



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane Transit Authority

For the period January 1, 2023 through December 31, 2024

Published July 31, 2025

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

July 31, 2025

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane Transit Authority January 1, 2024 through December 31, 2024

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>ALN</u>	<u>Program or Cluster Title</u>
20.500	Federal Transit Cluster - Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster - Federal Transit Formula Grants
20.526	Federal Transit Cluster - Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Spokane Transit Authority January 1, 2023 through December 31, 2024

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 years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 23, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

July 23, 2025

INDEPENDENT AUDITOR'S REPORT

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

Spokane Transit Authority January 1, 2024 through December 31, 2024

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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE


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

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

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

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

July 23, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Transit Authority January 1, 2023 through December 31, 2024

Board of Directors
Spokane Transit Authority
Spokane, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Spokane Transit Authority, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Spokane Transit Authority, as of December 31, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 14 to the financial statements, in 2024, the Authority adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

July 23, 2025

**Spokane Transit Authority
January 1, 2023 through December 31, 2024**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2024 and 2023

Statement of Revenues, Expenses, and Changes in Net Position – 2024 and 2023

Statement of Cash Flows – 2024 and 2023

Notes to the Financial Statements – 2024 and 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2024
and 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2024 and 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – 2024 and 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2024

Notes to the Schedule of Expenditures of Federal Awards – 2024

Spokane Transit Authority For the Year Ended December 31, 2024 Management's 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, 2024. 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 public rideshare and ride match program.

Financial Highlights

- The total assets of STA exceeded its total liabilities at December 31, 2024 by \$505,876,239. Of this amount, \$273,701,885 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 \$55,522,959 for catastrophic self-insurance exposure protection, operating reserves, future right of way acquisitions and future real estate acquisitions.
- STA's Total Net Position increased by \$28,878,039 (excluding prior period adjustments). The Net Position increase was favorably impacted by the federal and state portions of capital grant revenue totaling \$12,899,918 combined with the \$15,978,121 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 expenses and capital investments.

Overview of the Financial Statements

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

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

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

The Statement of Revenues, Expenses and Change in Net Position presents information showing how STA's net position changed during the current and prior fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues

and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, sales tax collected by merchants but not yet remitted to STA and earned but unused employee leave).

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

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

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

Financial Analysis

Overall, the financial position of STA improved in 2024. For the year ended December 31, 2024, total assets exceeded total liabilities by \$505,876,239. STA is a capital-intensive enterprise and 44.5 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,		
	2024	2023	2022
Assets:			
Current Assets	\$301,038,031	\$281,330,890	\$251,211,437
Non-current Assets	11,988,021	14,714,354	11,677,245
Capital Assets (Net)	229,641,574	220,677,736	186,146,396
Total Assets	542,667,626	516,722,980	449,035,078
Deferred Outflows	19,540,631	16,611,545	17,436,760
Total Assets and Deferred Outflows	\$562,208,257	\$533,334,525	\$466,471,838
Liabilities:			
Current Liabilities	\$24,387,759	\$19,904,423	\$16,962,708
Long-Term Liabilities	12,403,628	12,270,712	12,810,899
Total Liabilities	36,791,387	32,175,135	29,773,607
Deferred Inflows	9,728,390	13,447,205	15,117,047
Net Position:			
Invested in Capital Assets	229,641,574	220,677,736	186,146,396
Restricted Reserves	357,000	357,000	357,000
Restricted for Net Pension Asset	11,988,021	14,714,354	11,677,245
Unrestricted Reserves	273,701,885	251,963,095	223,400,543
Total Net Position	515,688,480	487,712,185	421,581,184
Total Liabilities, Deferred Inflows, and Net Position	\$562,208,257	\$533,334,525	\$466,471,838

During 2024, STA's net position increased by \$28,878,039 (excluding prior period adjustments). The following is a summary Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2024. Also shown are the comparatives for the years ended December 31, 2023, and 2022.

	For the years ended December 31,		
	2024	2023	2022
Operating Revenue	\$8,140,512	\$6,938,613	\$7,248,388
Nonoperating Revenue			
Sales Tax	115,642,761	114,879,746	113,124,088
Grants – Noncapital	22,973,606	40,190,510	32,978,905
Other Nonoperating Revenue	7,836,876	5,947,116	2,600,257
Total Nonoperating Revenue	146,453,243	161,017,372	148,703,250
Total Revenue (before capital contributions)	154,593,755	167,955,985	155,951,638
Operating Expenses	113,798,501	103,821,805	90,031,970
Depreciation	24,113,551	19,846,525	13,372,276
Nonoperating Expenses			
Other Nonoperating Expenses	703,582	1,830,032	104,986
Total Expenses	138,615,634	125,498,362	103,509,232
Gain before Contributions	15,978,121	42,457,623	52,442,406
Contributions			
Capital grants	12,899,918	23,686,879	12,833,403
Change in Net Position	28,878,039	66,144,502	65,275,809
Beginning Net Position	487,712,185	421,581,184	356,305,375
Prior Period Adjustments	(901,744)	(13,501)	-
Ending Net Position	\$515,688,480	\$487,712,185	\$421,581,184

Revenues

Passenger fares are the major source of operating revenues. The fare policy adopted by the Board in late 2022 was in effect for the first full year in 2023 and remained unchanged in 2024. The fare policy was updated in conjunction with the implementation of a modernized fare collection system and in support of new state legislation to support zero-fare for youth through the Move Ahead Washington Transit Support Grant. The base adult fare of \$2 per ride remained unchanged. The policy which introduced fare capping and provided enhanced fare discount categories became effective October 1, 2022 when the new fare collection system, Connect by Spokane Transit (“Connect”), was launched to the public. As part of the new fare collection system, Connect cards and the STA Connect mobile application were introduced to provide more convenient ways and better value for customers as they manage their ridership experience. Connect also paved the way for the implementation of fare capping which limits a customer’s maximum payment to \$4 per day and \$60 for a

calendar month. In addition, STA offers reduced fares for military, honored riders, adult students, and zero fares for youth 18 years and under.

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

The prior fare policy was in effect since July 2016 and provided for fare increases on July 1, 2017 and July 1, 2018. Base adult fares for Fixed Route and Paratransit service previously amounted to \$2 for a 2-hour ride, \$4 for a day pass and \$60 for a monthly pass.

Since the loss of ridership at the height of the pandemic in 2020 which caused fare revenues to decrease dramatically, STA has experienced fare recovery as restrictions eased, recording increases in operating revenues of 11.9 percent in 2022. 2023 ridership increased by 35.9 percent contrasted with an operating revenue decline of 4.3 percent as compared to 2022. The impacts to fare and ridership in 2023 were the result of the implementation of the new Connect fare collection system, zero fare for youth, and the addition of the City Line. In 2024, operating revenues increased 17.3 percent over 2023 with a ridership increase of 13.6 percent.

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

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

STA is a recipient of Federal section 5307 formula grant funds for preventive maintenance, which is usually received in the year awarded. Use of these funds for maintenance is authorized by the Federal Transit Administration (FTA) and amounted to \$12,710,739 in 2024, \$10,863,286 in 2023, and \$10,679,315 in 2022. The increase came with the passage of the Infrastructure Investment and Jobs Act which apportioned additional funding support to transit agencies across the United States beginning with 2022 and expected to continue in future years. STA was also awarded additional Federal section 5307 formula one-time grant funds from:

1. the American Rescue Plan Act (ARPA) of \$35,978,359, in the amount of which \$19,959,412 was drawn in 2023 and \$16,018,947 in 2022, and
2. the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in the amount of \$23,899,877 of which \$3,940,465 was drawn down in 2022 and \$19,959,412 in 2021, and
3. the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020 which was fully drawn in 2020 in the amount of \$23,440,069.

The ARPA, CRRSAA, and CARES Act funding was used for operating expenses to allow STA to continue operating at full-service levels throughout the pandemic, except for a temporary reduction in late 2020.

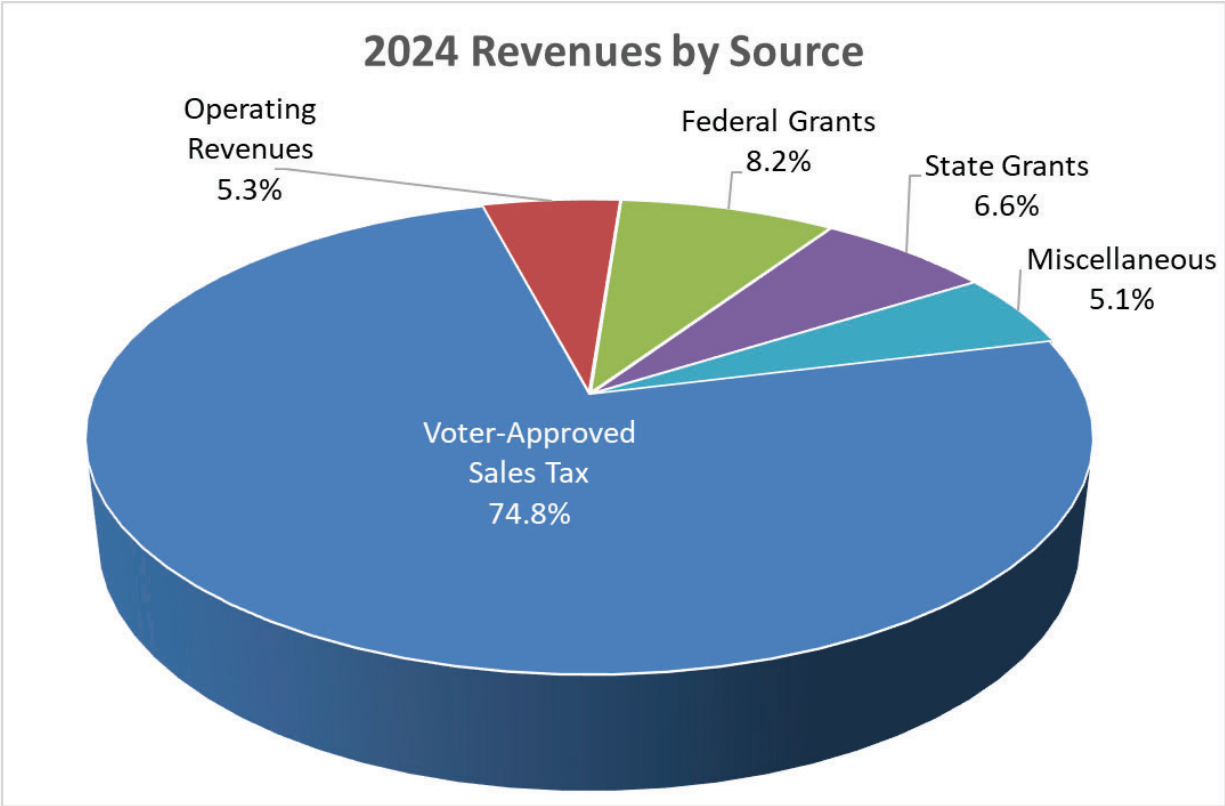
STA was awarded FEMA disaster assistance under the COVID-19 Emergency Declaration for emergency protective measures. This assistance was used to protect public health and safety. STA received \$120,096 in 2023, \$631,465 in 2022 related to expenditures from February 27, 2020, to May 11, 2023, corresponding to the start and end of the COVID-19 Emergency Declaration.

For the years ended December 31, 2024, 2023, and 2022, STA received total federal operating funding of \$12,710,739, \$30,937,672, and \$31,270,192, respectively.

