



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Thurston County Public Transportation Benefit Area

(Intercity Transit)

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

*Published September 21, 2023*

Report No. 1033289



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

September 21, 2023

Board of Directors  
Intercity Transit  
Olympia, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Intercity Transit January 1, 2022 through December 31, 2022

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

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

#### Financial Statements

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

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

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

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

## Identification of Major Federal Programs

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

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

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

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

#### **Intercity Transit January 1, 2022 through December 31, 2022**

Board of Directors  
Intercity Transit  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Intercity Transit, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated September 13, 2023.

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

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

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

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

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

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

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

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

## **PURPOSE OF THIS REPORT**

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



Pat McCarthy, State Auditor

Olympia, WA

September 13, 2023

# INDEPENDENT AUDITOR'S REPORT

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

### **Intercity Transit January 1, 2022 through December 31, 2022**

Board of Directors  
Intercity Transit  
Olympia, Washington

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

### **Opinion on Each Major Federal Program**

We have audited the compliance of Intercity Transit, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Transit's major federal programs for the year ended December 31, 2022. The Transit's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

### **Basis for Opinion on Each Major Federal Program**

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



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

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 13, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Intercity Transit January 1, 2022 through December 31, 2022**

Board of Directors  
Intercity Transit  
Olympia, Washington

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

### **Opinion**

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

## Required Supplementary Information

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

## Supplementary Information

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2023, on our consideration of the Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Transit's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

September 13, 2023

**Intercity Transit  
January 1, 2022 through December 31, 2022**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2022

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2022

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

Statement of Cash Flows – 2022

Notes to Financial Statements – 2022

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

Schedule of Changes in Total OPEB Liability and Related Ratios – 2022

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022



**INTERCITY TRANSIT**  
**2022**  
**Management's Discussion and Analysis**

This section of Intercity Transit's Annual Financial Report represents management's overview and analysis of Intercity Transit's financial performance for the fiscal year ended December 31, 2022. This section should be read in conjunction with the financial statements which follow.

**Introduction**

Intercity Transit (IT) is a public transportation benefit area corporation providing public transportation services to the Thurston County community.

Services include:

- Local and inter-county bus services.
- Paratransit services for the elderly and disabled, DAL (Dial-A-Lift).
- A vanpool program and ridematch services.

**Highlights for 2022**

- As of December 31, 2022, Intercity Transit's assets and deferred outflows exceeded its liabilities and deferred inflows by \$325 million.
- Intercity Transit's total net position increased by \$39.6 million.
- Intercity Transit's primary source of funding is local sales taxes. Intercity Transit's sales tax revenue increased from \$80.3 million in 2021 to \$85.3 million in 2022.
- Capital contributions were \$16 million in 2022.
- As a result of the COVID-19 global pandemic, Intercity Transit bus service in 2020 suspended all fixed route bus services and solely provided demand response for essential trips. Since September 2020, Intercity has slowly increased services and at the start of 2022 was up to 79% of pre-pandemic levels. During 2022 the service dropped slightly to end the year at 74% of pre-pandemic levels. This slight decrease was a result of continual labor resource issues.

**Overview of the Financial Statements**

This discussion and analysis section serves as an introduction to Intercity Transit's basic financial statements. Intercity Transit is a stand-alone enterprise fund, and the financial statements report information is utilizing accounting methods similar to those used by private-sector businesses.

The Statement of Net Position presents information about Intercity Transit's assets and deferred outflows and liabilities and deferred inflows. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. When net position is compared for several years, increases and decreases may serve as a useful indicator of whether Intercity Transit's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how Intercity Transit's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents information on Intercity Transit's cash receipts, cash payments, and changes in cash and cash equivalents during the fiscal year.

The basic financial statements can be found in this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found in this report.

### ***Intercity Transit's Financial Position***

Intercity Transit has historically had two major concerns. The first concern is a heavy reliance on sales tax revenue as the primary source of funding. Sales tax follows the general economic situation which results in cycles of boom and bust. The other concern is volatility in the cost of fuel. IT currently uses nearly nine hundred thousand gallons of fuel each year, so the \$2.50 per gallon increase in 2022 fuel costs were significant.

From the Statement of Net Position:

- Current assets net of current liabilities was \$206.6 million for the year ended December 31, 2022, as compared to \$193.7 million for 2021.
- Cash reserves available to meet current and future obligations increased from \$178.2 million in 2021 to \$186.5 million in 2022.
- As of December 31, 2022, Intercity Transit had no long-term public financing debt.

### ***Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended December 31, 2022, Intercity Transit's assets and deferred outflows exceeded liabilities and deferred inflows by \$325.0 million, which is an increase from \$285.4 million in 2021.

The following is a summary of Intercity Transit's changes in Net Position:

Changes in Net Position	2022	2021	Net Increase (Decrease)
<b>ASSETS</b>			
Current Assets	\$ 210,822,003	\$ 199,169,100	\$ 11,652,903
Net Pension Asset	7,993,796	20,753,120	(12,759,324)
Capital Assets	129,473,359	104,126,362	25,346,997
<b>Total Assets</b>	<b>\$ 348,289,158</b>	<b>\$ 324,048,582</b>	<b>\$ 24,240,576</b>
<b>Deferred Outflows of Resources</b>	<b>11,319,609</b>	<b>6,304,412</b>	<b>5,015,197</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 359,608,767</b>	<b>\$ 330,352,994</b>	<b>\$ 29,255,773</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 4,201,060	\$ 5,436,091	\$ (1,235,031)
Long-Term Liabilities	17,539,298	17,435,672	103,626
<b>Total Liabilities</b>	<b>\$ 21,740,358</b>	<b>\$ 22,871,763</b>	<b>\$ (1,131,405)</b>
<b>Deferred Inflows</b>	<b>12,904,011.0</b>	<b>22,098,113.0</b>	<b>(9,194,102.0)</b>
<b>Net Position:</b>			
Investment in capital assets	\$ 129,245,265	\$ 104,126,362	\$ 25,118,903
Restricted for Pensions	11,743,539	3,661,996	8,081,543
Unrestricted	183,975,594	177,594,760	6,380,834
<b>Total Net Position</b>	<b>\$ 324,964,399</b>	<b>\$ 285,383,118</b>	<b>\$ 39,581,281</b>
<b>Total Liab, Def Inflow, Net Position</b>	<b>\$ 359,608,767</b>	<b>\$ 330,352,994</b>	<b>\$ 29,255,773</b>

Public transportation is a capital-intensive enterprise. Consequently, 39.8 percent of Intercity Transit's net position was invested in capital assets. Because these assets are used to provide services to citizens, they are not available for future spending.

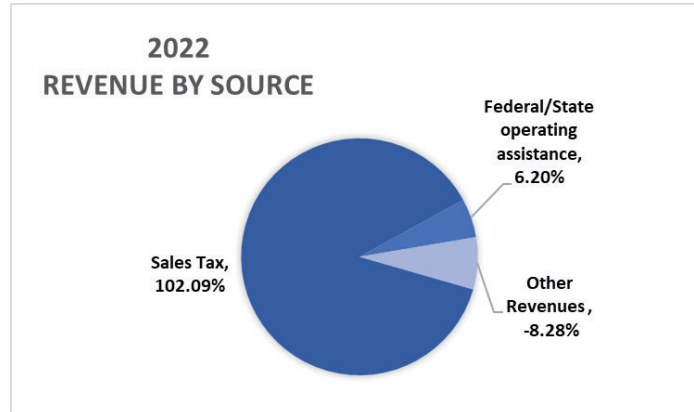
Intercity Transit's net position increased by \$39.6 million during the current fiscal year.

