



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane Transit Authority

For the period January 1, 2021 through December 31, 2021

Published July 5, 2022

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

July 5, 2022

Board of Directors
Spokane Transit Authority
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's 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.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	8
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	69

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane Transit Authority January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.500	Federal Transit Cluster – COVID-19 – Federal Transit Capital Investment Grant (ARPA)
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grant
20.507	Federal Transit Cluster – COVID-19 – Federal Transit Formula Grant (CRRSAA)
20.507	Federal Transit Cluster – Federal Transit Formula Grant
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,802,583.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Spokane Transit Authority January 1, 2021 through December 31, 2021

Board of Directors
Spokane Transit Authority
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Spokane Transit Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 14, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

June 14, 2022

INDEPENDENT AUDITOR'S REPORT

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

Spokane Transit Authority January 1, 2021 through December 31, 2021

Board of Directors
Spokane Transit Authority
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Spokane Transit Authority, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2021. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our 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 that might be material weaknesses or significant deficiencies in internal control over compliance. 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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

June 14, 202

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Transit Authority January 1, 2021 through December 31, 2021

Board of Directors
Spokane Transit Authority
Spokane, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Spokane Transit Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Spokane Transit Authority, as of December 31, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 14 to the financial statements, in 2021, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Prior-year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2020, from which such partial information was derived. We have previously audited the Authority's 2020 financial statements and we expressed an unmodified opinion on the respective financial statements of the Authority in our report dated June 2, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Required Supplementary Information


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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. 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 schedule 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 14, 2022

FINANCIAL SECTION

Spokane Transit Authority January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Revenues, Expenses and Change in Net Position – 2021

Statement of Cash Flows – 2021

Notes to the Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021

Schedule of Changes in Total OPEB Liability and Related Ratios – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

Spokane Transit Authority For the Year Ended December 31, 2021

Management Discussion and Analysis

This section of Spokane Transit Authority's (STA) Annual Financial Report presents management's discussion and analysis (MD&A) of the financial performance for the year ended December 31, 2021. This section should be read in conjunction with the financial statements and accompanying notes to the financial statements.

STA is a Public Transportation Benefit Area (PTBA) providing public transportation services within its boundaries. Services include:

- Local fixed route bus services within Spokane County, City of Spokane, City of Spokane Valley, City of Liberty Lake, City of Millwood, City of Airway Heights, City of Medical Lake, and City of Cheney;
- Paratransit services for those who live within $\frac{3}{4}$ mile of a bus route and who, because of their disability, are unable to use the regular bus service;
- A vanpool and ride match program.

Financial Highlights

- The assets of STA exceeded its liabilities at December 31, 2021 by \$380,900,562. Of this amount, \$164,225,228 represents STA's net position not invested in capital assets or restricted by regulation (unrestricted). In the unrestricted amount, the STA Board has designated reserves of \$23,141,454 for catastrophic self-insurance exposure protection, operating reserves, and cash designated for future right of way acquisitions.
- STA's Total Net Position increased by \$97,302,126 (excluding prior period adjustments). The federal and state portions of capital grant revenue totaling \$34,367,283 is not included in the \$62,934,843 Net Gain Before Contributions.
- STA continues to operate on a "pay-as-you-go" basis and remained free of debt during the period. Cash balances, less designated reserves, are planned for future operating and capital expenses.

Overview of the Financial Statements

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

The financial statements of STA report information using accounting methods that are similar to those used by private sector companies. For instance, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received. These statements offer short- and long-term financial information about STA activities.

The Statement of Net Position presents information on STA's assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, with the difference reported as net position as of the end of the two most recently completed fiscal years. Over time, increases and decreases in net position may serve as a useful indicator of the financial health of STA and whether its financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents information showing how the net position changed during the current and prior fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal

periods (for example, sales tax collected by merchants but not yet remitted to STA and earned but unused employee leave).

The Statement of Cash Flows presents information on STA's cash receipts, cash payments, and net changes in cash and cash equivalents for the most recent two fiscal years. Generally Accepted Accounting Principles (GAAP) require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from noncapital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

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

Financial Analysis

Overall, the financial position of STA improved in 2021. For the year ended December 31, 2021, assets exceeded liabilities by \$380,900,562. STA is a capital-intensive enterprise and over 40 percent of its net position is invested in capital assets. The following is a comparative summary of STA's net position.

SUMMARY STATEMENT OF NET POSITION

	As of December 31,		
	2021	2020	2019
Assets:			
Current Assets	\$215,213,997	\$168,306,575	\$125,144,416
Non-current Assets	32,668,001		
Capital Assets (Net)	159,055,146	119,602,397	107,106,066
Total Assets	406,937,144	287,908,972	232,250,482
Deferred Outflows	10,301,314	5,837,042	4,333,363
Total Assets and Deferred Outflows	<u>\$417,238,458</u>	<u>\$293,746,014</u>	<u>\$236,583,845</u>
Liabilities:			
Current Liabilities	\$15,035,927	\$15,539,975	\$14,367,333
Long-Term Liabilities	11,000,655	15,122,567	14,010,530
Total Liabilities	26,036,582	30,662,542	28,377,863
Deferred Inflows	34,896,501	4,011,419	7,646,752
Net Position:			
Invested in Capital Assets	159,055,146	119,602,397	107,106,066
Restricted Reserves	357,000	357,000	357,000
Restricted for Net Pension Asset	32,668,001		
Unrestricted Reserves	164,225,228	139,112,656	93,096,164
Total Net Position	356,305,375	259,072,053	200,559,230
Total Liabilities, Deferred Inflows, and Net Position	<u>\$417,238,458</u>	<u>\$293,746,014</u>	<u>\$236,583,845</u>

During 2021, STA's net position increased by \$97,302,126 (excluding prior period adjustments). The following is a summary Statement of Revenues, Expenses and Change in Net Position. Also shown are the comparatives for the years ended December 31, 2020 and 2019.

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

	For the years ended December 31,		
	2021	2020	2019
Operating Revenue	\$6,479,567	\$5,536,583	\$11,489,511
Nonoperating Revenue			
Sales Tax	107,256,427	90,030,263	86,666,638
Grants – Noncapital	29,431,780	32,416,515	12,318,267
Other Nonoperating Revenue	1,753,312	2,416,169	2,453,019
Total Revenue (before capital contributions)	144,921,086	130,399,530	112,927,435
Operating Expenses	68,783,256	72,386,020	70,908,009
Depreciation	12,718,935	11,842,615	11,002,893
Nonoperating Expenses			
Other Nonoperating Expenses	484,052	1,836,755	845,000
Total Expenses	81,986,243	86,065,390	82,755,902
Gain before Contributions and Special Items	62,934,843	44,334,140	30,171,533
Contributions			
Capital grants	34,367,283	14,178,683	10,899,025
Change in Net Position	97,302,126	58,512,823	41,070,558
Beginning Net Position	259,072,053	200,559,230	158,513,138
Prior Period Adjustments	(68,804)	-	(27,250)
Cumulative Effect of Change in Accounting Principle	-	-	1,002,784
Ending Net Position	<u>\$356,305,375</u>	<u>\$259,072,053</u>	<u>\$200,559,230</u>

Revenues

Passenger fares are the major source of operating revenues. The STA Board approved the currently in effect Tariff Policy for Fixed Route and Paratransit at the July 2016 Board meeting. This policy provided for fare increases on July 1, 2017 and July 1, 2018. The following table shows the amount for selected classifications of fares effective during 2021:

Fare Examples:

	Two hour Fare 1/1-12/31/2021	Monthly Pass 1/1-12/31/2021
Adult	\$2.00	\$60.00
Student	\$2.00	\$52.00
Youth	\$2.00	\$40.00
Reduced	\$1.00	\$30.00
Paratransit	\$2.00	\$60.00

The Board updated its fare policy in January 2022 in conjunction with the implementation of a modernized fare collection system. The policy introduced new reduced fares for youth and military service members.

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

During 2020, in response to the COVID pandemic, STA's CEO issued Emergency Proclamation 2020-01. STA temporarily suspended fares from April 1 to June 30, 2020, to support social distancing and safeguard the health and safety of its operators by promoting rear-door boarding only. This temporary measure combined with a loss of ridership from the pandemic caused fare revenues to decrease dramatically for 2020. The pandemic continued to impact ridership and fare revenue during 2021 which led to a modest increase in operating revenues of 17.0 percent in 2021 compared to 2020. Operating revenue is still over 40 percent below 2019 pre-pandemic levels.

Operating revenues also include other small miscellaneous items such as union release time reimbursement and vehicle damage reimbursement.

Funding for STA's services is largely provided by a local voter-approved sales tax, 0.8 percent, levied within the PTBA. By state law, public funding for the majority of transit agencies in Washington is through local sales and use tax of no more than 0.9 percent. Since 1981, 0.3 percent of the sales tax authority has been in existence for STA. To replace the motor vehicle excise tax, an additional 0.3 percent was added with a five-year sunset clause in 2004. With voter approval, the additional 0.3 percent was made permanent in 2008. On November 8, 2016, voters approved STA Proposition 1, authorizing an increase in the local sales and use tax rate of up to 0.2 percent to fund the STA Moving Forward Plan (STAMF) to maintain, improve and expand public transit in Spokane County's transit service area. Phase one of the new tax took effect with a 0.1 percent rate increase that was effective April 1, 2017. An additional 0.1 percent rate increase was effective April 1, 2019 with both rate increases expiring no later than December 31, 2028 unless renewed by voters.

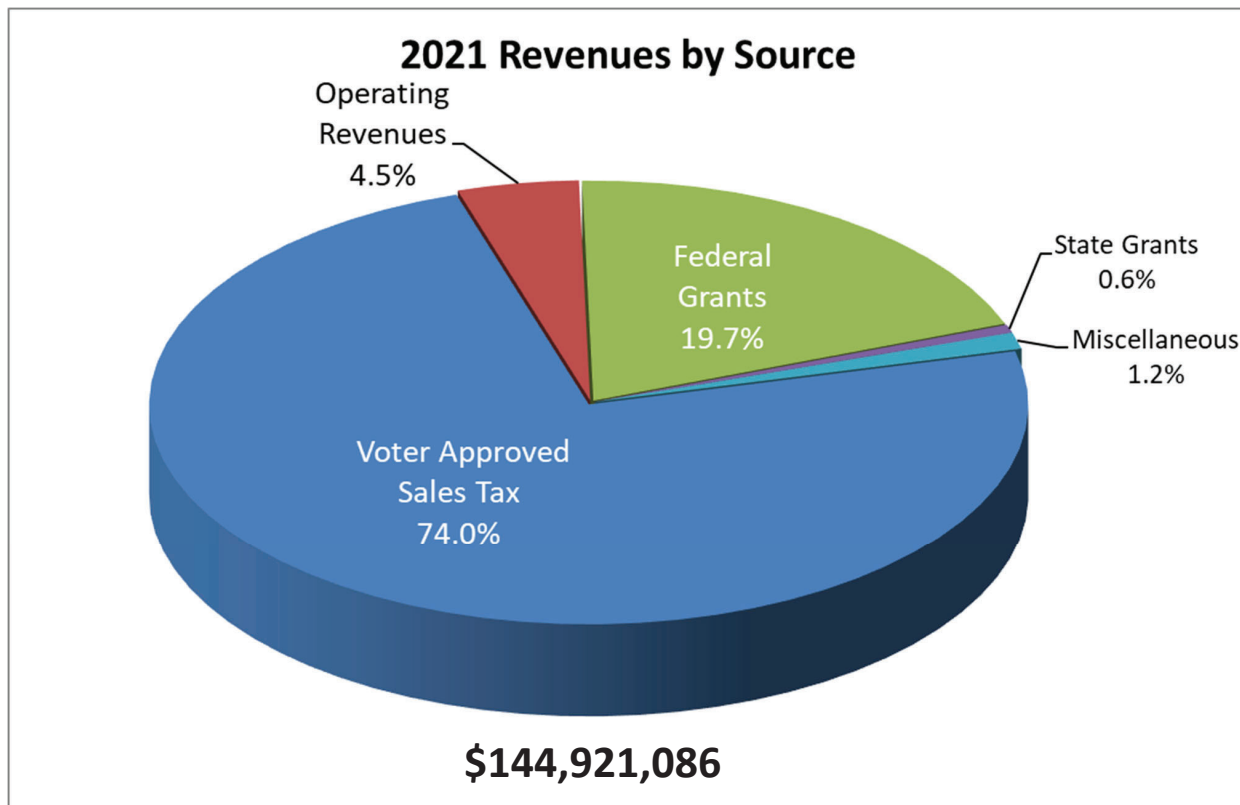
STA receives Federal section 5307 formula grant funds for preventive maintenance, which is usually received in the year awarded. Use of these funds for maintenance is authorized by the FTA and amounted to \$8,318,157 in 2021, \$8,268,528 in 2020, and \$8,112,144 in 2019. STA was awarded additional Federal section 5307 formula grant funds from:

1. the American Rescue Plan Act of \$35,978,359 in 2021, none of which was drawn down in 2021,
2. the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in the amount of \$23,899,877 of which \$19,959,412 was drawn down in 2021, and
3. \$23,440,069 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020 which was fully drawn in 2020. The CRRSAA and CARES Act funding was used for operating expenses to allow STA to continue operating at nearly full service levels.