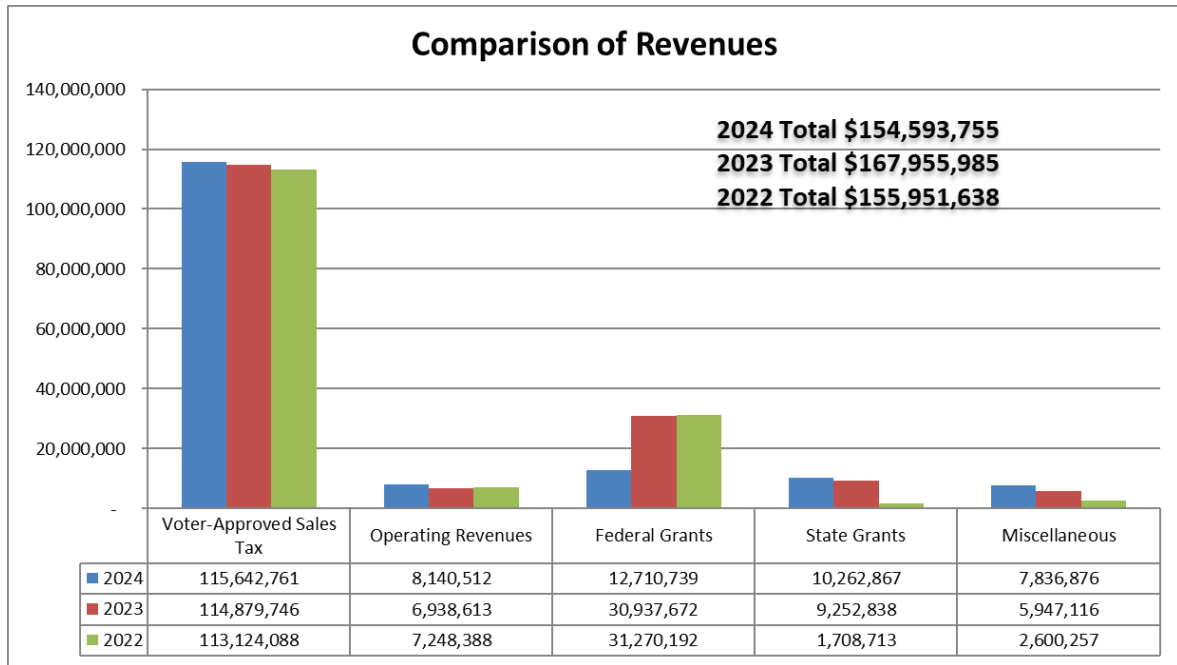
STA obtained state funding from the Washington State Department of Transportation in the amount of \$10,262,867 in 2024, \$9,252,838 in 2023, and \$1,708,713 in 2022. These grant funds were used for special-needs-related service as well as portions of projects categorized as operating. In March 2022, the Washington State legislature enacted Move Ahead Washington, a new state transportation funding package that provides \$3 billion for public transportation over the next sixteen years. Move Ahead Washington funding added support to existing programs and led to the development of new programs. STA received additional Special Needs Grant Program funds of \$0.7M and Transit Support Grant Program funds of \$2.5M in 2023 as part of the 2021-2023 biennium related to the adoption of a new zero fare for youth tariff policy.

Miscellaneous revenue, primarily investment earnings, increased to \$8,120,180 in 2024 from \$5,788,612 in 2023. Interest income increased due to higher interest rates during the year, which averaged 3.17 percent, up from 2.46, and higher average cash balances.

During 2024, STA Operating and Nonoperating revenues were \$154,593,755. The federal stimulus grants received as well as the increase in state operating grants received impacted STA's traditional funding model of approximately 80 percent collected on sales tax to 68.4 percent for 2023. Sales tax was 74.8 percent of STA's revenues received in 2024. 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.

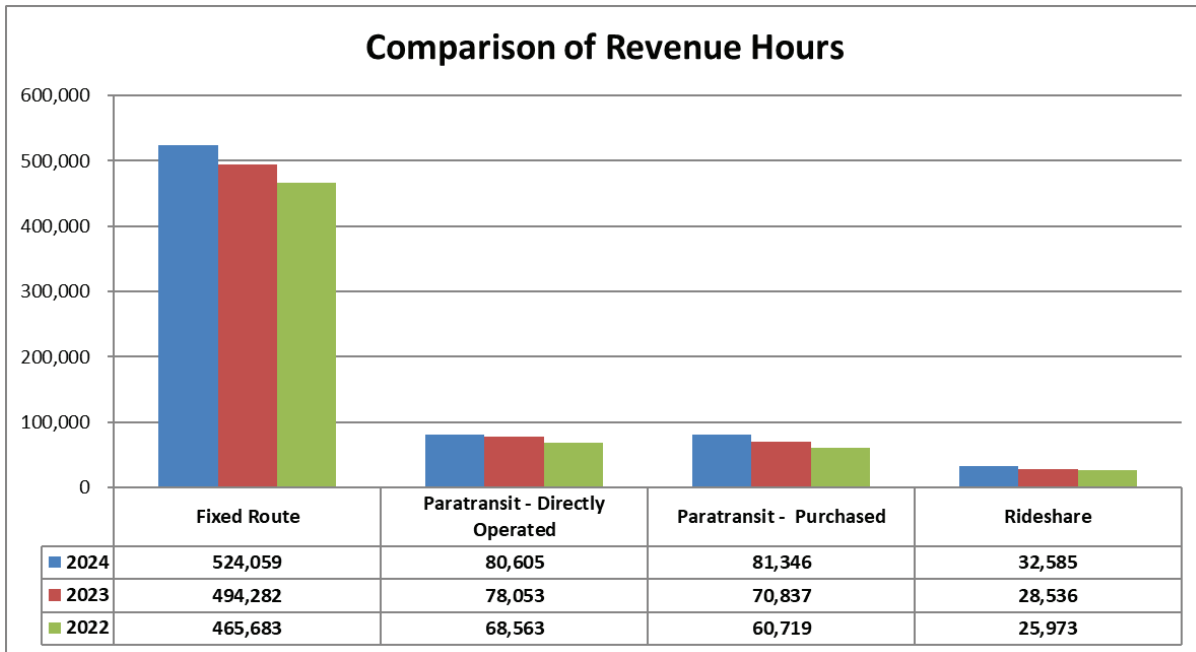
The mode describes the type of service that STA provides:

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

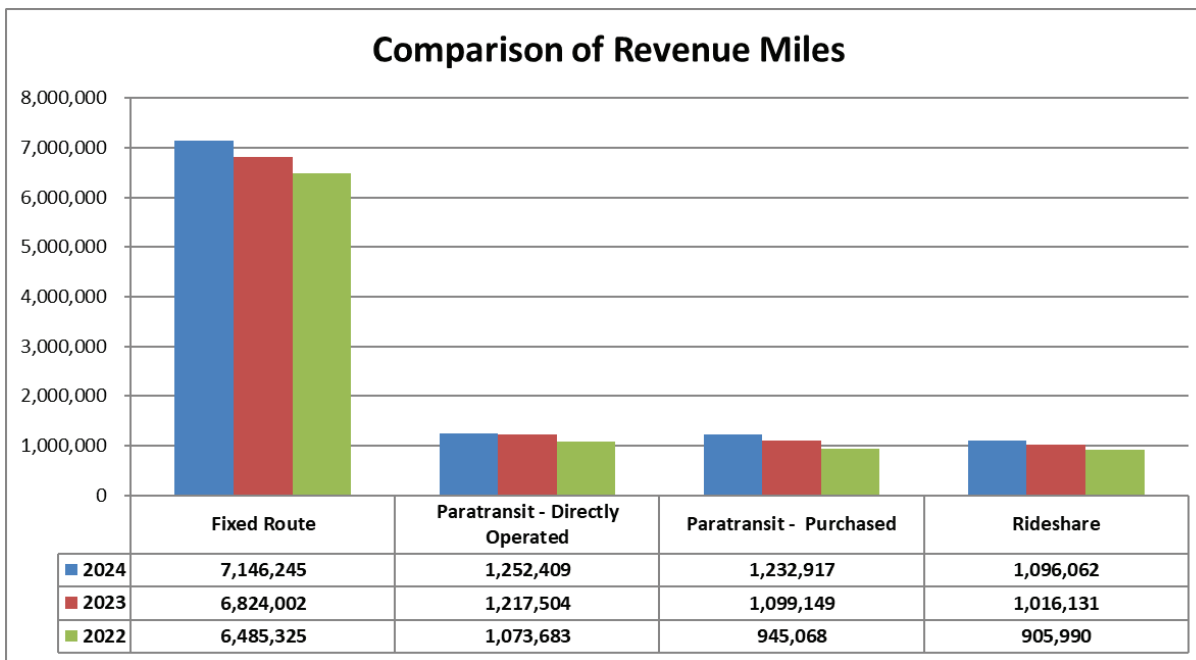
Paratransit (Demand Response) - Paratransit refers to the mode that provides a complementary service for those unable to use the regular bus because of the effects of their disability as provided under the Americans with Disabilities Act (ADA). Directly operated service is provided by STA personnel during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

Rideshare - Rideshare is a service for prearranged groups of passengers who commute to a common destination in a van or passenger vehicle 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 plan. Through its more than 25 projects, STAMF maintains the existing transit system, including paratransit and rideshare services, and also improves fixed route bus service through high frequency, high performance transit service, including extended hours on all basic and frequent routes, as well as expanding transit service to new areas and new routes, and

expands passenger services including new and enhanced park and ride lots and enhanced amenities. The increase in fixed route revenue hours and revenue miles as presented in the charts above is a direct result of the implementation of STAMF projects completed to date.

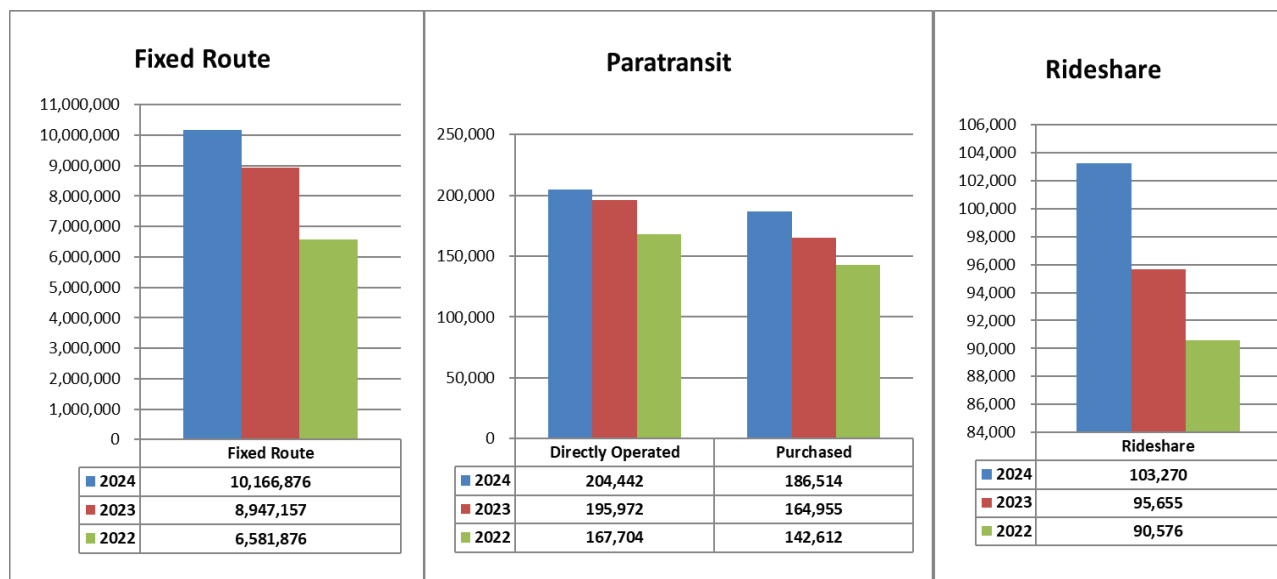
The cornerstone project of STAMF, the City Line, a six-mile corridor-based Bus Rapid Transit (BRT) line, was awarded a \$53.4 million grant from the Federal Transit Administration (FTA) in January 2020 and a \$5.8 million grant from FTA, as part of the CRRSAA funding, in September 2021 which, along with \$18.6 million in previous federal and state funding and \$14.4 million in local money, is fully funding the construction and procurement in support of its service which launched in July 2023. The City Line is served by modern-style electric buses estimated to provide 1 million rides per year. It features more frequent trips and convenient elements like pre-board ticketing, level boarding and improved stations with real-time signage, way-finding and other amenities. At the end of 2022, construction of stations and installation of shelters and amenities were deemed complete and were placed in service in line with STA's asset policy in the amount of \$47,085,941 with an additional \$4,950,770 added in 2023 and 2024. The launch of City Line service was celebrated on July 15, 2023, with the first City Line bus leaving Browne's Addition and opening-day celebrations held in five neighborhoods along the route. In addition, STA held a ceremonial ribbon cutting for the launch on July 18. The launch of the new Bus Rapid Transit (BRT) route, City Line, marked a major public transit milestone for the Spokane region.

