,338)
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ADJUSTMENTS TO RECONCILE OPERATING INCOME

TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Depreciation		598,839
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CHANGE IN ASSETS AND LIABILITIES:

(Increase) Decrease in Accounts Receivable		373
(Increase) Decrease in Inventory		(44,926)
(Increase) Decrease in Prepaid Expense		(99,759)
(Decrease) Increase in Warrants Payable		1,862,760
(Decrease) Increase in Compensated Absences		19,528
(Increase) Decrease in Pension Asset		150,766
(Increase) Decrease in Net Deferred Flows		(422,091)
(Decrease) Increase in Pension Obligations		58,712

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	<u>(5,012,136)</u>
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NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Valley Transit

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2024

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Valley Transit have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governments. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are presented below.

A. Reporting Entity

Valley Transit was incorporated in April of 1979, and operates under the laws of the State of Washington applicable to a Public Transportation Benefit Authority (PTBA). A Public Transportation Benefit Authority is a special purpose government and as such, Valley Transit provides Fixed Route, Demand Responsive Paratransit (Dial-A-Ride), Evening & Saturday Flex-Routes, Connector, and Job Access transportation services to the general public and is supported primarily through locally generated sales taxes and user fees. Valley Transit also provides Vanpool service which is primarily supported through user fees. Valley Transit is governed by an eight-member board.

Valley Transit is a separate entity and is fiscally independent of other state and local government entities. Per criteria of Government Accounting Standards Board (GASB) 14, Valley Transit is a primary government for reporting and there are no additional entities or funds for which Valley Transit has reporting responsibilities.

As required by Generally Accepted Accounting Principles (GAAP), management has considered all potential component units in defining the reporting entity. Valley Transit has no component units.

B. Basis of Presentation – Government-Wide Financial Statements

The government-wide financial statements of Valley Transit report all information on activities in accordance with GASB and the Washington State Budget, Accounting, and Reporting System (BARS) requirements for Transit Districts, which are considered Enterprise funds. Valley Transit uses one general fund to account for all of its financial resources. The Transit has no other funds or component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting and Measurement Focus

The accounting records of Valley Transit are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. Funds are accounted for on a cost of services or an economic resources measurement focus.

This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statements of net position. Their reported fund net position is segregated into invested in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position.

Valley Transit discloses changes in cash flows by a separate statement that presents their operating, non-capital financing, capital and related financing and investing activities.

Valley Transit uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

Valley Transit distinguishes between operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a transit's principal ongoing operations. The principal operating revenues of Valley Transit are charges to customers for transportation. The Transit also recognizes income from facility rentals as revenue. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

Annual appropriated budgets include the Operating and Capital budgets which are adopted for the general fund using the accrual basis of accounting. Appropriations lapse at the year-end.

The General Manager is authorized to transfer budgeted amounts between departments and object class; however, any revisions that alter the total expenditures of Valley Transit, or affect the number of authorized employee positions, salary ranges, employee benefits or other conditions of employment must be approved by the Board of Directors.

All budget amounts presented are the final authorized amounts as revised during the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is Valley Transit's policy to invest all temporary cash surpluses. On December 31, 2024, the Walla Walla County Treasurer was holding \$29,850,848 of cash from maturing short-term investments. These amounts are classified on the statement of net position as cash and cash equivalents and investments. For purposes of the statement of cash flows, Valley Transit considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

	<u>2024</u>
Petty Cash	\$ 10,000
Advanced Travel	10,000
Fare Revenue Transfer	4,486
Credit Card Merchant Svc	1,065
Accounts Payable	255,623
Payroll	304,646
Total Revolving Funds	\$ 585,820
 Deposits Held By	
Walla Walla County Treasurer	<u>\$29,265,028</u>
Total Cash and Cash Equivalents	\$29,850,848

2. Investments

In accordance with State statutes, Walla Walla County Treasurer is the ex-officio treasurer for Valley Transit and holds all deposits and investments with the exception of working capital revolving funds that are held by local financial institutions. See Note 3 (Deposits and Investments).

3. Receivables

Taxes receivable and accrued interest receivable consist of sales tax and related interest. Accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared, as well as, employee owed benefits paid on their behalf. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Inventories

Inventory consists of fuel, tires, repair parts, and supplies. Inventories are valued by the weighted average method (which approximates the market value).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. **Restricted Assets and Liabilities**

Restricted assets are temporarily restricted cash and cash equivalents resulting from the sale of property in which the FTA restricts the use of proceeds to the investment of approved capital assets. Valley Transit had no restricted assets or liabilities during the reporting period.

