

ANNUAL REPORT CERTIFICATION

Spokane Transit Authority
(Official Name of Government)

0345
MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended 12/31/2025

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I certify 28th day of May, 2026, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Signatures

Tamara Johnston (tjohnston@spokanetransit.com)

Spokane Transit Authority

For the Year Ended December 31, 2025

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, 2025. 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, 2025 by \$523,562,374. Of this amount, \$263,467,085 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 \$57,310,727 for catastrophic self-insurance exposure protection, operating reserves, future right of way and real estate acquisitions.
- STA's Total Net Position increased by \$20,915,663 (excluding adjustments). The Net Position increase was favorably impacted by the federal and state portions of capital grant revenue totaling \$12,391,787 combined with the \$8,523,876 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 gain a full understanding of the data provided within the financial statements.

Financial Analysis

Overall, the financial position of STA improved in 2025. For the year ended December 31, 2025, total assets exceeded total liabilities by \$523,562,374. STA is a capital-intensive enterprise and 48.4% 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,		
	2025	2024	2023
Assets:			
Current Assets	\$ 281,987,735	\$ 301,038,031	\$ 281,330,890
Non-current Assets	13,207,633	11,988,021	14,714,354
Capital Assets (Net)	259,572,425	229,641,574	220,677,736
Total Assets	<u>554,767,793</u>	<u>542,667,626</u>	<u>516,722,980</u>
Deferred Outflows	<u>20,728,329</u>	<u>19,540,631</u>	<u>16,611,545</u>
Total Assets and Deferred Outflows	<u>\$ 575,496,122</u>	<u>\$ 562,208,257</u>	<u>\$ 533,334,525</u>
Liabilities:			
Current Liabilities	\$ 17,558,994	\$ 24,387,759	\$ 19,904,423
Long Term Liabilities	13,646,425	12,403,628	12,270,712
Total Liabilities	<u>31,205,419</u>	<u>36,791,387</u>	<u>32,175,135</u>
Deferred Inflows	<u>7,686,560</u>	<u>9,728,390</u>	<u>13,447,205</u>
Net Position:			
Invested in Capital Assets	259,572,425	229,641,574	220,677,736
Restricted Reserves	357,000	357,000	357,000
Restricted for Net Pension Asset	13,207,633	11,988,021	14,714,354
Unrestricted Reserves	263,467,085	273,701,885	251,963,095
Total Net Position	<u>536,604,143</u>	<u>515,688,480</u>	<u>487,712,185</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 575,496,122</u>	<u>\$ 562,208,257</u>	<u>\$ 533,334,525</u>

During 2025, STA's net position increased by \$20,915,663 (excluding adjustments). The following is a summary Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2025. Also shown are the comparatives for the years ended December 31, 2024, and 2023.

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

For the years ended December 31,

	2025	2024	2023
Operating Revenue	\$ 8,097,667	\$ 8,140,512	\$ 6,938,613
Nonoperating Revenue			
Sales Tax	118,660,411	115,642,761	114,879,746
Grants – Noncapital	24,549,833	22,973,606	40,190,510
Other Nonoperating Revenue	9,874,645	7,836,876	5,947,116
Total Nonoperating Revenue	153,084,889	146,453,243	161,017,372
Total Revenue (before capital contributions)	161,182,556	154,593,755	167,955,985
Operating Expenses	125,594,737	113,798,501	103,821,805
Depreciation	26,797,162	24,113,551	19,846,525
Nonoperating Expenses			
Other Nonoperating Expenses	266,781	703,582	1,830,032
Total Expenses	152,658,680	138,615,634	125,498,362
Gain before Contributions	8,523,876	15,978,121	42,457,623
Contributions			
Capital grants	12,391,787	12,899,918	23,686,879
Change in Net Position	20,915,663	28,878,039	66,144,502
Beginning Net Position	515,688,480	487,712,185	421,581,184
Prior Period Adjustments	-	(901,744)	(13,501)
Ending Net Position	\$ 536,604,143	\$ 515,688,480	\$ 487,712,185

Revenues

Sales tax, the primary source of STA revenue, increased by \$3.0M in 2025 and \$0.8M in 2024. Sales tax accounted for 73.6% of total revenue before capital contributions in 2025, 74.8% in 2024, and 68.4% in 2023.

Passenger fares are the major source of operating revenues. The current fare policy was adopted by the Board October 1, 2022. The base adult fare is \$2 per ride. The policy includes fare capping, which limits a customer's maximum payment to \$4 per day and \$60 for a calendar month. In addition, it provides enhanced discount categories for military, honored riders, adult students, and low income as well as zero fare for youth 18 years and under. STA's fare collection system includes Connect cards and the STA Connect mobile application which provides more convenient ways and better value for customers as they manage their ridership experience. Operating revenues also include other small miscellaneous items such as union release time reimbursement and

vehicle damage reimbursement. Overall, operating revenue remained stable in 2025, declining by just \$43k, after an increase of \$1.2M in 2024.

STA is a recipient of Federal section 5307 formula grant funds for preventive maintenance. Use of these funds for maintenance is authorized by the Federal Transit Administration (FTA) and amounted to \$13.1M in 2025, \$12.7M in 2024, and \$10.9M in 2023. STA was awarded additional Federal section 5307 formula one-time COVID-19 relief grant funding totaling \$83.3M. STA received the last payment of this funding of \$20.0M in 2023. This 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.

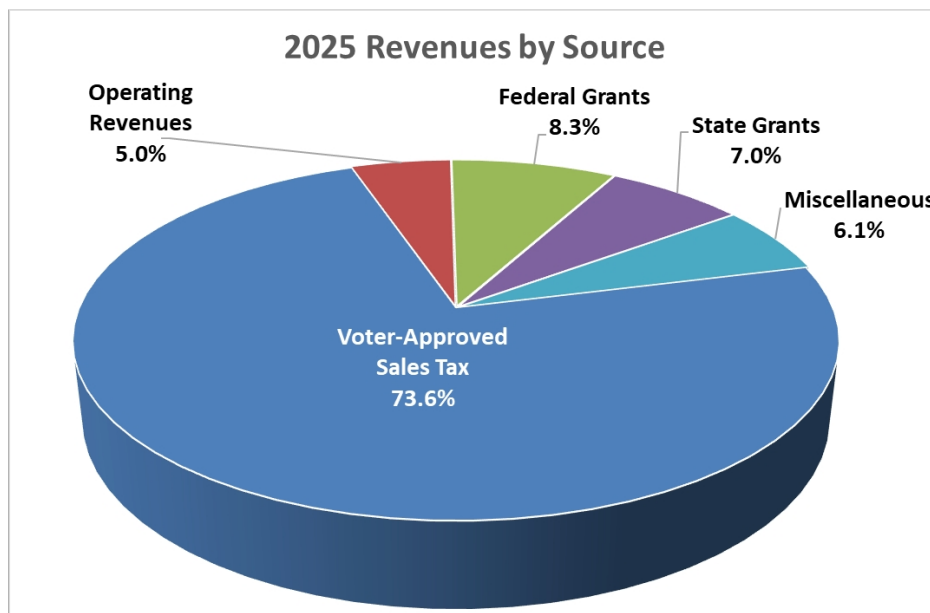
STA was awarded FEMA disaster assistance under the COVID-19 Emergency Declaration for emergency protective measures. This assistance was used to protect public health and safety. STA received its final payment of \$120k in 2023 for related expenditures from February 27, 2020, to May 11, 2023, corresponding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

For the years ended December 31, 2025, 2024, and 2023, STA received total federal operating funding of \$13.4, \$12.7M, and \$30.9M, respectively.

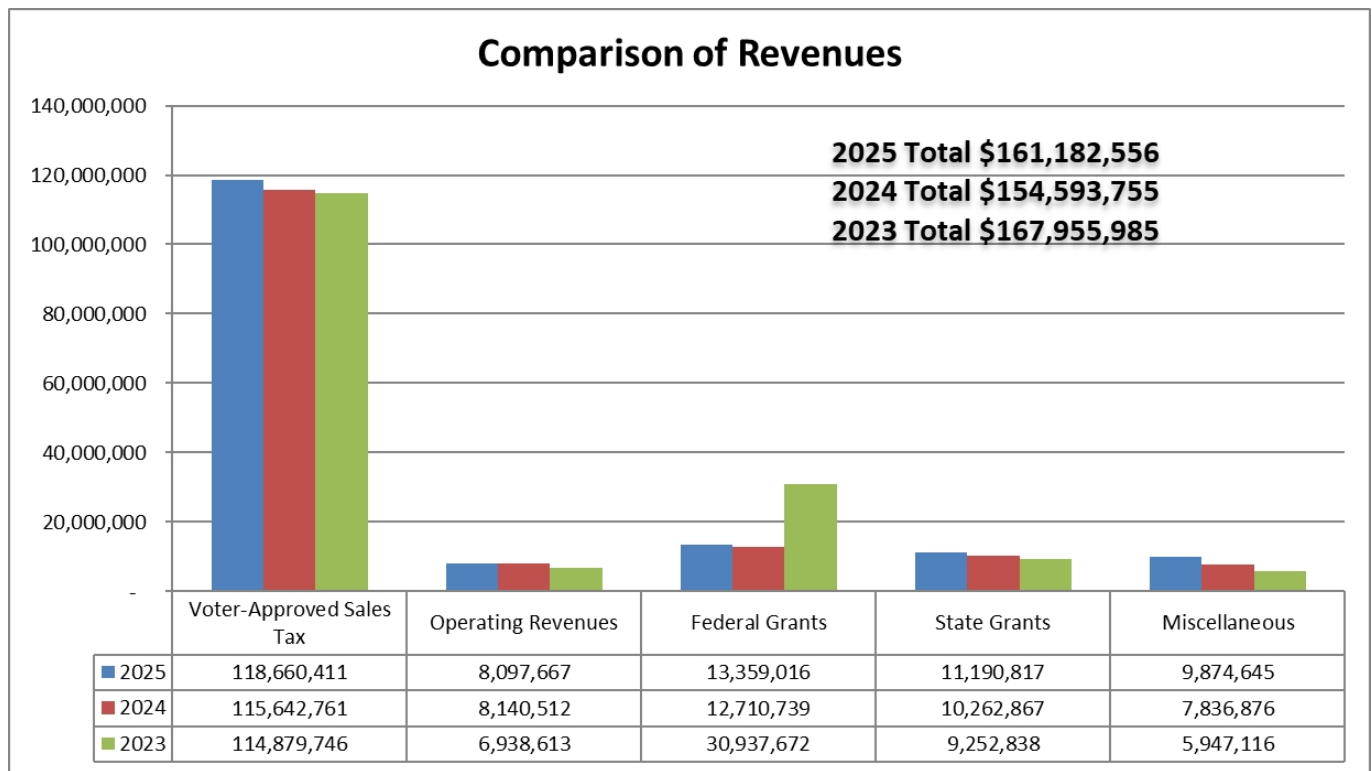
STA obtained state funding from the Washington State Department of Transportation in the amount of \$11.2M in 2025, \$10.3 in 2024, and \$9.3M in 2023. These grant funds were used for special-needs-related service as well as portions of projects categorized as operating. In March 2022, the Washington State legislature enacted Move Ahead Washington, a new state transportation funding package that provides \$3 billion for public transportation over 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. The total award to STA for these operating programs was \$20.4M for the 2023-2025 biennium and \$24.3M for the 2025-2027 biennium.