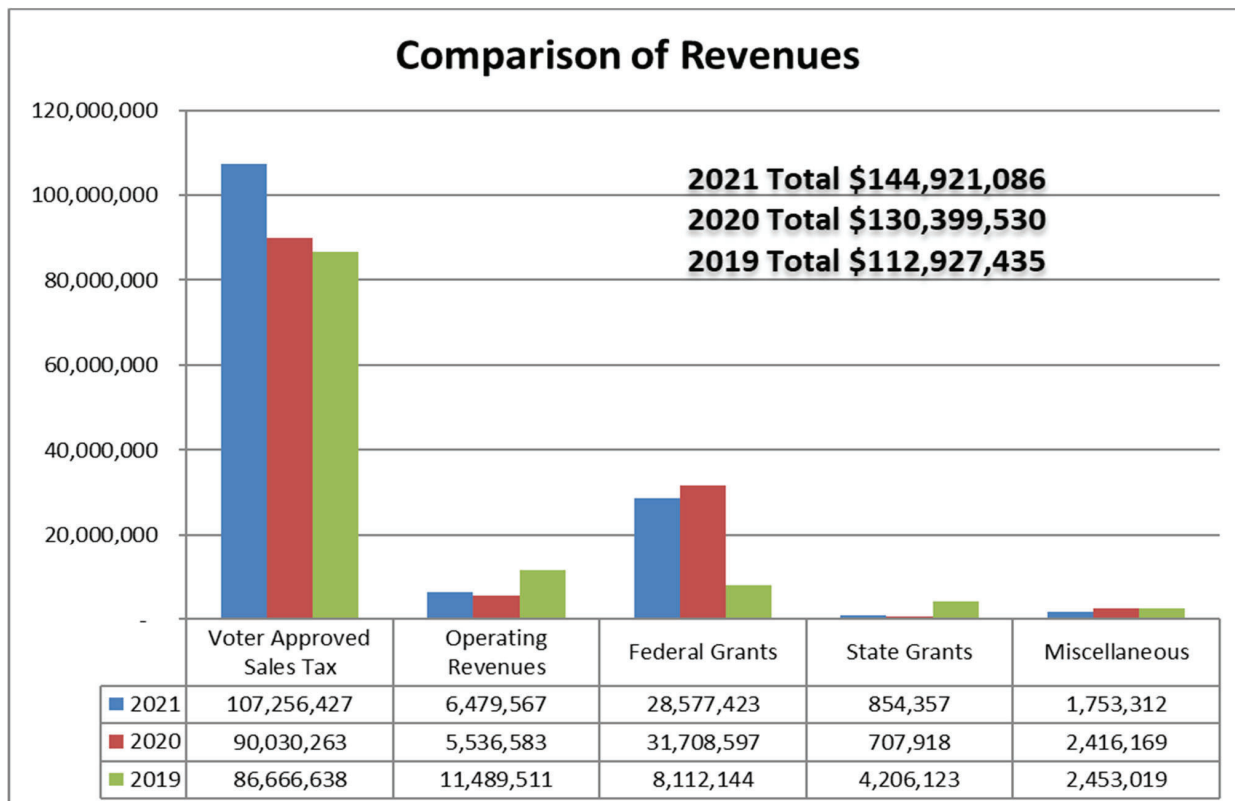
STA received state funding from the Washington State Department of Transportation in the amount of \$854,357 in 2021, \$707,918 in 2020, and \$4,206,123 in 2019. These grant funds were used for special needs related service as well as portions of projects categorized as operating.

Miscellaneous revenue, primarily investment earnings, decreased by \$662,857. Interest income declined due to lower interest rates during the year which averaged 1.01, down from 1.76 percent in 2020, despite higher average cash balances.

During 2021, STA Operating and Nonoperating revenues were \$144,921,086. The federal stimulus grants received skewed STA's traditional funding model of approximately 80 percent collected on sales tax to 74 percent. The following chart shows the major sources of revenue:



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



Service Delivery, Ridership and Operating Expenses

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

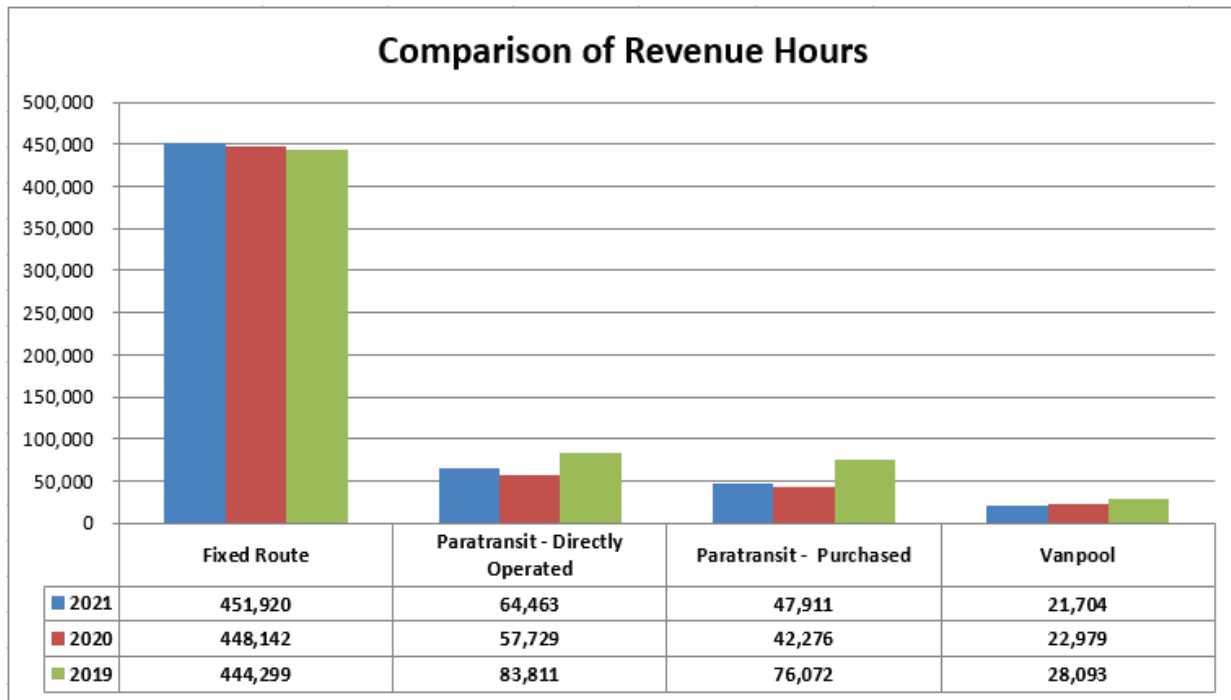
The mode describes the type of service that STA provides:

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

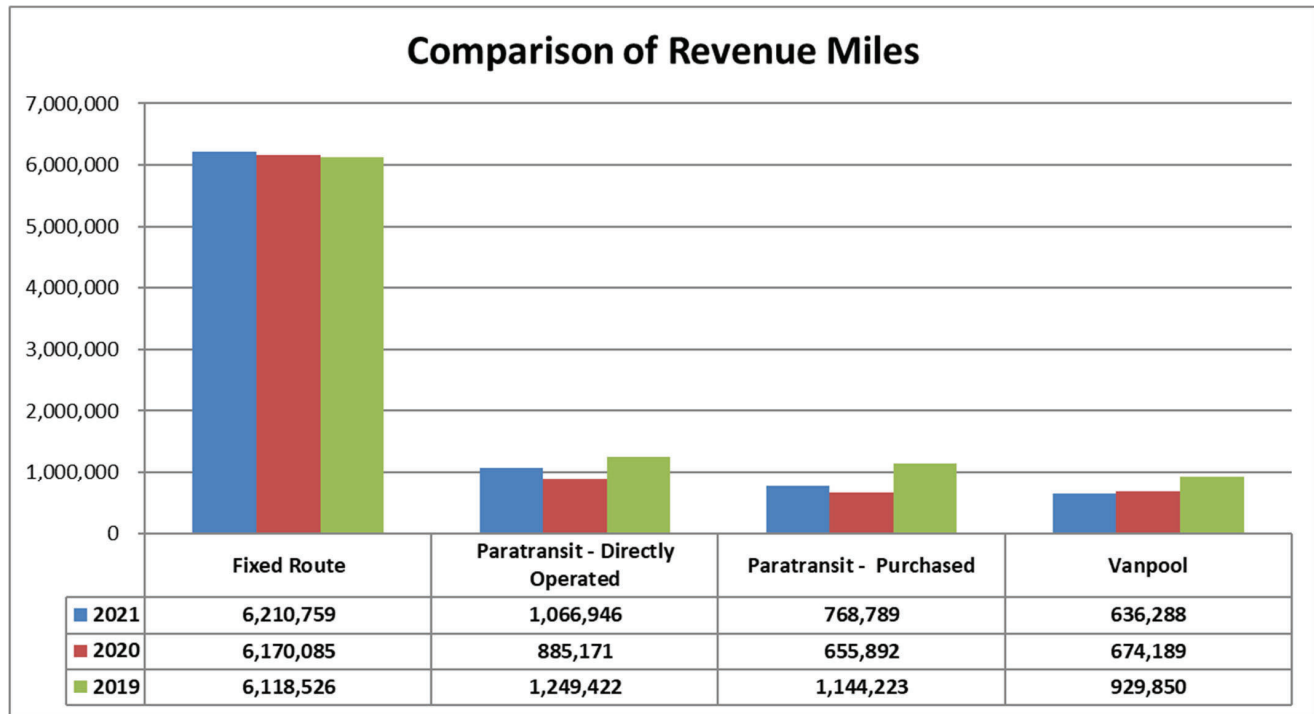
Paratransit (Demand Response) - Paratransit refers to the mode of service that provides a complementary service for those unable to use the regular bus because of the effects of their disability as provided under the Americans with Disabilities Act (ADA). Directly operated service is provided by STA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

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

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



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



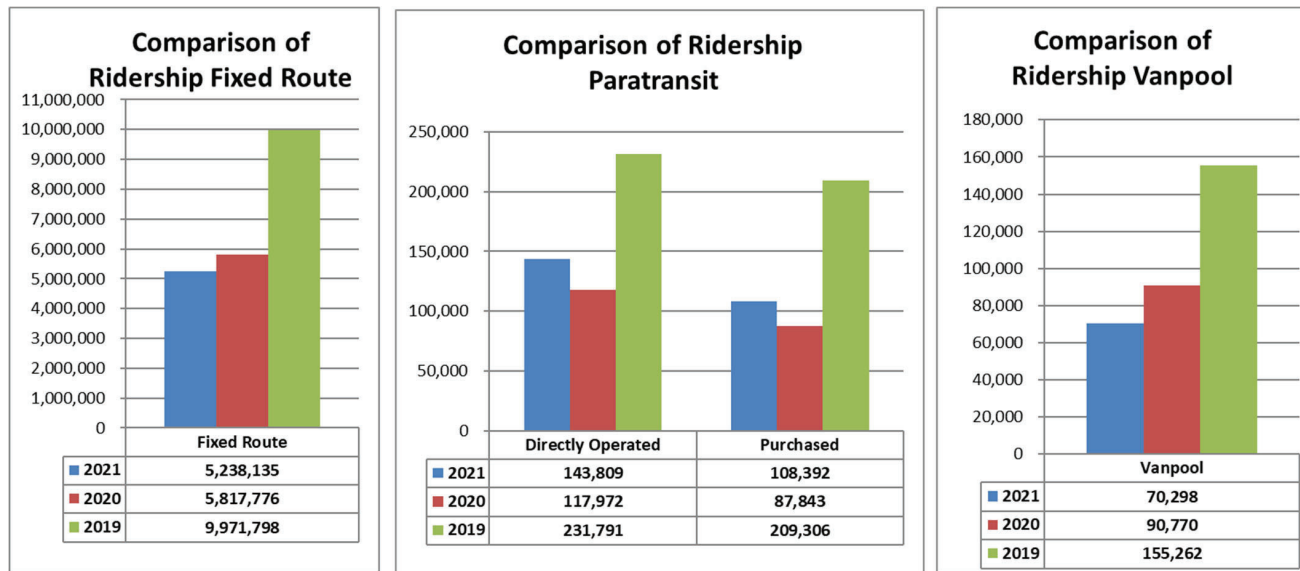
In 2017, after the approval of Proposition 1, STA began executing on its STAMF initiative. Through its more than 25 projects, STAMF maintains the existing transit system, including paratransit and vanpool services, and also improves fixed route bus service through high frequency, high performance transit service, including extended hours on all basic and frequent routes, as well as expands transit service to new areas, new routes, and expanded passenger services including new and enhanced park and ride lots. The increase in fixed route revenue hours and revenue miles as presented in the chart above is a direct result of the implementation of STAMF projects completed to date offset slightly by service reductions and adjustments made during the pandemic.