6. **Capital Assets and Depreciation**

Capital assets, which include property, facilities, and equipment, are defined by Valley Transit as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs of normal maintenance and repairs are not capitalized. No depreciation is provided on works in progress until the work is completed and the asset is placed in service. See Note 4 (Capital Assets and Depreciation).

7. **Other Property and Investments**

See Note 3 (Deposits and Investments).

8. **Other Assets and Debits**

Prepaid expenses consist of normal operating expenses for which payment is due at the first of the period, and are expensed throughout the period as the benefit is received.

9. **Deferred Outflows/Inflows of Resources**

GASB Statement No. 68, requires Valley Transit to rely on actuarial assumptions to calculate and present the long-term obligation for pension liability. Timing differences in the accrual of the liabilities and payments create Deferred Inflows and Deferred Outflows. Valley Transit recognized Deferred Outflows of \$923,682 and Deferred Inflows of \$318,861 related to GASB Statement No. 68. See Note 6 (Pensions) Valley Transit reported GASB Statement No. 75 which recognized Deferred Outflows of \$70,997. See Note 7 (OPEB). Valley Transit reported GASB Statement No. 83 which recognized Deferred Outflow of \$8,333. See Note 13 (Asset Retirement Obligations).

10. **Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and, in some cases, sick leave. Valley Transit reports unpaid leave for compensated absences as an expense and liability when incurred.

Sick leave may be accumulated to a maximum of 960 hours. Sick leave is compensated upon termination. Upon voluntary separation, regular employees shall be paid for 25 percent of their accumulated sick leave for balances from 181 to 480 hours, regular employees shall be paid 30 percent

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for balances from 481 to 960 hours. Employees eligible to retire through the transit's retirement plan shall receive 55 percent of their accumulated sick leave for balances from 181 to 480 hours, regular employees shall be paid 70 percent for balances from 481 to 960 hours. Upon death, employees' estate or beneficiary shall receive 20 percent of their accumulated sick leave for balances up to 180 hours, 55 percent for balance from 181 to 480 hours, or 70 percent for balance from 481 to 960 hours.

Vacation leave, which may be accumulated to a maximum of 360 hours, is payable in full upon resignation, retirement, or death.

11. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

12. Long-Term Debt

Valley Transit had no capital leases, or long-term debt, other than accrued Employee Leave Benefits, Long-Term Pension Obligations, and OPEB during the year ended December 31, 2024. See Note 12 (Long-term Debt).

13. Pensions

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 position related to the net pension asset, Valley Transit includes the net pension asset and the related deferred outflows and deferred inflows. See Note 6 (Pension Plans).

NOTE 2 - ACCOUNTING CHANGES AND ERROR CORRECTIONS

The Governmental Accounting Standards Board (GASB) issued Statement 101 - Compensated Absences for which the requirements of this Statement were effective for fiscal years beginning after December 15, 2023.

Change in Accounting Principle: In 2024, Valley Transit implemented GASB Statement No. 101 regarding compensated absences. This resulted in a restatement of the 2023 liability for compensated absences to include employer payroll-related expenses and applicable taxes. This change resulted in a \$151,200 correction to the compensated absences balance and are reflected in the restated 2023 balance.

Error correction: Interest applicable to December 2023 was posted in fiscal

NOTE 2 – ACCOUNTING CHANGES AND ERROR CORRECTIONS (continued)

year 2024 resulting in an understatement of investment income in 2023. The ending balances for 2023 have been adjusted to correct this error which increased the beginning net position for 2024, but had no effect on fund balance for 2024.

	12/31/2023 as previously reported	Change in accounting principle	Change to or within the financial reporting entity	Error Correction	12/31/2023 as restated/adjusted
Compensated Absences	\$339,016	\$151,200			\$490,216
Investment Income	\$369,078			\$48,282	\$417,360

NOTE 3 - DEPOSITS AND INVESTMENTS

The Walla Walla County Treasurer is the ex-officio treasurer for Valley Transit and holds all deposits and investments with the exception of working capital revolving funds held by local financial institutions. Valley Transit directs the County Treasurer to invest all financial resources that have been determined to be in excess of the Transit's current financial obligations. Excess funds are invested in certificates of deposit or the Local Government Investment Pool.

As required by State law, all investments of Valley Transit's funds are obligations of the US. Government, the Walla Walla County Treasurer's Investment Pool, Local Government Investment Pool, bankers' acceptance, or deposits with Washington State banks and savings and loan institutions.