Key elements of this increase are shown below:

Changes in Operating Statement	2022	2021	Net Increase (Decrease)
<b>Operating Revenues:</b>			
Passenger Fares	\$ 404,230	\$ 301,631	\$ 102,599
Advertising & commissions	91	76	15
<b>Total Operating Revenue</b>	<b>\$ 404,321</b>	<b>\$ 301,707</b>	<b>\$ 102,614</b>
<b>Non-Operating Revenues:</b>			
Sales Tax	\$ 85,293,096	\$ 80,275,672	\$ 5,017,424
Federal/State operating assistance	5,179,255	27,869,156	(22,689,901)
Other revenues	(7,460,074)	(1,327,872)	(6,132,202)
Gain(Loss) on Capital Assets	133,856	97,307	36,549
<b>Total Revenues</b>	<b>\$ 83,550,455</b>	<b>\$107,215,970</b>	<b>\$ (23,665,516)</b>
<b>Expenses:</b>			
Operations and Maintenance	\$ 38,669,996	\$ 30,117,989	\$ 8,552,007
General and Administrative	13,632,363	10,306,840	3,325,523
Depreciation	7,640,051	6,483,587	1,156,464
<b>Total Expenses</b>	<b>\$ 59,942,410</b>	<b>\$ 46,908,416</b>	<b>\$ 13,033,994</b>
<b>Net Income Before Contributions</b>	<b>23,608,045</b>	<b>60,307,554</b>	<b>(36,699,509)</b>
Capital Grants/Contributions	15,973,237	22,328,166	(6,354,929)
<b>Total Change in Net Position</b>	<b>\$ 39,581,281</b>	<b>\$ 82,635,720</b>	<b>\$ (43,054,439)</b>
<b>Net Position--Beginning of Year</b>	<b>285,383,118</b>	<b>202,747,398</b>	<b>82,635,720</b>
<b>Net Position - End of Year</b>	<b>\$324,964,399</b>	<b>\$285,383,118</b>	<b>\$ 39,581,281</b>

**Revenues**

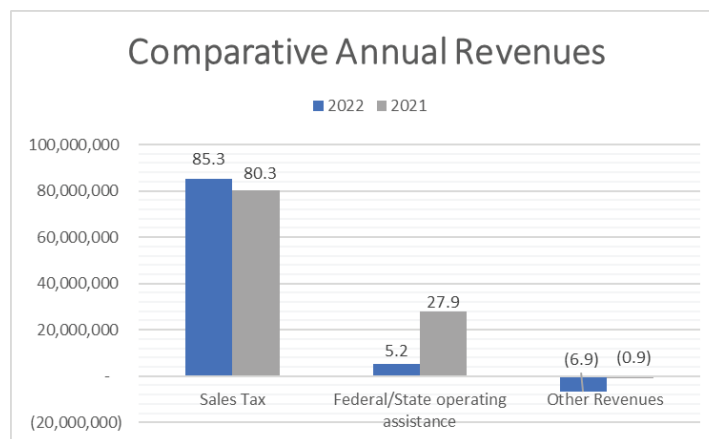
During 2022, revenues decreased by \$23.7 million, and capital contributions decreased by \$6.4 million. Revenues from major sources are illustrated below:



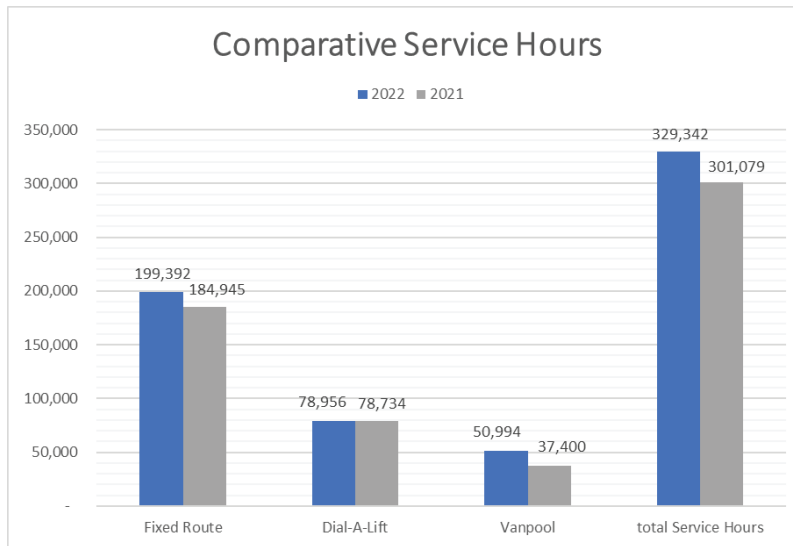
Total operating revenue sources (passenger fares, advertising, commissions) increased between 2022 and 2021 by \$102.6 thousand. Sales tax revenues increased by \$5 million from 2021 (6.25% increase). Federal and State operating assistance decreased by \$22.7 million.

Other revenue sources represented interest income (loss), miscellaneous revenue and gain/loss on disposal of assets. The total 2022 Other Revenue amount of -\$6.9 million was mainly due to the fair value adjustment for investments in this rising interest rate economy.

The following graph compares revenues by function for 2022 and 2021.



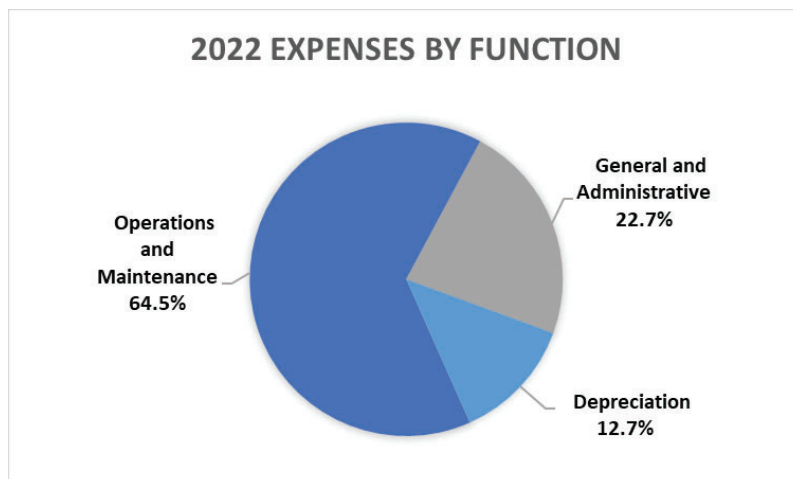
Total service hours for fixed route, DAL (Dial-a-Lift) and vanpool modes increased in 2022. Total ridership increased from 2.6 million in 2021 to 3.3 million in 2022.