Miscellaneous revenue, primarily investment earnings, increased to \$9.9M in 2025 from \$7.8M in 2024, and \$5.9M in 2023. Interest income increased due to higher interest rates during the year, which averaged 3.60%, up from 3.17% in 2024 and 2.46% in 2023, and higher average cash balances.

During 2025, STA Operating and Nonoperating revenues were \$161.2M. 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.

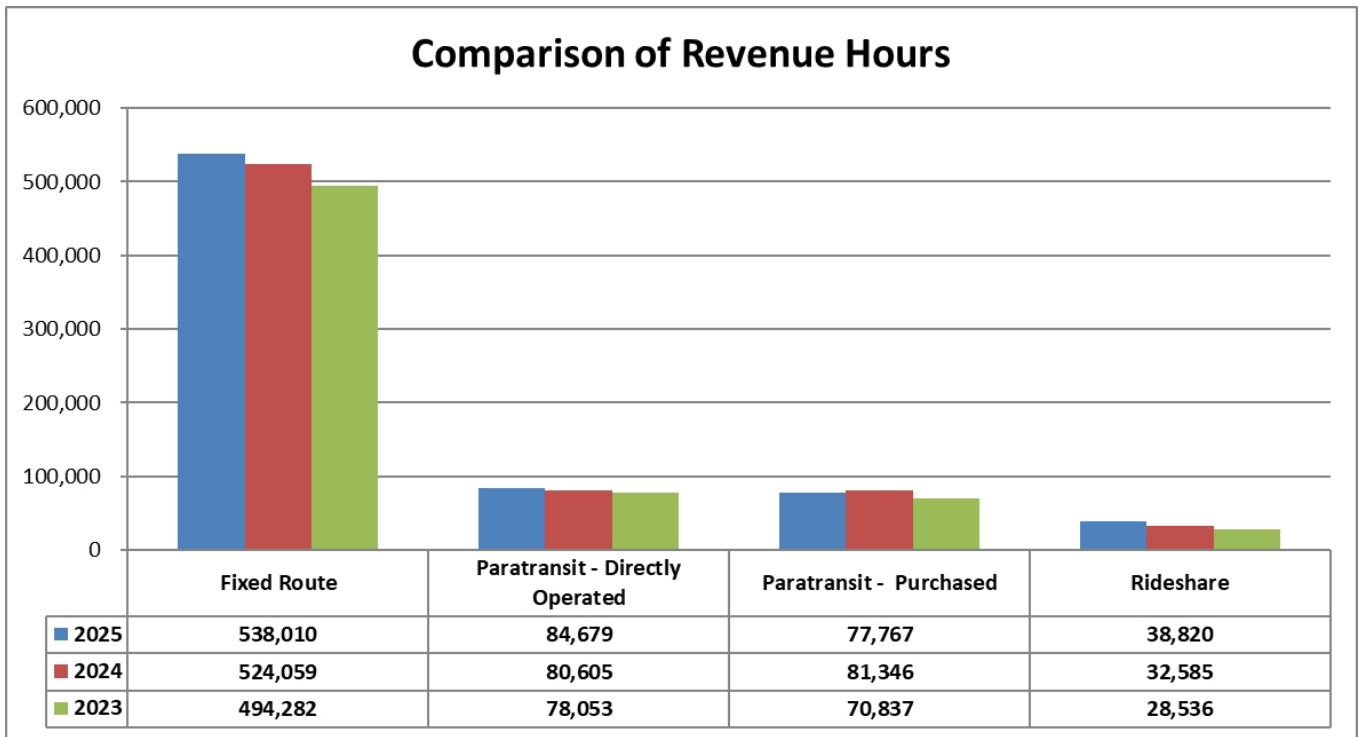
The mode describes the type of service that STA provides:

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

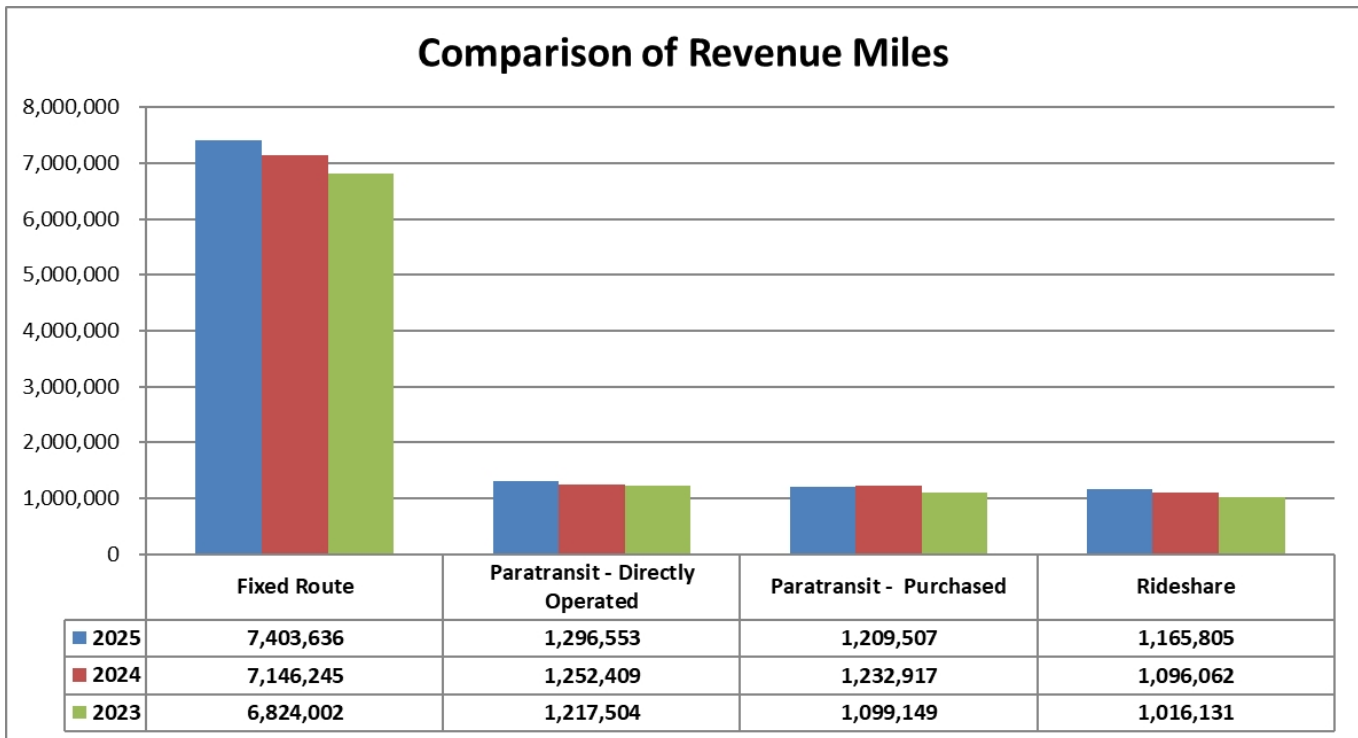
Paratransit (Demand Response) - Paratransit refers to the mode that provides a complementary service for those unable to use the regular bus because of the effects of their disability as provided under the Americans with Disabilities Act (ADA). Directly operated service is provided by STA personnel during 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 maintained the existing transit system, including paratransit and rideshare services, and also improved 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

expanded 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.

The centerpiece 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 and carried over 766,000 riders in 2025. 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. The launch of the new Bus Rapid Transit (BRT) route, City Line, marked a major public transit milestone for the Spokane region.

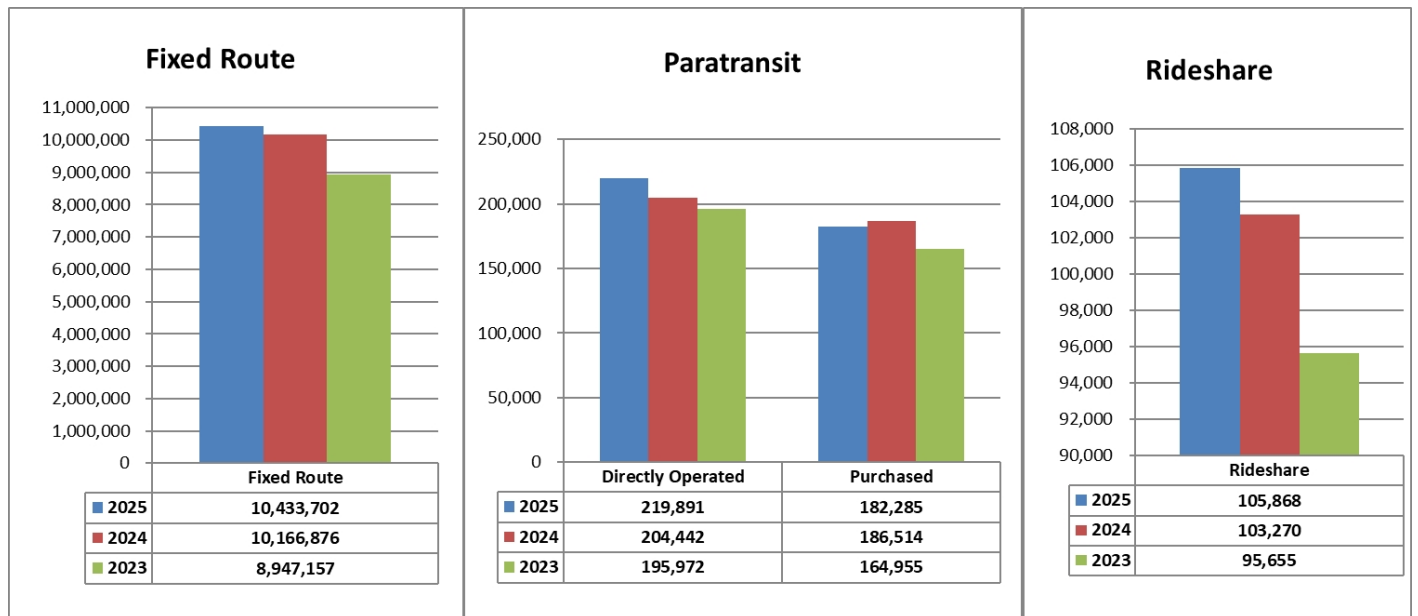
STA’s next ten-year strategic plan, Connect 2035, began implementation in 2025 and is envisioned to guide investments and strategic actions through 2035. The initiatives in this plan focus on three key actions:

- Elevate the customer experience,
- Lead and collaborate with community partners to enhance the quality of life in the region, and
- Strengthen STA’s capacity to anticipate and respond to the demands of the region.

One key project, STA’s Safety Ambassador program, started in 2025 with trained personnel regularly engaging with customers throughout the fixed route bus system, providing information and a safe environment for riders and employees. These Transit Ambassadors have been well received by coach operators and STA passengers.