Valley Transit is a participant in the Walla Walla County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Participation in the pool is voluntary. Investments in the Pool are reported at amortized cost, which is the same as the value of the pool per share. The pool requires a 90-day notice for withdrawal of funds over \$2,000,000. If a 90-day notice is not received, any fees to liquidate investments will be the responsibility of the local government requesting the withdrawal. For investments over \$2,000,000 withdrawn within the last thirty-day period and invested outside the Walla Walla County Investment Pool, a penalty will be assessed as if the 90-day notice was not received.

The investment pool is audited as part of the County's annual audit which can be found under the County Auditor/accounting at www.co.walla-walla.wa.us.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

The Local Government Investment Pool (LGIP) operates in a manner consistent with SEC Rule 2a7. Participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited, as most investments are either obligations of the US government, government-sponsored enterprises, or insured demand-deposit accounts and certificates of deposit. There is no statutory regulatory oversight of the LGIP other than annual audits through the Washington State Auditor's Office. As a 2a7-like pool, investments in the LGIP are reported at amortized cost. The fair value of Valley Transit's shares in the LGIP is dollar for dollar equal to the value of pool shares.

DEPOSITS

Valley Transit's deposits and certificates of deposits are entirely covered by Federal Depositary Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of December 31, 2024, Valley Transit held certificates of deposit totaling \$29,850,848 of which all were considered cash equivalents with no investments having a maturity greater than 90 days.

INVESTMENTS

As of December 31, 2024, Valley Transit held no certificates of deposit considered to be investments due to having a maturity greater than 90 days. As of December 31, Valley Transit had no investments.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, Valley Transit would not be able to recover the value of the investment or collateral securities. Per GASB Statement 3, investments in pools managed by another government and in mutual funds need not be categorized as to credit risk. For the year ended December 31, all of Valley Transit's certificates of deposit and investments were held by the Walla Walla County Treasurer.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Major expenses for capital assets, including capital leases, and major repairs over \$5,000 that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Valley Transit had no capital leases during calendar year 2024. All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets). Valley Transit has acquired certain assets with funding provided by federal financial assistance programs passed through the State of Washington's Department of Transportation. Depending on the terms of the agreements involved, the Department of Transportation could retain an equity interest in these assets.

However, Valley Transit has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.

However, in the case of the sale of a significant operating unit or system, the original cost is removed from Valley Transit's asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and any net gain or loss on the disposition is credited or charged to income.

An allowance for funds used during construction is capitalized as part of the cost of the asset. The procedure is intended to remove the cost of financing construction activity from the operating statements and to treat such cost in the same manner as construction labor and material costs.

During 2024, Valley Transit did not incur or capitalize any interest costs for construction of capital assets. No funds were borrowed to finance the construction of capital assets during this reporting period.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Asset	Years
Vehicles	5 - 15
Buildings and Structures	10 - 40
Equipment and Furnishings	2 - 30
Land Improvements	5 - 15

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION (continued)

Capital assets activity for the year ended December 31, 2024 was as follows:

	December 31, 2023	Add Increases	Less Decreases	December 31, 2024
Capital assets, not being depreciated:				
Land	\$262,848	\$0	\$0	\$262,848
Construction / Work in Progress	\$201,365	\$4,614,421	\$17,019	\$4,790,962
Total capital assets, not being depreciated	\$464,213	\$4,614,421	\$17,019	\$5,053,810
Capital assets, being depreciated:				
Buildings and structures	\$4,878,624	\$618,571	\$0	\$5,504,999
Machinery and equipment	\$12,747,415	\$7,004	\$0	\$12,754,419
Total capital assets, being depreciated	\$17,626,039	\$625,575	\$0	\$18,259,418
Less accumulated depreciation for:				
Buildings and structures	(\$2,560,143)	(\$161,753)	\$0	(\$2,721,896)
Machinery and equipment	(\$10,128,652)	(\$437,085)	\$0	(\$10,565,738)
Total accumulated depreciation	(\$12,688,795)	(\$598,838)	\$0	(\$13,287,634)
Total capital assets, being depreciated (net)	\$4,937,244	\$26,737	\$0	\$4,971,784

- A. Impaired Capital Assets — None.
- B. Collections Not Capitalized — None.
- C. Construction Commitments — None.
- D. Discretely Presented Component Unit(s) — None.

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2024:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (284,472)
Pension assets	\$ 683,808
Deferred outflows of resources	\$ 923,680
Deferred inflows of resources	\$ (318,860)
Pension expense/expenditures	\$ (43,844)

NOTE 6 - PENSION PLANS (continued)

Substantially all Valley Transit'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.

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

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

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution 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.