Because of its demand response nature, Paratransit revenue hours have recovered throughout 2024, 2023, and 2022 after having declined in 2020 due to the pandemic.

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

Most of the common operating efficiency and effectiveness measures in the transit industry have a ridership component. Ridership continued to decline in Fixed Route and the public rideshare program in 2021 due to the COVID-19 pandemic yet began recovering in 2022, 2023 and 2024 as restrictions were lifted and STA introduced more service. Paratransit ridership has continued to increase each year since the pandemic in 2020. Results for the last three years appear below:

Comparison of Ridership



- Fixed Route ridership increased by 13.6 percent in 2024.
- Paratransit ridership across the combined directly operated and purchased service increased by 8.3 percent in 2024.
- Rideshare ridership increased in 2024 by 8.0 percent.

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

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

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

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

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

- Transportation expense increased 7.5 percent due primarily to the following:
 1. higher salaries and fringe benefit costs from added staff to support greater activity levels, as well as impacts of general wage increases;
 2. higher contracted transportation costs for Paratransit in response to increased passenger demand; and
 3. lower than anticipated fuel costs.
- Maintenance expense increased 15.6 percent primarily due to the following:
 1. higher salaries, fringe benefits from added staff and contracted maintenance costs to support higher deployment of vehicles from expanded service as well as impacts of general wage increases;
 2. impacts of inflation on cost of vehicle parts used in repair and maintenance of STA vehicles; and
 3. increase custodial and contracted maintenance expense for plaza operations.
- Administration expense increased 9.8 percent primarily due to the following:
 1. higher salaries and fringe benefits from added staff to support increased activity level as well as general wage increases offset by decrease in incentive payments;
 2. increases in consulting, software licensing/maintenance, and telecommunications costs; and
 3. higher premiums for casualty and property insurance.

Expense By Mode & Function For Years Ended December 31, 2024, 2023 and 2022

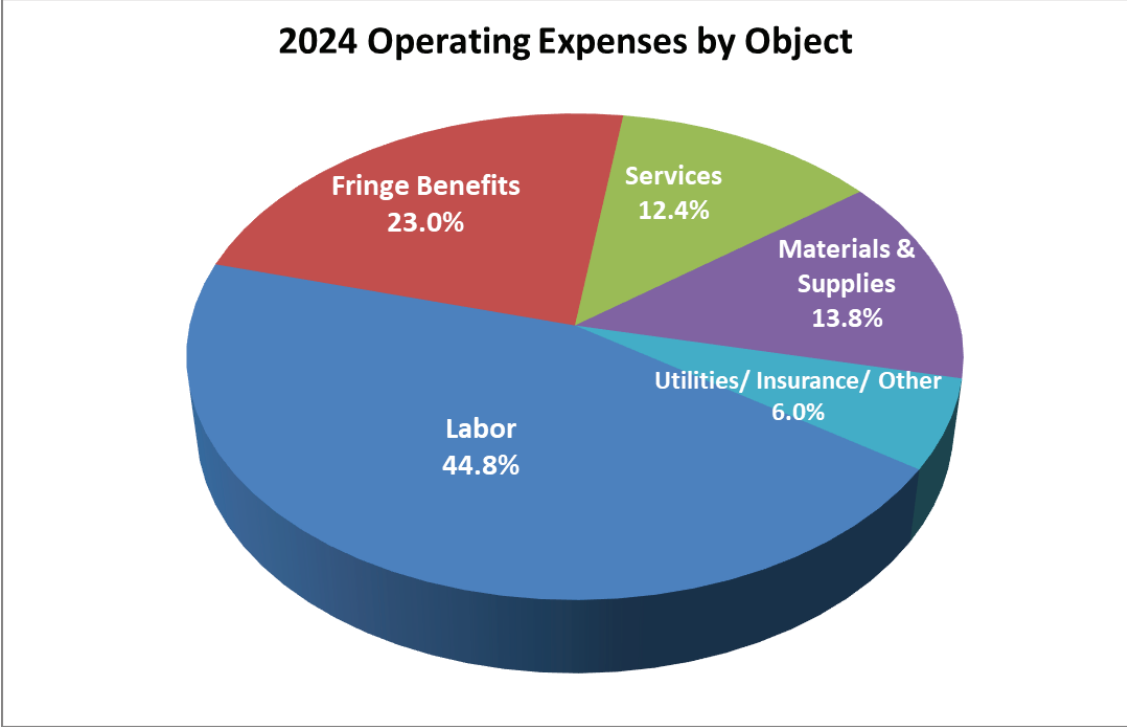
Mode & Function	2024	2023	Increase (Decrease)	% Change	2022
Fixed Route:					
Transportation	\$49,245,466	\$45,938,141	\$3,307,325	7.2%	\$40,050,665
Maintenance	21,101,539	18,069,900	3,031,639	16.8%	15,351,416
Administration	20,335,134	18,509,902	1,825,232	9.9%	16,292,491
Fixed Route Total	\$90,682,139	\$82,517,943	\$8,164,196	9.9%	\$71,694,572
Paratransit:					
Transportation	\$16,093,634	\$14,808,573	\$1,285,061	8.7%	\$12,927,241
Maintenance	2,062,046	1,966,456	95,590	4.9%	1,508,968
Administration	4,027,653	3,740,407	287,246	7.7%	3,152,105
Paratransit Total	\$22,183,333	\$20,515,436	\$1,667,897	8.1%	\$17,588,314
Rideshare:					
Transportation	\$229,367	\$219,118	\$10,249	4.7%	\$197,391
Maintenance	122,252	104,309	17,943	17.2%	105,346
Administration	581,410	464,999	116,411	25.0%	446,347
Rideshare Total	\$933,029	\$788,426	\$144,603	18.3%	\$749,084
Modes Combined Expense:					
Transportation	\$65,568,467	\$60,965,832	\$4,602,635	7.5%	\$53,175,297
Maintenance	23,285,837	20,140,665	3,145,172	15.6%	16,965,730
Administration	24,944,197	22,715,308	2,228,889	9.8%	19,890,943
Modes Combined Expense Total	\$113,798,501	\$103,821,805	\$9,976,696	9.6%	\$90,031,970
Depreciation/Amortization	24,113,551	19,846,525	4,267,026	21.5%	13,372,276
Total Operating Expense after Depreciation	\$137,912,052	\$123,668,330	\$14,243,722	11.5%	\$103,404,246

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

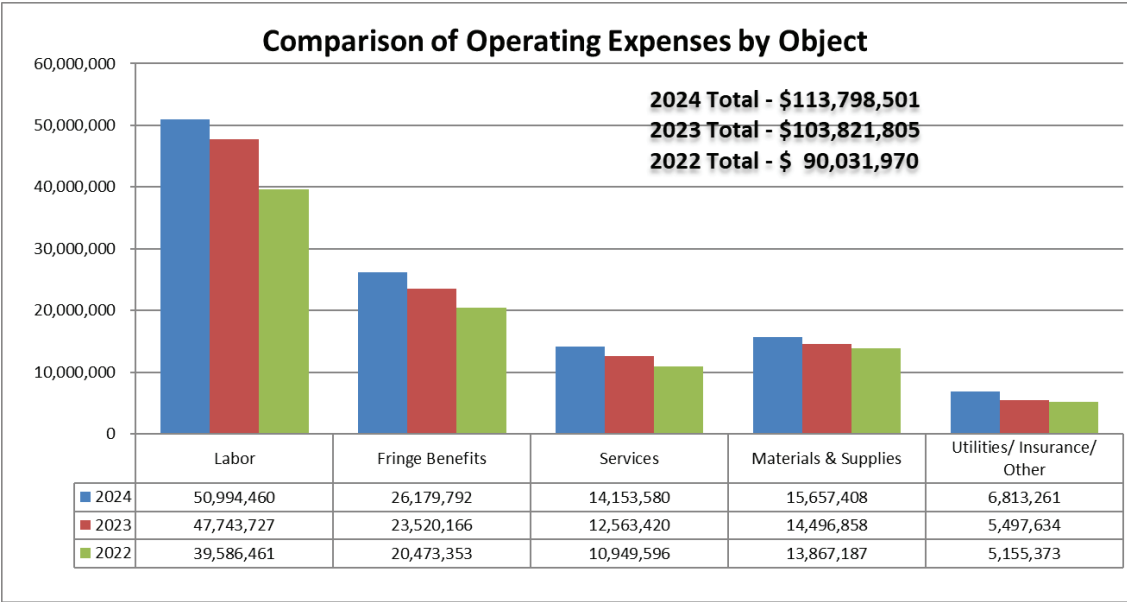
- Fixed Route costs increased 9.9 percent in 2024 over 2023 as STA increased its service levels.
- Paratransit costs increased 8.1 percent as service demand increased.
- Rideshare expenses increased 18.3 percent primarily due to increased property/liability insurance as well as increased ridership.

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

During 2024, STA operating expenses, excluding depreciation and amortization, were \$113,798,501. 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 6.8 percent in 2024. This is primarily due to the impacts of the general wage increases summarized below and increases in staffing to support current service levels. STA staffing increased by 33 employees in 2024 and 55 employees in 2023.

Effective Date	2022					2023			2024		
	1/1	2/1	4/1	7/1	12/18	1/1	2/1	7/1	1/1	3/6	9/1
Amalgamated Transit Union Local 1015			2.00%			9.00%					4.00%
Amalgamated Transit Union Local 1598		2.00%				4.50%	2.00%			4.75%	
The American Federation of State, County, and Municipal Employees Local 3939				3.00%		4.50%		2.25%			3.50%
Management & Administrative employees	3.00%				6.00%	4.00%			3.00%		

Fringe Benefit expense primarily includes health insurance premiums, retirement contributions, FICA/Medicare taxes and paid time off costs. The 11.3 percent increase in fringe benefits in 2024 was primarily due to the large increase in medical and dental expense as well as the increase in the pension expense, increases to paid time off due to an additional holiday, and other year-end expense adjustments required by GASB 68 for Pensions and GASB 75 for OPEB.

Services expense increased by 12.7 percent in 2024 primarily due to increases in contracted transportation for Paratransit, custodial services, consulting, security services, and contracted maintenance offset by decreases in temporary help for maintenance and administration.

Material and Supplies expense increased by 8.0 percent in 2024. This was primarily due to higher cost of repair materials for vehicles, and software licensing/maintenance. These increases were primarily offset by decreases in diesel fuel expenditures.

Utilities, Insurance and Other expense include costs related to utilities, liability and property insurance, taxes, leases and miscellaneous expenses. The 23.9 percent increase in 2024 is primarily attributed to increases in property insurance, utilities and miscellaneous expenses.

Capital Assets

STA's capital assets as of December 31, 2024, amounted to \$408,737,194 less \$179,095,620 in accumulated depreciation and amortization. This includes \$25,893,378 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 \$33,847,114 of additions and adjustments and \$10,866,865 of retirements and dispositions. Depreciation and amortization expense of \$24,113,551 was recorded.