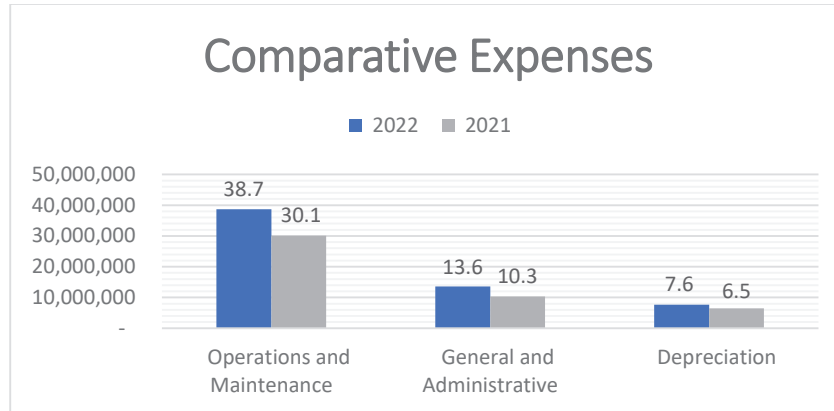
**Expenses**

Total expenses in 2022 increased by \$13 million, or 27.8 percent increase compared to 2021.

Expenses by major function are shown below:



This graph compares expenses by function for 2021 & 2020.



Operations and maintenance expenses increased by \$8.6 million or 28.4 percent.

General and administrative expenses increased by \$3.3 million or 32.3 percent.

Depreciation expense increased \$1.2 million or 17.8%.

**Capital Assets**

Capital assets include revenue vehicles, support vehicles, land and buildings, equipment, and passenger facilities.

Intercity Transit’s investment in capital assets as of December 31, 2022, amounted to \$129.5 million, net of accumulated depreciation. Net capital assets increased \$25.3 million or 24.3% during 2022.

Major acquisitions during 2022 included: Pattison operations/administration new building work in progress, CAD/AVL communication system, and new buses, and bus stop improvements.

For additional information on Intercity Transit’s capital assets see Note 4 in the notes to the financial statements included with this report.

***Economic Factors and Future Outlook***

Thurston County’s unemployment rates from 2019 to 2023 compared to Washington State and the nation are as follows:

	March 2023	February 2022	February 2021	February 2020	March 2019
<b>Thurston County</b>	4.70%	5.00%	6.10%	4.70%	5.50%
<b>Washington State</b>	4.50%	4.30%	5.60%	3.80%	4.50%
<b>United States</b>	3.50%	3.80%	6.20%	3.50%	3.80%

The 2023 budget is summarized as follows: Total Budgeted Operating and Capital Expenditures \$182.7 million.

The effects of the COVID pandemic continues to affect ridership and service in 2023. New federal grant funding may be available under the Infrastructure Investment and Jobs Act.

***Requests for Information***

This financial report is designed to provide a general overview of Intercity Transit finances for anyone who has an interest. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Jana Brown, Chief Financial Officer, Intercity Transit, P.O. Box 659, Olympia, WA 98507 or check out Intercity Transit's webpage: [www.intercitytransit.com](http://www.intercitytransit.com)

**INTERCITY TRANSIT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

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**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**ASSETS**

**Current Assets**

Cash & Cash Equivalents	\$ 186,512,626
Receivables	15,768,945
Due From Government Units	5,638,469
Prepaid Expenses	1,653,528
Inventories	1,248,435

<b>Total Current Assets</b>	<b>\$ 210,822,003</b>
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**Noncurrent Assets**

Net Pension Asset	\$ 7,993,796
Capital Assets Not Being Depreciated:	
Land	5,331,565
Work In Process	61,641,714
Capital Assets Being Depreciated:	
Facilities	42,462,498
Revenue Equipment	65,322,039
Communication Equipment	1,017,197
Administrative Vehicles	1,427,933
Shop Equipment	2,754,496
Office/IS Equipment	1,800,314
Miscellaneous Equipment	92,153
Intangibles Assets	3,889,575
(Less) Total Accumulated Depreciation & Amortization	(56,266,124)

<b>Total Noncurrent Assets</b>	<b>137,467,155</b>
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<b>Total Assets</b>	<b>\$ 348,289,158</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows on Pensions	\$ 8,210,338
Deferred Outflows on OPEB	2,835,197
Deferred Outflows on ARO	274,074

<b>Total Deferred Outflows of Resources</b>	<b>11,319,609</b>
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 359,608,767</b>
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*The notes to the financial statements are an integral part of this statement.*



**INTERCITY TRANSIT**  
**STATEMENT OF NET POSITION Con't**  
**DECEMBER 31, 2022**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 1,622,830
Retainage Payable	61,649
Accrued Wages & Benefits	1,857,878
Accrued Vacation	91,061
Other Current Liabilities	207,517
Current portion of OPEB Liability	271,693
Current portion of Lease Liability	88,432

**Total Current Liabilities** \$ 4,201,060

**Noncurrent Liabilities**

Accrued Vacation/Sick Leave	\$ 3,304,835
ARO Liability	301,287
Lease Liability	228,094
Net Pension Liability	4,598,020
OPEB Liability	9,107,062

**Total Noncurrent Liabilities** 17,539,298

**Total Liabilities** \$ 21,740,358

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows on Pensions	\$ 8,328,683
Deferred Inflows on OPEB	4,575,328

**Total Deferred Inflows of Resources** \$ 12,904,011

**NET POSITION**

Investment in Capital Assets	\$ 129,245,265
Restricted - Net Pension Asset	11,743,539
Unrestricted	183,975,594

**Total Net Position** 324,964,399

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES** \$ 359,608,767

**AND NET POSITION**

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

**INTERCITY TRANSIT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDING DECEMBER 31, 2022**

<b>OPERATING REVENUES</b>	
Vanpool fares	\$ 404,230
Commissions	91
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 404,321</b>
<b>OPERATING EXPENSES</b>	
Operations	\$ 26,768,923
Vehicle Maintenance	9,567,358
Non-Vehicle Maintenance/Facilities	2,333,716
General & Administration	13,632,363
Depreciation/Amortization	7,640,051
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 59,942,410</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (59,538,089)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Sales Tax	\$ 85,293,096
Federal/State Operating Assistance	5,179,255
Interest Income (loss)	(7,695,886)
Miscellaneous	235,812
Gain (Loss) on Disposal of Assets	133,856
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>\$ 83,146,134</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>23,608,045</b>
Capital Contributions	15,973,237
<b>CHANGE IN NET POSITION</b>	<b>\$ 39,581,281</b>
<b>NET POSITION, January 1</b>	<b>\$ 285,383,118</b>
<b>NET POSITION, December 31</b>	<b>\$ 324,964,399</b>

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

**INTERCITY TRANSIT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDING DECEMBER 31, 2022**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 346,522
Payments to employees	(40,429,360)
Payments to suppliers	(14,333,084)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (54,415,922)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Sales tax	\$ 84,334,970
Operating grants	3,533,844
Other nonoperating receipts	229,794
<b>NET CASH PROVIDED BY NONCAPITAL ACTIVITIES</b>	<u>\$ 88,098,608</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	\$ 16,863,193
Sale of capital assets	139,874
Purchases of capital assets	(34,437,474)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>\$ (17,434,407)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings (loss)	(7,905,737)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>\$ (7,905,737)</u>
 <b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	 8,342,542
<b>CASH &amp; CASH EQUIVALENTS - January 1</b>	<u>178,170,084</u>
<b>CASH &amp; CASH EQUIVALENTS - December 31</b>	<u><u>\$ 186,512,626</u></u>

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

**INTERCITY TRANSIT**  
**STATEMENT OF CASH FLOWS Con't**  
**FOR THE YEAR ENDING DECEMBER 31, 2022**

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***RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES***

Operating Income(Loss)	\$ (59,538,089)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
<i>Noncash Adjustments:</i>	
Depreciation & Amortization	\$ 7,640,051
Pension Asset	12,759,324
Deferred Outflows	(5,015,197)
Lease Liability	316,526
ARO Liability	36,287
Pension Obligation	2,617,203
Other Post Employment Benefits	(3,620,680)
Deferred Inflows	(9,194,102)
<i>Changes in Assets - Decrease (Increase):</i>	
Accounts Receivable	\$ (97,155)
Prepaid Expenses	(1,201,460)
Inventory	(88,313)
<i>Changes in Liabilities - Increase (Decrease)</i>	
Accounts Payable	\$ (268,844)
Accrued Wages & Benefits	303,848
Advanced Payments	105,488
Accrued Vacation and Sick Leave Payable	829,192
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 5,122,167</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (54,415,922)</b>

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

**Intercity Transit**  
**Notes to the Financial Statements**  
**December 31, 2022**

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

The financial statements of Intercity Transit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following summary of the significant accounting policies is presented to assist the reader. These notes should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity:**

Intercity Transit was incorporated in 1981 and operates under the laws of the state of Washington applicable to a public transportation benefit area pursuant to Chapter 36.57A of the Revised Code of Washington (RCW).