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

NOTE 6 - PENSION PLANS (continued)

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

PERS Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are 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 2/3** 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 Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for the fiscal year were as follows:

Employer Contribution Rates				
Timeframe	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January - June	6.36%	2.97%	0.20%	9.53%
July - August	6.36%	2.47%	0.20%	9.03%
September - December	6.36%	2.55%	0.20%	9.11%
Plan	Employee Contribution Rate			
PERS 1	6.00%			
PERS 2	6.36%			
PERS 3	Varies: 5% - 15%			

NOTE 6 - PENSION PLANS (continued)

Valley Transit's actual PERS contributions to PERS Plan 1 were \$91,755 and to PERS Plan 2/3 were \$212,714 for the year ended December 31, 2024.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS1.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

NOTE 6 - PENSION PLANS (continued)

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.

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 (CMAs) 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, 2024. The inflation component used to create the table is 2.5% 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	19%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents Valley Transit's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what Valley Transit'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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$418,451	\$284,472	\$166,969
PERS 2/3	\$1,232,695	(\$683,808)	(\$2,257,792)

NOTE 6 - PENSION PLANS (continued)

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, 2024, Valley Transit reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$284,472
PERS 2/3	(\$683,808)

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

	Proportionate Share 6/30/23	Proportionate Share 6/30/24	Change in Proportion
PERS 1	0.015798%	0.016010%	.000212%
PERS 1	\$360,626	\$365,465	\$4,839

PERS 2/3	0.020362%	0.020743%	0.000381%
PERS 2/3	(\$834,574)	(\$850,190)	(\$15,616)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2024, Valley Transit recognized pension expense as follows:

	Pension Expense
PERS 1	\$980
PERS 2/3	(\$44,824)

NOTE 6 - PENSION PLANS (continued)**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2024, Valley Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$22,763)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$43,084	\$0
TOTAL	\$43,084	(\$22,763)
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$388,554	(\$1,583)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$195,960)
Changes of assumptions	\$377,600	(\$43,326)
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,953	(\$55,228)
Contributions subsequent to the measurement date	\$108,488	\$0
TOTAL	\$880,596	(\$296,098)

NOTE 6 - PENSION PLANS (continued)

Total All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$388,554	(\$1,583)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$218,723)
Changes of assumptions	\$377,600	(\$43,326)
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,593	(\$55,228)
Contributions subsequent to the measurement date	\$151,572	\$0
TOTAL	\$923,680	(\$318,860)

Deferred outflows of resources related to pensions resulting from Valley Transit'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	PERS 2/3
2025	(37,671)	(164,165)
2026	19,353	283,635
2027	(2,049)	118,498
2028	(2,396)	125,921
2029	\$0	61,068
Thereafter	\$0	51,053

NOTE 7 - DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2024:

<i>Aggregate OPEB Amounts – All Plans</i>	
<i>OPEB liabilities</i>	<i>\$ 2,652,471</i>
<i>OPEB assets</i>	<i>\$ -0-</i>
<i>Deferred outflows of resources</i>	<i>\$ 70,997</i>
<i>Deferred inflows of resources</i>	<i>\$ -0-</i>
<i>OPEB expenses/expenditures</i>	<i>\$195,029</i>

NOTE 7 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(continued)

OPEB Plan Description

a. As a member of the Washington State Public Employees Benefit Board (PEBB) Valley Transit offers employees who retire the option to continue medical coverage on a self-pay basis. The Valley Transit plan is considered to be a single-employer defined benefit plan.

b. The plan is available to non-bargaining employees. The premiums for the retired employees are blended with the rates for active employees. The blending of rates is considered an implicit subsidy paid by Valley Transit. There are no COLAs associated with the plan.

c. At December 31, 2024, the following employees were covered by the benefit terms:

<i>Inactive employees or beneficiaries currently receiving benefits</i>	<i>19</i>
<i>Inactive employees entitled to but not yet receiving benefits</i>	<i>*</i>
<i>Active employees</i>	<i>52</i>
<i>Total</i>	<i>71</i>

* It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by Valley Transit, Health Care Authority or the state of Washington.

d. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and Other Inputs

The discount rate used in the online tool developed by the Office of the State Actuary was 3.65% for the beginning of the measurement year and 3.93% for the end of the measurement year. Projected salary changes were 3.25% plus service-based increases. Healthcare Trend rates used an initial rate of approximately 2-16%, trending down to about 3.8% in 2075. Mortality rates were calculated using the PubG.H-2010 (General) base mortality table with an age setback of 0 year, mortality improvements were calculated using MP-2017 Long-Term Rates and a generational projection period.

