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, 2023 through December 31, 2023

Published September 12, 2024

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Office of the Washington State Auditor
Pat McCarthy

September 12, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Intercity Transit
January 1, 2023 through December 31, 2023

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

ALN	Program or Cluster Title
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, 2023 through December 31, 2023

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, 2023, 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 5, 2024.

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

Pat McCarthy, State Auditor

Olympia, WA

September 5, 2024

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, 2023 through December 31, 2023

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, 2023. 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, 2023.

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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Intercity Transit
January 1, 2023 through December 31, 2023

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, 2023, 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, 2023, 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 5, 2024 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 5, 2024

FINANCIAL SECTION

Intercity Transit
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

INTERCITY TRANSIT
2023
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, 2023. 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 2023

- As of December 31, 2023, Intercity Transit's assets and deferred outflows exceeded its liabilities and deferred inflows by $373 million.
- Intercity Transit's total net position increased by $47.7 million.
- Intercity Transit's primary source of funding is local sales taxes. Intercity Transit's sales tax revenue increased from $85.3 million in 2022 to $86.2 million in 2023.
- Capital contributions were $9 million in 2023.
- 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 Transit has made 8 separate restorative increases to service levels. During 2023 service levels improved to 88% of pre-pandemic volume. The progression of service restoration has been determined by the varying rate of growth in the hiring and retention of labor.

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 and fifty thousand gallons of fuel each year, so volatility in fuel costs can be significant. In 2023 Intercity Transit was able to work with the state to use the existing state contract and purchase diesel fuel at a much lower rate, reducing costs by approximately $2 per gallon for diesel fuel. Prior to this update in August 2023, the price of diesel had climbed to a high of $6.45 per gallon.

From the Statement of Net Position:

- Current assets net of current liabilities was $248.3 million for the year ended December 31, 2023, as compared to $206.6 million for 2022.
- Cash reserves available to meet current and future obligations increased from $186.5 million in 2022 to $217.1 million in 2023.
- As of December 31, 2023, 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, 2023, Intercity Transit's assets and deferred outflows exceeded liabilities and deferred inflows by $372.6 million, which is an increase from $325.0 million in 2022.

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

Changes in Net Position	2023	2022	Net Increase (Decrease)
ASSETS			
Current Assets	$ 253,828,301	$ 210,822,003	$ 43,006,298
Net Pension Asset	9,200,806	7,993,796	1,207,010
Capital Assets	132,310,898	129,473,359	2,837,539
Total Assets	$ 395,340,005	$ 348,289,158	$ 47,050,847
Deferred Outflows of Resources	10,229,576	11,319,609	(1,090,033)
Total Assets and Deferred Outflows	**$ 405,569,581**	**$ 359,608,767**	**$ 45,960,814**
LIABILITIES			
Current Liabilities	$ 5,492,078	$ 4,201,060	$ 1,291,018
Long-Term Liabilities	18,067,863	17,539,298	528,565
Total Liabilities	$ 23,559,941	$ 21,740,358	$ 1,819,583
Deferred Inflows	9,393,509	12,904,011	(3,510,502)
Net Position:			
Investment in capital assets	$ 132,172,633	$ 129,245,265	$ 2,927,368
Restricted for Pensions	11,345,131	11,743,539	(398,408)
Unrestricted	229,098,367	183,975,594	45,122,773
Total Net Position	$ 372,616,131	$ 324,964,399	$ 47,651,733
Total Liab, Def Inflow, Net Position	**$ 405,569,581**	**$ 359,608,767**	**$ 45,960,814**

Public transportation is a capital-intensive enterprise. Consequently, 35.5 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.

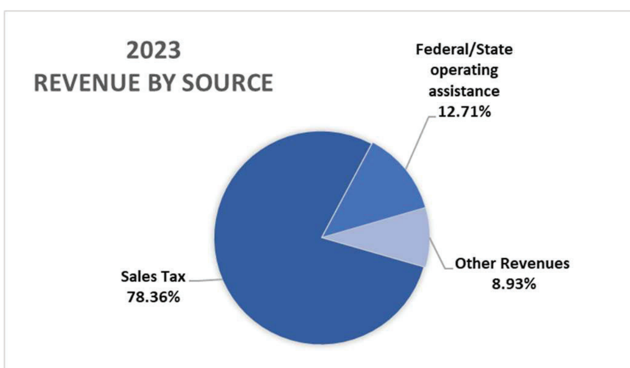
Intercity Transit's net position increased by $47.7 million during the current fiscal year.