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 has increased steadily in Fixed Route, Paratransit and the public rideshare program over the three-year period, 2023, 2024, and 2025 as STA introduced more service. The following shows the results for the last three years:



- Fixed Route ridership increased by 2.6% in 2025.
- Paratransit ridership across the combined directly operated and purchased service increased by 2.9% in 2025.
- Rideshare ridership increased in 2025 by 2.5%.

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 8.7% 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. increased fuel costs.
- Maintenance expense increased 23.4% 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. increase in cost of vehicle parts used in repair and maintenance of STA vehicles including batteries required for battery electric vehicles, and
 3. increase in facilities maintenance, including furniture and other materials needed for offices.
- Administration expense increased 2.5% 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 software licensing/maintenance, and utilities costs; and
 3. higher premiums for casualty and property insurance.

Expense By Mode & Function For Years Ended December 31, 2025, 2024 and 2023

Mode & Function	2025	2024	Increase (Decrease)	% Change	2023
Fixed Route:					
Transportation	\$ 53,532,853	\$ 49,245,466	\$ 4,287,387	8.7%	\$ 45,938,141
Maintenance	26,468,014	21,101,539	5,366,475	25.4%	18,069,900
Administration	21,021,974	20,335,134	686,840	3.4%	18,509,902
Fixed Route Total	<u>\$ 101,022,841</u>	<u>\$ 90,682,139</u>	<u>\$ 10,340,702</u>	11.4%	<u>\$ 82,517,943</u>
Paratransit:					
Transportation	\$ 17,529,229	\$ 16,093,634	\$ 1,435,595	8.9%	\$ 14,808,573
Maintenance	2,090,673	2,062,046	28,627	1.4%	1,966,456
Administration	3,836,568	4,027,653	(191,085)	-4.7%	3,740,407
Paratransit Total	<u>\$ 23,456,470</u>	<u>\$ 22,183,333</u>	<u>\$ 1,273,137</u>	5.7%	<u>\$ 20,515,436</u>
Rideshare:					
Transportation	\$ 238,704	\$ 229,367	\$ 9,337	4.1%	\$219,118
Maintenance	175,978	122,252	53,726	43.9%	104,309
Administration	700,744	581,410	119,334	20.5%	464,999
Rideshare Total	<u>\$ 1,115,426</u>	<u>\$ 933,029</u>	<u>\$ 182,397</u>	19.5%	<u>\$ 788,426</u>
Modes Combined Expense:					
Transportation	\$ 71,300,786	\$ 65,568,467	\$ 5,732,319	8.7%	\$ 60,965,832
Maintenance	28,734,665	23,285,837	5,448,827	23.4%	20,140,665
Administration	25,559,286	24,944,197	615,089	2.5%	22,715,308
Modes Combined Expense Total	<u>\$ 125,594,737</u>	<u>\$ 113,798,501</u>	<u>\$ 11,796,234</u>	10.4%	<u>\$ 103,821,805</u>
Depreciation/Amortization	<u>26,797,162</u>	<u>24,113,551</u>	<u>2,683,611</u>	11.1%	<u>19,846,525</u>
Total Operating Expense after Depreciation	<u>\$ 152,391,899</u>	<u>\$ 137,912,052</u>	<u>\$ 14,479,845</u>	10.5%	<u>\$ 123,668,330</u>

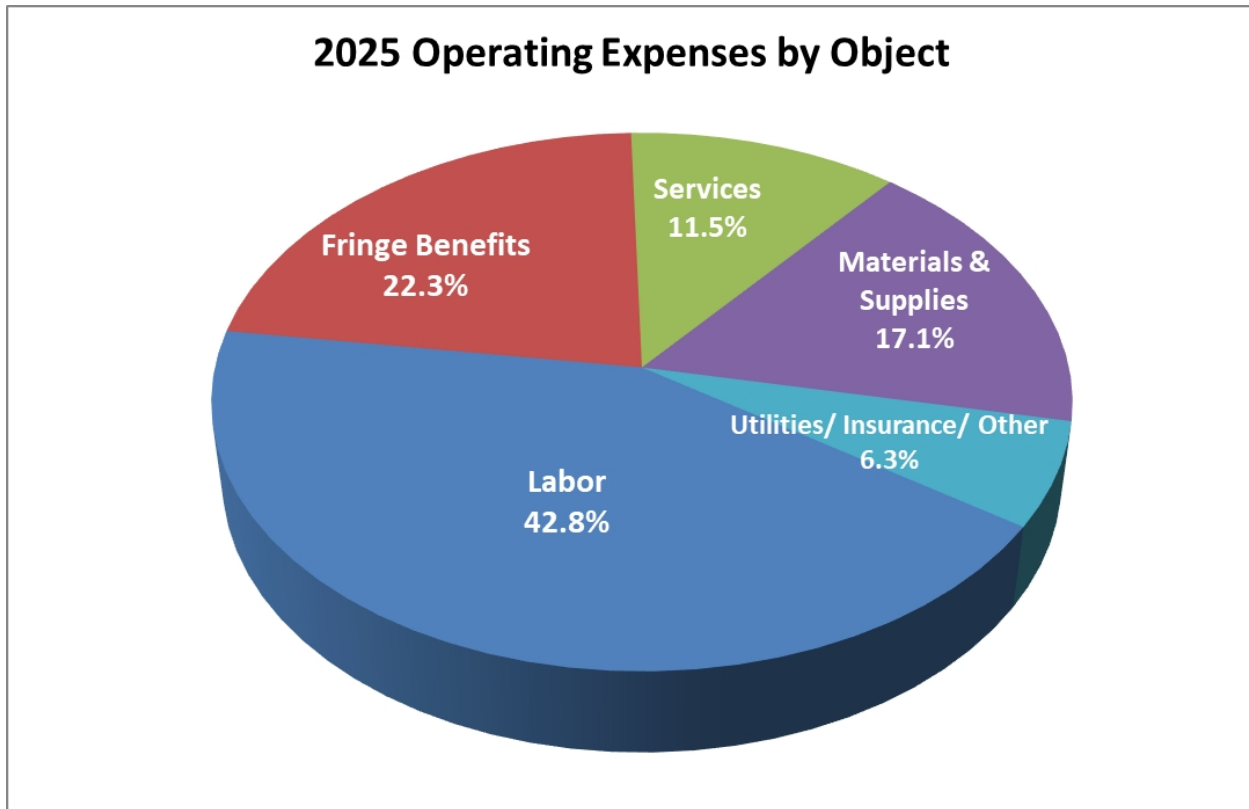
Expenses in the table above are also shown by mode of operation.

- Fixed Route costs increased 11.4% in 2025 over 2024 as STA increased its service levels.
- Paratransit costs increased 5.7% as service demand increased.
- Rideshare expenses increased 19.5% primarily due to increased property/liability insurance as well as increased ridership.

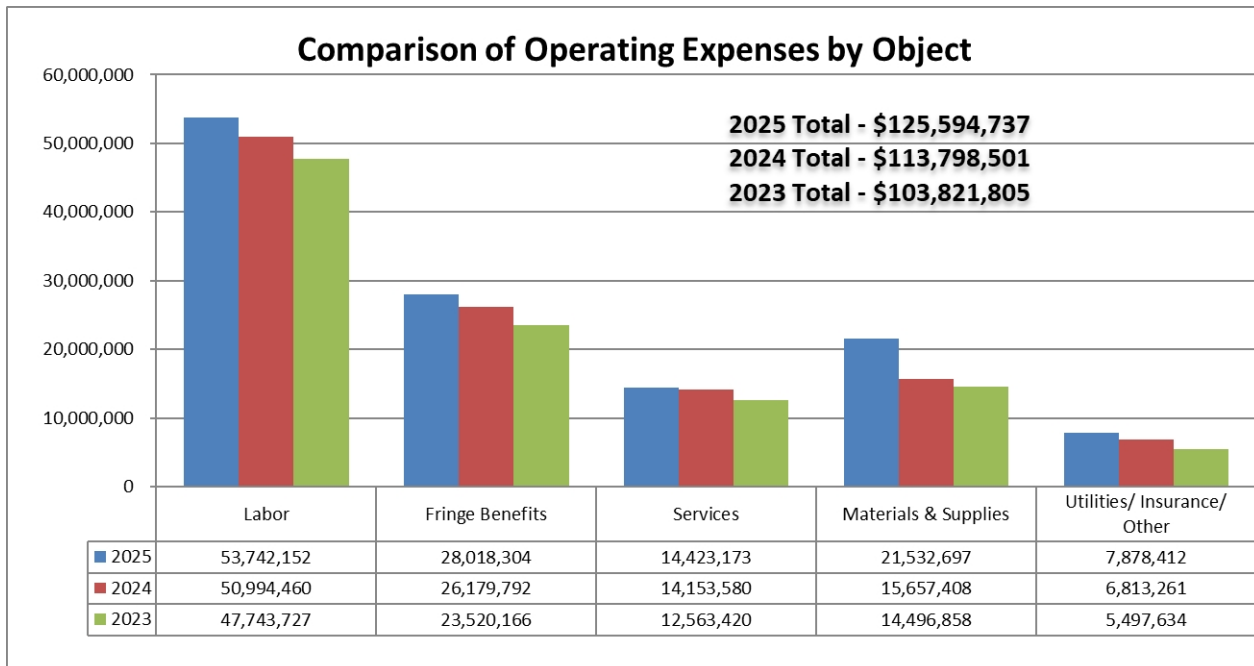
Operating Expense by Object

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 2025, STA operating expenses, excluding depreciation and amortization, were \$125,594,737. 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 5.4% in 2025. 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 21 employees in 2025 and 33 employees in 2024.

Effective Date	2023			2024			2025			
	1/1	2/1	7/1	1/1	3/6	9/1	1/1	2/1	4/1	7/1
Amalgamated Transit Union Local 1015	9.00%					4.00%			4.00%	
Amalgamated Transit Union Local 1598	4.50%	2.00%			4.75%			4.00%		
The American Federation of State, County, and Municipal Employees Local 3939	4.50%		2.25%			3.50%				5.00%
Management & Administrative employees	4.00%			3.00%			3.00%			

Fringe Benefit expense primarily includes health insurance premiums, retirement contributions, FICA/Medicare taxes and paid time off costs. The 7.0% increase in fringe benefits in 2025 was primarily due to the increase in medical and dental expense, increases to paid time off expenses, and state industrial insurance, offset by lower pension costs and lower impacts from other year-end expense adjustments required by GASB 68 for Pensions and GASB 75 for OPEB.

Services expense increased by 1.9% in 2025 primarily due to increases in contracted transportation for Paratransit, custodial services, security services, and contracted maintenance offset by decreases in consulting, and temporary help for maintenance and administration.

Material and Supplies expense increased by 37.5% in 2025. This was primarily due to higher cost of repair materials for vehicles including batteries for battery electric coaches, fuel, fare media, facilities furnishings, and software licensing/maintenance.

Utilities, Insurance and Other expense include costs related to utilities, liability and property insurance, taxes, leases and miscellaneous expenses. The 15.6% increase in 2025 is primarily attributed to increases in property insurance, utilities and miscellaneous expenses.