An inflation rate of 2.35% was used. Post-retirement participation percentage was 60% and the percentage with spousal coverage was 45%.

Assumptions for retirement, disability, termination and mortality were based on the 2023 PEBB OPEB Actuarial Valuation Report. Retirement service for each active cohort was based on the average entry age of 35 with service being a component of benefit eligibility.

NOTE 7 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(continued)

- a. The following presents the total OPEB liability of Valley Transit calculated using the current healthcare cost trend rate of 6.8%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate.

	<i>1% Decrease (5.8%)</i>	<i>Current Healthcare Cost Trend Rate (6.8%)</i>	<i>1% Increase (7.8%)</i>
<i>Total OPEB Liability</i>	\$2,287,147	\$2,652,471	\$3,107,661

- b. The following presents the total OPEB liability of Valley Transit calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

	<i>1% Decrease (2.5%)</i>	<i>Current Discount Rate (3.5%)</i>	<i>1% Increase (4.5%)</i>
<i>Total OPEB Liability</i>	\$3,064,079	\$2,652,471	\$2,316,114

Changes in the Total OPEB Liability

For the current reporting period, a schedule of changes in the total OPEB liability should be presented.

<i>PEBB</i>	
<i>Total OPEB Liability at 01/01/2024</i>	<i>\$ 2,517,605</i>
<i>Service cost</i>	<i>60,095</i>
<i>Interest</i>	<i>92,998</i>
<i>Changes of benefit terms</i>	<i>-0-</i>
<i>Changes in Experience Data and Assumptions</i>	<i>41,936</i>
<i>Benefit payments</i>	<i>(60,163)</i>
<i>Other changes</i>	<i>-0-</i>
<i>Total OPEB Liability at 12/31/2024</i>	<i>\$ 2,652,471</i>

NOTE 7 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN
(continued)

- a. The Alternate Measurement Method (AMM) was performed with a valuation date of June 30, 2024. In order to estimate the total OPEB liability as of the beginning of the measurement period, the total OPEB liability was projected backwards to the measurement date of June 30, 2023. The AMM was used to measure the total OPEB liability in place of an actuarial valuation.
- b. The backward projection of the liability reflected the estimated service cost, assumed interest, and expected benefit payments.
- c. There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- d. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.
- e. There were no changes between the measurement date of the total OPEB liability and the employer's reporting date that are expected to have any effect of the total OPEB liability.
- f. The total OPEB expense recognized by Valley Transit in the reporting period was \$195,029.
- g. At December 31, 2024, Valley Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
<i>Differences between expected and actual experience</i>	\$-0-	\$-0-
<i>Changes of assumptions</i>	\$-0-	\$-0-
<i>Payments subsequent to the measurement date</i>	\$70,997	\$-0-
<i>TOTAL*</i>	\$70,997	\$-0-

Deferred outflows of resources of \$70,997 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024.

NOTE 8 – LEASES (LESSOR/LEASEE)

At year-end December 31, 2024, Valley Transit had no agreements that meet the definition of a Lease under GASB 87.

NOTE 9 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

At year-end December 31, 2024, Valley Transit had no agreements that meet the definition of a SBITA under GASB 96.

NOTE 10 - RISK MANAGEMENT

Valley Transit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To address these risks Valley Transit retains membership in the Washington State Transit Insurance Pool (WSTIP).

Valley Transit is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member governmental risk pool located in Olympia, Washington. WSTIP supplies Valley Transit auto liability, general liability, public officials' liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, errors and omissions coverage, employee fidelity/crime coverage, cyber liability and terrorism.

At the end of 2024, Valley Transit retained a \$5,000 deductible for its all-risk property coverage which includes auto physical damage. Valley Transit has a \$5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

The Washington State Transit Insurance Pool (WSTIP) was established on January 1, 1989, under Washington state laws RCW 48.61 and 39.34. WSTIP helps member transit agencies by enabling them to:

- Pool resources for self-insurance
- Jointly purchase insurance
- Hire or contract for personnel to provide risk management, claims handling, and administrative services.

Transit agencies that join WSTIP must remain members for at least three years. After this initial period, members can withdraw by giving six months' written notice and then withdrawing at the end of the fiscal year. Agencies that withdraw are not eligible to rejoin for another three years. The Pool is governed by a Board of Directors which is comprised of designated representatives from every Member. An Executive Committee is elected at the Annual Meeting and is responsible for conducting WSTIP's business affairs.