As an essential service, STA used its CRRSAA and CARES Act funding in 2021 and 2020 to maintain its Fixed Route service at nearly full deployment despite reduced ridership levels in conjunction with the pandemic.

Because of its demand response nature, Paratransit revenue hours started increasing in 2021 after having decreased in 2020 compared to 2019 as more riders requested to travel in line with more venues reopening in late 2021, attracting riders.

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

Most of the common operating efficiency and effectiveness measures in the transit industry have a ridership component. Ridership continued to decline in Fixed Route and Vanpool in 2021 due to the COVID-19 pandemic. Paratransit ridership increased in 2021. Results for the last three years appear below:



- Fixed Route ridership declined by 10.0 percent in 2021. This decline is due to the first two months of 2020 being at pre-pandemic ridership levels. Without these months 2021 ridership was about 8 percent better than 2020.
- Paratransit ridership across the combined directly operated and purchased service increased by 22.5 percent in 2021.
- Vanpool ridership declined in 2021 by 22.6 percent.

Operating Expense by Function - The function describes the major operating areas of STA and includes:

Transportation - Responsible for all on-street passenger services, including operators, supervisors, dispatchers, security and schedulers. Fuel consumption is also classified as a transportation expense.

Maintenance - Responsible for keeping vehicles (including maintenance, repair, parts, and cleaning) and facilities in a state of good repair.

Administration - Responsible for all other functions including executive direction, planning and development, human resources, customer service, communications, information services, purchasing and finance. In addition, administration expenses include insurance and utilities costs.

As seen in the table below, combined expenses for each function were as follows:

- Transportation expense decreased 5.0 percent due primarily to a large decrease in pension expense related to GASB 68 of \$4.8M which was offset by \$2.2M increases in fuel, labor, fringe, contracted transportation and GASB 75 OPEB related expenses.
- Maintenance expense decreased 3.1 percent primarily due to a large decrease in pension expense related to GASB 68 of \$1.3M which was offset by \$0.8M increases in labor, fringe, temporary help, contracted maintenance, and vehicle repair materials.
- Administration expense decreased 6.6 percent primarily due to a large decrease in pension expense related to GASB 68 of \$1.3M which was offset by \$0.3M increase in software license/maintenance.

Expense By Mode & Function For Years Ended December 31, 2021, 2020 and 2019

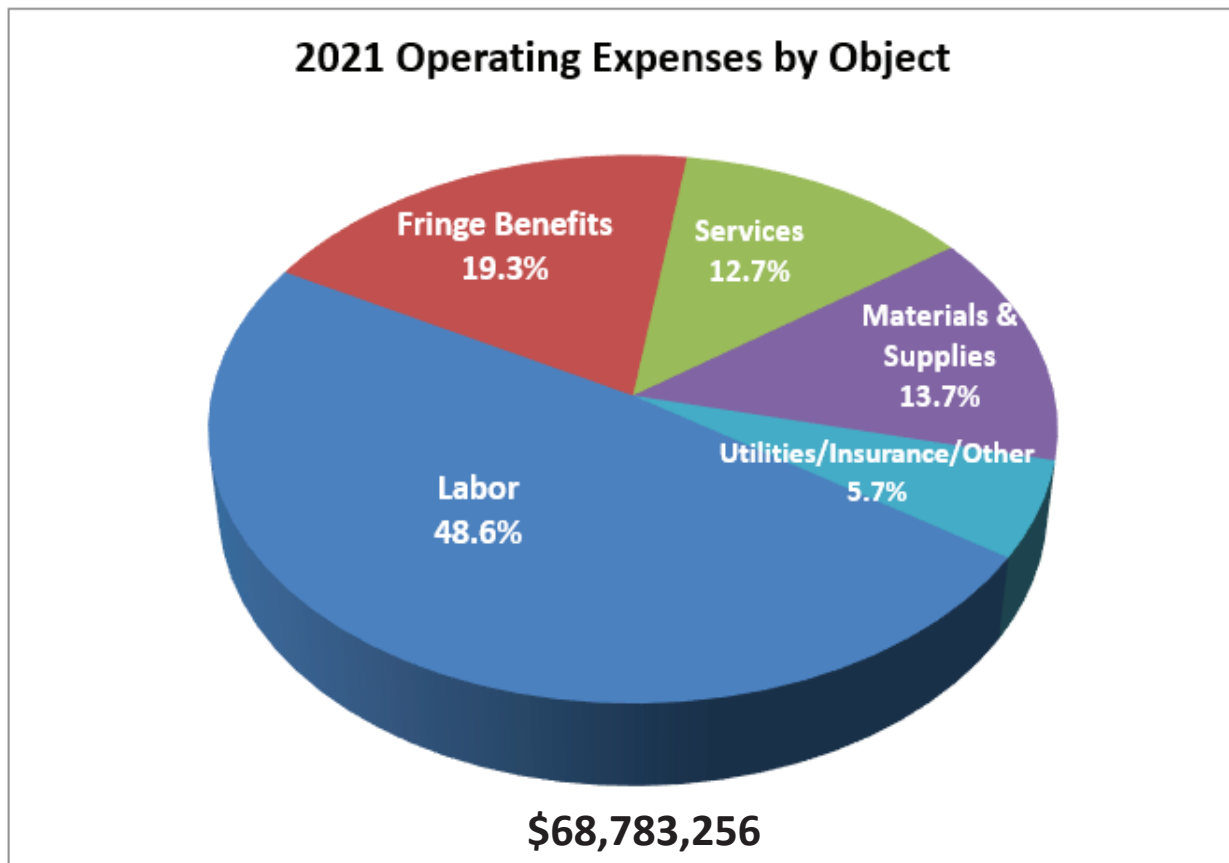
	2021	2020	Increase (Decrease)	% Change	2019
<u>Mode & Function</u>					
Fixed Route:					
Transportation	\$31,237,888	\$33,107,389	(\$1,869,501)	-5.6%	\$32,422,251
Maintenance	12,513,054	12,768,674	(255,620)	-2.0%	11,922,474
Administration	11,213,487	11,980,191	(766,704)	-6.4%	11,198,902
Fixed Route Total	<u>\$54,964,429</u>	<u>\$57,856,254</u>	<u>(\$2,891,825)</u>	-5.0%	<u>\$55,543,627</u>
Paratransit:					
Transportation	\$9,878,152	\$10,227,047	(\$348,895)	-3.4%	\$10,302,950
Maintenance	1,320,656	1,517,673	(197,017)	-13.0%	1,624,326
Administration	2,067,048	2,243,779	(176,731)	-7.9%	2,793,268
Paratransit Total	<u>\$13,265,856</u>	<u>\$13,988,499</u>	<u>(\$722,643)</u>	-5.2%	<u>\$14,720,544</u>
Vanpool:					
Transportation	\$112,124	\$76,274	\$35,850	47.0%	\$144,473
Maintenance	80,354	79,016	1,338	1.7%	79,914
Administration	360,493	385,977	(25,484)	-6.6%	419,451
Vanpool Total	<u>\$552,971</u>	<u>\$541,267</u>	<u>\$11,704</u>	2.2%	<u>\$643,838</u>
Modes Combined Expense:					
Transportation	\$41,228,164	\$43,410,710	(\$2,182,546)	-5.0%	\$42,869,674
Maintenance	13,914,064	14,365,363	(451,299)	-3.1%	13,626,714
Administration	13,641,028	14,609,947	(968,919)	-6.6%	14,411,621
Modes Combined Expense Total	<u>\$68,783,256</u>	<u>\$72,386,020</u>	<u>(\$3,602,764)</u>	-5.0%	<u>\$70,908,009</u>
Depreciation/Amortization	<u>12,718,935</u>	<u>11,842,615</u>	<u>876,320</u>	7.4%	<u>11,002,893</u>
Total Operating Expense after Depreciation	<u><u>\$81,502,191</u></u>	<u><u>\$84,228,635</u></u>	<u><u>(\$2,726,444)</u></u>	-3.2%	<u><u>\$81,910,902</u></u>

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

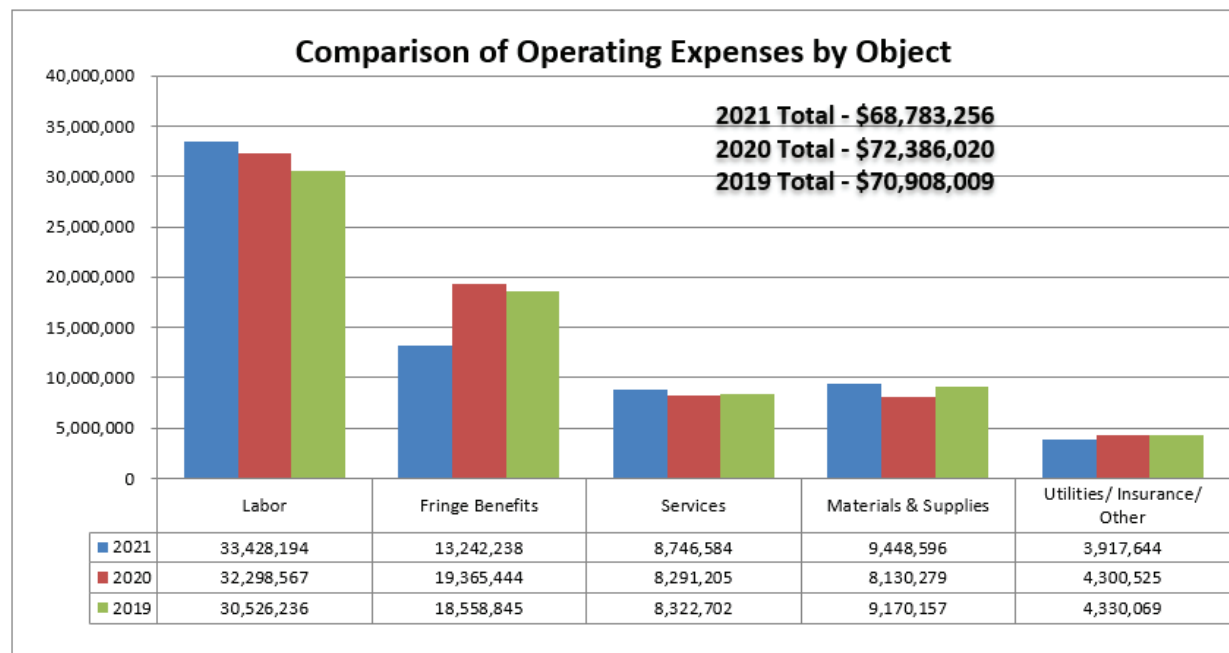
- Fixed Route costs decreased 5.0 percent in 2021 over 2020 as STA kept its service levels at near pre-pandemic levels despite reduced ridership.
- Paratransit costs decreased 5.2 percent despite the slight increase in service.
- Vanpool expenses increased 2.2 percent primarily due to increased fuel and tire expense despite ridership declining.

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

During 2021, STA operating expenses, excluding depreciation and amortization, were \$68,783,256. The following chart shows the operating expenses by object:



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



Labor expense increased by 3.5 percent in 2021. This is primarily due to the impacts of the general wage increases summarized below and increases in staffing to support current service levels.