Intercity Transit is a special purpose government which provides fixed route, demand response and vanpool services to the general public. It is governed by a nine-member board consisting of elected officials, citizen representatives and a labor representative. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Intercity Transit has no component units.

**B. Basis of Accounting and Reporting:**

Intercity Transit's accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW.

Funds are accounted for on an economic resources measurement focus. This means that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on the statement of net position. The reported total net position is segregated into net investment in capital assets; and restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. Intercity Transit discloses changes in cash flows by a separate statement that presents its operating, noncapital financing, capital, and related financing, and investing activities.

Intercity Transit consists of a single enterprise fund and uses the full-accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and become measurable; and expenses are recognized in the period incurred, if measurable.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operation. Intercity Transit's principal operating revenues are charges to customers in the form of vanpool fares. Operating expenses include the cost of providing transit service,

administration expenses, depreciation on capital assets, and gain/loss on sale of assets. Tax revenue, grants used to finance operations, interest, and expenses not related to the provision of transit service are reported as non-operating revenues and expenses. Accrued revenues include sales tax, state and federal subsidies, and interest earnings. Capital grant revenues are accrued in the amount of reimbursable liabilities incurred as of yearend.

**C.Cash and Cash Equivalents:**

Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less. Cash consists of cash on hand; and demand deposits.

**D.Investments:**

See Note 2.

**E. Inventories and Prepaid Expenses:**

Inventories consist of vehicle maintenance supplies, tires, fuel, lubricants, and oils held for business consumption related to state of good repair for vehicles, is stated at average cost. The cost is reported as expenditure at the time individual inventory items are consumed.

Prepaid expenses are services acquired or purchased during an accounting period but are not used during the accounting period. The portion of services used during the accounting period are expensed and the remaining balance is reported as an asset until used.

**F. Receivables:**

Accounts Receivable consists of amounts owed from customers and third-party accounts receivable for goods and services including amounts owed for which billings have not been prepared. The sales tax receivable consists of sales tax for November and December 2022 received in January and February 2023. Accrued interest receivable consists of amounts earned on investments at the end of the year and the miscellaneous accounts receivable represent rebates, warranties and refunds owed to Intercity Transit at the end of 2022.

Due from other governments receivable is the amount due from federal and state governments for grants. The amount representing state is \$2,115,377 and federal is \$3,523,092.

**G.Capital Assets:**

Property, plant, and equipment with individual values of at least \$5,000 and an estimated useful life in excess of three years are stated at cost where historical records are available, and at estimated historical costs where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date of donation. Improvements, which add to the value of or extend the life of the asset, are capitalized. Repairs and maintenance are expensed as incurred. Labor and other expenses incurred in the acquisition and construction of capital assets are capitalized. See Note 4 for further details.

**H. Accumulated Unpaid Vacation and Sick Leave:**

Transit operators accumulate vacation benefits under the agreement between Intercity Transit and Amalgamated Transit Union (ATU), Local Division 1765. Maintenance employees accumulate vacation benefits under the agreement between Intercity Transit and International Association of Machinists and Aerospace Workers (IAM), Lodge No. 160. All other employees accumulate vacation benefits under Intercity Transit Policy HR-3503. Based upon the provisions of these documents, vacation benefits are accumulated per the following schedules:

Transit Operators		Maintenance Workers		Other Employees	
Years of Service	Vacation Hours	Years of Service	Vacation Hours	Years of Service	Vacation Hours
1	112	1	112	1	112
2	120	2	120	2	120
3-4	128	3-4	128	3-4	128
5	136	5	136	5	136
6-7	144	6-7	144	6-7	144
8-10	152	8-10	152	8-10	152
11-12	160	11-12	160	11-12	160
13-16	168	13-16	168	13-16	168
17-18	176	17-18	176	17-18	176
19	184	19	184	19	184
20-25	192	20-25	192	20-25	192
26+	200	26+	200	26+	200

Non-represented employees may accumulate 360 hours of vacation; members of IAM may accumulate 360 hours of vacation; and members of ATU may accumulate 360 hours of vacation. Employees may exceed the maximum number of hours until their annual anniversary date. All vacation cash outs at separation are limited to 360 hours.

All employees may accumulate 960 hours of sick leave. At termination employees receive cash for accrued vacation and may receive partial pay for sick leave based on their years of service and the number of hours accrued. Intercity Transit records unpaid leave for compensated absences as an expense and liability when incurred.

**I. Leases**

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

A right-to-use lease asset with a lease term greater than 1 year and initial present value over \$5,000 are recorded as intangible assets. Right-to-use lease assets are amortized over the contract term of the lease. Leases that do not meet these criteria are recognized as current period revenues and expenses.

## J. Pensions

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

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

## NOTE 2 - DEPOSITS AND INVESTMENTS

Composition of cash and cash equivalents are shown below:

Cash Invested in the Thurston County Investment Pool (TCIP)	\$ 197,410,473
Fair Market Value (FMV) Adjustment	(10,897,848)
Ending Cash and Investment Value	<u>\$ 186,512,626</u>

### A. Deposits

There is no custodial credit risk for demand deposits because they are entirely covered either by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

### B. Thurston County Investment Pool (TCIP)

Intercity Transit is a participant in the Thurston County Investment Pool (TCIP), an external investment pool. As of December 31, 2022, all Intercity Transit's investments are in the TCIP. In accordance with State law, Intercity Transit has entered into a formal agreement with Intercity Transit's ex officio treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the TCIP.

The TCIP was established under RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The responsibility for managing the pool resides with the County Treasurer. The County's investment policy is established by the County Finance Committee consisting of the County Treasurer, the County Auditor, and the Chairman of the Board of the County Commissioners. The object of the policy is to invest public funds in a manner which will provide maximum security with the highest investment return while meeting daily cash flow demands and conforming to all state and local statutes governing the investment of public funds.

All TCIP investment instruments are those allowed by statute including: U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP).



Thurston County investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. Wells Fargo bank acts as safekeeping agent for the Thurston County Treasurer. The TCIP is not rated or registered with the SEC. The TCIP does not have a credit rating and had a weighted average maturity of 1.71 years as of December 31, 2022.