Transit agencies may apply for WSTIP membership, which is granted upon approval by a simple majority vote of the WSTIP Board of Directors. WSTIP's underwriting and rate-setting policies are established based on actuarial consultation. WSTIP members may be subject to supplemental assessments in the event of funding deficiencies. If WSTIP's assets were to be exhausted,

NOTE 10 - RISK MANAGEMENT (continued)

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 of 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; Beazley Cyber Services for the cyber liability policy, and terrorism liability insurance from Price Forbes. The excess property carrier for all risk property and boiler and machinery is the Alliant Property Insurance Program provided by Alliant Insurance Services.

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

Here is a summary of coverage provided in 2024:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY: Bodily Injury & Property Damage	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability	\$25 million	Per occurrence	\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0
Uninsured and underinsured motorist coverage was purchased on the following modes: Fixed Route, Paratransit/Demand Response, Vanpool, Administration/Maintenance			
Permissive Use of a Member-Owned Motor Vehicle	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
Agency, rental, and personal/private vehicle	\$100,000 for	Per occurrence	\$0

occupants not covered by workers compensation or transit passengers	property damage and \$300,000 for bodily injury	Per occurrence	\$0
Endorsement 1: COMMUNICABLE DISEASE LIABILITY	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
Endorsement 2: The Use of Force via a Conducted Energy Weapon	\$1.5 million	Per Occurrence	\$1.5 million per occurrence
PUBLIC OFFICIALS LIABILITY	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1: VIOLATIONS OF WAGE & HOURS LAW	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
PROPERTY COVERAGE All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/ members combined	\$5,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below \$250,000 in value)	Fair market value		\$5,000
Auto Physical Damage for all vehicles valued over \$250,000 and less than 10 years old	Replacement Cost	Limited to \$1,750,000 any one vehicle	\$5,000
BOILER AND MACHINERY	\$100 million		\$250,000 or \$350,000 depending on size of boiler

CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	\$2 million	Per occurrence	\$10,000
Employee theft	\$2 million	Per occurrence	\$10,000
Forgery or alteration	\$2 million	Per occurrence	\$10,000
Inside the premises – theft of money and securities	\$2 million	Per occurrence	\$10,000
Inside the premises – robbery or safe Burglary of other Property	\$2 million	Per occurrence	\$10,000
Outside premises	\$2 million	Per occurrence	\$10,000
Computer fraud	\$2 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$2 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$2 million	Per occurrence	\$10,000
CYBER LIABILITY INSURANCE		Coverage	Deductible
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$75 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million		\$5,000
BREACH RESPONSE COSTS	\$500,000	Aggregate for each insured/member (limit is increased to \$1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS			
Business Interruption			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$500,000	Aggregate limit	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
eCRIME			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	

CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$200,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$200,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$50,000	Limit of Liability	

Extra Cyber Limits

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

Underground Storage Tank – Pollution Liability Insurance Policy

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

Covered Locations Pollution Liability Insurance Policy

Valley Transit purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2024 to April 4, 2027. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is \$5 million each pollution condition – includes claims expenses with a \$5 million aggregate including claims expenses. Valley Transit has a \$100,000 deductible per pollution condition. Locations must be listed to be covered.

NOTE 10 - RISK MANAGEMENT (continued)

Terrorism Policy

Valley Transit purchases a stand-alone terrorism policy. The policy is underwritten by Price Forbes and has a \$25,000 deductible.

Coverage Limits:

- Section 1 (Terrorism & Sabotage): \$20,000,000 per occurrence and in the annual aggregate.
- Section 2 (Terrorism Liability): \$10,000,000 per occurrence and in the annual aggregate.

Definitions:

- Act of Terrorism means an act or series of acts, including the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.
- Act of Sabotage means a subversive act or series of such acts committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes

Coverage Details:

- Section 1: covers all real and personal property of every description belonging to Valley Transit or for which Valley Transit is responsible to insure including property of others in their care, custody or control and loss rent.
- Section 2: provides coverage for Valley Transit's legal liability arising from acts of terrorism (see policy for complete details).

NOTE 11 – SHORT-TERM DEBT

Valley Transit had no short-term debt or short-term debt activities, other than accrued Employee Leave Benefits (see Note 1- Compensated Absences), during the year ended December 31, 2024.

NOTE 12 – LONG-TERM DEBT

Valley Transit had no leases, or long-term debt, other than accrued Employee Leave Benefits, Long Term Pension Obligations (see Note 5 - Pension Plans), and OPEB (see Note 6 - Defined Benefit Other Postemployment Benefit (OPEB) plan) during the year ended December 31, 2024.