Capital Assets

STA's capital assets as of December 31, 2025, amounted to \$456,374,818 less \$196,802,393 in accumulated depreciation and amortization. This includes \$21,780,200 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, intangible property, and right to use lease assets and right to use software assets. Net capital asset changes consisted of \$56,846,464 of additions and adjustments and \$9,208,840 of retirements and dispositions. Depreciation and amortization expense of \$26,797,162 was recorded.

Major capital asset acquisitions, including work in process and accruals, during 2025 consisted of the following:

- Additions to Vehicles included seven fixed route double decker diesel coaches, seventeen fixed route forty-foot diesel coaches, seven paratransit vans, ten rideshare vans, three service vehicles, and some minor additions to coaches for a total cost of \$22,716,364;
- Additions to Buildings and Improvements consisted of Mirabeau Transit Center upgrades and redevelopment, replacement of above-ground fuel storage tanks and bus washer at the Fleck Service Center, improvements to the South Hill Park and Ride, replacement of the Plaza entrance doors, trash compactor and Plaza rotunda modifications. Increases to Transit benefiting improvements included the

Sprague Line high-performance transit corridor, as well as improvements at other stations and bus stops. Total additions to Buildings and Improvements amounted to \$14,628,721;

- Additions to Equipment and Furnishings include shelters; security cameras at Boone campus, Jefferson, South Hill, and Mirabeau Park and Rides; mobile data routers; computer hardware replacements, network servers, maintenance equipment and digital displays. The combined amount of these equipment purchases was \$2,995,445;
- Additions to Intangibles include software, right to use software, and right to use leases. Total additions were \$4,432,068;
- Additions to Land include property in Mead for a future transit center, property next to the Fleck Service Center for the future Paratransit and Rideshare Operations Base, property adjacent to the Boone campus for a future Fixed Route Operations Center, and an addition to the Valley Transit Center. These Land additions amounted to \$16,187,044; and
- Work in Process (including accruals) decreased \$4,113,178 primarily due to the seven double-decker buses entering service as well as the completion of the Mirabeau Transit Center, Fleck Fuel Tank improvements, Fleck Bus Washer and mobile data router project. Work in process at the end of the year includes additions to transit benefiting improvements such as Route 7, Route 21 and Route 95 improvements; transit stations and bus stops throughout the system; Division Street BRT, Appleyway Station, and Argonne Station Park and Ride design; Plaza Clean Building project; Facilities Master Plan Updates, and other small on-going projects.

STA capital assets that have reached their useful life are generally disposed of by auction or sealed bid. 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% 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 \$31,105,776 at year-end 2025, \$28,419,910 at year-end 2024, and \$18,299,045 at year-end 2023.

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*.

2025 Budgetary Analysis

The 2025 budget in the table below was adopted by the STA Board in December 2024. The approved operating revenues total \$155,724,280 with approved operating expenses of \$135,259,729 for a total of \$20,464,551 budgeted revenues over expenses.

STA's 2025 actual operating and non-operating revenues exceeded the budget by \$5,458,276 or 3.5%. Sales tax revenue, STA's largest source of revenue, exceeded the budget by \$2,347,743 or 2.0% due to stronger than expected retail sales in the PTBA. Federal and State grant revenue was \$1,436,281 or 6.2% 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 2025 coming in \$289,611 or 3.7% higher, primarily due to increased ridership 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 \$1,384,641 or 16.3% due to higher interest rates earned on higher average invested balances throughout 2025.

Operating expenditures also ended the year favorably compared with the 2025 budget. STA expended 93.1% of its operating budget, or \$9,398,211 under budgeted levels. This was primarily due to: GASB 68 related pension expense credit of \$5,695,309, lower medical and dental premiums expense of \$1,415,408, lower pension expense of \$1,237,779 due to Department of Retirement Systems (DRS) lowering rates, lower fuel costs of \$763,507, and lower salaries (including paid time off) of \$710,142. These favorable variances were offset by unfavorable variances in contract transportation of \$361,353, contracted maintenance of \$354,608, software license/maintenance of \$342,293, furniture of \$288,862, and GASB 75 related Other Post Employment Benefit (OPEB) expenses of \$807,692.

The comparison of the 2025 budget to 2025 actuals is as follows.

Budgetary Comparison Schedule

	2025 Amended Budget	2025 Actual	Favorable (Unfavorable)	
			Budget Variance \$	Budget Variance %
Operating and Non-operating Revenues				
& Other Transit Revenue	\$ 7,808,056	\$ 8,097,667	\$ 289,611	3.7%
Sales Tax	116,312,668	118,660,411	2,347,743	2.0%
Federal & State Grants	23,113,552	24,549,833	1,436,281	6.2%
Miscellaneous Revenue	8,490,004	9,874,645	1,384,641	16.3%
Total Revenues	\$ 155,724,280	\$ 161,182,556	\$ 5,458,276	3.5%
Operating and Non-operating Expenses				
Fixed Route	\$ 107,836,507	\$ 101,022,841	\$ 6,813,666	6.3%
Paratransit	26,275,029	23,456,470	2,818,559	10.7%
Rideshare	1,148,193	1,115,426	32,767	2.9%
Cooperative Projects	-	266,781	(266,781)	100.0%
Total Operating Expenses	\$ 135,259,729	\$ 125,861,518	\$ 9,398,211	6.9%
Revenues over Expenses	\$ 20,464,551	\$ 35,321,038	\$ 14,856,487	72.6%

Economic Factors and Next Year’s Budget

The 2026 budget includes the final commitments of STAMF as well as the first Connect 2035 initiatives, such as the Transit Ambassador program. It also includes the 2026 wage and salary impacts established in the bargaining agreements with Amalgamated Transit Union Local (ATU) 1015, AFSCME 3939, and the impact of a general wage increase for management and administrative staff. STA will be bargaining with ATU 1598 for their contract expiring in 2026. Any potential wage increase that could be negotiated has not been budgeted in 2026 as is STA’s practice.

The table below is the summary of the 2026 budget adopted by the STA Board in December 2025.

	2026 Adopted Budget
Operating and Non-Operating Revenues	
Fares & Other Transit Revenue	\$ 8,096,969
Sales Tax	121,622,638
Federal & State Grants	25,871,822
Miscellaneous Revenue	7,201,504
Total Revenues	\$ 162,792,933
Operating Expenses	
Fixed Route	\$ 113,364,743
Paratransit	27,653,185
Rideshare	1,185,304
Mobility on Demand	954,948
Cooperative/TOD	200,000
Total Operating Expenses	\$ 143,358,180
Net Revenues over Expenses	\$ 19,434,753

More information about the 2026 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, 2025 and 2024

	2025	2024
<u>Assets</u>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 248,291,179	\$ 263,793,133
Accounts Receivable, Net of Allowance for Doubtful Accounts	820,154	548,058
Sales Tax Receivable	20,921,314	19,829,364
Due from Other Governments	8,907,941	14,060,551
Total Receivables	30,649,409	34,437,973
Maintenance Parts Inventory	2,943,382	2,184,030
Prepaid Expenses and Other Assets	103,765	622,895
<i>Total Current Assets</i>	281,987,735	301,038,031
<i>Noncurrent Assets:</i>		
Capital Assets		
Vehicles	158,819,943	144,358,981
Buildings and Improvements	182,095,702	168,349,032
Equipment and Furnishings	41,394,164	38,470,106
Intangible Property	16,364,848	15,844,483
Right-to-Use Lease Assets	1,165,470	924,372
Right-to-Use Software Assets	4,549,740	879,135
Land	30,204,751	14,017,707
Work in Process	21,780,200	25,893,378
Total Capital Assets	456,374,818	408,737,194
Less Accumulated Depreciation and Amortization	(196,802,393)	(179,095,620)
Capital Assets, Net of Accumulated Depreciation and Amortization	259,572,425	229,641,574
Net Pension Asset	13,207,633	11,988,021
<i>Total Noncurrent Assets</i>	272,780,058	241,629,595
<i>Total Assets</i>	554,767,793	542,667,626
<i>Deferred Outflows of Resources:</i>		
Deferred Outflows Related to Pensions	17,548,807	16,220,477
Deferred Outflows Related to Other Post Employment Benefits	3,179,522	3,320,154
<i>Total Deferred Outflows of Resources</i>	20,728,329	19,540,631
Total Assets and Deferred Outflows of Resources	\$ 575,496,122	\$ 562,208,257

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, 2025 and 2024
(Continued)

	2025	2024
<u>Liabilities</u>		
<i>Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	\$ 5,509,299	\$ 11,006,018
Accrued Wages, Benefits, and Other Liabilities	1,598,231	2,741,810
Contracts Payable (includes retainage)	2,139,770	3,019,587
Provision for Uninsured Claims and Premiums	2,128,985	1,875,389
Current portion of Compensated Absences	6,021,597	5,630,867
Current portion of Other Post-Employment Benefits Liability	161,112	114,088
<i>Total Current Liabilities</i>	17,558,994	24,387,759
<i>Long-Term Liabilities:</i>		
Compensated Absences	1,612,131	1,526,116
Right-to-Use Liabilities	2,085,358	526,987
Net Pension Liability	3,150,089	4,954,624
Other Post-Employment Benefits Liability	6,798,847	5,395,901
<i>Total Long-Term Liabilities</i>	13,646,425	12,403,628
<i>Total Liabilities</i>	31,205,419	36,791,387
<i>Deferred Inflows of Resources:</i>		
Advance Payment of Fares	607,152	523,240
Deferred Inflows Related to Pensions	4,544,611	5,887,443
Deferred Inflows Related to Other-Post Employment Benefits	2,534,797	3,317,707
<i>Total Deferred Inflows of Resources</i>	7,686,560	9,728,390
<u>Net Position</u>		
Net Investment in Capital Assets	259,572,425	229,641,574
Restricted for Net Pension Asset	13,207,633	11,988,021
Restricted for Workers' Compensation	357,000	357,000
Unrestricted	263,467,085	273,701,885
<i>Total Net Position</i>	536,604,143	515,688,480
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 575,496,122	\$ 562,208,257

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, 2025 and 2024

	2025	2024
<i>Operating Revenues:</i>		
Passenger Fares	\$ 7,731,789	\$ 7,666,247
Other Transit Revenue	365,878	474,265
<i>Total Operating Revenues</i>	8,097,667	8,140,512
<i>Operating Expenses:</i>		
Transportation	71,300,786	65,568,467
Maintenance	28,734,665	23,285,836
Administration	25,559,286	24,944,198
Depreciation and Amortization	26,797,162	24,113,551
<i>Total Operating Expenses</i>	152,391,899	137,912,052
<i>Operating Loss</i>	(144,294,232)	(129,771,540)
<i>Nonoperating Revenues (Expenses):</i>		
Sales Tax	118,660,411	115,642,761
Interest Income	9,059,751	8,120,180
Other Nonoperating Revenues	752,077	277,163
Other Nonoperating Expenses	(266,781)	(703,582)
State and Local Grants	11,190,817	10,262,867
Federal Preventive Maintenance and Other Noncapital Grants	13,359,016	12,710,739
Gain/(Loss) on Sale of Capital Assets	62,817	(560,467)
<i>Total Nonoperating Revenues (Expenses)</i>	152,818,108	145,749,661
<i>Net Gain Before Contributions</i>	8,523,876	15,978,121
<i>Capital Grants and Contributions:</i>		
FTA Formula and Discretionary Capital Grants	4,840,476	4,011,947
State Capital Grants	7,551,311	8,887,971
<i>Total Capital Grants and Contributions</i>	12,391,787	12,899,918
<i>Change in Net Position</i>	20,915,663	28,878,039
Net Position - Beginning of Year, as previously reported	515,688,480	487,712,185
Accounting Change (GASB 101 Compensated Absences Implementation)	-	(901,744)
<i>Net Position - Beginning of Year, as restated</i>	515,688,480	486,810,441
<i>Net Position - End of Year</i>	\$ 536,604,143	\$ 515,688,480