Key elements of this increase are shown below:

Changes in Operating Statement	2023	2022	Net Increase (Decrease)
Operating Revenues:			
Passenger Fares	$ 466,799	$ 404,230	$ 62,569
Advertising & commissions	72	91	(19)
Total Operating Revenue	$ 466,872	$ 404,321	$ 62,551
Non-Operating Revenues:			
Sales Tax	$ 86,183,273	$ 85,293,096	$ 890,177
Federal/State operating assistance	13,981,176	5,179,255	8,801,921
Other revenues	9,259,653	(7,460,074)	16,719,727
Gain(Loss) on Capital Assets	94,407	133,856	(39,450)
Total Revenues	**$ 109,985,380**	**$ 83,550,455**	**$ 26,434,926**
Expenses:			
Operations and Maintenance	$ 42,414,618	$ 38,669,996	$ 3,744,622
General and Administrative	19,616,302	13,632,363	5,983,939
Depreciation	9,185,365	7,640,051	1,545,315
Total Expenses	**$ 71,216,285**	**$ 59,942,410**	**$ 11,273,875**
Net Income Before Contributions	38,769,095	23,608,045	15,161,050
Capital Grants/Contributions	8,882,638	15,973,237	(7,090,599)
Total Change in Net Position	**$47,651,732.50**	**$ 39,581,281**	**$ 8,070,451**
Net Position–Beginning of Year	324,964,398.50	285,383,117	39,581,281
Net Position – End of Year	**$ 372,616,131**	**$324,964,399**	**$ 47,651,733**

Revenues

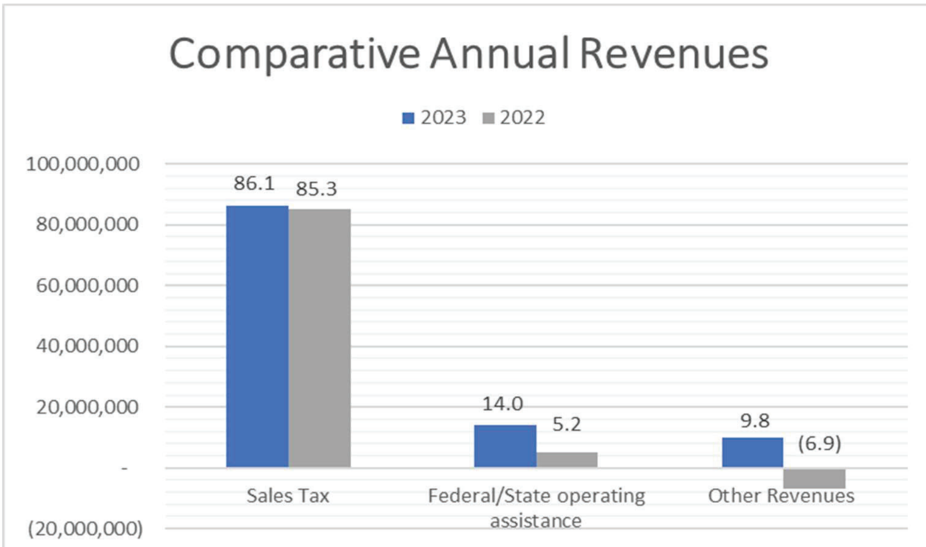
During 2023, revenues increased by $26.4 million, and capital contributions decreased by $7.1 million. Revenues from major sources are illustrated below:



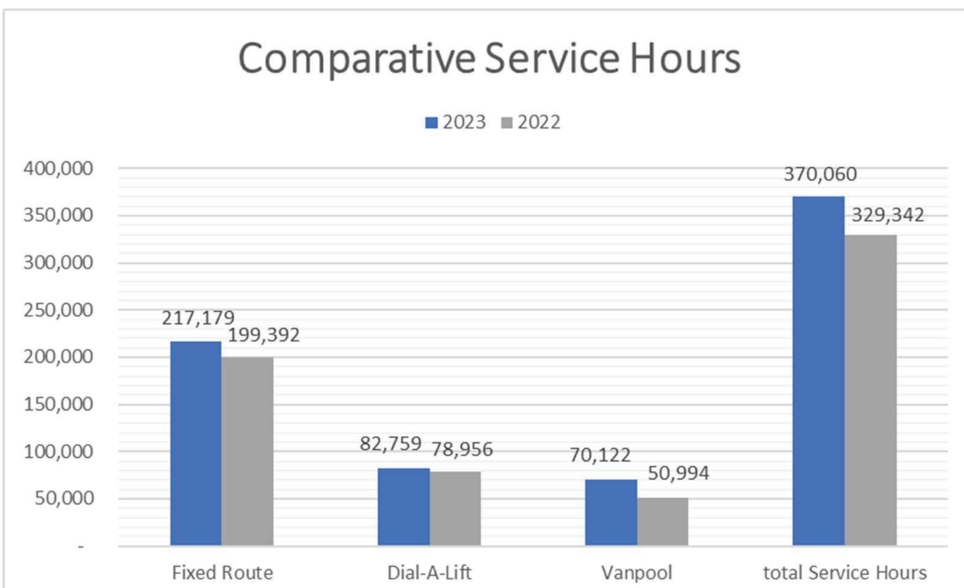
Total operating revenue sources (passenger fares, advertising, commissions) increased between 2023 and 2022 by $62.6 thousand. Sales tax revenues increased by $890 thousand from 2022 (1.03% increase). Federal and State operating assistance increased by $8.8 million.

Other revenue sources represented interest income (loss), miscellaneous revenue and gain/loss on disposal of assets. The total 2023 Other Revenue increase was primarily due to the fair value adjustment for investments in this rising interest rate economy.

The following graph compares revenues by function for 2023 and 2022.



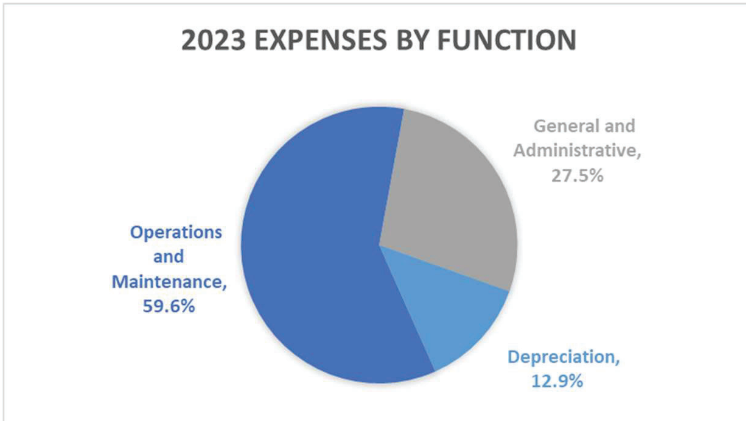
Total service hours for fixed route, DAL (Dial-a-Lift) and vanpool modes increased in 2023. Total ridership increased from 3.3 million in 2022 to 4.0 million in 2023.



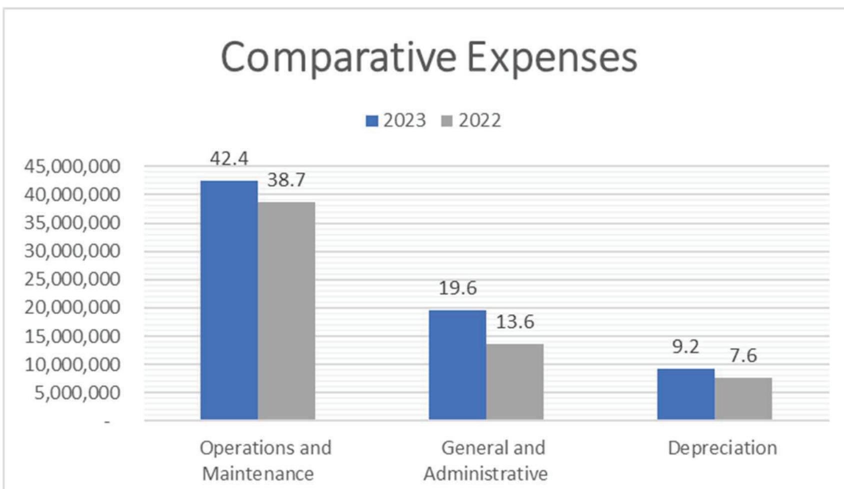
Expenses

Total expenses in 2023 increased by $11.3 million, or 18.8 percent increase compared to 2022.