NOTE 13 – ASSET RETIREMENT OBLIGATIONS (ARO)

GASB Statement 83 states that an Asset Retirement Obligation is a legally enforceable liability. Valley Transit has determined the only asset in their control is an underground fuel storage tank (UST) that has a future liability for decommissioning costs. Decommissioning is overseen by the Department of Ecology and requirements following WAC 173-360A. A review of a potential ARO for electric-bus batteries indicates the liability on these batteries will remain with the dealer, BYD dba RIDE.

Valley Transit's UST is approximately thirty-seven (37) years old. Research shows that estimated life spans range from twenty (20) – forty (40) years. Valley Transit's UST has passed all required testing and recently replaced the spill bucket; therefore, Valley Transit feels that forty-years is a reasonable measurement of useful life.

Valley Transit reached out to several companies to get estimates on the cost of decommissioning fuel tanks which ranged from \$50,000 to \$80,000.

Three Kings: \$50,000

Pacific Environmental: \$80,000

Erlandsen, Inc.: \$80,000

CDASSE: \$30,000 - \$70,000

Sayber Contractors, Inc.: No response

SME Solutions, LLC: No response

Filco Environmental: does not decommission tanks

Aspect Environmental: does not decommission tanks

Northwest Tank & Environmental: does not decommission tanks

Valley Transit is using the estimate received of \$50,000 as a reasonable estimated liability. In year five, Valley Transit expensed \$8,333, with the remaining \$8,335 in a deferred outflow of resources account. The \$8,335 will be expensed over the final remaining year.

NOTE 14 – CONTINGENCIES AND LITIGATION

Valley Transit's financial statements include all material liabilities. There are no contingent liabilities to record.

- A. Federal Grants - Valley Transit participates in a number of federal and state financial assistance programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.
- B. Environmental Liability - As a public transit operation, Valley Transit has certain environmental risks related to its operation involving the storage, liability, and disposal of certain petroleum products. In the opinion of management, any potential claim not covered by insurance would not materially affect the financial statements of Valley Transit.

NOTE 15 - OTHER DISCLOSURES

A. Major Receivables

Sales tax due Valley Transit on December 31, 2024 totaled \$1,439,314. Sales taxes collected by local merchants are paid to the State of Washington's Department of Revenue, which remits Valley Transit's portion of the local sales tax (.6 percent) on a monthly basis.

Valley Transit participates in federal and state financial assistance programs that provide funding for specific transportation services. This funding is provided on a reimbursement basis where Valley Transit must first incur the cost of providing the services, then submit a request for reimbursement to the funding agency. Reimbursements due to Valley Transit on December 31, 2024 amounted to \$3,465,882.

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

Valley Transit Schedule of Proportionate Share of the Net Pension Liability (Asset)											
PERS 1											
As of June 30, 2024											
Last 10 Fiscal Years*											
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Employer's proportion of the net pension liability (asset)	0.016010%	0.015798%	0.015664%	0.015531%	0.018275%	0.020835%	0.020504%	0.020999%	0.002648%	0.020635%	
Employer's proportionate share of the net pension liability (asset)	\$ 284,472	360,626	436,143	189,670	645,206	801,180	915,716	996,419	1,108,895	1,079,402	
Total	<u>\$ 284,472</u>	<u>360,626</u>	<u>436,143</u>	<u>189,670</u>	<u>645,206</u>	<u>801,180</u>	<u>915,716</u>	<u>996,419</u>	<u>1,108,895</u>	<u>1,079,402</u>	
Covered payroll	\$ 3,219,679	2,937,184	2,491,430	2,576,660	2,478,192	2,681,019	2,582,217	2,493,576	2,295,427	121,758	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.84%	12.28%	17.51%	7.36%	26.04%	29.88%	35.46%	39.96%	48.31%	886.51%	
Plan fiduciary net position as a percentage of the total pension liability	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

		Valley Transit Schedule of Proportionate Share of the Net Pension Liability (Asset) PERS 2 & 3 As of June 30, 2024 Last 10 Fiscal Years*									
		2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)		0.020743%	0.020362%	0.020485%	0.019947%	0.023755%	0.024468%	0.023874%	0.024086%	0.023143%	0.023420%
Employer's proportionate share of the net pension liability (asset)	\$	683,808	(834,574)	(759,744)	(1,987,042)	303,813	237,667	407,627	836,873	1,165,232	836,810
Total	\$	683,808	(834,574)	(759,744)	(1,987,042)	303,813	237,667	407,627	836,873	1,165,232	836,810
Covered payroll	\$	3,219,679	2,937,184	2,491,430	2,576,660	2,478,192	2,577,730	2,479,288	2,370,763	2,164,412	2,002,454
Employer's proportionate share of the net pension liability as a percentage of covered payroll		21.24%	-28.41%	-30.49%	-77.10%	12.26%	9.22%	16.44%	35.30%	53.84%	41.79%
Plan fiduciary net position as a percentage of the total pension liability		105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