Effective Date	2019					2020			2021			
	1/1	2/1	2/24	4/1	7/1	1/1	2/1	7/1	1/1	2/1	4/1	7/25
Amalgamated Transit Union Local 1015				3.00%				3.00%			3.00%	
Amalgamated Transit Union Local 1598		3.00%					3.00%			2.00%		
The American Federation of State, County, and Municipal Employees Local 3939			3.00%		2.50%	1.00%		2.50%	1.00%			3.75%
Management & Administrative employees	3.00%					3.00%			2.00%			

Fringe Benefits expense primarily includes health insurance premiums, retirement contributions, FICA/Medicare taxes and paid time off costs. The 31.6 percent decrease in fringe benefits in 2021 was primarily due to the decrease in pension expense from the GASB 68 year-end adjustment and lower pension contributions due to the Department of Retirement System rate decreases effective July 1, 2021. This was offset by increases in staffing combined with cost of benefits such as FICA/Medicare, medical/dental premiums, paid leave, state industrial and the GASB 75 other post-employment expense (OPEB).

Services expense increased by 5.5 percent in 2021 primarily due to increases in contracted transportation for Paratransit, temporary help, and contracted maintenance offset by decreases in plaza contracted equipment maintenance and security services.

Materials and Supplies expense increased by 16.2 percent in 2021. This was primarily due to higher fuel consumption from higher mileage, software licensing/maintenance, and vehicle repair materials which experienced cost increases from inflation expense offset by decrease in computer hardware and other materials and supplies for the safety and facilities and grounds departments. The increase to other materials and supplies includes COVID-19 related for items such as masks and cleaning supplies.

Utilities, Insurance and Other expense includes costs related to utilities, liability and property insurance, taxes, leases and miscellaneous expenses. The 8.9 percent decrease in 2021 is primarily attributed to lower lease expenses due to the implementation of GASB 87 requiring the capitalization of some leases.

Capital Assets

STA's capital assets as of December 31, 2021 amounted to \$293,664,168 less \$134,609,022 in accumulated depreciation and amortization. This includes \$36,798,510 in existing work in process. Capital assets consist of transit coaches, vans, and other vehicles, land, buildings and improvements, equipment and furnishings, transit benefiting improvements and intangible property. Net capital asset changes consisted of \$52,319,194 of additions and adjustments and \$5,934,805 of retirements and dispositions. Depreciation and amortization expense of \$12,718,935 was recorded.

Major capital asset acquisitions, including work in process and accruals, during 2021 consisted of the following:

- Additions to Vehicles of sixteen Fixed Route diesel coaches, fourteen Fixed Route electric coaches, six service vehicles, and additions to five vanpool vans for a cost of \$25,766,086;
- Additions to Buildings and Improvements consisted of high performance transit platforms at STA's Plaza transit center along with, restroom improvements, and escalator wall guard; elevator improvements, non-diesel underground storage replacement, energy savings improvements, lighted pit repair improvement, body shop door upgrade, and railed fall protection installation at STA's main Boone facility and garage; and transit benefiting improvements for a total cost of \$5,616,056;
- Additions to Equipment and Furnishings include bus charging infrastructure at the Boone Northwest garage, Moran Station, and Spokane Community College; eight bus shelters; computer hardware replacements; maintenance equipment replacements, as well as a new on-board camera system for coaches and vans. The combined amount of these equipment purchases was \$9,173,744; and

- Additions to Intangibles of \$1,243,001 include right to use leases, additional software for phone system, software for on-board camera system, and Trapeze Viewpoint and PASS software additions.
- Work in Process (including accruals) increased \$10,520,307 primarily due to the City Line project.

STA capital assets that have reached their useful life are generally disposed of by auction. If the asset has no auction value or is damaged beyond repair, it may be disposed of through recycling or garbage. All disposals are documented and authorized prior to actual disposal.

Additional information on STA's capital assets is contained in Note 3 to the financial statements.

Long-Term Financial Outlook

STA recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, STA has adopted a fiscally prudent policy of remaining debt-free, along with establishing reserve policies to insulate it from short-term revenue downturns and unanticipated expenditures. STA's governing Board (Board) adopted a designated cash policy in October 2007. The policy designated \$5,500,000 for catastrophic self-insurance exposure protection and 15.0 percent of the annual Adopted Operating Expense Budget for unforeseen emergency expenses. An additional cash designation of \$4,950,000 was established by the Board in December 2011. This designated cash is for future right of way acquisition. The level of designated cash is reviewed and approved annually by the Board in conjunction with the budget adoption process.

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

The designated cash balances in combination with the Fleet Replacement Fund and excess revenue over expense will be used over the next five years to provide capital infrastructure that supports service plans, and expansion via STAMF.

The cornerstone project of STAMF, the City Line, a six-mile corridor-based Bus Rapid Transit (BRT) line, was awarded a \$53.4 million grant from the Federal Transit Administration (FTA) in January 2020 and a \$5.8 million grant from FTA, as part of the CRRSAA funding, in September 2021 which, along with \$18.6 million in previous federal and state funding and \$14.4 million in local money, will fully fund the construction and procurement to its service launch date of July 2023. In 2021, due to the impacts of the pandemic on the supply chain for materials used in the City Line shelters, STA's Board made the decision to delay the launch of the City Line from its prior date of May 2022 to July 2023. The City Line will be served by modern-style electric buses estimated to provide over 1 million rides per year. It will feature more frequent trips and convenient elements like pre-board ticketing, level boarding and improved stations with real-time signage, wayfinding and other amenities. Groundbreaking for the construction was in May 2020.

In December 2019, a novel strain of coronavirus (COVID-19) broke out and quickly reached global pandemic status. In response to the public health risk posed by COVID-19, on February 29, 2020, the Governor of the State of Washington declared a state of emergency. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered in Washington State which covers the PTBA in which STA operates. These measures which started with school, college and university closings, cancellation of public events, and size limitations of gatherings, ultimately culminated into the "Stay Home, Stay Healthy" order. This pandemic as well as precautionary measures to slow the spread of the virus continued during 2021.

On March 24, 2020, the CEO of STA issued Emergency Proclamation 2020-01. STA responded to the order by activating its incident response team who implemented a series of operational protocols in response to the changing health situation. These protocols included increasing sanitization measures to prevent the spread of the virus, temporary suspension of fares and rear-door boarding to maximize social distancing, masking requirements for all riders and STA employees as well as installation of shields at the front of the coach to protect the health of operators.

In January 2021, the CDC issued a federal mask mandate requiring the wearing of masks by riders to prevent spread of the virus that causes COVID-19. STA continued its compliance efforts and health and safety protocols in support of this new mandate.

The overall situation had shown improvement with Spokane County residents beginning to receive vaccines in late December 2020. On March 22, 2021, the region in which STA operates was placed into Phase 3 of the Washington State Recovery Plan in response to positive effects of the vaccination campaign. This allowed some activities to resume at a measured pace, though controlling the pandemic has been an on-going issue throughout 2021. In early 2022, health conditions deteriorated with the rapid spread of the Omicron variant which had impacts to STA that included service reductions for about two weeks. Significant on-going changes to the operating environment could increase operating costs.

In response to the economic fallout expected from COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act provided emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic and provided emergency appropriations to support Executive Branch agency operations during the COVID-19 pandemic. The bill allocated \$25 billion in funding to the transit industry with an apportionment for STA of \$23,440,069. Funding was provided at a 100 percent federal share, with no local match required, and was available to reimburse operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to COVID-19. STA drew down its full apportionment of \$23,440,069 during 2020 to fund the additional costs needed to implement its health protocols in response to the pandemic and to fund its operations.

With transit agencies profoundly impacted by reduced ridership and reductions in revenue sources, Congress passed two additional stimulus funding bills - the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in December 2020 and the American Rescue Plan Act of 2021 (ARPA) in March 2021. These two bills provide \$14 billion and \$30.5 billion to transit agencies, respectively, with apportionments for STA of \$23,899,877 and \$35,978,359. Like CARES, monies from CRRSAA and ARPA can be used for payroll and operations. If agencies can certify they have not furloughed any employees, the monies may be used for capital projects. STA drew down \$19,959,412 of the CRRSAA funding in 2021 and will use the remaining funds in 2022. No ARPA funds were drawn down in 2021 and are planned to be used in 2022 and 2023.

2021 Budgetary Analysis

STA's 2021 actual operating and non-operating revenues exceeded the budget by \$47,926,331 or 49.4 percent. Sales tax revenue, STA's largest source of revenue, came in ahead of its budget by \$28,769,901 due to stronger than expected retail sales. Federal and State grant revenue was \$20,278,259 favorable to budget. This was primarily due to the receipt of unbudgeted CRRSAA funds of \$19,959,412 in 2021. STA's fare and other transit revenue was below budget for 2021 coming in \$1,430,380 or 18.1 percent lower. This was due to a lower than planned ridership level in 2021 due to continued impacts from the COVID pandemic. Another significant variance in revenue was investment earnings, which came in above budget by \$308,551 from higher average invested balances.

Operating expenditures also ended the year favorably compared with the 2021 budget. STA expended 83.6 percent of its operating budget, or \$13,446,435 under budgeted levels. This variance occurred primarily due to a GASB 68 related pension expense credit of \$11,687,974, lower fuel costs of \$674,892, lower than anticipated contracted maintenance and consulting fees of \$792,852, and lower medical and dental premiums expense of \$740,012.

The comparison of the 2021 budget to 2021 actuals is on the following page.

Budgetary Comparison Schedule

	2021 Budget	2021 Actual	Favorable (Unfavorable) Budget Variance \$	Budget Variance %
Operating and Nonoperating Revenues				
Fares & Other Transit Revenue	\$7,909,947	\$6,479,567	(1,430,380)	-18.1%
Sales Tax	78,486,526	107,256,427	28,769,901	36.7%
Federal & State Grants	9,153,521	29,431,780	20,278,259	221.5%
Miscellaneous Revenue	1,444,761	1,753,312	308,551	21.4%
Total Revenues	\$96,994,755	\$144,921,086	\$47,926,331	49.4%
Operating Expenses				
Fixed Route	\$66,228,589	\$54,964,429	(\$11,264,160)	17.0%
Paratransit	15,283,702	13,265,856	(2,017,846)	13.2%
Vanpool	717,400	552,971	(164,429)	22.9%
Total Operating Expense	\$82,229,691	\$68,783,256	(\$13,446,435)	16.4%
Revenues over Expenses	\$14,765,064	\$76,137,830	\$61,372,766	415.7%

Economic Factors and Next Year's Budget

The 2022 budget includes the continued commitment to STAMF. Construction began in May 2020 on the City Line with revenue service starting in 2023.

This table provides a summary of the 2022 budget which was amended in March 2022 to reflect the impact of a new retention and recruitment plan adopted by STA's Board.

Summary of 2022 Budget

	2022 Amended Budget
Operating and Non-Operating Revenue	
Fares & Other Transit Revenue	\$7,458,902
Sales Tax	106,074,026
Federal & State Grants	30,090,854
Miscellaneous Revenue	1,621,150
Total Revenue	\$145,244,932
Operating Expenses	
Fixed Route	\$74,801,648
Paratransit	18,386,927
Vanpool	798,827
Total Operating Expense	\$93,987,403
Net Gain before Contributions	\$51,257,529

With the COVID-19 pandemic conditions expected to continue, STA estimated ridership would be impacted thereby contributing to lower fare revenues than historic levels, though an increase over 2021 actual.

More information about the 2022 Amended Budget can be found at www.spokanetransit.com.

Request for Information

This management, discussion, analysis and financial report is designed to provide a general overview of STA's finances for all who have an interest. Questions on any of the information presented in this report or requests for additional financial information are always welcome and should be addressed to: Spokane Transit, Chief Financial Officer, 1230 W. Boone Avenue, Spokane, WA 99201. An interesting and informative companion piece is the Transit Development Plan, an annual publication with an abundance of information that can be obtained through the above contact. Information can also be found on the STA website at www.spokanetransit.com.