The TCIP operates on an amortized cost-book value basis and reports on a fair value basis. All funds deposited in the TCIP are available to the participants at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are distributed monthly, calculated on the average daily balance of the participant’s cash balances. Intercity Transit reports its investment in the TCIP at the fair value amount, which is the same as the value of the Pool per share.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit this risk, state law does not allow general governments to invest in corporate equities. Thurston County policy further limits risk to investments in securities that have one of the three highest ratings of a national rating agency at the time of investment. The risk ranges from minimal to none, based on the investment instruments held.

Interest rate risk – The adopted Thurston County investment policy limits investment maturities to a maximum of five years, with the exception of preapproval by the County Treasurer. Thus, all investments are considered to have a low interest rate risk.

Thurston County issues a publicly available annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Thurston County Auditor, 2000 Lakeridge DR SW, Olympia, WA 98502 or it is available on their website at <https://www.thurstoncountywa.gov/auditor/Pages/finance-home.aspx>

**NOTE 3 – RECEIVABLES**

December 31, 2022, Intercity Transit had the following receivables:

<b>Receivables</b>	
Sales Tax receivable	\$ 14,894,683
Other Receivables	470,394
Interest Receivable	403,868
<b>Total Receivables</b>	<b>\$ 15,768,945</b>
<b>Due from Other Government Units</b>	<b>\$ 5,638,469</b>

**NOTE 4 – CAPITAL ASSETS AND RELATED DEPRECIATION**

Major expenses for capital assets, including capital leases and major repairs that increase the useful life of an asset, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known), or estimated acquisition value for donated assets.

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

Upon retirement of a capital asset, the cost and the related allowance for depreciation is removed from the property accounts. The gain or loss is reflected in non-operating income.

Costs incurred in the planning and design of projects are deferred until programs are approved or abandoned. At that time, the related costs are transferred to the asset accounts or charged to expense as appropriate. Items of plant and equipment which are incomplete, unclassified, or otherwise not in service, and therefore not subject to depreciation, are deferred until they are placed in service.

Depreciation expense is charged to operating expenses to allocate the cost of capital assets over their estimated useful lives, using the straight-line method. Individual useful lives are assigned to new assets as follows:

Land	Not depreciated
Buildings, Facilities	10 to 35 years
Revenue Vehicles	4 to 12 years
Other Vehicles	3 to 5 years
Equipment, Furniture	3 to 7 years

Summary of changes in plant, property, and equipment for 2022:

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
<b>Capital Assets, not being depreciated</b>				
Land	\$ 5,331,565	\$ -	\$ -	\$ 5,331,565
Work in Process	41,152,159	32,743,360	(12,253,804)	61,641,714
<b>Total Capital Assets, not being depreciated</b>	<b>\$ 46,483,723</b>	<b>\$ 32,743,360</b>	<b>\$ (12,253,804)</b>	<b>\$ 66,973,279</b>
<b>Capital Assets, being depreciated</b>				
Administrative Vehicles	\$ 1,171,345	\$ 256,588	\$ -	\$ 1,427,933
Shop Equipment	2,754,496	-	-	2,754,496
Office Equipment/Furniture	500,774	4,431	-	505,205
IS Equipment	1,108,772	186,338	-	1,295,110
Communication Equipment	5,726,299	1,017,197	(5,726,299)	1,017,197
Miscellaneous Equipment	64,800	27,353	-	92,153
Facilities	41,511,573	950,924	-	42,462,498
Revenue Equipment	64,336,250	6,296,520	(5,310,731)	65,322,039
Intangibles	-	3,514,478	-	3,514,478
Leased Assets *	-	375,097	-	375,097
<b>Total Capital Assets, being depreciated</b>	<b>\$ 117,174,309</b>	<b>\$ 12,628,926</b>	<b>\$ (11,037,030)</b>	<b>\$ 118,766,205</b>
<b>Less Accumulated Depreciation for:</b>				
Administrative Vehicles	\$ 880,455	\$ 261,173	\$ -	\$ 1,141,628
Shop Equipment	1,969,465	70,545	-	2,040,010
Office Equipment	119,402	70,903	-	190,304
IS Equipment	728,311	132,633	-	860,944
Communication Equipment	5,726,299	108,985	(5,726,299)	108,985
Miscellaneous Equipment	64,800	2,605	-	67,405
Facilities	19,699,254	1,304,631	-	21,003,885
Revenue Equipment	30,343,685	5,388,184	(5,305,091)	30,426,777
Intangibles	-	362,243	-	362,243
Leased Assets *	-	63,942	-	63,942
<b>Total Accumulated Depreciation</b>	<b>\$ 59,531,671</b>	<b>\$ 7,765,844</b>	<b>\$ (11,031,390)</b>	<b>\$ 56,266,124</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>\$ 104,126,362</b>	<b>\$ 37,606,441</b>	<b>\$ (12,259,444)</b>	<b>\$ 129,473,359</b>

\* Leased Asset Detail Listed Below

Work in progress as of December 31, 2022, consists of the following projects:

Pattison Rehab & Expansion	\$ 57,823,312
Pattison Furniture, Fixtures & Equipment	3,301,213
OTC Pedestrian Crossing Improvement	4,235
Pattison safety work platforms	16,431
Bus Stop Improvements	496,059
Paratransit Software Replacement Prjct	463
<b>Total Work In Progress Balance</b>	<u>\$ 61,641,714</u>

Summary of Lease Activity for 2022:

Intangible right-to-use lease asset	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Thermo King NW (Bobcat)	\$ -	\$ 228,549	\$ -	\$ 228,549
Canon Financial Services	-	146,548	-	146,548
<b>Total Lease Assets</b>	<b>\$ -</b>	<b>\$ 375,097</b>	<b>\$ -</b>	<b>\$ 375,097</b>
<b>Less Accumulated Amortization for:</b>				
Thermo King NW (Bobcat)	\$ -	\$ 61,500	\$ -	\$ 61,500
Canon Financial Services	-	2,442	-	2,442
<b>Total Accumulated Amortization</b>	<b>\$ -</b>	<b>\$ 63,942</b>	<b>\$ -</b>	<b>\$ 63,942</b>
<b>Total Lease Assets, Net</b>	<b>\$ -</b>	<b>\$ 311,155</b>	<b>\$ -</b>	<b>\$ 311,155</b>

## NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Intercity Transit has the following significant commitments as of December 31, 2022:

Vendor	Full Contractual Amount	Amount Outstanding as of 12/31	Project
Shea Carr & Jewell Alliance	\$ 412,087	\$ 11,897	Martin Way Park & Ride Improvement Project
Shea Carr & Jewell Alliance	164,985	61,764	Bus Stop Improvements
Shea Carr & Jewell Alliance	30,901	15,247	Olympia Transfer Center (OTC) Pedestrian Site Improvements
Emtech	179,470	179,470	Lacey Transfer Center (LTC) roof & gutter upgrades
MSG Architects	20,480	4,114	LTC Roof & Gutter Upgrade Design
Shea Carr & Jewell Alliance	6,204	2,055	OTC Striping
Christensen, Inc.	438,970	19,218	OTC Improvements
WA St Dept of Enterprise Svcs	854,341	295,099	Pattison Rehab & Expansion Project
Forma	648,563	648,563	Pattison Rehab & Expansion Project
Geoengineers	362,500	68,338	Pattison Rehab & Expansion Project
Keithly Barber Associates	223,878	110,487	Pattison Rehab & Expansion Project
KPFF Consulting Engineers	37,740	204	Pattison Rehab & Expansion Project
Material Testing Company (MTC)	196,890	35,013	Pattison Rehab & Expansion Project
Stantec	10,782,221	3,047,629	Pattison Rehab & Expansion Project
Diversified	284,394	284,394	AdOps Audio Visual Equipment
Johnson Control Inc	211,730	14,190	AdOps Security Camera Equipment
Schetky Northwest, Inc	7,337,865	7,337,865	28 DAL Vehicles
Bud Clary Ford Hyundai	176,510	176,510	Delayed 2 Maintenance Vehicles
Bud Clary Chevrolet	71,887	71,887	Delayed 2 Staff Vehicles
Maul Foster & Alongi	227,375	61,176	Marketing Campaign Services
Ctr for Trans. & the Envirnmnt (CTE)	318,904	270,462	Zero Admission Analysis
Open Square	20,551	20,551	Pattison Furniture, Fixtures & Equipment Project
<b>TOTAL</b>		<b>\$12,736,133</b>	

## NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(4,598,020)
Pension assets	7,993,795
Deferred outflows of resources	8,210,338
Deferred inflows of resources	(8,328,684)
Pension expense/expenditures	(418,651)

### State Sponsored Pension Plans

Intercity Transit employees, full-time and qualifying part-time employees, participate in the Public Employees' Retirement Systems (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

### Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

## Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

Intercity Transit's actual contributions to the plan were \$1,066,631 for the year ended December 31, 2022.

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

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

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

in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September– December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

Intercity Transit’s actual contributions to the plan were \$1,807,645 for the year ended December 31, 2022.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Experience Study and the 2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

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

Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020, AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

### **Discount Rate**

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

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

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual



investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

### Sensitivity of Net Pension Liability/(Asset)

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$6,142,892	\$4,598,020	\$3,249,710
PERS 2/3	\$9,413,740	(\$7,993,795)	(\$22,295,186)

### 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, 2022, Intercity Transit reported a total pension liability(asset) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$4,598,020
PERS 2/3	(\$7,993,795)



At June 30, Intercity Transit's proportionate share of the collective net pension liability(asset) was as follows:

	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.162198%	0.165137%	0.002939%
PERS 2/3	0.208331%	0.215537%	0.007206%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30,2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

### Pension Expense

For the year ended December 31, 2022, Intercity Transit recognized pension expense as follows:

	Pension Expense
PERS 1	2,193,250
PERS 2/3	(2,611,901)
Total	(418,651)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, Intercity Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	0	(762,027)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	555,934	0
<b>Total</b>	<b>\$555,934</b>	<b>(\$762,027)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,980,675	(\$180,959)
Net difference between projected and actual investment earnings on pension plan investments	0	(5,909,872)
Changes of assumptions	4,455,437	(1,166,593)
Changes in proportion and differences between contributions and proportionate share of contributions	286,126	(309,233)
Contributions subsequent to the measurement date	932,165	0
<b>Total</b>	<b>\$7,654,404</b>	<b>(\$7,566,656)</b>
<b>Combined Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,980,675	(\$180,959)
Net difference between projected and actual investment earnings on pension plan investments	0	(6,671,899)
Changes of assumptions	4,455,437	(1,166,593)
Changes in proportion and differences between contributions and proportionate share of contributions	286,126	(309,233)
Contributions subsequent to the measurement date	1,488,099	0
<b>Total</b>	<b>\$8,210,338</b>	<b>(\$8,328,684)</b>

Deferred outflows of resources related to pensions resulting from Intercity Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2023	(\$322,474)
2024	(292,890)
2025	(367,421)
2026	220,758
2027	0
Thereafter	0
<b>Total</b>	<b>(\$762,027)</b>

Year ended December 31:	PERS 2/3
2023	(\$1,804,409)
2024	(1,642,171)
2025	(1,945,647)
2026	2,697,925
2027	927,747
Thereafter	922,137
<b>Total</b>	<b>(\$844,418)</b>

### Deferred Compensation Plans

Intercity Transit offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 401k and 457. The plans are available to all employees on a voluntary basis, and they permit employees to defer a portion of their salaries until future years. Plans are offered through Vanguard, MissionSquare Retirement Corporation, and the Washington State Department of Retirement Systems Deferred Compensation program. Intercity Transit will match 6.2% of the annual salary of all participating employees who also contribute at least 6.2%. In 2022 Intercity Transit contributed \$1,527,814 and employees contributed \$2,256,002 to all the plans. The plan assets are not the legal property of Intercity Transit and are not subject to claims of the Intercity Transit’s creditors. Therefore, these plan assets are not shown on the Statement of Net Position.

### NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for the plan subject to the requirements of GASB 75 for the year 2022:

Aggregate OPEB Amounts	
OPEB Liability	\$9,378,755
OPEB Assets	\$0
Deferred outflow of resources	\$2,835,197

**Plan Description:** Intercity Transit contributes to the state Public Employees Benefits Board (PEBB), a healthcare program administered by the Washington State Health Care Authority (HCA). The program provides medical, prescription drug, and dental coverage. No stand-alone financial statements are available for the PEBB program.

As a member of PEBB Intercity Transit offers employees who retire the option to continue medical coverage on a self-pay basis. The Intercity Transit plan is considered to be a single employer defined benefit OPEB plan.

Under state law, active Intercity Transit employees who are covered by the state public employee retirement system are eligible upon retirement to obtain medical, prescription drug, and dental coverage through the state PEBB program at the retiree rate associated with the elected plan. Because the rate is based on a pool of both active employees and retirees, the rate paid by pre-Medicare retirees is less than the full cost of the benefits, based on their age and other demographic factors. This creates an implicit subsidy where the “underpayment” of

retiree premiums is funded through the premiums paid by Intercity Transit for active employees. The explicit subsidy is funded through premiums paid by Intercity Transit for active employees. There are no COLAs associated with the plan.

At December 31, 2022, the following employees were covered by the benefit terms:

Active employees	419
Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	0
Total	486

**Funding Policy:** The HCA calculates the premium amounts each year that are sufficient to fund the program on a pay-as-you-go basis. These costs are passed through to all participating agencies based on active headcount. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Assumptions and Other Inputs:**

- a. Discount rate – As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 3.72% as of December 31, 2022.
- b. Health care cost trend rate – All years 5.0%
- c. Mortality assumption – RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection of future mortality improvement
- d. General inflation rate – 3.0% per year
- e. Salary increases – 3.0% per year
- f. Actuarial cost method – Entry age
- g. Amortization method – The recognition period for the experience and assumption changes is 10.3 years. This is equal to the average expected remaining service lives of all active and inactive members.
- h. Asset valuation method – n/a, no assets

**Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates.** The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease (4%)	Current Healthcare Cost Trend Rate (5%)	1% Increase (6%)
Total OPEB Liability	\$7,964,948	\$9,378,755	\$11,184,748

**Sensitivity of Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of Intercity Transit calculated using the current discount rate of 3.72%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72%) or 1 percentage point higher (4.72%) than the current rate.

	<b>1% Decrease (2.72%)</b>	<b>Current Discount Rate (3.72%)</b>	<b>1% Increase (4.72%)</b>
Total OPEB Liability	\$10,937,027	\$9,378,755	\$8,126,130

#### **Changes in the Total OPEB Liability**

<b>Total OPEB Liability at 1/1/2022</b>	<b>\$12,999,435</b>
Service cost	931,764
Interest	292,422
Changes in benefit terms	0
Differences between expected and actual experience	(1,524,282)
Change of assumptions	(3,045,215)
Benefit payments	(275,369)
Net Change in Total OPEB Liability	(3,620,680)
<b>Total OPEB Liability at 12/31/2022</b>	<b>\$9,378,755</b>

The most recent actuarial valuation was completed April 27, 2023, with a valuation date of December 31, 2022. OPEB expense for the year 2022: \$1,141,585.