Major capital asset acquisitions, including work in process and accruals, during 2024 consisted of the following:

- Additions to Vehicles included ten fixed route diesel coaches, twenty paratransit vans, sixteen rideshare vans, two service vehicles, and some minor additions to coaches for a total cost of \$10,554,275;
- Additions to Buildings and Improvements consisted of improvements to the South Hill Park and Ride, replacement of the Plaza entrance doors, West Plains Transit Center improvements, and Plaza restroom modifications. Increases to Transit benefiting improvements included the Cheney high-performance transit corridor, as well as improvements at other stations and bus stops. Total additions to Buildings and Improvements amounted to \$5,562,104;
- Additions to Equipment and Furnishings include shelters, improvements to the bus charging infrastructure at the Boone Northwest garage; computer hardware replacements, network servers, maintenance equipment and digital displays. The combined amount of these equipment purchases was \$3,410,686;

- Additions to Intangibles were \$163,746, while Land additions amounted to \$817; and
- Work in Process (including accruals) increased \$14,155,486 primarily due to the addition of seven double-decker buses in progress, transit benefit improvements, City Line utilities, Mirabeau Park and Ride improvements, Fleck Fuel Tank improvements, improvements to other transit stations and bus stops, Division Street Corridor study, and design for future transit stations.

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

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

Long-Term Financial Outlook

STA recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, STA has adopted a fiscally prudent policy of remaining debt-free, along with establishing reserve policies to insulate it from short-term revenue downturns and unanticipated expenditures. STA's governing Board (Board) adopted a designated cash policy in October 2007. The policy designated \$5,500,000 for catastrophic self-insurance exposure protection and 15.0 percent of the annual Adopted Operating Expense Budget for unforeseen emergency expenses. Additional cash designations of \$4,950,000 and \$25,000,000 were established by the Board in December 2011, and December 2022 respectively. The designated cash amount of \$4,950,000 is for future right of way acquisition, while \$25,000,000 is a real estate acquisition reserve as STA has several projects which will require real property acquisitions to complete. The level of designated cash is reviewed and approved annually by the Board in conjunction with the budget adoption process.

In 2015, STA established a Fleet Replacement Fund to streamline the cash flow impact of its operating vehicle purchases. STA contributes a designated amount each year to this fund which is then reduced by the cost of any vehicle replacements net of grant awards. The Fleet Replacement Fund balance was \$28,419,910 at year-end 2024, \$18,299,045 at year-end 2023, and \$25,484,925 at year-end 2022.

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, completion of STAMF projects, as well as projects defined in STA's next 10-year plan, *Connect 2035*.

2024 Budgetary Analysis

The 2024 budget in the table below was adopted by the STA Board in December 2023. The approved operating revenues total \$143,197,532 with approved operating expenses of \$122,190,147 for a total of \$21,007,485 budgeted revenues over expenses.

STA's 2024 actual operating and non-operating revenues exceeded the budget by \$11,396,223 or 8.0 percent. Sales tax revenue, STA's largest source of revenue, exceeded the budget by \$6,773,090 due to stronger than expected retail sales in the PTBA. Federal and State grant revenue was \$1,593,554 favorable to budget. This was primarily due to the receipt of higher preventive maintenance funding than anticipated. STA's fare and other transit revenue was above budget for 2024 coming in \$591,648 or 7.8 percent higher, primarily due to increased ridership combined with the change in pass revenue recognition from time of use to time of sale offset by the impacts of fare capping, discounted fare categories and free fares for youth. Finally, miscellaneous revenue, which consists mainly of investment earnings, exceeded the budget by \$2,437,931 due to higher interest rates earned on higher average invested balances throughout 2024.

Operating expenditures also ended the year favorably compared with the 2024 budget. STA expended 93.1 percent of its operating budget, or \$8,391,546 under budgeted levels. This was primarily due to: a) GASB 68 related pension expense credit of \$5,887,029, b) lower fuel costs of \$1,851,168, and c) lower medical and dental premiums expense of \$1,367,476. These favorable variances were offset by GASB 75 related Other Post Employment Benefit (OPEB) expenses of \$1,091,713 .

The comparison of the 2024 budget to 2024 actuals is as follows.

Budgetary Comparison Schedule				
	2024 Budget	2024 Actual	Favorable (Unfavorable) Budget	
			Variance \$	Variance %
Operating and Nonoperating Revenues				
Fares & Other Transit Revenue	\$7,548,864	\$8,140,512	591,648	7.8%
Sales Tax	108,869,671	115,642,761	6,773,090	6.2%
Federal & State Grants	21,380,052	22,973,606	1,593,554	7.5%
Miscellaneous Revenue	5,398,945	7,836,876	2,437,931	45.2%
Total Revenues	\$143,197,532	\$154,593,755	\$11,396,223	8.0%
Operating Expenses				
Fixed Route	\$96,584,875	\$90,682,140	\$5,902,735	6.1%
Paratransit	24,493,486	22,183,333	2,310,153	9.4%
Rideshare	1,111,686	933,028	178,658	16.1%
Total Operating Expense	\$122,190,047	\$113,798,501	\$8,391,546	6.9%
Revenues over Expenses	\$21,007,485	\$40,795,254	\$19,787,769	94.2%

Economic Factors and Next Year's Budget

The 2025 budget includes the continued commitment to STAMF as well as the first Connect 2035 initiatives, such as the Safety Ambassador program. It also includes the 2025 wage and salary impacts established in the bargaining agreements with Amalgamated Transit Union Local 1015 and 1598 and the impact of a general wage increase for management and administrative staff. STA will be bargaining with AFSCME 3939 for their contract expiring in 2025. Any potential wage increase that could be negotiated has not been budgeted in 2025 as is STA's practice. The 2025 budget was amended in March 2025 to add \$3,820,000 for battery electric bus vehicle maintenance.

The table below is the summary of the 2025 budget adopted by the STA Board in December 2024, as well as the Amended budget approved in March 2025.

Summary of 2025 Budget		
	2025 Adopted Budget	2025 Amended Budget
Operating and Non-Operating Revenues		
Fares & Other Transit Revenue	\$7,808,056	\$7,808,056
Sales Tax	116,312,668	116,312,668
Federal & State Grants	23,113,552	23,113,552
Miscellaneous Revenue	8,490,004	8,490,004
Total Revenues	\$155,724,280	\$155,724,280
Operating Expenses		
Fixed Route	\$103,855,264	\$107,836,507
Paratransit	26,429,521	26,275,029
Rideshare	1,154,944	1,148,193
Total Operating Expenses	\$131,439,729	\$135,259,729
Net Revenues over Expenses	\$24,284,551	\$20,464,551

More information about the 2025 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 about 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, 2024 and 2023

Assets	2024	2023
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 263,793,133	\$ 243,221,697
Accounts Receivable, Net of Allowance for Doubtful Accounts	548,058	482,006
Sales Tax Receivable	19,829,364	19,636,012
Due from Other Governments	14,060,551	15,062,541
Total Receivables	34,437,973	35,180,559
Maintenance Parts Inventory	2,184,030	2,080,329
Prepaid Expenses and Other Assets	622,895	848,305
<i>Total Current Assets</i>	301,038,031	281,330,890
<i>Noncurrent Assets:</i>		
Capital Assets		
Vehicles	144,358,981	143,616,895
Buildings and Improvements	168,349,032	162,939,271
Equipment and Furnishings	38,470,106	35,689,542
Intangible Property	15,844,483	16,021,219
Right-to-Use Lease Assets	924,372	856,101
Right-to-Use Software Assets	879,135	879,135
Land	14,017,707	14,016,890
Work in Process	25,893,378	11,737,892
Total Capital Assets	408,737,194	385,756,945
Less Accumulated Depreciation and Amortization	(179,095,620)	(165,079,209)
Capital Assets, Net of Accumulated Depreciation and Amortization	229,641,574	220,677,736
Net Pension Asset	11,988,021	14,714,354
<i>Total Noncurrent Assets</i>	241,629,595	235,392,090
<i>Total Assets</i>	542,667,626	516,722,980
<i>Deferred Outflows of Resources:</i>		
Deferred Outflows Related to Pensions	16,220,477	12,262,746
Deferred Outflows Related to Other Post Employment Benefits	3,320,154	4,348,799
<i>Total Deferred Outflows of Resources</i>	19,540,631	16,611,545
Total Assets and Deferred Outflows of Resources	\$ 562,208,257	\$ 533,334,525

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, 2024 and 2023
(Continued)**

	<u>2024</u>	<u>2023</u>
<u>Liabilities</u>		
<i>Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	\$ 11,006,018	\$ 7,507,548
Accrued Wages, Benefits, and Other Liabilities	2,741,810	9,116,192
Contracts Payable (includes retainage)	3,019,587	1,538,744
Provision for Uninsured Claims and Premiums	1,875,389	1,630,646
Current portion of Compensated Absences	5,630,867	
Current portion of Other Post-Employment Benefits Liability	114,088	111,293
<i>Total Current Liabilities</i>	<u>24,387,759</u>	<u>19,904,423</u>
<i>Long-Term Liabilities:</i>		
Compensated Absences	1,526,116	
Right-to-Use Liabilities	526,987	841,297
Net Pension Liability	4,954,624	6,359,738
Other Post-Employment Benefits Liability	5,395,901	5,069,677
<i>Total Long-Term Liabilities</i>	<u>12,403,628</u>	<u>12,270,712</u>
<i>Total Liabilities</i>	<u>36,791,387</u>	<u>32,175,135</u>
<i>Deferred Inflows of Resources:</i>		
Advance Payment of Fares	523,240	725,587
Deferred Inflows Related to Pensions	5,887,443	9,137,960
Deferred Inflows Related to Other-Post Employment Benefits	3,317,707	3,583,658
<i>Total Deferred Inflows of Resources</i>	<u>9,728,390</u>	<u>13,447,205</u>
<u>Net Position</u>		
Net Investment in Capital Assets	229,641,574	220,677,736
Restricted for Net Pension Asset	11,988,021	14,714,354
Restricted for Workers' Compensation	357,000	357,000
Unrestricted	273,701,885	251,963,095
<i>Total Net Position</i>	<u>515,688,480</u>	<u>487,712,185</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 562,208,257	\$ 533,334,525

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<i>Operating Revenues:</i>		
Passenger Fares	\$ 7,666,247	\$ 6,534,383
Other Transit Revenue	474,265	404,230
<i>Total Operating Revenues</i>	8,140,512	6,938,613
<i>Operating Expenses:</i>		
Transportation	65,568,467	60,965,832
Maintenance	23,285,836	20,140,665
Administration	24,944,198	22,715,308
Depreciation and Amortization	24,113,551	19,846,525
<i>Total Operating Expenses</i>	137,912,052	123,668,330
<i>Operating Loss</i>	(129,771,540)	(116,729,717)
<i>Nonoperating Revenues (Expenses):</i>		
Sales Tax	115,642,761	114,879,746
Interest Income	8,120,180	5,788,612
Other Nonoperating Revenues	277,163	151,697
Other Nonoperating Expenses	(703,582)	(1,830,032)
State and Local Grants	10,262,867	9,252,838
Federal Preventive Maintenance and Other Noncapital Grants	12,710,739	30,937,672
Gain/(Loss) on Sale of Capital Assets	(560,467)	6,807
<i>Total Nonoperating Revenues (Expenses)</i>	145,749,661	159,187,340
<i>Net Gain Before Contributions</i>	15,978,121	42,457,623
<i>Capital Grants and Contributions:</i>		
FTA Formula and Discretionary Capital Grants	4,011,947	15,843,263
State Capital Grants	8,887,971	7,843,616
<i>Total Capital Grants and Contributions</i>	12,899,918	23,686,879
<i>Change in Net Position</i>	28,878,039	66,144,502
Net Position - Beginning of Year, as previously reported	487,712,185	421,581,184
Accounting Estimate Adjustment (Work in Process Adjustment)		(29,139)
Accounting Change (GASB 96 SBITA Implementation)		15,638
Accounting Change(GASB 101 Compensated Absences Implementation)	(901,744)	
<i>Net Position - Beginning of Year, as restated</i>	486,810,441	421,567,683
<i>Net Position - End of Year</i>	\$ 515,688,480	\$ 487,712,185