Spokane Transit Authority
Statement of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 184,734,573	\$ 135,058,458
Accounts Receivable, Net of Allowance for Doubtful Accounts	388,991	195,374
Sales Tax Receivable	18,846,052	16,311,806
Due from Other Governments	9,260,965	14,860,240
Total Receivables	28,496,008	31,367,420
Maintenance Parts Inventory	1,755,444	1,623,863
Prepaid Expenses and Other Assets	227,972	256,834
<i>Total Current Assets</i>	215,213,997	168,306,575
<i>Noncurrent Assets:</i>		
Vehicles	104,750,752	82,348,285
Buildings and Improvements	98,409,944	92,793,888
Equipment and Furnishings	28,929,063	22,298,681
Intangible Property	10,730,899	10,029,332
Right-to-Use Lease Assets	513,610	-
Land	13,531,390	13,531,390
Work in Process	36,798,510	26,278,203
Total Capital Assets	293,664,168	247,279,779
Less Accumulated Depreciation and Amortization	(134,609,022)	(127,677,382)
Capital Assets, Net of Accumulated Depreciation and Amortization	159,055,146	119,602,397
Net Pension Asset	32,668,001	-
<i>Total Noncurrent Assets</i>	191,723,147	119,602,397
<i>Total Assets</i>	406,937,144	287,908,972
<i>Deferred Outflows of Resources:</i>		
Deferred Outflows Related to Pensions	4,423,902	4,658,735
Deferred Outflows Related to Other Post Employment Benefits	5,877,412	1,178,307
<i>Total Deferred Outflows of Resources</i>	10,301,314	5,837,042
Total Assets and Deferred Outflows of Resources	\$ 417,238,458	\$ 293,746,014

Continued on the following page

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

Spokane Transit Authority
Statement of Net Position
December 31, 2021 and 2020
(Continued)

	<u>2021</u>	<u>2020</u>
<u>Liabilities</u>		
<i>Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	\$ 2,509,412	\$ 3,748,161
Accrued Wages, Benefits, and Other Liabilities	7,213,100	7,023,065
Contracts Payable (includes retainage)	3,338,470	3,138,356
Provision for Medical Premiums	127,165	127,165
Provision for Uninsured Claims	1,698,846	1,376,432
Current portion of Other Post Employment Benefits Liability	148,934	126,796
<i>Total Current Liabilities</i>	15,035,927	15,539,975
<i>Long-Term Liabilities:</i>		
Right-to-Use Lease Liability	382,227	-
Net Pension Liability	3,118,446	12,283,094
Other Post-Employment Benefits Liability	7,499,982	2,839,473
<i>Total Long-Term Liabilities</i>	11,000,655	15,122,567
<i>Total Liabilities</i>	26,036,582	30,662,542
<i>Deferred Inflows of Resources:</i>		
Advance Payment of Fares	14,797	6,611
Deferred Inflows Related to Pensions	33,894,467	3,984,625
Deferred Inflows Related to Other Post Employment Benefits	987,237	20,183
<i>Total Deferred Inflows of Resources</i>	34,896,501	4,011,419
<u>Net Position</u>		
Net Investment in Capital Assets	159,055,146	119,602,397
Restricted for Net Pension Asset	32,668,001	-
Restricted for Workers' Compensation	357,000	357,000
Unrestricted	164,225,228	139,112,656
<i>Total Net Position</i>	356,305,375	259,072,053
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 417,238,458	\$ 293,746,014

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

Spokane Transit Authority
Statement of Revenues, Expenses, and Change in Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020
<i>Operating Revenues:</i>		
Passenger Fares	\$ 6,201,175	\$ 5,179,044
Other Transit Revenue	278,392	357,539
<i>Total Operating Revenues</i>	6,479,567	5,536,583
<i>Operating Expenses:</i>		
Transportation	41,228,164	43,410,710
Maintenance	13,914,064	14,365,363
Administration	13,641,028	14,609,947
Depreciation and Amortization	12,718,935	11,842,615
<i>Total Operating Expenses</i>	81,502,191	84,228,635
<i>Operating Loss</i>	(75,022,624)	(78,692,052)
<i>Nonoperating Revenues (Expenses):</i>		
Sales Tax	107,256,427	90,030,263
Interest Income	1,421,421	2,013,342
Other Nonoperating Revenues	331,891	402,827
Other Nonoperating Expenses	(433,748)	(1,727,456)
State and Local Grants	854,357	707,918
Federal Preventive Maintenance and Other Noncapital Grants	28,577,423	31,708,597
Loss on Sale of Capital Assets	(50,304)	(109,299)
<i>Total Nonoperating Revenues (Expenses)</i>	137,957,467	123,026,192
<i>Net Gain Before Contributions</i>	62,934,843	44,334,140
<i>Capital Grants and Contributions:</i>		
FTA Formula and Discretionary Capital Grants	31,283,356	1,624,072
State Capital Grants	3,083,927	12,554,611
<i>Total Capital Grants and Contributions</i>	34,367,283	14,178,683
<i>Change in Net Position</i>	97,302,126	58,512,823
Net Position - Beginning of Year, as previously reported	259,072,053	200,559,230
Prior Period Adjustment (Capital Asset Adjustment)	(78,557)	
Prior Period Adjustment (GASB 87 Lease Implementation)	9,753	
<i>Net Position - Beginning of Year, as restated</i>	259,003,249	200,559,230
<i>Net Position - End of Year</i>	\$ 356,305,375	\$ 259,072,053

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

Spokane Transit Authority
Statement of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Operating Revenues	\$ 6,294,138	\$ 5,717,786
Cash Payments to Suppliers for Goods and Services	(22,170,671)	(20,528,988)
Cash Payments to Employees for Services	(56,899,465)	(56,198,055)
<i>Net Cash Used in Operating Activities</i>	(72,775,998)	(71,009,257)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Sales Tax Receipts Collected by Other Governmental Entities	104,722,181	89,108,597
Noncapital Grants and Other Revenue	38,149,620	27,059,765
Other Nonoperating Expense	(1,012,136)	(1,117,682)
<i>Net Cash Provided by Noncapital Financing Activities</i>	141,859,665	115,050,680
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchase of Property, Plant, and Equipment	(52,448,305)	(23,424,330)
Proceeds from Disposition of Property, Plant, and Equipment	38,723	157,909
Federal Capital Grants	24,615,905	1,286,535
Other Capital Grants	6,964,704	11,715,694
<i>Net Cash Used in Capital and Related Financing Activities</i>	(20,828,973)	(10,264,192)
<i>Cash Flows from Investing Activities:</i>		
Interest Income	1,421,421	2,013,342
<i>Net Cash Provided by Investing Activities</i>	1,421,421	2,013,342
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	49,676,115	35,790,573
<i>Cash and Cash Equivalents - Beginning of Year</i>	135,058,458	99,267,885
<i>Cash and Cash Equivalents - End of Year</i>	\$184,734,573	\$ 135,058,458

Continued on the following page

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

Spokane Transit Authority
Statement of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Continued)

	2021	2020
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</i>		
Operating Loss	\$ (75,022,624)	\$ (78,692,052)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>		
<i>Noncash Adjustments:</i>		
Depreciation and Amortization	12,718,935	11,842,615
Pension Expense	(11,687,974)	(4,257,766)
Other Post Employment Benefits	950,596	300,042
<i>Changes in Assets - Decrease (Increase):</i>		
Accounts Receivable	(193,615)	209,711
Maintenance Parts Inventory	(131,581)	42,641
Prepaid Expenses	28,861	233,761
<i>Changes in Liabilities - Increase (Decrease):</i>		
Accounts Payable and Accrued Expenses	24,822	(196,904)
Accrued Wages, Benefits and Other Liabilities	190,036	(511,630)
Advance Payment of Fares	8,186	(28,508)
Provision for Uninsured Claims	322,414	37,355
Contracts Payable	15,946	11,478
<i>Net Cash Used in Operating Activities</i>	<i>\$ (72,775,998)</i>	<i>\$ (71,009,257)</i>

NON-CASH TRANSACTIONS:

Non-cash investing, capital or financing activities includes capital accruals of \$2,715,181.

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

Spokane Transit Authority

Notes to the Financial Statements

December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

STA is a Public Transportation Benefit Area (PTBA) organized and operating under the Revised Code of Washington (RCW) Chapter 36.57A, as a municipal corporation in the State of Washington. On April 1, 1981, STA assumed the assets, liabilities, and operations of the City of Spokane System.

STA is a special purpose government engaged only in business-type activities and provides transportation services to the general public. STA is supported primarily through voter-approved local sales tax, user fares, and federal and state grants.

STA is governed by a nine-member board of elected city and county officials who are appointed to the Board by their respective governing bodies. In 2010, a non-voting board member was added by state law to represent labor unions at STA. In 2021, four other local elected officials served on the STA board in a non-voting capacity. As required by GAAP, management has considered all potential component units in defining the reporting entity and has determined that STA has no component units.

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

B. Measurement Focus, Basis of Accounting

The accounting records of STA are maintained in accordance with methods prescribed by the Federal Transit Administration (FTA) and the Washington State Auditor under authority of Chapter 53, United States Code (USC) 49 and RCW Chapter 43.09, respectively. STA is considered an Enterprise Fund Activity. Its prescribed and regulatory accounting rules are found in the FTA's National Transit Database (NTD); Uniform System of Accounts (USOA); and the Washington State Auditor's Budgeting, Accounting, and Reporting System (BARS).

These regulations are designed to reflect the regulatory and governing body's intent that the cost of providing services to the public on a continuing basis should be financed and operated in a manner more consistent with the practices of private business enterprises. These regulations differ from other general government financial accounting practices.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with STA activity are included on the statement of net position. STA's reported fund net position is segregated into amounts invested in capital assets, and restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. STA discloses changes in cash flows by a separate statement that presents the operating, noncapital financing, capital and related financing and investing activities.

STA uses the prescribed full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Capital asset purchases are capitalized. STA has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

1. Operating revenues have the characteristics of exchange transactions, as defined in GASB Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*. Examples include passenger fares and other auxiliary transit revenue.

Operating revenues include passenger fares on all fixed route, paratransit, and vanpool programs. STA's fixed route basic cash fare is \$2.00, which has been in effect since July 1, 2018. Paratransit basic cash fare aligns with fixed route at \$2.00 since July 1, 2018.

STA sells 31-day and monthly passes as well. Adult, Youth, and Reduced Fare 31-day passes sell for \$60, \$40, and \$30, respectively. Paratransit monthly passes sell for \$60. These prices went into effect on July 1, 2018.

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

STA receives two main sources of nonoperating revenues in the form of voter-approved sales tax and Federal Preventive Maintenance 5307 formula funding. In addition, STA received in 2021 Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funding for operating expenses as further detailed below. Sales tax accounted for 74.0% of total revenues while Federal grants accounted for 19.7%.

Funding for STA's services is largely provided by a local voter-approved sales tax levied within the PTBA only. By state law, public funding for STA is through local sales and use tax of no more than 0.9 percent. Voter approval is required for all sales tax.

From 1981 to 2004, STA was authorized by voters to levy a local 0.3 percent sales tax within its PTBA for the purpose of supporting the public transportation system. On May 18, 2004, the voters approved up to an additional 0.3 percent sales tax levy effective October 1, 2004 to replace funding eliminated by the State in 2000 from Motor Vehicle Excise Tax. This 2004 sales tax approval included a sunset clause on June 30, 2009. The Board took action on February 21, 2008 to have voters consider a reauthorization of the 0.3 percent sales tax on the May 20, 2008 ballot. This request was approved by the voters making the additional 0.3 percent sales tax permanent. On November 8, 2016, voters approved STA Proposition 1, authorizing an increase in local sales and use tax rate of up to 0.2 percent to fund the STA Moving Forward Plan to maintain, improve and expand public transit in Spokane County's transit service area. Phase one of the new tax took effect with a 0.1 percent increase that was effective April 1, 2017. An additional 0.1 percent increase was effective April 1, 2019 with both tax increases expiring no later than December 31, 2028 unless renewed by voters. STA now receives a local 0.8 percent sales tax levy within its PTBA.

In response to the economic fallout related to the COVID-19 pandemic, the Federal government has passed a number of stimulus packages since 2020. The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. This provided emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic and provide emergency appropriations to support Executive Branch agency operations during the COVID-19 pandemic. The bill provided \$25 billion in funding to the transit industry with an apportionment for STA of \$23,440,069. This funding was provided at a 100 percent federal share, with no local match required, and was available to support capital, operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to COVID-19. STA fully utilized the available funds to support its operations during 2020. On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2021 was signed into law. CRRSAA provides \$14 billion in funding for public transit with an apportionment for STA of \$23,899,877. Funding is provided at a 100 percent federal share, with no local match required. The CRRSAA funds are available for payroll and operations of public transit (including payroll and expenses of private providers of public transportation), unless the recipient certifies it has not furloughed any employees. STA utilized \$19,959,412 of the available funds for operations in 2021, with the remainder expected to be drawn in 2022. On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law. The ARP Act provides \$30.5 billion to support the nation's public transportation systems with an apportionment for STA of \$35,978,359. Funding will be provided at a 100 percent federal share, with no local match

required. This funding is available for payroll and operations of public transit unless the recipient certifies it has not furloughed any employees. STA plans to draw on these funds in 2022 and 2023.

Capital and preventive maintenance formula and discretionary grants are available from the FTA based on maintenance expenses and available federal formula funding coordinated with a federally approved local and state Transportation Improvement Plan.