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, 2025 and 2024

	2025	2024
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Operating Revenues	\$ 7,909,395	\$ 7,849,262
Cash Payments to Suppliers for Goods and Services	(44,365,802)	(35,885,461)
Cash Payments to Employees for Services	(87,243,714)	81,483,528)
<i>Net Cash Used in Operating Activities</i>	(123,700,121)	(109,519,727)
 <i>Cash Flows from Noncapital Financing Activities:</i>		
Sales Tax Receipts Collected by Other Governmental Entities	117,568,461	115,449,921
Noncapital Grants and Other Revenue	21,778,543	25,798,485
Other Nonoperating Expense	(999,031)	(757,133)
<i>Net Cash Provided by Noncapital Financing Activities</i>	138,347,973	140,491,273
 <i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchase of Property, Plant, and Equipment	(60,502,887)	(30,056,434)
Proceeds from Disposition of Property, Plant, and Equipment	181,268	209,259
Federal Capital Grants	9,032,136	3,163,235
Other Capital Grants	12,079,926	8,163,650
<i>Net Cash Used in Capital and Related Financing Activities</i>	(39,209,557)	(18,520,290)
 <i>Cash Flows from Investing Activities:</i>		
Interest Income	9,059,751	8,120,180
<i>Net Cash Provided by Investing Activities</i>	9,059,751	8,120,180
<i>Net Increase in Cash and Cash Equivalents</i>	(15,501,954)	20,571,436
<i>Cash and Cash Equivalents - Beginning of Year</i>	263,793,133	243,221,697
<i>Cash and Cash Equivalents - End of Year</i>	\$ 248,291,179	\$ 263,793,133

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, 2025 and 2024
(Continued)

	2025	2024
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</i>		
Operating Loss	\$(144,294,232)	\$(129,771,540)
 Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
<i>Noncash Adjustments:</i>		
Depreciation and Amortization	26,797,162	24,113,551
Pension Expense	(5,695,309)	(5,887,029)
Other Post Employment Benefits	807,692	1,091,711
Reserve for Obsolete Inventory	75,006	(41,929)
Allowance for Doubtful Accounts	(50,000)	35,000
 <i>Changes in Assets - Decrease (Increase):</i>		
Accounts Receivable	(222,096)	(101,052)
Maintenance Parts Inventory	(834,357)	(61,773)
Prepaid Expenses	519,131	225,410
 <i>Changes in Liabilities - Increase (Decrease):</i>		
Accounts Payable and Accrued Expenses	(482,604)	941,918
Accrued Wages, Benefits and Other Liabilities	(666,834)	(119,143)
Advance Payment of Fares	83,912	(202,346)
Provision for Uninsured Claims	253,596	244,743
Contracts Payable	8,812	12,752
<i>Net Cash Used in Operating Activities</i>	<i>\$(123,700,121)</i>	<i>\$ (109,519,727)</i>

NON-CASH TRANSACTIONS:

Non-cash investing, capital, or financing activities includes capital accruals of \$1,826,825.

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

Spokane Transit Authority

Notes to the Financial Statements

December 31, 2025 and 2024

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, low-income 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. Sales tax accounted for 73.6% of total revenues while Federal grants accounted for 8.3% in 2025 versus 74.8% and 8.2% in 2024, 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%. Voter approval is required for all sales tax.

From 1981 to 2004, voters authorized STA to levy a local 0.3% 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% 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 acted on February 21, 2008 to have voters consider a reauthorization of the 0.3% sales tax on the May 20, 2008 ballot. This request was approved by the voters making an additional 0.3% 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% 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% increase that was effective April 1, 2017. An additional 0.1% 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% sales tax levy within its PTBA.

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 \$13,098,668 and \$12,710,739 in 2025 and 2024, respectively.

Additionally, STA received state funding from the Washington State Department of Transportation in the amount of \$11,190,817 in 2025 and \$10,262,867 in 2024. 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. Total operating expenses including depreciation were \$152,391,899 in 2025 and \$137,912,052 in 2024. Total nonoperating expenses were \$266,781 and \$703,582 in 2025 and 2024, respectively.

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, 2025, and 2024 was \$248,291,179 and \$263,793,133, 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 2025 consist of \$820,154 net of allowance for doubtful accounts of \$55,000 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 2024 at \$548,058, net allowance for doubtful accounts of \$5,000.

The sales tax receivable amount is \$20,921,314 and represents sales tax for November and December 2025 received in January and February 2026. Sales tax receivable was \$19,829,364 as of December 31, 2024.

Due from other governments receivable is the amount due from federal and state governments for grants. The balance at year-end 2025 and 2024 was \$8,907,941 and \$14,060,551, 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 \$2,943,382, net of reserve for obsolete inventory of \$117,445 for 2024 and \$2,184,030, net of reserve for obsolete inventory of \$192,451 for 2024. 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 2025 amounting to \$103,765 related to prepaid maintenance agreements of \$53,411 and \$50,354 of prepaid excess workers' compensation and underground storage tank insurance. At December 31, 2024, the prepaid expense balance was \$622,895.

5. Restricted Assets and Liabilities

STA has no restricted liabilities as of December 31, 2025. 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 \$13,207,633 related to Net Pension Assets. Restricted assets increased for 2025 due to the change in Net Pension Asset from \$11,988,021 in 2024 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 program. 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, which is earned and unused, is payable upon resignation, retirement, or death. The accrued vacation and related fringe balance at December 31, 2025 was \$3,653,157. The accrued vacation and related fringe in 2024 was \$3,448,975.

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, 2025 was \$3,980,570. The accrued sick leave and related fringe in 2024 was \$3,708,009.

All unpaid but earned wages and related fringe are included in accrued Wages, Benefits, and Other Liabilities. Total Wages, Benefits, and Other Liabilities excluding compensated absences, were \$1,598,231 and \$2,741,810 as of December 31, 2025, and 2024, 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 for 2024 was restated.

9. Long-Term Liabilities

Net pension liability of \$3,150,089 for 2025 and \$4,954,624 for 2024 is further described below in Item 12 and in Note 6-Retirement Plans. Net Other Post-Employment Benefits Liability, including the current portion, of \$6,959,959 and \$5,509,989 for 2025 and 2024 respectively, is further described in Item 11 below and Note 5-Defined Benefit Plans - Other Post-Employment Benefits (OPEB).

Compensated absences liability of \$1,612,131 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 \$2,085,358 for 2025 and \$526,987 for 2024 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 2025 and 2024 was \$607,152 and \$523,240, respectively.

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 2025 Operating and Capital Budget was approved by the STA Board in December 2024. The 2025 budget was amended by the Board in March 2025 to include unbudgeted and unanticipated expenses necessary to obtain required parts for Proterra-manufactured buses post company bankruptcy, repair and maintain City Line high-voltage cabling, and replace unsupported battery model to ensure service reliability.

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, 2025, STA's Cash and Cash Equivalents in the SCIP were \$248,291,179. This decreased over the amount reported at December 31, 2024 of \$263,793,133 as detailed in the Statement of Cash Flows.

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2025, and 2024 was as follows:

	Beginning Balance 1/1/2025	Additions/ Adjustments	Retirements	Ending Balance 12/31/2025
Capital Assets, Not Being Depreciated:				
Land	\$ 14,017,707	\$ 16,187,044	\$ -	\$ 30,204,751
Work in Process	25,893,378	(4,113,178)	-	21,780,200
Subtotal	39,911,085	12,073,866	-	51,984,951
Capital Assets Being Depreciated or Amortized:				
Vehicles	144,358,981	22,716,364	(8,255,402)	158,819,943
Buildings and Improvements	168,349,032	14,628,721	(882,051)	182,095,702
Equipment and Furnishings	38,470,106	2,995,445	(71,387)	41,394,164
Intangible Property	15,844,483	520,365	-	16,364,848
Right-to-Use Lease Asset	924,372	241,098	-	1,165,470
Right-to-Use Software Asset	879,135	3,670,605	-	4,549,740
Subtotal	368,826,109	44,772,598	(9,208,840)	404,389,866
Less Accumulated Depreciation and Amortization For:				
Vehicles	74,088,591	10,691,640	(8,255,402)	76,524,829
Buildings and Improvements	70,161,250	9,180,676	(794,260)	78,547,666
Equipment and Furnishings	22,275,214	4,308,784	(68,502)	26,515,496
Intangible Property	12,570,565	2,616,062	27,775	15,214,402
Subtotal	179,095,620	26,797,162	(9,090,389)	196,802,393
Total Capital Assets, Net of Accumulated Depreciation and Amortization	\$ 229,641,574	\$ 30,049,301	\$ (118,451)	\$ 259,572,425

	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	(143,033)	70,161,250
Equipment and Furnishings	19,006,877	3,885,832	(617,495)	22,275,214
Intangible Property	10,481,030	2,361,519	(271,984)	12,570,565
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

Construction and Other Commitments

STA has active construction projects as of December 31, 2025. The projects and commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Boone Electrical System Upgrade	\$ 0	\$ 2,689,868
West Plains Connector	1,178,334	821,666
Plaza Generator and Roofing Upgrades	2,109,890	433,775
2024 Bus Stop Improvements Phase II	-	216,830
WPTC Operation Expansion & Enhancements	754,900	191,669
Route 7 HPT Phase I	599,227	164,495
Route 62 Stop Improvements	-	158,228
Route 23 Segment Improvements Phase I	-	126,000
Plaza Fire Panel Replacement	-	125,032
Elm Street Preservation Project Phase I	-	100,000
Whitworth Comfort Station	225,269	76,746
Sprague Line HPT Phase II	858,854	41,405
Washington at Stevens Grind & Overlay	118,232	27,768
Millwood Bus Stop Infrastructure	-	22,494
Sullivan Road Bus Stop Improvements	-	15,451
Total	\$ 5,844,706	\$ 5,211,427

The projects and commitments with contractors as of year-end 2024 were:

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

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, 2025, and 2024.

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 2025 and 2024:

Aggregate OPEB Amounts		
	2025	2024
OPEB liability	\$ 6,959,959	\$ 5,509,989
Deferred outflows of resources	\$ 3,179,522	\$ 3,320,154
Deferred inflows of resources	\$ 2,534,797	\$ 3,317,707
OPEB expenses/expenditures	\$ 959,862	\$ 1,190,426

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 \$5,000 life insurance policy, formerly \$2,000 prior to 2025, with the premium paid by STA. The cost of life insurance estimated from net premiums computed using the interest and mortality assumptions is \$1.14 per person annually. 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 with 5 years of service;
 - (2) Any age with 30 years of service.
- Plan 2 (members of PERS joining after October 1, 1977):
 - (1) Age 65 with 5 years of service;
 - (2) Any age with 30 years of service.
- Plan 3 (members of PERS on or after March 2, 2002):
 - (1) Age 65 with 5 years of service;
 - (2) Age 55 with 10 years of service.