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Operating Revenues	\$ 7,849,262	\$ 7,317,939
Cash Payments to Suppliers for Goods and Services	(35,885,461)	(32,962,512)
Cash Payments to Employees for Services	(81,483,528)	(75,849,504)
<i>Net Cash Used in Operating Activities</i>	(109,519,727)	(101,494,077)
<i>Cash Flows from Noncapital Financing Activities:</i>		
Sales Tax Receipts Collected by Other Governmental Entities	115,449,921	114,481,307
Noncapital Grants and Other Revenue	25,798,485	37,579,288
Other Nonoperating Expense	(757,133)	(1,179,626)
<i>Net Cash Provided by Noncapital Financing Activities</i>	140,491,273	150,880,969
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchase of Property, Plant, and Equipment	(30,056,434)	(52,269,173)
Proceeds from Disposition of Property, Plant, and Equipment	209,259	59,501
Federal Capital Grants	3,163,235	15,497,834
Other Capital Grants	8,163,650	2,533,195
<i>Net Cash Used in Capital and Related Financing Activities</i>	(18,520,290)	(34,178,643)
<i>Cash Flows from Investing Activities:</i>		
Interest Income	8,120,180	5,788,612
<i>Net Cash Provided by Investing Activities</i>	8,120,180	5,788,612
<i>Net Increase in Cash and Cash Equivalents</i>	20,571,436	20,996,861
<i>Cash and Cash Equivalents - Beginning of Year</i>	243,221,697	222,224,836
<i>Cash and Cash Equivalents - End of Year</i>	\$263,793,133	\$ 243,221,697

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, 2024 and 2023
(Continued)**

	2024	2023
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</i>		
Operating Loss	\$ (129,771,540)	\$ (116,729,717)
 <i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>		
<i>Noncash Adjustments:</i>		
Depreciation and Amortization	24,113,551	19,846,525
Pension Expense	(5,887,029)	(5,955,856)
Other Post Employment Benefits	1,091,711	726,185
Reserve for Obsolete Inventory	(41,929)	234,380
Allowance for Doubtful Accounts	35,000	37,000
 <i>Changes in Assets - Decrease (Increase):</i>		
Accounts Receivable	(101,052)	(117,626)
Maintenance Parts Inventory	(61,773)	(136,664)
Prepaid Expenses	225,410	(322,474)
 <i>Changes in Liabilities - Increase (Decrease):</i>		
Accounts Payable and Accrued Expenses	941,918	(262,603)
Accrued Wages, Benefits and Other Liabilities	(119,143)	966,370
Advance Payment of Fares	(202,346)	459,952
Provision for Uninsured Claims	244,743	(115,716)
Provision for Insurance Premiums		(127,165)
Contracts Payable	12,752	3,332
<i>Net Cash Used in Operating Activities</i>	\$ (109,519,727)	\$ (101,494,077)

NON-CASH TRANSACTIONS:

Non-cash investing, capital or financing activities includes capital accruals of \$2,207,973.

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

Spokane Transit Authority
Notes to the Financial Statements
December 31, 2024 and 2023

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

B. Measurement Focus, Basis of Accounting

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

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

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

STA uses the prescribed full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Capital asset purchases

are capitalized. STA has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

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

Operating revenues include passenger fares on all fixed route, paratransit, and public rideshare programs. STA's fixed route base cash fare is \$2.00 per ride, which is capped at \$4.00 per day and \$60.00 per month. The fare policy was updated in 2022. Paratransit base cash fare aligns with fixed route at \$2.00 per ride with the same daily and monthly capping limits. Youth 18 years and under ride free. In addition, there are discounted fares for military, honored riders, and adult students.

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

STA receives two main sources of nonoperating revenues in the form of voter-approved sales tax and Federal Preventive Maintenance 5307 formula funding. In addition, STA received Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), American Rescue Plan Act (ARPA), and Federal Emergency Management Agency (FEMA) funding in 2023 for operating expenses as further detailed below. Sales tax accounted for 74.8 percent of total revenues while Federal grants accounted for 8.2 percent in 2024 versus 68.4 percent and 18.4 percent in 2023, respectively.

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

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

In response to the economic fallout related to the COVID-19 pandemic, the Federal government passed a number of stimulus packages. On March 11, 2021, ARPA was signed into law. ARPA provided \$30.5 billion to support the nation's public transportation systems with an apportionment for STA of \$35,978,359, at a 100 percent federal share, with no local match required. This funding was available for payroll and operations of public transit. STA utilized \$19,959,412, the last of these funds, in 2023. There were no funds available in 2024.

STA was awarded FEMA disaster assistance under the COVID-19 Emergency Declaration for emergency protective measures. This assistance was used to reimburse expenditures used to protect public health and safety. STA drew \$120,096 in 2023 related to expenditures from February 27, 2020 through May 11, 2023 when the COVID-19 Emergency Declaration ended. There were no draws of FEMA funding in 2024.

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

and state Transportation Improvement Plan. STA received preventive maintenance 5307 formula funding of \$12,710,739 and \$10,863,286 in 2024 and 2023, respectively.

Additionally, STA received state funding from the Washington State Department of Transportation in the amount of \$10,262,867 in 2024, \$9,252,838 in 2023, and \$1,708,713 in 2022. These grant funds were used for special-needs-related service as well as portions of projects categorized as operating.

2. Operating expenses for STA include the costs of providing transit service, maintenance, administration, and depreciation of capital assets. All expenses not meeting this definition are reported as non-operating 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, 2024, and 2023 was \$263,793,133 and \$243,221,697, 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 the purposes of the statement of cash flows, STA considers all investments (including restricted investments) to be cash equivalents (See Note 13).

2. Investments

See Note 2 (Deposits and Investments)

3. Receivables

Customer and third-party accounts receivable in 2024 consist of \$548,058 net of allowance for doubtful accounts of \$5,000 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 2023 at \$482,006, net allowance for doubtful accounts of \$40,000.

The sales tax receivable amount is \$19,829,364 and represents sales tax for November and December 2024 received in January and February 2025. Sales tax receivable was \$19,636,012 as of December 31, 2023.

Due from other governments receivable is the amount due from federal and state governments for grants. The balance at year-end 2024 and 2023 was \$14,060,551 and \$15,062,541, respectively. The decrease in the balance was primarily due to payments received for expenditures eligible for federal and state grant funding.

4. Inventory and Prepaid Expenses

Maintenance parts inventory, consisting principally of expendable items held for business consumption related to the state of good repair for vehicles, is stated at average cost. The cost is reported as expenditure at the time individual inventory items are consumed. The value of inventory at year-end was \$2,184,030, net of reserve for obsolete inventory of \$192,451 for 2024 and \$2,080,328, net of reserve for obsolete inventory of \$234,380 for 2023. A reserve for obsolete inventory was established for the first time in 2023 to anticipate any risk of obsolescence from the growing fleet of buses in service.

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 2024 amounting to \$622,895 related to prepaid maintenance agreements of \$260,766, prepaid rent, lease, and technology agreements of \$321,324 and \$40,805 of prepaid excess workers' compensation and underground storage tank insurance. At December 31, 2023, the prepaid expense balance was \$848,305.

5. Restricted Assets and Liabilities

STA has no restricted liabilities as of December 31, 2024. Restricted assets include \$357,000 for a Washington State Department Labor & Industries (L&I) requirement due to being self-insured for workers' compensation benefits and \$11,988,021 related to Net Pension Assets. Restricted assets decreased for 2024 due to the change in Net Pension Asset from \$14,714,354 in 2023 while the L&I asset remained unchanged.

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

STA capitalizes a) major expenditures for capital assets, b) major repairs which extend the underlying asset's useful life by over 3 years, c) an individual cost over \$5,000, and d) equipment and technology assets with individual costs less than \$5,000 with an aggregate cost over \$250,000 procured under the capital improvement plan. Capital assets are valued at historical cost or estimated historical cost where historical cost is not known or estimated market value for donated assets. Donations, if any are made, are recorded at the donor cost or appraised value. Major additions and betterments are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

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

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

Capitalized costs related to a tangible capital asset that is not yet substantially ready to be placed in service is reported as work in process.

Depreciation and amortization expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method over established useful lives of individual assets. Right-to-use lease asset lives are assigned based on the shorter of the lease term or the nature of the leased asset. Right-to-use subscription-based asset (SBITA) lives are assigned based on the term of the subscription.

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 and Subscription-Based Information Technology Arrangements (SBITA) (See Note 9 – Leases and SBITA)

STA recognizes a lease/SBITA liability and an intangible right -to-use lease/SBITA asset in its' financial statements. A right-to-use lease/SBITA asset with a term greater than 1 year and an initial present value of over \$50,000 are recorded as intangible assets. Right-to-use lease/SBITA assets are amortized over the contract term. Leases/SBITA's that do not meet these criteria are recognized as current period revenues and expenses. STA monitors all leases and SBITA's for changes in circumstances that would require remeasurement.

A lease is a contract that conveys the control of the right to use another entity's non-financial 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 non-cancellable period of the lease term using the discount rate in the lease. Subsequently, the lease liability is reduced by the principal portion of lease payments made. If the lease discount rate cannot be readily determined from the lease, STA uses its incremental borrowing rate.

Like leases, a SBITA is defined "as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction." The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets, plus options to extend or terminate as well as other criteria.

The subscription liability should be initially measured at the present value of subscription payments expected to be made during the non-cancellable subscription term. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

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 and related fringe balance at December 31, 2024 was \$3,448,975. The accrued vacation in 2023 was \$3,089,967 prior to GASB 101 implementation.

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 unused WPSL over 40 hours 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 and related fringe balance at December 31, 2024 was 3,708,009. The accrued sick leave in 2023 was \$3,140,670 prior to GASB 101 implementation.

All unpaid but earned wages and related fringe are included in accrued Wages, Benefits, and Other Liabilities. Total Wages, Benefits, and Other Liabilities, which include compensated absences, were \$9,898,793 and \$9,116,192 as of December 31, 2024, and 2023, respectively.

During 2024, STA implemented GASB 101, Compensated Absences, requiring an adjustment as noted in Note 14. The Accounting Change was recorded for the change in the 2023 compensated absence liability and the Beginning of Year Net Position was restated.

9. Long-Term Liabilities

Net pension liability of \$4,954,624 for 2024 and \$6,359,738 for 2023 is further described below in Item 12 and in Note 6-Retirement Plans. Net Other Post-Employment Benefits Liability, including the current portion, of \$5,509,989 and \$5,180,970 for 2024 and 2023 respectively, is further described in Item 11 below and Note 5-Defined Benefit Plans - Other Post-Employment Benefits (OPEB).

Compensated absences liability of \$1,526,116 is the long-term portion of accrued vacation and STA sick leave to be paid out at separation or retirement for employees meeting the eligibility requirements in accordance with the employee represented by a labor contract or subject to the personnel policy. During 2024, STA implemented GASB 101, Compensated Absences, in which a prior period adjustment as noted in Note 14, was recorded for the change in the 2023 compensated absence liability.

Right to Use liabilities of \$526,987 for 2024 and \$841,297 for 2023 is further described above in Item 7 and in Note 9-Leases and SBITA's.

Additional details on long-term liabilities can be found in Note 10-Changes in Long-Term Liabilities.

10. Deferred Inflows and Outflows of Resources

Advance Payment of Fares – The advance payment of fares is a deferred inflow and represents pre-payments of public rideshare fares, and prepaid fares for passes and stored value outstanding from the Connect fare collection system at the end of the year. The balance represents payments received, but not yet activated and/or used for fares. The advance payment for 2024 and 2023 was \$523,240 and \$725,587, respectively. The decrease is due to the change in recognition of pass sales from time of use to time of sale.

11. Other Post-Employment Benefits (see Note 5 – Defined Benefit Plans – Other Post-employment Benefits (OPEB))

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

12. Pensions (see Note 6 – Retirement Plans)

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

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

E. Budgetary Information

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

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

The 2024 Operating and Capital Budget was approved by the STA Board in December 2023. The 2024 budget did not require an amendment.

A six-year Capital Improvement Program (CIP) is developed each year in conjunction with the TDP. The annual capital budget is the applicable year from this plan adjusted for any changes in timing of expenditure and cost. The CIP is reviewed and modified each year.