2. Operating expenses for STA include the costs of providing transit service, maintenance, administration, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Cash and Cash Equivalents

It is STA's policy to invest all available cash balances. Cash and cash equivalents are comprised of deposits at year-end pooled in the Spokane County Investment Pool (SCIP) as managed by the Spokane County Treasurer. The cash and cash equivalents balance as of December 31, 2021 and 2020 was \$184,734,573 and \$135,058,458, respectively. The SCIP functions essentially as a demand deposit account where participants receive an allocation of their proportionate share of pooled earnings. STA's internal portion of the SCIP's net position is reported as Cash and Cash Equivalents and reflects the change in fair value of the corresponding investment securities. Investments are purchased and administered through the Spokane County Treasurer and the Washington State Treasurer and are covered by either federal depository insurance or specific qualifying collateral pledged by the financial institutions in accordance with state public deposit protection regulations. All cash equivalents are stated at cost, which approximates market. For purposes of the statement of cash flows, STA considers all investments (including restricted investments) to be cash equivalents (See Note 12).

2. Investments

See Note 2 (Deposits and Investments)

3. Receivables

Customer and third-party accounts receivable in 2021 consist of \$388,991 (net of allowance for doubtful accounts of \$3,000) owed from private individuals or organizations for goods and services or damages. Accounts are charged to expense, if they are deemed uncollectible, based upon a periodic review of the accounts. These net receivables were lower in 2020 at \$195,374.

The sales tax receivable amount is \$18,846,052 and represents sales tax for November and December 2021 received in January and February 2022. Sales tax receivable was \$16,311,806 as of December 31, 2020.

Due from other governments receivable is the amount due from federal and state governments for grants. The balance at year-end 2021 and 2020 was \$9,260,965 and \$14,860,240, respectively. The decrease in the balance was primarily due to the change in timing of the Federal 5307 formula grant funding approval as both 2020 and 2021 apportionments were approved and received in 2021 which impacted the receivable.

4. Inventory and Prepaid Expenses

Maintenance parts inventory, consisting principally of expendable items held for business consumption related to state of good repair for vehicles, is stated at average cost. The cost is reported as expenditure at the time individual inventory items are consumed. The value of inventory at year-end was \$1,755,444 for 2021 and \$1,623,863 for 2020.

Prepaid expenses are services that are acquired or purchased during an accounting period but are not used during that accounting period. The portion of services used during the accounting period are expensed and the remaining balance is reported as an asset until used. These accounts in 2021 amounting to \$227,807 related to prepaid maintenance agreements of \$25,568, prepaid rent/lease of \$160,000 and \$42,239 of prepaid excess workers' compensation insurance. At December 31, 2020 the prepaid expense balance was \$256,834

5. Restricted Assets and Liabilities

STA has no restricted liabilities. Restricted assets include \$357,000 for a Washington State Department Labor & Industries requirement due to being self-insured for workers' compensation benefits and \$32,668,001 related to Net Pension Assets. Restricted assets increased for 2021 due to the Net Pension Asset that is new in 2021.

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

Major expenses for capital assets, major repairs that have a useful life of over 3 years and an individual cost over \$5,000, and equipment and technology assets with individual costs less than \$5,000 with an aggregate cost over \$250,000 procured under the capital improvement plan are capitalized. Capital assets are valued at historical cost or estimated historical cost where historical cost is not known or estimated market value for donated assets. Donations, if any are made, are recorded at the donor cost or appraised value. Major additions and betterments are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

STA has acquired certain assets with funding provided by federal and state grant assistance programs. Depending on the terms of the agreements involved, the government could retain an equity interest in these assets. However, STA has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation over its estimated useful life. However, in the case of the sale of a significant operating unit or system, the original cost is removed from STA asset accounts, as is the accumulated depreciation related to the asset, and the net gain or loss on disposition is recorded as a gain or loss on the sale of the asset.

Depreciation and amortization expense is charged to Operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method over established useful lives of individual assets. Lease asset lives are assigned based on the shorter of the lease term or the nature of the leased asset. Individual useful lives are generally assigned to assets as follows:

Vehicles	3 - 12 years
Buildings and Improvements (includes Transit Benefiting Improvements)	3 - 40 years
Equipment and Furnishings	3 - 12 years
Intangible Property	3 - 15 years

At the time of acquisition, STA determines the estimated useful life and salvage value, if any, based upon current market and economic circumstances.

The Statement of Revenues, Expenses, and Change in Net Position includes depreciation and amortization of all depreciable capital assets and total gains or losses upon disposition.

7. Leases

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

A right-to-use lease asset with a lease term greater than 1 year and an initial present value over \$50,000 are recorded as intangible assets. Right-to-use lease assets are amortized over the contract term of the lease. Leases that do not meet these criteria are recognized as current period revenues and expenses.

8. Compensated Absences and Other Accrued Liabilities

Policies for the accrual and use of compensated absences vary depending on whether an employee is represented by a labor contract or subject to the personnel policy. All hourly employees are covered in three plans: vacation, STA sick leave, and Washington paid sick leave (WPSL). Salaried employees are covered in two plans: vacation and STA sick leave.

Employees accrue vacation annually at rates ranging from 5 to 30 days per year. Most hourly employees are not allowed to carry vacation allowances beyond the year-end following the year made available. Salaried and Paratransit employees may carry over limited amounts of unused vacation allowances to be used subsequent to the year-end. Vacation pay, which is earned and unused, is payable upon resignation, retirement, or death. The accrued vacation balance at December 31, 2021 and 2020 was \$2,469,220 and \$2,366,944, respectively.

Full-time employees accumulate sick leave at the combined rate of 8 hours per month, between STA sick leave and WPSL, with a maximum accumulation of 40 to 180 days. Part-time employees accumulate prorated sick leave with a maximum accumulation of 120 days. Each year, all WPSL over 40 hours not used is converted to STA sick leave. Sick leave is recorded as an expense at the time it is earned. At retirement, most hourly employees receive the value of unused accumulated sick leave up to a maximum of 60 to 80 days. The accrued sick leave balance at December 31, 2021 and 2020 was \$2,821,642 and \$2,775,114, respectively.

All unpaid but earned wages and related fringe benefits as of December 31, 2021 and 2020 are included in accrued Wages, Benefits, and Other Liabilities.

Total Wages, Benefits, and Other Liabilities, which include compensated absences, were \$7,213,100 and \$7,023,065 for 2021 and 2020, respectively.

9. Long-Term Liabilities

Net pension liability of \$3,118,446 for 2021 and \$12,283,094 for 2020 is further described below in Item 11 below and in Note 6: Retirement Plans. Net Other Post-Employment Benefits Liability, including the current portion, of \$7,648,916 and \$2,966,269 for 2021 and 2020 respectively, is further described in Item 12 below and Note 5: Defined Benefit Plans - Other Post-Employment Benefits (OPEB).

10. Deferred Inflows and Outflows of Resources

Advance Payment of Fares – The advance payment of fares is a deferred inflow and represents pre-payments of vanpool fares and January 2022 calendar month passes out on consignment. The balance represents payments received, but not yet due, from some January monthly passes distributed in December but not finalized until January. The advance payment for 2021 and 2020 was \$14,797 and \$6,611, respectively.

Pension – See Item 11 and Note 6 for detail on deferred inflows and outflows related to pensions.

Other Post-Employment Benefits (OPEB) – See Item 12 and Note 5 for detail on deferred outflows related to OPEB.

11. Pensions

GASB Statement 68, *Accounting and Financial Reporting for Pensions* (GASB 68), requires for purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state-sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

12. Other Post-Employment Benefits

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (GASB 75), requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially-determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

E. Budgetary Information

STA adopts its annual operating and capital budget in December of the preceding fiscal year following analysis by staff and approval by the STA Board. In addition, STA seeks input from the public by providing a video presentation available on STA's website and offering a Public Hearing at the November Board Meeting. The budget is based on STA's strategic priorities and objectives as well as revenue and service growth assumptions outlined in the Board-adopted Transit Development Plan (TDP). Most operating revenues and expenditures are budgeted on the accrual basis. Some differences include sales tax revenue, depreciation and amortization, postemployment benefits, and other revenues.

A six-year Capital Improvement Program (CIP) is developed each year in conjunction with the TDP. The annual capital budget is the applicable year from this plan. The CIP is reviewed and modified each year.

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

Note 2: Deposits and Investments

STA is a participant in the Spokane County Investment Pool (SCIP), an external investment pool (Pool) operated by the Spokane County Treasurer. The Pool is not rated or registered with the SEC. It is the policy of the SCIP to permit participants to withdraw their investments on a daily basis; therefore, the investment balance in the pool is equal to its fair value. The Pool is established from the RCW Chapter 36.29 which authorizes the Spokane County Treasurer to invest the funds of participants. Spokane County's investment policy is established by the Spokane County Finance Committee consisting of the Chair of the Board of County Commissioners, County Auditor, and the County Treasurer. This oversight committee is established in accordance with RCW 36.48.070.

Investments by SCIP are limited by state statute. SCIP deposits and certificates of deposit are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the PDPC (Washington Public Deposit Protection Commission). The SCIP investment policy in its entirety is available at www.spokanecounty.org. As of December 31, 2021, STA's cash and cash equivalents in the SCIP were \$184,734,573. This increased over the amount reported at December 31, 2020 of \$135,058,458.

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2021 and 2020 was as follows:

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

	Beginning Balance 1/1/2020	Additions/ Adjustments	Retirements	Ending Balance 12/31/2020
Capital Assets, Not Being Depreciated:				
Land	\$13,119,524	\$411,866	\$ -	\$13,531,390
Work in Process	18,746,931	7,531,272	-	26,278,203
Subtotal	31,866,455	7,943,138	-	39,809,593
Capital Assets Being Depreciated or Amortized:				
Vehicles	86,218,184	521,141	(4,391,040)	82,348,285
Buildings and Improvements	79,244,345	13,566,015	(16,472)	92,793,888
Equipment and Furnishings	21,382,520	1,448,557	(532,396)	22,298,681
Intangible Property	8,922,096	1,127,304	(20,068)	10,029,332
Subtotal	195,767,145	16,663,017	(4,959,976)	207,470,186
Less Accumulated Depreciation and Amortization For:				
Vehicles	60,421,543	5,112,658	(4,178,063)	61,356,138
Buildings and Improvements	41,258,503	3,376,573	(16,472)	44,618,604
Equipment and Furnishings	13,476,913	1,708,225	(498,232)	14,686,906
Intangible Property	5,370,575	1,645,159	-	7,015,734
Subtotal	120,527,534	11,842,615	(4,692,767)	127,677,382
Total Capital Assets, Net of Accumulated Depreciation and Amortization	\$107,106,066	\$12,763,540	(\$267,209)	\$119,602,397

Construction and Other Commitments

STA has active construction projects as of December 31, 2021. The projects and commitments with contractors are as follows:

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

The projects and commitments with contractors as of year-end 2020 were:

Project	Spent to Date	Remaining Commitment
City Line Core Construction	\$4,210,899	\$11,779,101
Battery Electric Bus Charging Infrastructure	1,052,281	5,731,818
Division Stop Improvements - Phase 3	166,574	465,581
West Plains Transit Center Interchange Access	899,548	350,452
Lighted Pit Repair	183,587	167,440
Monroe-Regal Stop Construction-Phase 2	684,375	163,214
Boone South-Energy Savings Project	465,989	93,181
Four Lakes Station	1,116	54,884
Plaza Restroom Remodel - second floor	229,043	15,309
Total	\$7,893,412	\$18,820,980

Note 4: Stewardship, Compliance, and Accountability

There have been no material violations of finance-related legal or contractual provisions as of and for the years ended December 31, 2021 and 2020.

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

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years 2021 and 2020:

Aggregate OPEB Amounts		
	2021	2020
OPEB liability	\$ 7,648,916	\$ 2,966,269
OPEB assets	-	-
Deferred outflows of resources	5,877,412	1,178,307
Deferred inflows of resources	987,237	20,183
OPEB expenses/expenditures	\$ 1,086,130	\$ 426,838

OPEB Plan Description

STA provides access to post-employment healthcare benefits for eligible retirees and their dependents. In addition, employees that are members of Amalgamated Transit Union Local 1015 separating with 25 years of service are provided a \$2,000 life insurance policy with the premium paid by STA. The current cost of this benefit is \$5.76 per person annually (was \$7.10 per person annually in 2020). This is a single-employer plan administered by STA.