- a. The December 31, 2022, actuarial valuation reflected the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 2.12% to 3.72%.
- b. The health care cost trend rate was maintained at a rate of 5.0%.
- c. There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- d. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.

#### **Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At 12/31/2022 Intercity Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$1,825,765)	\$246,978
Changes of assumptions	(2,749,563)	2,588,219
Net difference between projected and actual earnings	0	0
Payments subsequent to the measurement date	0	0
<b>Total</b>	<b>(\$4,575,328)</b>	<b>\$2,835,197</b>

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

Year ended December 31:	
2023	(\$82,601)
2024	(82,601)
2025	(82,601)
2026	(82,601)
2027	(94,034)
thereafter	(1,315,693)
<b>Total</b>	<b>(\$1,740,131)</b>

## **NOTE 8 - INSURANCE**

### **A. Washington State Transit Insurance Pool**

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

At the end of 2022, Intercity Transit retained a \$5,000 deductible for its all-risk property coverage which includes auto physical damage. Intercity Transit has a \$5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

In addition to the coverage detailed in the basic Cyber Liability insurance description, Intercity Transit has chosen to purchase additional limits. This limit will be in excess to any limit of the basic cyber liability policy and increase the availability of insurance and/or drop down if the basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not shared with any other policy holder or WSTIP member. Intercity Transit elected to purchase

\$2 million. The carrier is Great American Fidelity insurance company. Intercity Transit has a \$50,000 deductible per cyber incident.

Intercity Transit purchased an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier for the 2021-2022 policy term was Great American. The carrier for the 2022-2023 policy term is Great American. Insurance provisions on each policy were essentially the same. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is \$1 million per environmental incident with a \$1 million aggregate and a \$500,000 limit on defense per environmental incident. Intercity Transit has a \$25,000 deductible per environmental incident. Tanks must be listed to be covered.

Intercity Transit purchased a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2021, to April 4, 2024. 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 for each pollution condition – includes claims expenses with a \$5 million aggregate including claims expenses. Intercity Transit has a \$100,000 deductible per pollution condition. Locations must be listed to be covered.

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 notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

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

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

Here is a summary of coverage provided in 2022:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>GENERAL LIABILITY:</b> Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability	\$25 million	Per occurrence	\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0
Permissive Use of a Member-Owned Motor Vehicle	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
Endorsement 1: <b>COMMUNICABLE DISEASE LIABILITY:</b>	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
<b>PUBLIC OFFICIALS LIABILITY</b>	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1:			
<b>VIOLATIONS OF WAGE &amp; HOUR LAWS</b>	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
<b>PROPERTY COVERAGE</b> All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/ members combined	\$5,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
<b>AUTO PHYSICAL DAMAGE</b> Auto Physical Damage (below \$250,000 in value)	Fair market value		\$5,000
Auto Physical Damage for all vehicles valued over \$250,000 and less than 10 years old	Replacement Cost	Limited to \$1.5 million any one	\$5,000
<b>BOILER AND MACHINERY</b>	\$100 million		\$250,000 or \$350,000 depending on size of boiler



RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>CRIME / PUBLIC EMPLOYEE DISHONESTY</b> 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
<b>CYBER LIABILITY INSURANCE</b>			
		<b>Coverage</b>	<b>Deductible</b>
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$45 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million		\$5,000
BREACH RESPONSE COSTS	\$500,000	Aggregate for each insured/member (limit is increased to \$1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS			
Business Interruption			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$500,000	Aggregate limit	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
eCRIME			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$100,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$100,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$25,000	Limit of Liability	

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

A complete annual report, including financial statements, may be obtained by writing to: WSTIP, 2629 12<sup>th</sup> Ct SW, Olympia, WA 98502

### **B. Unemployment Insurance**

Intercity Transit self-insures for unemployment insurance claims. The Washington State Employment Security Department processes claims on behalf of Intercity Transit. Intercity Transit pays the amounts due for claims processed.

### **C. Workers Compensation Insurance**

As established by Title 51 RCW, all Intercity Transit employees are covered for on-the-job injuries or illness through Workers Compensation Insurance as administered by the State of Washington Department of Labor and Industries.

### **NOTE 9 - SIGNIFICANT CONTINGENCIES**

Intercity Transit has various unresolved claims and suits against it as of December 31, 2022. Management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of these actions will not have any significant effect on the Agency's financial position or result of operations.

Intercity Transit has received several federal grants for specific purposes that are subject to review and audit. Such audits could lead to requests for reimbursements for expenditures disallowed under the terms of the grants. In the opinion of management, such disallowances, if any, will be immaterial and will not have any significant effect on the financial position of Intercity Transit.

### **NOTE 10 – ASSET RETIREMENT OBLIGATION (ARO)**

An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Intercity Transit has recorded an ARO liability offset with a deferred outflow of resources for the future decommissioning and removal of 6 underground storage tanks (USTs) at the Pattison Street facility. The USTs were placed in service in 2018. Decommissioning and site assessment activities would be conducted consistent with the requirements of the Washington State Department of Ecology UST regulations (Chapter 173-360A of the Washington Administration Code (WAC)) and Ecology's Guidance for Site Checks and Site Assessments for Underground Storage Tanks. The ARO assumes that the appropriate decommissioning method is excavation and removal and that there are no suspected or actual releases to soil or groundwater from the USTs. The ARO liability includes the estimated cost of a UST site assessment, decommissioning oversight, and the decommissioning contract costs. The ARO current value is estimated to be \$274,074. The USTs have an estimated useful life of 27 years remaining.

### **NOTE 11 – Leases Payable**

Intercity Transit has a lease agreement for auxiliary storage and parking for vehicles during the construction phases on Pattison Street, due to limited space. The agreement was first executed in August of 2020 at \$5,000 per month and has been renewed and extended until 2025. The amendment updated the monthly amount from \$5,000 to \$6,000 effective August

2023 and \$6,200 effective August 2024 until 2025. The lease payable was calculated using a discount rate of 3%.

Intercity Transit has a lease agreement for office equipment with monthly payments in place November 2022 of \$2627 per month, with the lease expiring in 2027. The lease payable was calculated using a discount rate of 3%.

As of and for the year ended December 31, 2022, the lease payable activity was as follows:

Lessee	December 31, 2021 (Restated)	Issued	Matured/ Redeemed During Year	Outstanding December 31, 2022	Due Within One Year
Thermo King NW (Bobcat)	\$ 92,665	\$ 135,884	\$ (54,032)	\$ 174,517	\$ 60,714
Canon Financial Services	-	146,548	(4,539)	142,009	27,718
<b>Totals</b>	<b>\$ 92,665</b>	<b>\$ 282,432</b>	<b>\$ (58,571)</b>	<b>\$ 316,526</b>	<b>\$ 88,432</b>

At December 31, 2022, future principal and interest payments for the lease payables are as follows:

Fiscal Year Ending Dec 31,	Thermo King NW (Bobcat)			Canon Financial Services			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 60,714	\$ 4,286	\$ 65,000	\$ 27,718	\$ 3,802	\$ 31,520	\$ 88,432	\$ 8,089	\$ 96,520
2024	70,727	2,273	73,000	28,561	2,959	31,520	99,288	5,232	104,520
2025	43,077	323	43,400	29,430	2,091	31,520	72,506	2,414	74,920
2026	-	-	-	30,325	1,195	31,520	30,325	1,195	31,520
2027	-	-	-	25,975	293	26,267	25,975	293	26,267
<b>Totals</b>	<b>\$ 174,517</b>	<b>\$ 6,883</b>	<b>\$ 181,400</b>	<b>\$ 142,009</b>	<b>\$ 10,341</b>	<b>\$ 152,349</b>	<b>\$ 316,526</b>	<b>\$ 17,224</b>	<b>\$ 333,749</b>

## **NOTE 12 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2022. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Intercity Transit reduced service in response to the COVID-19 pandemic. Intercity Transit is in the process of restoring all scheduled public transportation services to full service.