Note 2: Deposits and Investments

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

Investments by SCIP are limited by state statute. SCIP deposits and certificates of deposit are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the PDPC (Washington Public Deposit Protection Commission). The SCIP investment policy in its entirety is available at www.spokanecounty.org. As of December 31, 2024, STA's Cash and Cash Equivalents in the SCIP were \$263,793,133. This increased over the amount reported at December 31, 2023 of \$243,221,697 as detailed in the Statement of Cash Flows.

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2024, and 2023 was as follows:

	Beginning Balance 1/1/2024	Additions/ Adjustments	Retirements	Ending Balance 12/31/2024
Capital Assets, Not Being Depreciated:				
Land	\$14,016,890	\$817		\$14,017,707
Work in Process	11,737,892	14,155,486		25,893,378
Subtotal	25,754,782	14,156,303		39,911,085
Capital Assets Being Depreciated or Amortized:				
Vehicles	143,616,895	10,554,275	(9,812,189)	144,358,981
Buildings and Improvements	162,939,271	5,562,104	(152,343)	168,349,032
Equipment and Furnishings	35,689,542	3,410,686	(630,122)	38,470,106
Intangible Property	16,021,219	95,475	(272,211)	15,844,483
Right-to-Use Lease Asset	856,101	68,271		924,372
Right-to-Use Software Asset	879,135			879,135
Subtotal	360,002,163	19,690,811	(10,866,865)	368,826,109
Less Accumulated Depreciation and Amortization For:				
Vehicles	74,059,029	9,094,190	(9,064,628)	74,088,591
Buildings and Improvements	61,532,273	8,772,010	(137,109)	70,167,174
Equipment and Furnishings	19,006,877	3,885,832	(623,192)	22,269,517
Intangible Property	10,481,030	2,361,519	(272,211)	12,570,338
Subtotal	165,079,209	24,113,551	(10,097,140)	179,095,620
Total Capital Assets, Net of Accumulated Depreciation and Amortization	\$220,677,736	\$9,733,563	(\$769,725)	\$229,641,574

	Beginning Balance 1/1/2023	Additions/ Adjustments	Retirements	Ending Balance 12/31/2023
Capital Assets, Not Being Depreciated:				
Land	\$13,531,390	\$485,500	\$ -	\$14,016,890
Work in Process	16,606,268	(4,868,376)	-	11,737,892
Subtotal	30,137,658	(4,382,876)	-	25,754,782
Capital Assets Being Depreciated or Amortized:				
Vehicles	112,238,767	33,551,775	(2,173,647)	143,616,895
Buildings and Improvements	149,246,916	13,727,309	(34,954)	162,939,271
Equipment and Furnishings	30,079,685	5,805,737	(195,880)	35,689,542
Intangible Property	11,189,961	4,918,814	(87,556)	16,021,219
Right-to-Use Lease Asset	705,193	150,908	-	856,101
Right-to-Use Software Asset	-	879,135	-	879,135
Subtotal	303,460,522	59,033,678	(2,492,037)	360,002,163
Less Accumulated Depreciation and Amortization For:				
Vehicles	69,019,521	7,180,676	(2,141,168)	74,059,029
Buildings and Improvements	53,435,002	8,130,283	(33,012)	61,532,273
Equipment and Furnishings	16,188,114	2,992,157	(173,394)	19,006,877
Intangible Property	8,809,147	1,752,558	(80,675)	10,481,030
Subtotal	147,451,784	20,055,674	(2,428,249)	165,079,209

**Total Capital Assets, Net of Accumulated
Depreciation and Amortization**

\$186,146,396 \$34,595,128 (\$63,788) \$220,677,736

Construction and Other Commitments

STA has active construction projects as of December 31, 2024. The projects and commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
West Plains Connector	\$566,330	\$1,433,670
Mirabeau Transit Center	3,247,319	1,406,050
Fleck Fuel Facility Replacement	1,842,960	532,865
Sprague Line HPT	1,080,757	416,226
Plaza Door Replacement	212,812	62,905
2024 Bus Stop Improvements Phase 1	277,555	14,207
Cheney Line HPT Corridor Improvements & WPTC	1,284,819	14,023
Total	\$8,512,552	\$3,879,946

The projects and commitments with contractors as of year-end 2023 were:

Project	Spent to Date	Remaining Commitment
Sprague Line HPT - Phase 1	\$141,888	\$1,172,662
2022 Service Change Bus Stops Phase 2	345,819	286,181
Plaza Restroom Door Additions & Plumbing Mods	-	200,000
Cheney Line HPT Corridor Improvements & WPTC	1,252,076	137,255
South Hill Park & Ride Improvements	677,748	32,152
2022 Bus Stop Improvements - Phase 3	45,468	24,532
Total	\$2,462,999	\$1,852,782

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, 2024, and 2023.

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 2024 and 2023:

Aggregate OPEB Amounts		
	2024	2023
OPEB liability	\$ 5,509,989	\$ 5,180,970
Deferred outflows of resources	\$ 3,320,154	\$ 4,348,799
Deferred inflows of resources	\$ 3,317,707	\$ 3,583,658
OPEB expenses/expenditures	\$ 1,190,426	\$ 823,512

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 with a \$2,000 life insurance policy increasing to \$5,000 in 2025 with the premium paid by STA. The cost of life insurance is estimated from net premiums computed using the interest and mortality assumptions is \$5.76 per person annually increasing to \$11.40 in 2025. 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 was excluded from the 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 due to the lack of an implicit rate subsidy. The valuation done for 2024 does include retirees and spouses over age 65 for those retirees on Premera.

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, 2024 and 2023, the following employees were covered by the benefit terms:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	149	149
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	715	715
Total	864	864

STA's total OPEB liability of \$5,509,989 was measured as of December 31, 2024, and was determined by an actuarial valuation as of December 31, 2023.

Assumptions and Other Inputs

The total OPEB liability actuarial valuation, as of December 31, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.22%
Healthcare Cost Trend Rates:	
2025 Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.00%
Year Ultimate Trend is Reached	2032
Salary Increases	2.00%

The discount rate was based on the average December 31, 2024, Fidelity Municipal Bond AA 20-Year Yield and the December 31, 2024, 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

- The discount rate increased from 3.89% to 4.22% which resulted in a decrease in the Total OPEB Liability.
- Medical trend rates were updated for the first-year medical trends applied to claim costs and retiree contributions consistent with actual premium changes from 2024 to 2025. This resulted in a decrease in the Total OPEB Liability.

Sensitivity of the Net OPEB Liability

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

	1% Decrease	Current Healthcare Cost Trend Rate (no change)	1% Increase
Total OPEB Liability	\$4,627,904	\$5,509,989	\$6,670,782

The following presents the total OPEB liability of STA calculated using the discount rate of 4.22 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease (3.22%)	Current Discount Rate (4.22%)	1% Increase (5.22%)
Total OPEB Liability	\$6,566,252	\$5,509,989	\$4,674,369

Changes in the Total OPEB Liability

Spokane Transit	
Total OPEB Liability at January 1, 2024	\$5,180,970
Service cost	366,436
Interest	213,874
Changes of benefit terms	364,380
Differences between expected and actual experience	(4,298)
Changes of assumptions/inputs	(512,660)
Benefit payments	(98,713)
Administrative Expense	-
Total OPEB Liability at December 31, 2024	\$5,509,989

Spokane Transit	
Total OPEB Liability at January 1, 2023	\$5,725,132
Service cost	225,950
Interest	247,975
Changes of benefit terms	-

Differences between expected and actual experience	(1,413,351)
Changes of assumptions	462,591
Benefit payments	(97,327)
Administrative Expense	-
Total OPEB Liability at December 31, 2023	\$5,180,970

At December 31, 2024 and 2023, STA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

December 31, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 465,102	\$ 1,505,541
Changes of assumptions or other inputs	2,855,052	1,812,166
Employer amounts for OPEB subsequent to the measurement date	-	-
TOTAL	\$3,320,154	\$3,317,707

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 590,771	\$ 1,867,253
Changes of assumptions or other inputs	3,758,028	1,716,405
Employer amounts for OPEB subsequent to the measurement date	-	-
TOTAL	\$4,348,799	\$3,583,658

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
2025	\$245,736
2026	\$245,736
2027	\$245,736
2028	(\$451,235)
2029	\$(209,674)
Thereafter	\$(73,851)

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 2024 and 2023:

Aggregate Pension Amounts – All Plans		
	2024	2023
Pension liabilities	\$ 4,954,624	\$ 6,359,738
Pension assets	\$ 11,988,021	\$ 14,714,354
Deferred outflows of resources	\$ 16,220,477	\$ 12,262,746
Deferred inflows of resources	\$ 5,887,443	\$ 9,137,960

Pension expense/expenditures	\$ 708,729	\$ 704,458
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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 downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

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

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

PERS Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 2/3 employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for the fiscal year were as follows:

Employer Contribution Rates				
Time Frame	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January - June	6.36%	2.97%	0.20%	9.53%
July - August	6.36%	2.47%	0.20%	9.03%
September - December	6.36%	2.55%	0.20%	9.11%

Plan	Employee Contribution Rates
PERS 1	6.00%
PERS 2	6.36%
PERS 3	Varies 5% - 15%

STA’s actual PERS plan contributions were \$1,568,433 to PERS Plan 1 and \$3,609,867 to PERS Plan 2/3 for the year ended December 31, 2024. STA’s actual PERS plan contributions were \$1,827,654 to PERS Plan 1 and \$3,423,744 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

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

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

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

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term

MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5 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	19%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	100%	

Sensitivity of the Net Pension Liability/(Assets)

The table below presents STA’s proportionate share of the 2023 net pension liability calculated using the discount rate of 7.0 percent, as well as what STA’s proportionate share of the net pension liability/(assets) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 7,288,127	\$4,954,624	\$ 2,908,086
PERS 2/3	\$ 21,610,695	\$ (11,988,021)	\$(39,581,946)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2024 and 2023, STA reported its proportionate share of the net pension liabilities and assets as follows:

Liability (or Asset)		
	2024	2023
PERS 1	\$ 4,954,624	\$ 6,359,738
PERS 2/3	\$ (11,988,021)	\$ (14,714,354)

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

	Proportionate Share June 30, 2023	Proportionate Share June 30, 2024	Change in Proportion
PERS 1	0.278602 %	0.278845 %	0.000243%
PERS 2/3	0.359002 %	0.363651 %	0.004649%

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

Pension Expense

For the years ended December 31, 2024, and 2023, STA's recognized pension expense is as follows:

	Pension Expense (Credit)	
	2024	2023
PERS 1	\$ 56,837	\$(1,161,092)
PERS 2/3	\$ 651,892	\$ 1,865,550
TOTAL	\$ 708,729	\$ 704,458

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024 and 2023, STA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2024 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	-	396,456

Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	715,785	-
TOTAL	\$ 715,785	\$ 396,456

2024 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,811,849	27,756
Net difference between projected and actual investment earnings on pension plan investments		3,435,425
Changes of assumptions	6,619,808	759,559
Changes in proportion and differences between contributions and proportionate share of contributions	289,034	1,268,247
Contributions subsequent to the measurement date	1,784,001	
TOTAL	\$ 15,504,692	5,490,987

2024 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,811,849	\$ 27,756
Net difference between projected and actual investment earnings on pension plan investments	-	3,831,881
Changes of assumptions	6,619,808	759,559
Changes in proportion and differences between contributions and proportionate share of contributions	289,034	1,268,247
Contributions subsequent to the measurement date	2,499,786	-
TOTAL	\$ 16,220,477	\$ 5,887,443

2023 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	-	717,406
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	816,579	-
TOTAL	\$ 816,579	\$ 717,406

2023 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,997,297	\$ 164,405
Net difference between projected and actual investment earnings on pension plan investments	-	5,545,258

Changes of assumptions	6,177,595	1,346,473
Changes in proportion and differences between contributions and proportionate share of contributions	517,777	1,364,418
Contributions subsequent to the measurement date	1,753,498	-
TOTAL	\$ 11,446,167	\$ 8,420,554

2023 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,997,297	\$ 164,405
Net difference between projected and actual investment earnings on pension plan investments	-	6,262,664
Changes of assumptions	6,177,595	1,346,473
Changes in proportion and differences between contributions and proportionate share of contributions	517,777	1,364,418
Contributions subsequent to the measurement date	2,570,077	-
TOTAL	\$ 12,262,746	\$ 9,137,960

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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	TOTAL
2025	\$(656,106)	\$(2,803,764)	\$(3,459,870)
2026	\$ 337,075	\$ 5,087,727	\$ 5,424,802
2027	\$ (35,690)	\$ 2,114,868	\$ 2,079,178
2028	\$ (41,736)	\$ 2,040,022	\$ 1,998,286
2029		\$ 883,402	\$ 883,402
Thereafter		\$ 907,450	\$ 907,450

Defined Contribution Plan

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

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

Employer and employee contributions were 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 2023. 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 \$219,342 in 2024 and \$208,073 in 2023. During the years ended December 31, 2024, and 2023, STA contributed a total of \$46,888 and \$45,330 respectively, to the Section 401(a) defined contribution plans. These amounts were recognized as a fringe benefit by STA in 2024. There was no outstanding liability as of December 31, 2024.