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

Retirees are required to pay 100% 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% 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 2025 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, 2025 and 2024, the following employees were covered by the benefit terms:

	2025	2024
Inactive employees or beneficiaries currently receiving benefits	144	149
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	776	715
Total	920	864

STA's total OPEB liability of \$6,959,959 was measured as of December 31, 2025, and was determined by an actuarial valuation as of December 31, 2025.

Assumptions and Other Inputs

The total OPEB liability actuarial valuation, as of December 31, 2025, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.42%
Healthcare Cost Trend Rates:	
2026 Trend	7.00%
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, 2025, Fidelity Municipal Bond AA 20-Year Yield and the December 31, 2025, S&P Municipal Bond 20-Year High Grade Index.

Mortality rates for active employees were based on the PubG.H-2016 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-2016 Healthy Retiree Mortality Table, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Significant Changes from the Previous Actuarial Valuation

- The claim costs assumptions were revised based on the actual premium rates being offered to plan members, age adjusted for the risk characteristics of the current covered group. In addition, the retiree contributions were updated to the same rates. This resulted in an increase in the Total OPEB Liability.
- Updates made to the distribution of participation by plan for future retirees based on the current plan uptake of the current group, resulted in an increase in the Total OPEB Liability.
- The discount rate increased from 4.22% to 4.42% which resulted in a decrease in the Total OPEB Liability.
- Based on the current group, the age setback for wives was revised. The revision assumes that wives are expected to be two years younger than their husbands. The previous assumption was three years. This resulted in a decrease in the Total OPEB Liability.
- The Society of Actuaries Research Institute's Retirement Plans Experience Committee released the Pub-2016 Public Retirement Plans Mortality Tables. The primary focus of the study was a comprehensive review of recent mortality experience of public retirement plans in the United States. Therefore, the use of the mortality rates from the PubG.H-2010 tables was changed to the PubG.H-

2016 tables with continued use of the generational projection with Projection Scale MP-2021. 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	\$ 5,853,854	\$ 6,959,959	\$ 8,411,495

The following presents the total OPEB liability of STA calculated using the discount rate of 4.42%, 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 (3.42%)	Current Discount Rate (4.42%)	1% Increase (5.42%)
Total OPEB Liability	\$ 8,305,052	\$ 6,959,959	\$ 5,896,443

Changes in the Total OPEB Liability

Spokane Transit	
Total OPEB Liability at January 1, 2025	\$ 5,509,989
Service cost	343,463
Interest	243,805
Changes of benefit terms	0
Differences between expected and actual experience	131,673
Changes of assumptions/inputs	883,199
Benefit payments	(152,170)
Administrative Expense	-
Total OPEB Liability at December 31, 2025	\$ 6,959,959

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	(512,660)
Benefit payments	(98,713)
Administrative Expense	-
Total OPEB Liability at December 31, 2024	\$ 5,509,989

At December 31, 2025 and 2024, STA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

December 31, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 454,647	\$ 1,139,530
Changes of assumptions or other inputs	2,724,875	1,395,267
Employer amounts for OPEB subsequent to the measurement date	-	-
TOTAL	\$ 3,179,522	\$ 2,534,797

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

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
2026	\$ 372,595
2027	372,595
2028	(324,376)
2029	(82,815)
2030	53,008
Thereafter	\$ 253,718

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 2025 and 2024:

Aggregate Pension Amounts – All Plans		
	2025	2024
Pension liabilities	\$ 3,150,089	\$ 4,954,624
Pension assets	\$ 13,207,633	\$ 11,988,021
Deferred outflows of resources	\$ 17,548,807	\$ 16,220,477
Deferred inflows of resources	\$ 4,544,611	\$ 5,887,443
Pension expense/expenditures	\$ 1,315,367	\$ 708,729

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

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

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

PERS Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the

Pension Funding Council and is subject to change by the legislature. For part of the year, the PERS Plan 2/3 employer rate included 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%	2.55%	0.20%	9.11%
July – December	5.38%	0%	0.20%	5.58%

Plan	Employee Contribution Rates
PERS 1	6.00%
PERS 2	6.36% January – June and 5.38% July - December
PERS 3	Varies 5% - 15%

STA’s actual PERS plan contributions were \$793,290 to PERS Plan 1 and \$3,586,650 to PERS Plan 2/3 for the year ended December 31, 2025. 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.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation completed as of June 30, 2024 with the results rolled forward to June 30, 2025. 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 2024 actuarial valuation report.

- **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.

Change in Assumptions and Methods: OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations.

Long-Term Expected Rate of Return

OSA selected a 7.0% long-term expected rate of return on pension plan investments. 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, 2025. The inflation component used to create the table is 2.5% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	100%	

Discount Rate

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

Sensitivity of the Net Pension Liability/(Assets)

The table below presents STA’s proportionate share of the 2024 net pension liability calculated using the discount rate of 7.0%, 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%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 5,315,465	\$ 3,150,089	\$ 1,251,001
PERS 2/3	\$ 21,432,742	\$ (13,207,633)	\$ (41,657,049)

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, 2025 and 2024, STA reported its proportionate share of the net pension liabilities and assets as follows:

Liability (or Asset)		
	2025	2024
PERS 1	\$ 3,150,089	\$ 4,954,624
PERS 2/3	\$ (13,207,633)	\$ (11,988,021)

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

	Proportionate Share June 30, 2024	Proportionate Share June 30, 2025	Change in Proportion
PERS 1	0.278845%	0.267184%	(0.011661%)
PERS 2/3	0.363651%	0.346096%	(0.017555%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025 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, 2025, and 2024, STA’s recognized pension expense is as follows:

	Pension Expense (Credit)	
	2025	2024
PERS 1	\$ 511,222	\$ 56,837
PERS 2/3	\$ 804,145	\$ 651,892
TOTAL	\$ 1,315,367	\$ 708,729

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025 and 2024, STA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2025 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	-	216,557
Changes of assumptions	-	-

Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	35,863	-
TOTAL	\$ 35,863	\$ 216,557

2025 PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,656,634	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	2,974,257
Changes of assumptions	5,104,253	364,714
Changes in proportion and differences between contributions and proportionate share of contributions	1,054,521	989,083
Contributions subsequent to the measurement date	1,697,536	
TOTAL	\$ 17,512,944	\$ 4,328,054

2025 TOTAL PERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,656,634	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	3,190,814
Changes of assumptions	5,104,253	364,714
Changes in proportion and differences between contributions and proportionate share of contributions	1,054,521	989,083
Contributions subsequent to the measurement date	1,733,399	-
TOTAL	\$ 17,548,807	\$ 4,544,611

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

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, 2025. 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
2026	\$ 206,642	\$ 4,614,468	\$ 4,821,110
2027	(150,535)	1,784,743	1,634,208
2028	(156,328)	1,711,278	1,554,950
2029	(116,337)	610,343	494,006
2030	-	1,814,396	1,814,396
Thereafter	-	952,125	952,125

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% 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% to 6.5% and the employer contribution ranged from 9% to 25%. The Chief Executive Officer's (CEO) contract provided for an employer contribution of 16% from October 3, 2010 to December 31, 2010; 18% for 2011; 22% for 2012 through December 31, 2024; and 7% starting August

10, 2025 going forward. 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 \$101,595 for 8/2/25-12/31/25 and \$219,342 for all of 2024. During the years ended December 31, 2025, and 2024, STA contributed a total of \$6,836 and \$46,888 respectively, to the Section 401(a) defined contribution plans. These amounts were recognized as a fringe benefit by STA in 2025. There was no outstanding liability as of December 31, 2025.

Note 7: Deferred Compensation Plan

STA offers its employees a tax-deferred compensation plan created in accordance with Internal Revenue Code Section 457. MissionSquare serves as plan administrator, trustee, and record keeper under the plan. The plan permits employees to defer a portion of their wages until future years. In addition, STA contributes 3% to the account of employees hired before January 1, 2007 in the following groups: ATU 1598, non-represented employees, and the former CEO (retired 12/31/2024). 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, 2025 and 2024, were \$19,672,594 and \$18,707,847, 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, cyber liability coverage, and terrorism coverage. STA assumes the liability for claims up to the deductible amounts listed below for each type of risk. Risk of claims in excess of the deductible amount have been transferred to the Washington State Transit Insurance Pool.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six months' written notice and then withdrawing at the end of the fiscal year. Agencies that withdraw are not eligible to rejoin for a period of 3 years. The Pool is governed by a Board of Directors which is comprised of designated representatives from every member. An Executive Committee is elected at the Annual Meeting and is responsible for conducting WSTIP's business affairs.

Transit agencies may apply for WSTIP membership, which is granted upon approval by a simple majority vote of the WSTIP Board of Directors. WSTIP's underwriting and rate-setting policies are established based on actuarial consultation. WSTIP members may be subject to 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, Safety National, 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 2025:

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
Public Rideshare Driver Medical Expense Protection (PDRMEP)	\$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
Endorsement 1: Communicable Disease Liability:	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
PUBLIC OFFICIALS' LIABILITY			
	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1: Violations of Wage & Hour Laws	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
PROPERTY COVERAGE			
All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/members combined	\$10,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below \$250,000 in value)	Fair market value		\$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)	

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
FIRST PARTY LOSS			
Business Interruption			
Resulting from Security Breach	\$750,000	Aggregate limit	
Resulting from System Failure	\$500,000	Aggregate limit	
Dependent Business Loss			
Resulting from Security Breach	\$750,000	Aggregate limit	
Resulting from System Failure	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
eCRIME			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$200,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$200,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$50,000	Limit of Liability	

Extra Cyber Limits

In addition to the coverage detailed in the basic Cyber Liability insurance description, 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. The policy term is July 1 and renews annually. STA elected to purchase two \$2 million excess cyber liability policies (\$4 million in aggregate) where both policies sit above the APIP/Beazley Cyber Liability policy (for a total of \$6 million in limits). The carrier is Cowbell via Palomar Excess & Surplus Company for \$2 million in coverage and Tokio Marine HCC via Houston Casualty Company for \$2 million in coverage.

Extra E-Crime Limits

WSTIP members were given the choice to purchase optional extra per member limits that are in addition to the underlying APIP crime insurance. STA chose to purchase this additional coverage which is provided by Relm Insurance Ltd.

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 limits (in excess of the \$20 million provided by the underlying auto physical damage policy). 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 Illinois Union 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 (increased to \$2 million July 1, 2025) and a \$500,000 limit (increased to \$1 million July 1, 2025) on defense per environmental incident. STA has a \$5,000 deductible (increased to \$100,000 July 1, 2025) 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, 2025, and 2024, of \$2,128,985 and \$1,875,389, 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 liability, STA has a restricted self-insurance reserve of \$357,000, and an excess commercial workers' compensation policy with a statutory limit per claim of \$550,000. The carrier for this policy is Safety National Casualty Corporation, and the policy is renewed April 1 each year.

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 is 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% 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 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, provide a purchase option or guarantee residual value at the end of the lease.