Valley Transit Schedule of Employer Contributions PERS 1 For the year ended December 31, 2024 Last 10 Fiscal Years*										
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions										
Contributions in relation to the statutorily or contractually required contributions	91,755	104,342	99,023	111,060	124,017	135,062	144,576	130,277	122,768	13,236
Contribution deficiency (excess)	91,755	104,342	99,023	111,060	124,017	135,062	144,576	130,277	122,768	13,236
	0	0	0	0	0	0	0	0	0	0
Covered payroll	\$ 3,344,550	3,086,540	2,634,560	2,610,298	2,589,063	2,644,337	2,697,113	2,518,199	2,388,024	121,758
Contributions as a percentage of covered payroll	2.74%	3.38%	3.76%	4.25%	4.79%	5.11%	5.36%	5.17%	5.14%	10.87%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

Valley Transit
Schedule of Employer Contributions
PERS 2/3
For the year ended December 31, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions										
Contributions in relation to the statutorily or contractually required contributions	\$ 212,714	196,304	167,557	185,136	205,054	199,804	194,384	165,727	251,496	216,089
Contribution deficiency (excess)	<u>212,714</u> <u>0</u>	<u>196,304</u> <u>0</u>	<u>167,557</u> <u>0</u>	<u>185,136</u> <u>0</u>	<u>205,054</u> <u>0</u>	<u>199,804</u> <u>0</u>	<u>194,384</u> <u>0</u>	<u>165,727</u> <u>0</u>	<u>251,496</u> <u>0</u>	<u>216,089</u> <u>0</u>
Covered payroll	\$ 3,344,550	3,086,540	2,634,530	2,610,298	2,589,063	2,593,641	2,592,011	2,417,680	2,249,520	2,002,454
Contributions as a percentage of covered payroll	6.36%	6.36%	6.36%	7.09%	7.92%	7.70%	7.50%	6.85%	11.18%	10.87%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION For OPEB NOT Administered Through a Qualifying Trust

Valley Transit
Schedule of Changes in Total OPEB Liability and Related Ratios
PEBB
For the year ended December 31, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	20XX	20XX	20XX
Total OPEB liability - beginning	\$2,517,605	\$2,711,255	\$3,199,912	\$3,933,747	\$3,278,659	\$3,325,550	\$3,292,662			
Service cost	60,095	69,623	120,961	131,229	97,286	94,244	120,450			
Interest	92,998	97,345	71,202	89,051	117,153	131,106	121,551			
Changes in benefit terms	0	0	0	0	0	0	0			
Differences between expected and actual experience	41,936	(298,024)	(631,592)	882,671	498,556	(270,566)	(173,113)			
Changes of assumptions	0	0	0	0	0	0	0			
Benefit payments	(60,163)	(62,594)	(49,228)	(71,444)	(57,907)	(64,675)	(36,000)			
Other changes										
Total OPEB liability - ending	\$2,652,471	\$2,517,605	\$2,711,255	\$3,199,912	\$3,933,747	\$3,278,659	\$3,325,550			
Covered-employee payroll	\$3,153,073	\$3,061,298	\$2,459,718	\$2,347,630	\$2,371,224	\$2,397,691	\$2,671,602			
Total OPEB liability as a % of covered-employee payroll	84.12%	82.24%	110.23%	136.30%	165.90%	136.74%	124.48%			

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a qualifying trust.

Valley Transit
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2022-047	-	4,171,497	-	4,171,497	4,171,497
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2020-094	-	413,375	-	413,375	413,375
			Total ALN 20.507:	-	4,584,872	-	4,584,872	4,584,872
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2022-040	-	175,561	-	175,561	175,561
			Total Federal Transit Cluster:	-	4,760,433	-	4,760,433	4,760,433
			Total Federal Awards Expended:	-	4,760,433	-	4,760,433	4,760,433

The accompanying notes are an integral part of this schedule.

Valley Transit

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2024

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as Valley Transit's financial statements. Valley Transit uses the accrual basis of accounting for federal grants.

NOTE 2 - FEDERAL INDIRECT COST RATE

Valley Transit 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 expenses represent only the federal award portion of the program costs. Entire program costs, including Valley Transit's portion, may be 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.

During 2024, Valley Transit had expenditures of Federal Financial Assistance totaling \$3,528,078.

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.

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