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 three percent to the account of employees hired before January 1, 2007 in the following groups: ATU 1598, non-represented employees, and the CEO. This deferred compensation is not available to employees until separation, retirement, death, or unforeseeable emergency, with the exception of the employees' Section 457 Loan Program. The compensation deferred under the plan and all income attributable to the plan is held in trust for the exclusive benefit of the participants and their beneficiaries and is 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, 2024 and 2023, were \$18,707,847 and \$17,534,559, 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 a six-month 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 of America, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston and The Burlington Insurance Company for auto physical damage; American International Group Inc (AIG)/National

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

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

Here is a summary of coverage provided in 2024:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY:			
Bodily Injury & Property Damage	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability	\$25 million	Per occurrence	\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (all modes)	\$60,000	Per occurrence	\$0
Permissive Use of a Member-Owned Motor Vehicle	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
Agency, rental, and personal/private vehicle occupants not covered by workers compensation or transit passengers	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
		Per occurrence	\$0
Endorsement 1: COMMUNICABLE DISEASE LIABILITY:	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
Endorsement 2: The Use of Force via a Conducted Energy Weapon	\$1.5 million	Per occurrence	\$1.5 million per occurrence
PUBLIC OFFICIALS LIABILITY	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1: VIOLATIONS OF WAGE & HOUR LAWS	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
PROPERTY COVERAGE All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/members combined	\$10,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
			occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below \$250,000 in value)	Fair market value		\$10,000
Auto Physical Damage for all vehicles valued over \$250,000 and less than 10 years old	Replacement Cost	Limited to \$1,750,000 any one vehicle	\$10,000
BOILER AND MACHINERY	\$100 million		\$250,000 or \$350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	\$2 million	Per occurrence	\$10,000
Employee theft	\$2 million	Per occurrence	\$10,000
Forgery or alteration	\$2 million	Per occurrence	\$10,000
Inside the premises – theft of money and securities	\$2 million	Per occurrence	\$10,000
Inside the premises – robbery or safe burglary of other property	\$2 million	Per occurrence	\$10,000
Outside premises	\$2 million	Per occurrence	\$10,000
Computer fraud	\$2 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$2 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$2 million	Per occurrence	\$10,000
CYBER LIABILITY INSURANCE			
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$75 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million		\$5,000
BREACH RESPONSE COSTS	\$500,000	Aggregate for each insured/member (limit is increased to \$1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS Business Interruption Resulting from Security Breach Resulting from System Failure	\$750,000 \$500,000	Aggregate limit Aggregate limit	
Dependent Business Loss Resulting from Security Breach Resulting from System Failure	\$750,000 \$100,000	Aggregate limit Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
Data Recovery Costs	\$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
eCRIME			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$200,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$200,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$50,000	Limit of Liability	

Extra Cyber Limits

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

Extra Auto Physical Damage Limits

In addition to the coverage detailed in the basic Auto Physical Damage insurance description, STA has chosen to purchase additional limits. This limit will be in excess to any limit of the basic auto physical damage policy and increases the availability of insurance. The policy term is July 1, and renews annually. STA elected to purchase \$10 million (in excess of \$20 million). The carrier is The Burlington Insurance Company.

Underground Storage Tank – Pollution Liability Insurance Policy

STA purchased an Underground Storage Tank – Pollution Liability insurance policy. The policy term is July 1 and renews annually. The carrier is Colony Insurance Company. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is \$1 million per environmental incident with a \$1 million aggregate and a \$500,000 limit on defense per environmental incident. STA has a \$5,000 deductible per environmental incident. Tanks must be listed to be covered.

Covered Locations Pollution Liability Insurance Policy

STA purchases a Covered Locations Pollution Liability Insurance policy. The policy term is from April 4, 2024 to April 4, 2027. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location

pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is \$5 million each pollution condition – includes claims expense with a \$5 million aggregate including claims expenses. STA has a \$100,000 deductible per pollution condition. Locations must be listed to be covered.

Terrorism Policy

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

Coverage Limits:

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

Definitions:

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

Coverage Details:

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

B. Workers' Compensation Insurance

STA reported a liability on December 31, 2024, and 2023, of \$1,875,389 and \$1,630,646, respectively, which represents the estimated liability for open workers' compensation claims for which STA may ultimately be liable, including a provision for claims incurred but not yet reported. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of the claimants. In addition to the self-insurance reserve of \$357,000, STA purchased an excess commercial workers' compensation policy with a statutory limit per claim of \$550,000.

Note 9: Leases and Subscription-Based Information Technology Arrangements

Right-to-Use Lease Assets and Liabilities

Ground Leases

STA entered into ground lease agreements for the purpose of constructing and operating a Transit Station at Spokane Community College (SCC) and at Spokane Falls Community College (SFCC). The initial term of the leases are for twenty (20) years beginning March 2019. For accounting purposes, the right-to-use lease asset and lease liability are reported at the present value of the future minimum lease payments using 1.5 percent interest rate. The initial rent of \$16,892 for the SCC lease and \$6,970 for the SFCC lease were used to calculate the present value of these leases. Rent under these ground leases are to be recalculated every three (3) years based on the number of parking spaces lost by lessor due to construction multiplied by the current cost of a parking permit. The change in rents will be accounted for as additional interest related to the lease liability when incurred. The rents were recalculated in 2022. The new rent amount is \$18,746 for SCC and \$7,735 for SFCC. The difference in rent is accounted for as additional interest. The leases do not convey ownership at the end of the lease, provide a purchase option or guaranteed residual value.

Building Lease

STA has a lease agreement for a warehouse on E. Holland Avenue. The initial lease was for three (3) years beginning August 2019. For accounting purposes, the right-to-use leased asset and lease liability are reported at the present value of the future minimum lease payments using 1.5 percent interest rate. The lease sets forth fixed monthly payments of \$3,750 for year 1, \$3,862.50 for year 2 and \$3,978.38 for year 3. The present value of the total payments under the lease were used to calculate the value of the leased asset and lease liability. This lease agreement was extended for an additional five years. The fixed monthly payments increase 3% per year. The right-to-use leased asset and lease liability were remeasured using a 2.85 percent interest rate. This interest rate was based on the U.S. 10-year Treasury Note at the time of the lease modification. The lease does not convey ownership at the end of the lease, provide a purchase option or guaranteed residual value.

STA has an additional lease agreement for office space in Schade Towers. The initial lease was for one (1) year beginning January 2023 with the right to extend the term of the lease for three (3) periods of one (1) year each. STA renewed the lease for one (1) year in 2025 and plans to end the lease in December 2025. 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 4.73 percent interest rate. The lease sets forth fixed monthly payments of \$6,808.30 for 2023, \$7,012.55 for 2024 and \$7,222.93 for 2025. The present value of the total payments under the lease were used to calculate the value of the leased asset and lease liability. The interest rate was based on the U.S. 10-year Treasury Note at the time of the lease agreement. The lease does not convey ownership at the end of the lease, provide a purchase option or guaranteed residual value.

The tables below summarize the lease assets and the related accumulated amortization:

	Beginning Balance 1/1/2024	Increases	Decreases	Ending Balance 12/31/2024
Leased Lands	\$397,841	\$ -	\$ -	\$397,841
Leased Buildings	458,260	68,271	-	526,531
Total Right-to-Use Lease Assets	856,101	68,271	-	924,372
Accumulated Amort. - Lease Land	79,568	19,892	-	99,460
Accumulated Amort. - Lease Buildings	229,358	110,225	-	339,583
Total Amortization	\$308,926	\$130,117	\$ -	\$439,043

	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Leased Lands	\$397,841	\$ -	\$ -	\$397,841
Leased Buildings	307,352	150,908	-	458,260
Total Right-to-Use Lease Assets	705,193	150,908	-	856,101
Accumulated Amort. - Lease Land	59,676	19,892	-	79,568
Accumulated Amort. - Lease Buildings	115,541	113,817	-	229,358
Total Amortization	\$175,217	\$133,709	\$ -	\$308,926

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2025	\$133,110	\$30,246	\$163,356
2026	60,525	17,741	78,266
2027	44,359	11,787	56,146

2028	20,257	3,605	23,862
2029	20,561	3,301	23,862
2030-2034	107,524	11,786	119,310
2035-2038	91,976	3,475	95,451
Total	\$478,312	\$81,941	\$560,253

Right-to-Use Subscription-Based Information Technology Arrangements (SBITA)

STA contracted with Remix Technologies LLC for transit planning software subscription. Remix Software provides a combination of route design, geospatial analysis, and operating cost calculations in a single transit planning tool for use in service planning, Title VI analysis, short-range planning, and longer-range planning. The Remix license is for an unlimited number of users within STA, and it is a fully hosted, cloud-based web platform. The term of this agreement is three years starting January 1, 2023 and expiring on December 31, 2025. The total subscription amount for the three-year term is \$143,800 plus Washington sales tax of \$12,942 for a total of \$156,742. For accounting purposes, the right-to-use SBITA asset and SBITA liability are reported at the present value of the future minimum subscription payments using 3.44 percent interest rate. The subscription sets forth fixed annual payments of \$45,126 for 2023, \$51,884 for 2024, and \$59,732 for 2025. The present value of the total payments under the subscription were used to calculate the value of the SBITA asset and SBITA liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement.

STA has contracted with Swiftly Inc for use of four modules in its Swiftly Software platform with an unlimited number of users within STA. It is a fully hosted, intuitive, cloud-based web platform which displays and analyzes transit vehicle location data to assist with customer service and fixed route scheduling. STA has access to the following modules: Run Time Module, GPS Playback Module, On-Time Performance Module, and Speed Map Module. The initial term of this agreement was for one year for two modules commencing on February 19, 2020. Two amendments to the agreement have occurred. The first amendment extended the agreement for an additional year, and the second amendment added the two additional modules and extended the agreement three additional years making the contract end date February 18, 2025. For the purposes of calculating the SBITA, the term of 1/1/2022 through 2/18/2025 will be used. The total subscription amount for the term of this agreement is \$518,507. For accounting purposes, the right-to-use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.44 percent interest rate. The subscription sets forth fixed annual payments. The present value of the total payments, applicable to 1/1/2022 through 2/18/2025, for the subscription were used to calculate the value of the SBITA asset and liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement.

The last agreement STA determined to be a SBITA is for Content Management System Software for Digital Signage provided by Nanonation Inc. STA awarded a five-year contract with an optional extended warranty for an estimated contract value of up to \$656,784 for a Content Management System for Digital Signage to Nanonation, Inc. effective August 1, 2020. The software, CommandPoint Software, is part of this contract. The term for the software as a service agreement varies by unit and covers the time period 2/1/2022 through 1/31/2025 at a cost of \$150,089. For accounting purposes, the right-to-use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.44 percent interest rate. The subscription sets forth annual payments per unit with varying terms and payments. The present value of the total software payments plus capitalizable implementation costs were used to calculate the value of the SBITA asset and liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement.