STA has a lease agreement with Eastern Washington University. The initial lease agreement was for twenty (20) years beginning in January 2018. This lease was prepaid in full in 2018 and has been converted to a right-to-use lease asset from a pre-paid. As the lease is fully paid, there is not a liability, nor any interest related to this lease. The annual pre-paid rent is \$10,000 per year. The asset will depreciate over the remaining term of the lease. The lease does not convey ownership, provide a purchase option or guarantee residual value at the end of the lease.

Building Lease

STA has a lease agreement for a warehouse on 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% 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% 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, provide a purchase option or guarantee residual value at the end of the lease.

STA had 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. This lease was terminated on December 31, 2025. For accounting purposes, the right-to-use leased asset and lease liability were reported at the present value of the future minimum lease payments using 4.73% 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 did not convey ownership, provide a purchase option, or guarantee residual value at the end of the lease.

Tower Lease

STA remeasured a lease with Crown Castle for use of tower space due to a contract extension. The lease was determined to have an initial present value less than the established threshold of \$50,000 prior to the contract extension and subsequent remeasurement. For accounting purposes, this lease now meets the criteria to be a

right-to-use leased asset and lease liability and is reported at the present value of the future minimum lease payments using 3.86% interest rate. The lease payments ranged from \$2,116 at the beginning of 2025 to \$2,278 as of October 2025. The payments escalate to \$2,321 and \$2,366 in October 2026 and 2027, respectively. The present value of the total payments under the lease were used to calculate the value of the leased asset and leased liability. The interest rate was based on the State of Washington’s Incremental Borrowing Rates for Leases and SBITAs at the time of the lease agreement. The lease did not convey ownership, provide a purchase option, or guarantee residual value at the end of the lease.

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

	Beginning Balance 1/1/2025	Increases	Decreases	Ending Balance 12/31/2025
Leased Lands	\$ 397,841	\$ 130,000	\$ -	\$ 527,841
Leased Buildings	526,531	-	-	526,531
Leased Tower	0	111,099		111,099
Total Right-to-Use Lease Assets	924,372	241,099	-	1,165,471
Accumulated Amort. - Lease Land	99,460	29,892	-	129,352
Accumulated Amort. - Lease Buildings	339,583	110,224	-	449,807
Accumulated Amort. - Lease Tower	0	49,995		49,995
Total Amortization	\$ 439,043	\$ 190,111	\$ -	\$ 629,154

	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

As of December 31, 2025, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2026	\$ 82,859	\$ 27,823	\$ 110,682
2027	67,574	21,509	89,083
2028	38,233	11,866	50,099
2029	20,561	8,248	28,809
2030	20,870	7,939	28,809
2031-2035	109,136	34,909	144,045
2036-2038	69,494	16,933	86,427
Total	\$ 408,727	\$ 129,227	\$ 537,954

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% 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 was 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 the 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. The initial term of this agreement was for one year for two modules commencing on February 19, 2020. Three amendments to the agreement have occurred. The first amendment extended the agreement for an additional year, the second amendment added two additional modules and extended the agreement three additional years, and the third amendment extended the agreement an additional three years making the contract end date February 18, 2028. For the purposes of calculating the SBITA, the term of 1/1/2022 through 2/18/2025 was used and then remeasured to include 3/19/25-2/18/2028. The total subscription amount for the term of this agreement is \$1,082,556. 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% interest rate for the initial term and 3.12% interest for the additional three years. The subscription sets forth fixed annual payments. The present value of the total payments, applicable to 1/1/2022 through 2/18/2028, for the subscription were used to calculate the value of the SBITA asset and liability. The initial interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement and remeasurement interest rate is based on Washington's incremental borrowing rates for SBITA's at time of remeasurement.

STA executed an additional contract with Swiftly Inc during 2025 that qualifies as a SBITA. This contract is for data feed and customer information which aims to improve the customer experience via a mobile application that provides enhanced ease of system navigation, notifications regarding route detours and cancellations, and improved trip planning with better bus arrival time prediction accuracy. The term of this agreement is five years commencing on August 18, 2025, and concluding on August 17, 2030. The total subscription amount for the term of this agreement is \$1,060,120. For accounting purposes, the right-to-use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.16% interest rate. The subscription sets forth fixed annual payments of \$205,679 for the first year, \$198,241, \$208,153, \$218,560, and \$229,487 for each of the respective years. The present value of the total payments under the subscription was used to calculate the value of the SBITA asset and SBITA liability. The interest rate was based on Washington's incremental borrowing rates for SBITAs at the time of the subscription agreement.

STA has contracted with Content Management System Software for Digital Signage provided by Nanonation Inc. that qualifies as a SBITA. 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 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% 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 asset and liability. The interest rate was based on the Washington program for equipment 3 years at the time of the subscription agreement. This contract agreement was extended for three additional years and is now effective until 8/31/2028. A remeasurement of the asset and liability has been completed. The cost for the additional term is \$185,328 for a total of \$335,417. The asset and liability are reported at the present value of the future minimum subscription payments using 3.86% interest rate based on Washington’s incremental borrowing rates for SBITAs at the time of the remeasurement.

STA determined the new contract executed for ProCore project management software provided by Carahsoft Technology Corporation is a SBITA. This software includes Project Management Pro, Analytics, Quality and Safety, Project Financials, Invoice Management, and custom-built solutions as needed. The term of this agreement is three years commencing 6/2/2025. The present value of the subscription amount for the term of this agreement is \$596,584. For accounting purposes, the right-to-use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.12% interest rate. The subscription sets forth an initial pre-payment for the first year with fixed annual payments of \$181,608 for years two and three. The present value of the total payments under the subscription was used to calculate the value of the SBITA asset and SBITA liability (excludes the pre-paid portion). The interest rate was based on Washington’s incremental borrowing rates for SBITAs at the time of the subscription agreement.

STA has contracted a Learning Management System Subscription Software provided by LearnUpon Limited that qualifies as a SBITA. This software is a web-based platform that will host original training content and pre-made, off-the-shelf training, while providing unique user profiles for all STA employees. The term of this agreement is three years commencing 1/31/2025. The present value of the subscription amount for the term of this agreement is \$99,079. For accounting purposes, the right-to-use SBITA asset and liability are reported at the present value of the future minimum subscription payments using 3.05% interest rate. The interest rate was based on Washington’s incremental borrowing rates for SBITAs at the time of the subscription agreement.

Two software agreements were pre-paid and have been converted to right-to-use SBITA assets. As these assets were paid in full at the beginning of the contract term, there will be no related liability or interest expense. The contracts were with Samsara Inc. The first agreement term is 11/3/2023-11/2/2028 for telematic technology for rideshare vehicles including the web-based management software. The asset value for this agreement is \$89,279. The second agreement with Samsara Inc is for the five-year term, 10/9/2025-10/8/2030. This includes the same telematic technology as the first agreement expanded to include the remainder of STA’s fleet. This includes telematics for fixed route coaches, paratransit vans, and all service/road vehicles. The asset value for this agreement is \$1,148,130.

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

	Balance 1/1/2025	Increases	Decreases	Balance 12/31/2025
Subscription Based Software Asset (SBITA)	\$ 879,135	\$ 3,670,605	\$ -	\$ 4,549,740
Accumulated Amortization (SBITA)	822,762	618,136	-	1,440,898
Net Right-to-Use SBITA	\$ 56,373	\$ 3,052,469	\$ -	\$ 3,108,842

	Balance 1/1/2024	Increases	Decreases	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

As of December 31, 2025, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2026	\$ 540,458	\$ 48,543	\$ 589,001
2027	629,701	55,405	685,106
2028	307,632	27,859	335,491
2029	198,841	30,646	229,487
Thereafter	-	-	-
Total	\$ 1,676,632	\$ 162,453	\$ 1,839,085

Note 10: Changes in Long-Term Liabilities

The tables below summarize the changes that occurred in long-term liabilities for years ended, December 31, 2025 and 2024.

	Beginning Balance 1/1/2025	Additions	Reductions	Ending Balance 12/31/2025	Due within one year
Right to Use liabilities	\$ 526,987	\$ 2,226,728	\$ 668,357	\$ 2,085,358	\$ 623,317
Pension liabilities*	4,954,624	-	1,804,535	3,150,089	-
OPEB liabilities*	5,509,989	1,449,970	-	6,959,959	161,112
Compensated Absences*	7,156,983	476,745	-	7,633,728	6,021,597
TOTAL	\$ 18,148,583	\$ 4,153,443	\$ 2,472,892	\$ 19,829,134	\$ 6,806,026

	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

*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 \$13,207,633 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% 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 2025, the total cash reserves were \$57,310,727. This included \$4,950,000 Right of Way acquisition, \$25,000,000 real estate acquisition, \$5,500,000 for catastrophic self-insurance exposure protection, \$21,503,727 for operating expense reserves, and \$357,000 for self-insurance reserves for workers' compensation (Note 11). The reserve was \$55,522,959 in 2024. The difference from 2024 to 2025 is in the operating reserve which was \$19,715,959 in 2024.

Note 14: Accounting Changes and Error Corrections

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

GASB Statement No. 102 – In December 2023 GASB issued Statement no 102 (GASB 102), Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources (revenue) or outflow of resources (expenses). A *constraint* is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. STA assessed the disclosure requirements of this Statement and determined that the criteria requiring disclosure in its financial statement have not been met.

REQUIRED SUPPLEMENTARY INFORMATION

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,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.267184%	0.278845%	0.278602%	0.240757%	0.255352%	0.236616%	0.239708%	0.248251%	0.227220%	0.245403%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	3,150,089	4,954,624	6,359,737	6,703,558	3,118,445	8,353,823	9,217,624	11,086,974	10,781,766	13,179,297
<u>Covered Payroll</u>	\$	57,753,356	56,279,435	49,629,243	39,771,007	39,223,204	35,848,267	33,500,368	32,922,486	28,479,976	29,012,360
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	%	5.45%	8.80%	12.81%	16.86%	7.95%	23.30%	27.51%	33.68%	37.86%	45.43%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	89.07%	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%

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,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.346096%	0.363651%	0.359002%	0.314854%	0.327939%	0.307228%	0.307335%	0.314681%	0.289129%	0.309094%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	(13,207,632)	(11,988,021)	(14,714,354)	(11,677,245)	(32,668,001)	3,929,271	2,985,268	5,372,898	10,045,851	15,562,639
<u>Covered Payroll</u>	\$	57,753,356	56,279,435	49,629,243	39,771,007	39,223,204	35,805,174	33,406,559	32,797,084	28,346,328	28,791,796
<u>Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll</u>	%	-22.87%	-21.30%	-29.65%	-29.36%	-83.29%	10.97%	8.94%	16.38%	35.44%	54.05%
<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>	%	105.53%	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

Notes to Schedules:

These plans are administered by the state Department of Retirement Systems (DRS). The actuarial methods and significant assumptions used in these valuations are available in the publicly available actuary reports for these pension plans. See the DRS Annual Comprehensive Financial Report's (ACFR) and the Participating Employer Financial Information (PEFI) for information on factors that significantly affect trends in the amounts reported in this schedule. The DRS ACFR and PEFI are available on DRS's website at: <https://www.drs.wa.gov/employer/ch15/>.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or contractually required contributions	\$ 793,290	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
Contributions in relation to the statutorily or contractually required contributions	\$ (793,290)	(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)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 60,999,452	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
Contributions as a percentage of covered payroll	%	1.30%	2.76%	3.40%	3.76%	4.28%	4.80%	4.98%	5.08%	4.93%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or contractually required contributions	\$ 3,586,650	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
Contributions in relation to the statutorily or contractually required contributions	\$ (3,586,650)	(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)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 60,999,452	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
Contributions as a percentage of covered payroll	%	5.88%	6.36%	6.36%	6.36%	7.13%	7.92%	7.71%	7.50%	6.83%

Notes to Schedule:

These plans are administered by the state Department of Retirement Systems (DRS). The actuarial methods and significant assumptions used in these valuations are available in the publicly available actuary reports for these pension plans. See the DRS Annual Comprehensive Financial Report's (ACFR) and the Participating Employer Financial Information (PEFI) for information on factors that significantly affect trends in the amounts reported in this schedule. The DRS ACFR and PEFI are available on DRS's website at: <https://www.drs.wa.gov/employer/ch15/>.