The full extent of the financial impact on Intercity Transit and the surrounding community is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION – State Sponsored Plans

	Intercity Transit									
	Schedule of Proportionate Share of the Net Pension Liability									
	WA State Public Employees' Retirement System (PERS) Plan 1									
	As of June 30									
	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015		
Employer's proportion of the net pension liability (asset)	0.165137%	0.162198%	0.163202%	0.162456%	0.155064%	0.168321%	0.161476%	0.162002%		
Employer's proportionate share of the net pension liability	\$4,598,020	\$1,980,817	\$5,761,912	\$6,247,010	\$6,925,211	\$7,986,963	\$8,672,022	\$8,474,211		
Covered payroll	\$27,031,073	\$24,917,437	\$24,809,511	\$22,789,061	\$20,542,136	\$20,942,988	\$19,097,789	\$18,344,742		
Employer's proportionate share of the net pension liability as a percentage of covered payroll	17.01%	7.95%	23.22%	27.41%	33.71%	38.14%	45.41%	46.19%		
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%		

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit  
 Schedule of Proportionate Share of the Net Pension Liability(Asset)  
 WA State Public Employees' Retirement System (PERS) Plan 2/3  
 As of June 30  
 Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.215537%	0.208331%	0.213073%	0.209691%	0.198296%	0.211382%	0.202406%	0.204729%
Employer's proportionate share of the net pension liability(asset)	\$ (7,993,795)	\$ (20,753,120)	\$ 2,725,082	\$ 2,036,813	\$ 3,385,728	\$ 7,344,514	\$ 10,190,982	\$ 7,315,084
Covered payroll	\$ 27,031,073	\$ 24,917,437	\$ 24,809,511	\$ 22,789,061	\$ 20,486,843	\$ 20,724,852	\$ 18,915,708	\$ 18,165,812
Employer's proportionate share of the net pension liability(asset) as a percentage of covered payroll	-29.57%	-83.29%	10.98%	8.94%	16.53%	35.44%	53.88%	40.27%
Plan fiduciary net position as a percentage of the total pension liability(asset)	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit  
 Schedule of Employer Contributions  
 WA State Public Employees' Retirement System (PERS) Plan 1  
 For the year ended December 31  
 Last 10 Fiscal Years \*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$1,066,631	\$1,124,513	\$1,185,851	\$1,190,796	\$1,086,817	\$1,009,378	\$939,534	\$863,558
Contributions in relation to the statutorily or contractually required contributions	\$1,066,631	\$1,124,513	\$1,185,851	\$1,190,796	\$1,086,817	\$1,009,378	\$939,534	\$863,558
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$28,422,089	\$26,061,263	\$24,743,866	\$24,055,192	\$21,439,392	\$20,430,237	\$19,454,232	\$19,528,028
Contributions as a percentage of covered payroll	3.75%	4.31%	4.79%	4.95%	5.07%	4.94%	4.83%	4.42%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION – State Sponsored Plans

Intercity Transit  
 Schedule of Employer Contributions  
 WA State Public Employees' Retirement System (PERS) Plan 2/3  
 For the year ended December 31  
 Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$1,807,646	\$1,869,495	\$1,959,713	\$1,855,681	\$1,606,282	\$1,384,949	\$1,200,295	\$1,083,849
Contributions in relation to the statutorily or contractually required contributions	\$1,807,646	\$1,869,495	\$1,959,713	\$1,855,681	\$1,606,282	\$1,384,949	\$1,200,295	\$1,083,849
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$28,422,089	\$26,061,263	\$24,743,866	\$24,055,192	\$21,416,818	\$20,280,745	\$19,267,354	\$19,339,987
Contributions as a percentage of covered payroll	6.36%	7.17%	7.92%	7.71%	7.50%	6.83%	6.23%	5.60%

Notes to Schedule:

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

**Required Supplementary Information**

Intercity Transit

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31

Last 10 Fiscal Years\*

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total OPEB liability - beginning	\$12,999,435	\$12,074,146	\$8,956,296	\$8,408,507	\$6,805,477
Service cost	931,764	904,625	428,386	415,909	349,413
Interest	292,422	272,481	379,539	357,183	317,551
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,524,282)	-	(631,689)	-	498,993
Changes of assumptions	(3,045,215)	-	3,196,863	-	633,454
Benefits payments	(275,369)	(251,817)	(255,249)	(225,303)	(196,381)
Total OPEB liability - ending	<u>\$9,378,755</u>	<u>\$12,999,435</u>	<u>\$12,074,146</u>	<u>\$8,956,296</u>	<u>\$8,408,507</u>
 Covered employee payroll	 \$31,001,502	 \$25,285,184	 \$24,548,722	 \$22,053,713	 \$21,411,372
 Total OPEB liability as a % of covered payroll	 30.25%	 51.41%	 49.18%	 40.61%	 39.27%

## 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.*



**Thurston County Public Transportation Benefit Area  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

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	Federal Transit Formula Grants	20.507	-	-	951,764	951,764	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	380,346	380,346	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	255,068	255,068	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	5,522,636	5,522,636	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	94,837	94,837	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	47,543	47,543	-	3
				<b>Total ALN 20.507:</b>	<b>7,252,194</b>	<b>7,252,194</b>	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	-	534,597	534,597	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	-	5,395,372	5,395,372	-	3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	-	324,967	324,967	-	3

The accompanying notes are an integral part of this schedule.

**Thurston County Public Transportation Benefit Area  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

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	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	-	2,435,816	2,435,816	-	3
			<b>Total ALN 20.526:</b>	-	<b>8,690,752</b>	<b>8,690,752</b>	-	
		<b>Total Federal Transit Cluster:</b>		-	<b>15,942,946</b>	<b>15,942,946</b>	-	
<b>Transit Services Programs Cluster</b>								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0336	342,325	-	342,325	-	3
				<b>Total Transit Services Programs Cluster:</b>	-	<b>342,325</b>	-	
				<b>Total Federal Awards Expended:</b>	<b>15,942,946</b>	<b>16,285,271</b>	-	

The accompanying notes are an integral part of this schedule.

**Intercity Transit**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2022**

***NOTE 1 - BASIS OF ACCOUNTING***

The Schedule of Expenditure of Federal Awards is prepared on the same basis of accounting as the transit's financial statements. Intercity Transit uses the accrual basis of accounting.

***NOTE 2 - INDIRECT COST RATE***

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

***NOTE 3 - PROGRAM COSTS***

The amounts shown as current year expenses represent only the federal portion of the program costs. Entire program costs, including Intercity Transit's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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