The tables below summarize the subscription assets and the related accumulated amortization:

	Beginning Balance 1/1/2024	Increases	Decreases	Ending Balance 12/31/2024
Subscription Based Software Asset (SBITA)	\$879,135	\$ -	\$ -	\$879,135
Accumulated Amortization (SBITA)	521,568	301,194	-	822,762
Net Right-to-Use SBITA	\$357,567	\$301,194	\$ -	\$ 56,373

	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Subscription Based Software Asset (SBITA)	\$661,121	\$218,014	\$ -	\$879,135
Accumulated Amortization (SBITA)	220,374	301,194	-	521,568
Net Right-to-Use SBITA	\$440,747	\$(83,180)	\$ -	\$357,567

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2025	\$48,675	\$11,057	\$59,732
Thereafter	-	-	-
Total	\$48,675	\$11,057	\$59,732

Note 10: Changes in Long-Term Liabilities

The tables below summarize the changes that occurred in long-term liabilities for years ended, December 31, 2023 and 2024.

	Beginning Balance 1/1/2024	Additions	Reductions	Ending Balance 12/31/2024	Due within one year
Right to Use liabilities	841,297	68,271	382,581	526,987	181,785
Pension liabilities*	6,359,738		1,405,114	4,954,624	
OPEB liabilities*	5,180,970	329,019		5,509,989	114,088
Compensated Absences*	7,132,381	24,602	-	7,156,983	5,630,867
TOTAL	19,514,386	421,892	1,787,695	18,148,583	5,926,740

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Restated Balance - GASB 101	Due within one year
Right to Use liabilities	518,302	917,187	594,192	841,297		382,581
Pension liabilities*	6,703,559		343,821	6,359,738		
OPEB liabilities*	5,725,132		544,162	5,180,970		111,293
Compensated Absences*	5,703,920	526,717		6,230,637	7,132,381	4,907,817
TOTAL	18,650,913	1,443,904	1,482,175	18,612,641		5,401,691

*Additions and reductions are reported as a net change

Note 11: Restricted Net Position

STA's statement of net position reports \$357,000 of restricted net position, which is restricted by self-insurance regulations of the State of Washington and \$11,988,021 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 12: 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's Fiscal Year 2024 Triennial Review, started at the end of 2023, was completed in early 2024. The Triennial Review focused on STA's compliance in 23 areas. Deficiencies were found in two areas: Technical Capacity – Program Management and Subrecipient Oversight and Disadvantaged Business Enterprise. STA submitted corrective action for these findings and it has been closed with no further action needed. STA had no repeat deficiencies from the FY2020/2021 Triennial Review.

C. Environmental Liability

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

Note 13: Designated Cash and Cash Equivalents

The Board adopted a designated cash reserve policy in October 2007. The policy designated \$5,500,000 for catastrophic self-insurance exposure protection and 15 percent of the annual Adopted Operating Expense Budget designated for unforeseen emergency appropriations. Additional cash designations of \$4,950,000 and \$25,000,000 were established by the Board in December 2011, and December 2022 respectively. The designated cash amount of \$4,950,000 is for future High-Performance Transit Right of Way acquisition, while \$25,000,000 is a real estate acquisition reserve. The level of designated cash is reviewed and approved annually by the Board, in conjunction with the budget adoption process. In 2024, the total cash reserves were \$55,522,959. This included \$4,950,000 Right of Way acquisition, \$25,000,000 real estate acquisition, \$5,500,000 for catastrophic self-insurance exposure protection, \$19,715,959 for operating expense reserves, and \$357,000 for self-insurance reserves for workers' compensation (Note 11). The reserve was \$54,135,507 in 2023. The difference from 2023 to 2024 is in the operating reserve which was \$18,328,507 in 2023.

Note 14: Accounting Changes and Error Corrections

STA implemented GASB Statement No. 96 - *Subscription-based Information Technology Arrangements (SBITA)*. 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, and therefore STA implemented necessary changes in fiscal year 2023. In addition, STA had an adjustment to beginning net position of \$15,638 related to the implementation of GASB 96, SBITA for fiscal year 2023.

GASB Statement No. 100 – In June, 2022 GASB issued Statement No 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. STA implemented the requirements of this Statement in fiscal year 2024.

GASB Statement No. 101 – In June 2022 GASB issued Statement No 101 (GASB 101), Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023, and therefore STA implemented necessary changes in fiscal year 2024.

In 2024, STA implemented GASB 101, *Compensated Absences*, based on analyzing leave historical data to determine leave that is more likely than not to be paid by STA as well as the salary-related payments related to the leave balance. Compensated Absences line items were added to the Statement of Net Position in Current and Long-Term Liabilities. Previously the amounts for compensated absences had been reported in Accrued Wages, Benefits, and Other Liabilities.

The table below shows the impact of implementation of beginning net position.

Net Position – Beginning of 2024, as previously reported	\$487,712,185
GASB 101 Compensated Absences Implementation	(901,744)
Net Position – Beginning of 2024, as restated	\$486,810,441

In 2023, during STA’s review of work in process it was determined that \$29,139 in project expenses did not meet the asset capitalization requirements and these items were therefore reclassified to expense as an adjustment.

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,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.278845%	0.278602%	0.240757%	0.255352%	0.236616%	0.239708%	0.227220%	0.245403%	0.262319%
Employer's proportionate share of the net pension liability	\$	4,954,624	6,359,737	6,703,558	3,118,445	8,353,823	9,217,624	10,781,766	13,179,297	13,721,723
Employer's covered employee payroll	\$	56,279,435	49,629,243	39,771,007	39,223,204	35,848,267	33,500,368	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	%	8.80%	12.81%	16.86%	7.95%	23.30%	27.51%	37.86%	45.43%	46.13%
Plan fiduciary net position as a percentage of the total pension liability	%	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	61.24%	57.03%	59.10%

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,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.363651%	0.359002%	0.314854%	0.327939%	0.307228%	0.307335%	0.289129%	0.309094%	0.332237%
Employer's proportionate share of the net pension liability (asset)	\$	(11,988,021)	(14,714,354)	(11,677,245)	(32,668,001)	3,929,271	2,985,268	10,045,851	15,562,639	11,871,017
Employer's covered employee payroll	\$	56,279,435	49,629,243	39,771,007	39,223,204	35,805,174	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	%	-21.30%	-29.65%	-29.36%	-83.29%	10.97%	8.94%	35.44%	54.05%	40.26%
Plan fiduciary net position as a percentage of the total pension liability (asset)	%	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	90.97%	85.82%	89.20%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,568,433	1,827,654	1,631,600	1,655,596	1,837,785	1,736,979	1,637,888	1,522,907	1,410,242	1,291,060
Contributions in relation to the statutorily or contractually required contributions	\$ (1,568,433)	(1,827,654)	(1,631,600)	(1,655,596)	(1,837,785)	(1,736,979)	(1,637,888)	(1,522,907)	(1,410,242)	(1,291,060)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered employer payroll	\$ 56,759,051	53,832,428	43,426,594	38,690,957	38,308,281	34,910,848	32,229,818	30,917,140	29,360,021	29,093,216
Contributions as a percentage of covered employee payroll	% 2.76%	3.40%	3.76%	4.28%	4.80%	4.98%	5.08%	4.93%	4.80%	4.44%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 3,609,867	3,423,744	2,761,935	2,756,825	3,033,888	2,684,188	2,409,686	2,102,960	1,819,355	1,624,865
Contributions in relation to the statutorily or contractually required contributions	\$ (3,609,867)	(3,423,744)	(2,761,935)	(2,756,825)	(3,033,888)	(2,684,188)	(2,409,686)	(2,102,960)	(1,819,355)	(1,624,865)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered employer payroll	\$ 56,759,051	53,832,428	43,426,594	38,690,957	38,306,657	34,822,854	32,134,263	30,775,241	29,202,895	28,837,971
Contributions as a percentage of covered employee payroll	% 6.36%	6.36%	6.36%	7.13%	7.92%	7.71%	7.50%	6.83%	6.23%	5.63%

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 5,180,970	\$ 5,725,132	\$ 7,648,916	\$ 2,966,269	\$ 1,893,692	\$ 1,786,073	\$ 1,327,804
Changes for the Year							
Service cost	366,436	255,950	447,018	221,815	217,466	171,746	91,402
Interest	213,874	247,975	164,572	66,151	58,381	47,063	58,224
Changes in benefit terms	364,380	0	0	0	0	0	0
Differences between expected and actual experience	(4,298)	(1,413,351)	(12,972)	(1,131,451)	834,400	0	321,393
Changes of assumptions	(512,660)	462,591	(2,386,308)	5,661,667	89,126	(25,705)	185,464
Benefit payments	(98,713)	(97,327)	(136,094)	(135,535)	(126,796)	(85,485)	(67,875)
Change in Actuarial Cost Method	-	-	-	-	-	-	(130,339)
Total OPEB liability - ending	\$ 5,509,989	\$ 5,180,970	\$ 5,725,132	\$ 7,648,916	\$ 2,966,269	\$ 1,893,692	\$ 1,786,073

Covered-employee payroll \$ 57,955,614 \$ 54,381,284 \$ 45,482,154 \$ 39,206,523 \$ 38,893,413 \$ 35,421,230 \$ 32,680,465

Total OPEB liability as a % of covered payroll 9.5% 9.5% 12.6% 19.5% 7.6% 5.4% 5.5%

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: The life insurance benefit increased from \$2,000 to \$5,000 for those eligible for the benefit. Changes of Assumptions for 2024: The following assumptions have been revised: discount rate and healthcare cost trends.

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

2018	4.10%
2019	2.74%
2020	2.12%
2021	2.05%
2022	4.18%
2023	3.89%
2024	4.22%

**SPOKANE TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
Department of Transportation, Federal Transit Administration	Federal Transit Capital Investment Grant	20.500	WA-2020-009		\$978,317	\$978,317		1,2,3
	Subtotal Federal Transit Cluster CFDA # 20.500:			\$0	\$978,317	\$978,317		
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2021-014		\$933	\$933		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2018-069		\$81,600	\$81,600		1,2,3
Department of Transportation, Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-2024-077		\$12,710,739	\$12,710,739		1,2, 3,4
	Subtotal Federal Transit Cluster CFDA # 20.507:			\$0	\$12,793,272	\$12,793,272		
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2022-011		\$108,354	\$108,354		1,2,3
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2024-085		\$966,145	\$966,145		1,2,3
Department of Transportation, Federal Transit Administration	Bus & Bus Facilities Formula, Competitive, and Low or No Emissions Program	20.526	WA-2021-027		\$1,576,598	\$1,576,598		1,2,3
	Subtotal Federal Transit Cluster CFDA # 20.526:			\$0	\$2,651,097	\$2,651,097		
Total Federal Transit Cluster					\$16,422,686	\$16,422,686		
Department of Energy, (WA State Department of Commerce - Spokane Regional Transportation Council)	ARRA-State Energy Program	81.041	F21-92201-013	\$300,000		\$300,000		1,2,3
	Subtotal ARRA-State Energy Program:			\$300,000		\$300,000		
Total ARRA-State Energy Program						\$300,000		

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

**SPOKANE TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Transit Services Programs Cluster								
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1733-2024-2 Pending		\$625	\$625	\$625	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513	WA-2022-022		\$16,158	\$16,158	\$16,158	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (ARPA)	20.513	WA-2022-021		\$32,686	\$32,686	\$32,686	1,2,3
Department of Transportation, Federal Transit Administration	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities (CRRSSA)	20.513	WA-2023-044		\$173,408	\$173,408	\$173,408	1,2,3
Department of Transportation, Federal Transit Administration	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2024-035		\$211,868	\$211,868	\$211,868	1,2,3
Total Transit Services Programs Cluster				\$0	\$434,745	\$434,745	\$434,745	
TOTAL FEDERAL AWARDS EXPENDED				\$300,000	\$16,857,431	\$17,157,431	\$434,745	

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

SPOKANE TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

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 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 2024. 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 2024 apportionment on September 14, 2024.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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