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 5,509,989	\$ 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	343,463	366,436	255,950	447,018	221,815	217,466	171,746	91,402
Interest	243,805	213,874	247,975	164,572	66,151	58,381	47,063	58,224
Changes in benefit terms	0	364,380	0	0	0	0	0	0
Differences between expected and actual experience	131,673	(4,298)	(1,413,351)	(12,972)	(1,131,451)	834,400	0	321,393
Changes of assumptions	883,199	(512,660)	462,591	(2,386,308)	5,661,667	89,126	(25,705)	185,464
Benefit payments	(152,170)	(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	\$ 6,959,959	\$ 5,509,989	\$ 5,180,970	\$ 5,725,132	\$ 7,648,916	\$ 2,966,269	\$ 1,893,692	\$ 1,786,073
Covered-employee payroll	\$ 61,795,083	\$ 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	11.3%	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: None

Changes of Assumptions for 2024: The following assumptions have been revised: claim costs, contributions, age setback for spouses, future retiree participation by plan, mortality rates, and discount rate

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%
2025	4.24%

Spokane Transit Authority

Schedule 01

For the year ended December 31, 2025

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
0345	401	Operations	3081900	Restricted Net Position - Beginning	\$12,345,021
0345	401	Operations	3086000	Net Investment in Capital Assets - Beginning	\$229,641,574
0345	401	Operations	3088900	Unrestricted Net Position - Beginning	\$273,701,885
0345	401	Operations	3132100	Public Transportation Systems Sales and Use Tax	\$118,660,411
0345	401	Operations	3312000	Federal Direct Award from Department of Transportation	\$13,323,013
0345	401	Operations	3339700	Federal Indirect Award from Department of Homeland Security	\$36,003
0345	401	Operations	3340360	State Award from Department of Transportation	\$11,190,817
0345	401	Operations	3447100	Transits, Railroads and Other Transportation Systems Services	\$7,731,789
0345	401	Operations	3611000	Investment Earnings	\$9,059,751
0345	401	Operations	3620000	Rents and Leases	\$72,688
0345	401	Operations	3699100	Miscellaneous Other Operating	\$365,878
0345	401	Operations	3699200	Miscellaneous Other Nonoperating	\$679,389
0345	401	Operations	3730000	Gains (Losses) on Capital Assets	\$62,817
0345	401	Operations	5014700	Depreciation, Depletion, Amortization - Transits, Railroads and Other Transportation Systems	\$26,797,162
0345	401	Operations	5471010	Transits, Railroads and Other Transportation Systems	\$53,742,152
0345	401	Operations	5471020	Transits, Railroads and Other Transportation Systems	\$28,018,304

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
0345	401	Operations	5471030	Transits, Railroads and Other Transportation Systems	\$21,532,697
0345	401	Operations	5471040	Transits, Railroads and Other Transportation Systems	\$22,301,584
0345	401	Operations	5985040	Other Nonoperating Expenses	\$266,781
0345	401	Operations	5081900	Restricted Net Position - Ending	\$13,564,633
0345	401	Operations	5086000	Net Investment in Capital Assets - Ending	\$259,572,425
0345	401	Operations	5088900	Unrestricted Net Position - Ending	\$263,467,085
0345	401	Operations	8100000	Cash, Cash Equivalents and Investments	\$248,291,179
0345	401	Operations	8200000	Other Current Assets	\$33,696,556
0345	401	Operations	8300000	Noncurrent Assets	\$272,780,058
0345	401	Operations	8400000	Deferred Outflows	\$20,728,329
0345	401	Operations	8500000	Current Liabilities	\$17,558,994
0345	401	Operations	8600000	Noncurrent Liabilities	\$13,646,425
0345	401	Operations	8700000	Deferred Inflows	\$7,686,560
0345	401	Operations	3740360	Capital Contributions - State Grant from Department of Transportation	\$7,551,311
0345	401	Operations	3742000	Capital Contribution - Direct Federal Grant from Department of Transportation	\$4,840,476
0345	401	Operations	5944760	Capital Expenditures/Expenses - Transits, Railroads and Other Transportation Systems	\$53,178,761
0345	401	Operations	5914770	Debt Repayment - Transits, Railroads and Other Transportation Systems	\$0

**Spokane Transit Authority
Schedule of Liabilities
For the Year Ended December 31, 2025**

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	Compensated Absences	7,156,983	476,745	-	7,633,728
263.57	Leases, SBITA, and PPPs	Right to Use Liabilities	526,987	2,226,728	668,357	2,085,358
264.40	OPEB Liabilities	OPEB Liability	5,509,989	1,449,970	-	6,959,959
264.30	Pension Liabilities	Pension Liabilities	4,954,624	-	1,804,535	3,150,089
Total Revenue and Other (non G.O.) Debt/Liabilities:			18,148,583	4,153,443	2,472,892	19,829,134
Total Liabilities:			18,148,583	4,153,443	2,472,892	19,829,134

Spokane Transit Authority
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2025

State Agency Name	Program Title	Identification Number	Total
State Award from Department of Transportation	Bus and Bus Facilities Grant Program	PTD0733	16,007
State Award from Department of Transportation	Move Ahead Washington Tier Grant Program	PTD0795	2,935,893
State Award from Department of Transportation	Regional Mobility Grant Program	PTD0794	471,905
State Award from Department of Transportation	Regional Mobility Grant Program	PTD0422	632,703
State Award from Department of Transportation	Regional Mobility Grant Program	PTD0421	1,518,633
State Award from Department of Transportation	Regional Mobility Grant Program	PTD0160	1,811,046
State Award from Department of Transportation	Green Transportation Grant Program	PTD0205	108
State Award from Department of Transportation	Green Transportation Grant Program	PTD1159	27,516
State Award from Department of Transportation	Consolidated Grant Program	PTD0948	3,354,949
State Award from Department of Transportation	Consolidated Grant Program	PTD0949	1,740,484
State Award from Department of Transportation	Consolidated Grant Program	PTD1327	6,071,084
State Award from Department of Transportation	Public Transit Rideshare Grant	PTD0866	29,900
State Award from Department of Transportation	Public Transit Rideshare Program	PTD1252	137,500
		Sub-Total:	18,747,728
		Total State Grants Expended:	18,747,728

**Spokane Transit Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

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								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500	WA-2020-009	-	2,424,722	2,424,722	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2025-064	-	1,000,000	1,000,000	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2025-069	-	13,098,668	13,098,668	-	1,2,3, 4
			Total ALN 20.507:	-	14,098,668	14,098,668	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2022-011	-	266,696	266,696	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2021-027	-	1,373,402	1,373,402	-	1,2,3
			Total ALN 20.526:	-	1,640,098	1,640,098	-	
			Total Federal Transit Cluster:	-	18,163,488	18,163,488	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1733-2025-3	-	4,575	4,575	4,575	1,2,3

The accompanying notes are an integral part of this schedule.

**Spokane Transit Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

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 ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2024-035	-	71,187	71,187	71,187	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2023-044	-	91,181	91,181	91,181	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2025-037	-	375,675	375,675	375,675	1,2,3
Total Transit Services Programs Cluster:				-	542,618	542,618	542,618	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington Military Department)	State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137	E25-335	36,003	-	36,003	-	1,2,3
Total Federal Awards Expended:				36,003	18,706,106	18,742,109	542,618	

The accompanying notes are an integral part of this schedule.

**SPOKANE TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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 (updated to fifteen percent effective for federal awards issued on or after 10/1/2024) 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 2025. 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 2025 apportionment on August 27, 2025.

SCHEDULE 21

**SPOKANE TRANSIT AUTHORITY
LOCAL GOVERNMENT RISK-ASSUMPTION
FOR THE YEAR ENDED DECEMBER 31, 2025**

1. **Self-Insurance Program Manager:** Robert Hamud, Chief Financial Officer
2. **Manager Phone:** 509-325-6085
3. **Manager Email:** rhamud@spokanetransit.com
4. How do you insure for property and liability risk, if at all?
STA belongs to a public entity risk pool
5. How do you provide health and welfare insurance (e.g., medical, dental, prescription drug, and/or vision benefits) to employees, if at all?
STA benefits are all provided by a health insurance company and HMO
6. How do you insure unemployment compensation benefits, if any?
STA pays benefits on a reimbursement basis with no accumulated resources.
7. How do you insure workers compensation benefits, if any?
STA is self-insured and pays benefits on a reimbursement basis.
8. How do you participate in the Washington Paid Family & Medical Leave Program?
Pay premiums to the State's program for both benefits
9. How do you insure other risks and obligations, if any?
STA fuel storage tanks covered by insurance.
10. Does the local government self-insure any risks as an individual program? **Yes**
If yes, does STA allow another separate legal entity into its self-insurance program(s)? **No**
11. Does STA self-insure as a joint program? **No**
12. Are any claims administered by contract with a third-party administrator? **Yes**
13. Did STA (or its third-party administrator) receive a claims audit within the last three years? **Yes - Department of Labor & Industries Self-Insurance audit in .**
14. Were the program's revenues sufficient to cover the program's expenses? **Yes**
15. Did the program use an actuary to determine its liabilities? **No**
16. For Each type of self-insured risk, describe the risk, the number of claims received during the period, the number of claims paid and the number of claims paid in the following table:

Description of Risk Type	Number of claims received during the period	Number of claims paid during the Period	Total amount of claims paid during the period
Unemployment Compensation	21	30	\$ 146,060
Workers Compensation	75	138	\$1,761,814
Underground fuel storage	0	0	\$ 0

Spokane Transit Authority
Schedule 21 Questions 1-6 (unaudited)
For Fiscal Year Ended: 2025

Property and Liability Insurance	Health and Welfare Insurance	Unemployment Compensation Obligations	Workers Compensation Obligations Other Risks or Obligations
Belong to a public entity risk pool	All benefits provided by health insurance company or HMO	"Reimbursable" status, but with no accumulated resources (i.e. risk assumption)	Approved self-insured employer

Washington PFML Program	Entity	Government Type
Pay premiums to the State's program for both benefits	Spokane Transit Authority	Transportation Authority