Eligibility: Employees are eligible for retiree healthcare when they retire according to the applicable PERS rules outlined below:

- Plan 1 (members of PERS joining before October 1, 1977):
 - (1) Age 60 regardless with 5 years of service;
 - (2) Service of 30 or more years.
- Plan 2 (members of PERS joining after October 1, 1977):
 - (1) Age 65 regardless with 5 years of service;
 - (2) Age 55 regardless with 20 years of service.
- Plan 3 (members of PERS on or after March 2, 2002):
 - (1) Age 65 regardless with 5 years of service;
 - (2) Age 55 regardless with 10 years of service.

Note: Employees are permitted to choose between PERS Plan 2 or 3.

Retirees are required to pay 100 percent of the cost of the healthcare premium. Dental benefits end after the death of the eligible retired employee. Dental was excluded from the 2021 actuarial valuation as it was determined to have an immaterial implicit rate subsidy. Survivors are permitted to continue with medical coverage by continuing to pay 100 percent of the medical premiums. With the exception of the life insurance, this valuation does not account for the cost of benefits to retirees or their spouses after age 65 for those retirees on Kaiser. The valuation done for 2021 does include retirees and spouses over age 65 for those retirees on Premera. These were excluded in 2020.

STA's OPEB benefits are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Employees covered by benefit terms

At December 31, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	125	98
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	612	621
Total	737	719

STA's total OPEB liability of \$7,648,916 was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2021.

Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.05%
Healthcare Cost Trend Rates:	
November 30, 2021 Trend (Premera/Kaiser)	9.9%/5.5%
2022 Trend	8.00%
Decrement	0.50%
Ultimate Trend	4.00%
Year Ultimate Trend is Reached	2030
Salary Increases	2.00%

The discount rate was based on the average December 31, 2021 Fidelity General Obligation AA 20-Year Yield and the December 31, 2021 S&P Municipal Bond 20-Year High Grade Index.

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

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

Significant Changes from the Previous Actuarial Valuation

- Retirees and spouses over 65 on Premiera medical plan included in valuation
- Decreasing the discount rate from 2.12% to 2.05%
- The assumed participation rate was reduced from 30% to 15% based on recent experience.
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006) to PubG.H-2010 Employee Mortality Table with Scale MP-2021 and PubG.H-2010 Healthy Retiree Mortality Table with Scale MP-2021.

Sensitivity of the Net OPEB Liability

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

	1% Decrease	Current Healthcare Cost Trend Rate (no change)	1% Increase
Total OPEB Liability	\$6,313,305	\$7,648,916	\$9,426,472

The following presents the total OPEB liability of STA calculated using the discount rate of 2.12 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB Liability	\$9,256,423	\$7,648,916	\$6,393,272

Changes in the Total OPEB Liability

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

Spokane Transit	
Total OPEB Liability at January 1, 2020	\$1,893,692
Service cost	217,466
Interest	58,381
Changes of benefit terms	-
Differences between expected and actual experience	834,400
Changes of assumptions	89,126
Benefit payments	(126,796)
Change in Actuarial Cost Method	-
Total OPEB Liability at December 31, 2020	\$2,966,269

At December 31, 2021 and 2020, STA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$967,778	\$-
Changes of assumptions	210,529	20,183
Payments subsequent to the measurement date	-	-
TOTAL	\$1,178,307	\$20,183

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows/Inflows of Resources
2022	\$798,164
2023	\$798,164
2024	\$798,164
2025	\$798,164
2026	\$798,164
Thereafter	\$899,355

Note 6: Retirement Plans

Public Employees' Retirement System – Defined Benefit Plan

The following table represents the aggregate pension amounts for all plans for the years 2021 and 2020:

Aggregate Pension Amounts – All Plans		
	2021	2020
Pension liabilities	\$ 3,118,446	\$ 12,283,094
Pension assets	\$ 32,668,001	\$ -
Deferred outflows of resources	\$ 4,423,902	\$ 4,658,735
Deferred inflows of resources	\$ 33,894,467	\$ 3,984,625
Pension expense/expenditures	\$ 7,275,554	\$ 613,907

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

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

Contributions (PERS 1)

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense

component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL *	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%
*UAAL – Unfunded Actuarial Accrued Liability		

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions (PERS 2/3)

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

STA's actual PERS plan contributions were \$1,655,596 to PERS Plan 1 and \$2,756,825 to PERS Plan 2/3 for the year ended December 31, 2021. Contributions were \$1,837,785 to PERS Plan 1 and \$3,033,888 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outline in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for the 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated

June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Assets)

The table below presents STA's proportionate share of the 2021 net pension liability calculated using the discount rate of 7.4 percent, as well as what STA's proportionate share of the net pension liability/(assets) would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 5,312,448	\$ 3,118,445	\$ 1,205,049
PERS 2/3	\$ (9,306,479)	\$ (32,668,001)	\$(51,906,224)

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, 2021, STA reported a total pension asset of \$29,549,555 for its proportionate share of the net pension liabilities (assets). The proportionate share for 2020 was a liability of \$12,283,094. The breakdown of these liabilities (assets) are as follows:

Liability (or Asset)		
	2020	2020
PERS 1	\$ 3,118,446	\$ 8,353,823
PERS 2/3	\$ (32,668,001)	\$ 3,929,271
TOTAL LIABILITY (ASSET)	\$ (29,549,555)	\$ 12,283,094

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

	Proportionate Share June 30, 2020	Proportionate Share June 30, 2021	Change in Proportion
PERS 1	0.236616%	0.255352%	0.018736%
PERS 2/3	0.307228%	0.327939%	0.020711%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1 (Law Enforcement Officers' and Fire Fighters').

Pension Expense

For the years ended December 31, 2021 and 2020, STA's recognized pension expense is as follows:

Pension Expense (Credit)		
	2021	2020
PERS 1	\$ (80,627)	\$ 281,756
PERS 2/3	7,356,181	332,151
TOTAL	\$ 7,275,554	\$ 613,907

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021 and 2020, STA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021 PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	3,460,431
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	731,318	-
TOTAL	\$ 731,318	\$ 3,460,431

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

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

2020 PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	46,511
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	977,806	-
TOTAL	\$ 977,806	\$ 46,511

2020 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,406,622	\$ 492,431
Net difference between projected and actual investment earnings on pension plan investments	-	199,550
Changes of assumptions	55,964	2,684,033
Changes in proportion and differences between contributions and proportionate share of contributions	615,003	562,100
Contributions subsequent to the measurement date	1,603,340	-
TOTAL	\$ 3,680,929	\$ 3,938,114

2020 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,406,622	\$ 492,431
Net difference between projected and actual investment earnings on pension plan investments	-	246,061
Changes of assumptions	55,964	2,684,033
Changes in proportion and differences between contributions and proportionate share of contributions	615,003	562,100
Contributions subsequent to the measurement date	2,581,146	-
TOTAL	\$ 4,658,735	\$ 3,984,625

Deferred outflows of resources related to pensions resulting from STA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	TOTAL
2022	\$ 916,669	\$ 7,414,324	\$ 8,330,993
2023	840,002	6,923,783	7,763,785
2024	794,256	6,539,438	7,333,694
2025	909,504	7,150,669	8,060,173
2026		34,003	34,003
Thereafter		(67,079)	(67,079)

Defined Contribution Plan

Prior to becoming a member of PERS, STA's primary retirement plans were defined contribution plans. The plans are established pursuant to Internal Revenue Code Section 401(a), in a money purchase format. MissionSquare (formerly ICMA Retirement Corporation (RC)) serves as plan administrator, trustee, and record keeper under the plans. MissionSquare announced in March 2021 that they would be changing their name to MissionSquare from ICMA Retirement Corporation (RC).

STA had five defined contribution retirement plans for its employees prior to becoming a member of PERS. The STA CEO Plan 106806 is the only plan still active. The other plans have been frozen and no longer receive contributions. The CEO Plan vesting is 100 percent immediately upon receipt of contributions. Forfeitures would not be applicable for this plan.

Employer and employee contributions are established by the individual plan adoption agreements and, where applicable, the related collective bargaining agreement or contract. Employer and employee contributions were determined based upon a percentage of base pay, subject to certain defined wage limits. The employee contributions through October 2, 2010 ranged from 0 percent to 6.5 percent and the employer contribution ranged from 9 percent to 25 percent. The Chief Executive Officer's (CEO) contract provided for an employer contribution of 16 percent from October 3, 2010 to December 31, 2010, 18 percent for 2011 and 22 percent for 2012 through 2021. There are no employee contributions for this plan. While STA has no liability for investment losses under the plan, it performs the fiduciary duty of continual evaluation of investment options for plan participants.

Annual gross payroll, most of which is subject to plan contributions, was \$188,250 in 2021 and \$186,730 in 2020. During the years ended December 31, 2021 and 2020, STA contributed a total of \$41,230 and \$40,728 respectively, to the Section 401(a) defined contribution plans. These amounts were recognized as pension expense by STA in 2021. There was no outstanding liability as of December 31, 2021.

Note 7: Deferred Compensation Plan

STA offers its employees a tax-deferred compensation plan created in accordance with Internal Revenue Code Section 457. MissionSquare serves as plan administrator, trustee, and record keeper under the plan. The plan permits employees to defer a portion of their wages until future years. In addition, STA contributes 3 percent into the account of employees hired before January 1, 2007 in the following groups: ATU 1598, non-represented employees, and the CEO. This deferred compensation is not available to employees until separation, retirement, death, or unforeseeable emergency, with the exception of the employees' Section 457 Loan Program. The compensation deferred under the plan and all income attributable to the plan is held in trust for the exclusive benefit of the participants and their beneficiaries and are therefore not subject to claims by the employer's creditors. While STA has no liability for investment losses under the plan, it performs the fiduciary duty of continual evaluation of investment options for plan participants. Total assets, which equal the total trustees' liability under this plan at December 31, 2021 and 2020, were \$18,193,832 and \$15,971,621, respectively.

Note 8: Risk Management**A. Liability Insurance**

STA joined the Washington State Transit Insurance Pool (WSTIP) in June 2004, for coverage effective July 1, 2004. WSTIP is a 25-member governmental risk pool located in Olympia, Washington. WSTIP supplies STA auto liability, general liability, public officials' liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage. STA assumes the liability for claims up to the deductible amounts listed below for each type of risk. Risk of claims in excess of the deductible amount have been transferred to the Washington State Transit Insurance Pool.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six-month's notice. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

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

WSTIP utilizes a combination of self-insurance, reinsurance and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance America, Lloyds of London, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley Cyber Services for the cyber liability policy. The excess property carrier for all risk property and boiler and machinery is Alliant Property Insurance Program provided by Alliant Insurance Services.

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

WSTIP provided the following coverage for 2021 which was generally consistent with 2020 coverage.

General/ Auto Liability	\$25,000,000 per occurrence with \$0 deductible
Communicable Disease Liability	\$500,000 per occurrence with \$0 deductible
Public Officials Liability	\$25,000,000 per claim/aggregate with \$5,000 deductible
Property Insurance	\$500,000,000 per occurrence with \$25,000 deductible

Auto Physical Damage:	
Vehicles with value less than \$250,000	Fair Market Value with \$25,000 deductible
Vehicles 2011 or later and value over \$250,000	Replacement Cost limited to \$1,500,000 with \$25,000 deductible
Crime/Public Employee Dishonesty/Faithful Perf.	\$1,000,000 per claim with \$10,000 deductible
Boiler and Machinery	\$100,000,000 with \$250,000 or \$350,000 deductible
Cyber Liability	\$2,000,000 annual aggregate with \$5,000 deductible
Pollution Liability	\$5,000,000 per claim/aggregate with \$100,000 deductible

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

B. Workers' Compensation Insurance

On December 31, 2021 and 2020, cash and investments set aside for workers' compensation self-insurance totaled \$2,027,096 and \$1,704,682, respectively. STA reported a liability on December 31, 2021 and 2020, of \$1,670,096 and \$1,347,682, respectively, which represents the estimated liability for open workers' compensation claims for which STA may ultimately be liable, including a provision for claims incurred but not yet reported. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of the claimants. In addition to the self-insurance reserve of \$357,000, STA purchased an excess commercial workers' compensation policy with a statutory limit per accident of \$500,000.

Note 9: Leases

Right-to-Use Lease Assets and Liabilities

Ground Leases

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

Building Lease

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

The table below is the summary of the lease assets and the related accumulated amortization:

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

As of December 31, 2021, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2022	\$45,026	\$9,304	\$54,330
2023	18,804	7,677	26,481
2024	19,086	7,395	26,481
2025	19,373	4,489	23,862
2026	19,662	4,200	23,862
2027-2031	102,828	16,482	119,310
2032-2036	110,774	8,536	119,310
2037-2038	46,674	1,053	47,727
Total	\$382,227	\$59,136	\$441,363

Note 10: Restricted Net Position

STA's statement of net position reports \$357,000 of restricted net position, which is restricted by self-insurance regulations of the State of Washington and \$32,668,001 which is for the Net Pension Asset. The restricted net position is equal to the net pension asset excluding deferred inflows and deferred outflows which is the GASB's preferred method.

Note 11: Contingencies and Litigations

A. Legal Proceedings

There are pending claims in which STA is involved and disputes liability. In the opinion of management, STA's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims in the event STA is deemed liable.

B. Federal Grants

STA has received several federal grants for specific purposes that are subject to review and audit by the grantors or their representatives. Such audits could lead to requests for reimbursement of expenditures disallowed under the terms of the grant. Management does not believe there will be any disallowances. Additionally, management believes that should any disallowances occur, they would be immaterial.

STA went through an FTA Triennial Review that started in 2020 but finished in 2021 due to the pandemic. The Triennial Review focused on STA's compliance in 21 areas. No deficiencies were found with the FTA requirements in 20 areas. One deficiency was found in the Technical Capacity – Award Management area. STA had no repeat deficiencies from the 2017 Triennial Review. STA submitted corrective action for this finding and it has been closed with no further action needed.

C. Environmental Liability

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

Note 12: Designated Cash and Cash Equivalents

The Board adopted a designated cash reserve policy in October 2007. The policy designated \$5,500,000 for catastrophic self-insurance exposure protection and 15 percent of the annual Adopted Operating Expense Budget designated for unforeseen emergency appropriations. An additional cash designation of \$4,950,000 was established by the Board in December 2011. This designated cash is for future High-Performance Transit Right of Way acquisition. The level of designated cash is reviewed and approved annually by the Board, in conjunction with the budget adoption process. In 2021, the Board-adopted cash reserves were a total of \$23,141,454. This included \$4,950,000 Right of Way acquisition, \$5,500,000 for catastrophic self-insurance exposure protection, \$12,334,454 for operating expense reserves, and \$357,000 for self-insurance reserves for workers' compensation (Note 10). The reserve was \$23,425,193 in 2020. The only difference from 2020 to 2021 is in the operating reserve which was \$12,618,193 in 2020.

Note 13: Cooperative Funding of Transit Related Street and Road Projects

With concurrence of the Washington State Attorney General, STA initiated a special effort to assist in cooperative funding of street and road projects where its services are operated. Since inception of this program through 2012, STA has provided eligible jurisdictions approximately \$17.1 million for transit-related street and road projects in its service area. The 2020 and 2021 budgets did not provide additional funding as all remaining commitments of this program have been met. Further awards may be authorized by the Board if desired.

Note 14: Other Disclosures

Accounting and Reporting Changes

In 2021, STA implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date was deferred to fiscal years beginning after June 15, 2021, of the FY 2022. STA implemented this Statement in 2021 as early implementation is permitted and recognized \$513,610 of intangible assets and related debt with the adoption of this standard. In addition, certain amounts were reclassified to conform to the current year presentation.

STA early implemented GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

Prior Period Adjustments

In 2021, during STA's review of work in process it was determined that \$78,557 in project expenses did not meet the asset capitalization requirements and these items were therefore reclassified to expense as prior period adjustments. In addition, STA had a prior period adjustment of \$9,753 related to the implementation of GASB 87, Leases.

Accounting Pronouncements

Due to the challenges faced by government institutions resulting from the impact of COVID-19, Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

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

GASB Statement No. 92 - In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objective of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, inter-entity transfers of assets, post-employment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements were deferred to be effective for fiscal years beginning after June 15, 2021, except for the Statement 87 and Implementation guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. STA is evaluating the impact of the Statement.

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

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

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

GASB Statement No. 97 - In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an*

amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement in paragraph four as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefits plans and paragraph five are effective immediately. The requirements in paragraphs six through nine are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. STA has determined that the requirements effective immediately are not applicable to STA. STA is evaluating the impact of the requirements of the Statement effective after June 15, 2021.

Note 15: COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The COVID-19 pandemic continues and its future effect along with the impact of federal, state, and local response is unknown and the full impact and duration on operational and sales tax revenue is difficult to estimate. STA had made operational changes in 2020 in response such as temporarily suspending fare collection and adjusting service levels along with increasing sanitization measures to prevent the spread of the virus. STA operated at normal service levels during 2021. Future potential impacts are unknown and may include service reductions and other actions required to maintain the health and safety of STA employees and the community. Changes to the operating environment, if required, are expected to increase operating costs.

The length of time measures taken by STA to combat the pandemic stay in place is unknown and the full extent of the direct or indirect financial impact on STA is unknown at this time.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) was signed into law. The CRRSAA Act provides \$14 billion in funding for public transit with an apportionment for STA of \$23,899,877. Funding will be provided at a 100 percent federal share, with no local match required. The CRRSAA funds are available for payroll and operations of public transit (including payroll and expenses of private providers of public transportation), unless the recipient certifies it has not furloughed any employees. STA utilized \$19,959,412 of the available funds for operations in 2021.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The ARP Act provides \$30.5 billion to support the nation's public transportation systems with an apportionment for STA of \$35,978,359. Funding will be provided at a 100 percent federal share, with no local match required. The ARP Act is available for payroll and operations of public transit unless the recipient certifies it has not furloughed any employees. STA plans to fully utilize the remaining funds from CRRSAA to support its operations in 2022 and the ARP Act funds in 2022 and 2023.

Note 16: Subsequent Events

In early 2022, the COVID-19 pandemic spread rapidly with the new Omicron variant. This had impacts to STA that included service reductions for about two weeks due to staffing shortages. This surge in the pandemic has passed but future flare-ups in the pandemic could impact the operating environment and increase operating costs.

STA is dependent on fuel to operate its fleet and provide service. Fuel prices have increased rapidly in March 2022 with the onset of the war in Ukraine. This could have an impact on the operating costs should the fuel prices continue to increase in 2022.

The Board approved an update to the fare policy in January 2022 to be effective in conjunction with the implementation of a modernized fare collection system. The policy introduced new reduced fares for youth and military service members. The Board approved fare structure tables will be effective once the new fare collection system goes into service which is expected to be in October 2022.

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

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

		2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.255352%	0.236616%	0.239708%	0.248251%	0.227220%	0.245403%	0.262319%
Employer's proportionate share of the net pension liability	\$	3,118,445	8,353,823	9,217,624	11,086,974	10,781,766	13,179,297	13,721,723
Employer's covered employee payroll	\$	39,223,204	35,848,267	33,500,368	32,922,486	28,479,976	29,012,360	29,742,762
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	7.95%	23.30%	27.51%	33.68%	37.86%	45.43%	46.13%
Plan fiduciary net position as a percentage of the total pension liability	%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

* This schedule is to be built prospectively until it contains ten years of data.

Spokane Transit Authority
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Public Employees' Retirements System (PERS) Plan 2/3
As of and for the twelve months ended June 30,

		2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.327939%	0.307228%	0.307335%	0.314681%	0.289129%	0.309094%	0.332237%
Employer's proportionate share of the net pension liability (asset)	\$	(32,668,001)	3,929,271	2,985,268	5,372,898	10,045,851	15,562,639	11,871,017
Employer's covered employee payroll	\$	39,223,204	35,805,174	33,406,559	32,797,084	28,346,328	28,791,796	29,483,107
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	%	-83.29%	10.97%	8.94%	16.38%	35.44%	54.05%	40.26%
Plan fiduciary net position as a percentage of the total pension liability (asset)	%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

* This schedule is to be built prospectively until it contains ten years of data.

Spokane Transit Authority
Schedule of Employer Contributions
Public Employees' Retirements System (PERS) Plan 1
As of and for the year December 31,

		2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$	1,655,596	1,837,785	1,736,979	1,637,888	1,522,907	1,410,242	1,291,060
Contributions in relation to the statutorily or contractually required contributions	\$	(1,655,596)	(1,837,785)	(1,736,979)	(1,637,888)	(1,522,907)	(1,410,242)	(1,291,060)
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-
Covered employer payroll	\$	38,690,957	38,308,281	34,910,848	32,229,818	30,917,140	29,360,021	29,093,216
Contributions as a percentage of covered employee payroll	%	4.28%	4.80%	4.98%	5.08%	4.93%	4.80%	4.44%

* This schedule is to be built prospectively until it contains ten years of data.

Spokane Transit Authority
Schedule of Employer Contributions
Public Employees' Retirements System (PERS) Plan 2/3
As of and for the year ended December 31,

		2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$	2,756,825	3,033,888	2,684,188	2,409,686	2,102,960	1,819,355	1,624,865
Contributions in relation to the statutorily or contractually required contributions	\$	(2,756,825)	(3,033,888)	(2,684,188)	(2,409,686)	(2,102,960)	(1,819,355)	(1,624,865)
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-
Covered employer payroll	\$	38,690,957	38,306,657	34,822,854	32,134,263	30,775,241	29,202,895	28,837,971
Contributions as a percentage of covered employee payroll	%	7.13%	7.92%	7.71%	7.50%	6.83%	6.23%	5.63%

* This schedule is to be built prospectively until it contains ten years of data.

Spokane Transit
Schedule of Changes in Total OPEB Liability and Related Ratios
For the years ended December 31

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

Notes to Schedule:

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

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

Changes of Benefit Terms: None

Changes of Assumptions for 2021: The following assumptions have been revised: discount rate, mortality rates, claim costs, future retiree participation, healthcare cost trend.

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

2018	4.10%
2019	2.74%
2020	2.12%
2021	2.05%

SPOKANE TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1	2	3	4	5				6
Federal Agency / Pass-Through Agency	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
Federal Transit Cluster								
Department of Transportation, Federal Transit Administration	COVID-19 Federal Transit Capital Investment Grant (ARPA)	20.500	COVID-19 WA-2021- 122-00		\$1,877,899	\$1,877,899		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Capital Investment Grant	20.500	WA-2020- 009-00		\$24,846,457	\$24,846,457		1,2,3
Subtotal Federal Transit Cluster CFDA 20.500:				\$0	\$26,724,356	\$26,724,356		
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2021- 014-00		\$7,976	\$7,976		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2021- 031-00		\$38,984	\$38,984		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2018- 076-00		\$174,982	\$174,982		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2017- 015-00		\$213,536	\$213,536		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2018- 069-00		\$218,945	\$218,945		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-95-X092		\$413,337	\$413,337		1,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2019- 073-00		\$1,097,866	\$1,097,866		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2021- 033-00		\$8,318,157	\$8,318,157		1,2, 3,4

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

SPOKANE TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1	2	3	4	5			6	7
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Department of Transportation, Federal Transit Administration	COVID-19 Federal Transit Formula Grant (CRRSAA)	20.507	COVID-19 WA-2021- 054-00		\$19,959,412	\$19,959,412		1,2,3
Subtotal Federal Transit Cluster CFDA # 20.507:				\$0	\$30,443,195	\$30,443,195		
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2020- 015-00		\$1,018,374	\$1,018,374		1,2,3
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2019- 012--00		\$1,375,000	\$1,375,000		1,2,3
Subtotal Federal Transit Cluster CFDA #20.526:				\$0	\$2,393,374	\$2,393,374		
TOTAL FEDERAL TRANSIT CLUSTER					\$59,560,925	\$59,560,925		
Transit Services Programs Cluster								
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSAA)	20.513	COVID-19 WA-2021- 029-00		\$21,849	\$21,849	\$21,849	1,2,3
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2018- 067-00		\$53,802	\$53,802	\$53,802	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513	COVID-19 WA-2021- 023-00		\$149,673	\$149,673	\$149,673	1,2,3
Total Transit Services Programs Cluster:				\$0	\$225,324	\$225,324	\$225,324	

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

SPOKANE TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1	2	3	4	5			6	7
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Department of Homeland Security-FEMA								
Department of Homeland Security, Federal Emergency Management Agency (via WA State Military Department)	COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	COVID-19 PA-10-WA- 4481-PW- 00179 (293)	\$299,854		\$299,854		1,2,3
Total Department of Homeland Security-FEMA:				\$299,854		\$299,854		
TOTAL FEDERAL AWARDS EXPENDED:				\$299,854	\$59,786,249	\$60,086,103	\$225,324	

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

Note 1 - Basis of Accounting

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

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 - Program Costs

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

Note 4 - Preventive Maintenance

The amount reported for this award includes eligible expenditures made in 2021. For this program, it is acceptable to include the current year's costs on the SEFA because the FTA approves these costs on a retroactive basis. Spokane Transit was given "pre-award authority" for its preventive maintenance expenses. The official grant award was made by the FTA for the 2021 apportionment on June 29, 2021.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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