Expenses by major function are shown below:



This graph compares expenses by function for 2023 & 2022.



Operations and maintenance expenses increased by $3.7 million or 9.7 percent.

General and administrative expenses increased by $6 million or 43.9 percent.

Depreciation expense increased $1.5 million or 20.2%.

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, 2023 amounted to $132.3 million, net of accumulated depreciation. Net capital assets increased $2.8 million or 2.2% during 2023.

Major acquisitions during 2023 included: Pattison operations/administration new building and related furniture and equipment, Pattison south parcel work in progress, new vanpool vehicles, 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 2024 compared to Washington State and the nation are as follows:

	March 2024	March 2023	February 2022	February 2021	February 2020	March 2019
Thurston County	5.30%	4.70%	5.00%	6.10%	4.70%	5.50%
Washington State	4.80%	4.50%	4.30%	5.60%	3.80%	4.50%
United States	3.80%	3.50%	3.80%	6.20%	3.50%	3.80%

The 2024 budget is summarized as follows: Total Budgeted Operating and Capital Expenditures $154.8 million.

The effects of the COVID pandemic continues to affect ridership and service into 2024.

Washington State has Initiative 2117 (I-2117) on the ballot for the Fall of 2024. I-2117 would prohibit any state agencies from implementing a cap and trade or cap and tax program. The initiative would repeal the 2021 Washington Climate Commitment Act (CCA), a state law providing for a cap and invest program designed to reduce greenhouse gas (GHG) emissions by 95% by 2050. This initiative, if passed, may affect Intercity's state grant opportunities in the future.

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

INTERCITY TRANSIT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets		
Cash & Cash Equivalents	$	217,129,709
Receivables	$	16,017,256
Due From Government Units	$	18,131,294
Prepaid Expenses	$	1,212,528
Inventories	$	1,337,514
Total Current Assets	$	253,828,301
Noncurrent Assets		
Net Pension Asset	$	9,200,806
Capital Assets Not Being Depreciated:		
Land	$	5,331,565
Work In Process	$	10,557,109
Capital Assets Being Depreciated:		
Facilities	$	97,080,230
Revenue Equipment	$	64,862,366
Communication Equipment	$	1,017,197
Administrative Vehicles	$	1,528,558
Shop Equipment	$	2,503,569
Office/IS Equipment	$	4,862,654
Miscellaneous Equipment	$	186,829
Intangibles Assets	$	5,600,028
(Less) Total Accumulated Depreciation & Amortization	$	(61,219,206)
Total Noncurrent Assets	$	141,511,704
Total Assets	$	395,340,005
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows on Pensions	$	7,542,368
Deferred Outflows on OPEB	$	2,413,418
Deferred Outflows on ARO	$	273,790
Total Deferred Outflows of Resources	$	10,229,576
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**405,569,581**

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

INTERCITY TRANSIT
STATEMENT OF NET POSITION Con't
DECEMBER 31, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES		
Current Liabilities		
Accounts Payable	$	2,074,394
Retainage Payable	$	72,265
Accrued Wages & Benefits	$	2,123,695
Accrued Vacation	$	125,010
Other Current Liabilities	$	361,655
Current portion of OPEB Liability	$	271,693
Current portion of Lease Liability	$	101,434
Current portion of Software Based Tech (SBITA) Liability	$	361,932
Total Current Liabilities	$	5,492,078
Noncurrent Liabilities		
Accrued Vacation/Sick Leave	$	2,967,768
ARO Liability	$	311,154
Lease Liability	$	138,265
Net Pension Liability	$	3,974,373
OPEB Liability	$	9,905,303
Software Based Tech (SBITA) Liability	$	771,000
Total Noncurrent Liabilities	$	18,067,863
Total Liabilities	$	23,559,941
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Pensions	$	5,322,561
Deferred Inflows on OPEB	$	4,070,948
Total Deferred Inflows of Resources	$	9,393,509
NET POSITION		
Investment in Capital Assets	$	132,172,633
Restricted - Net Pension Asset	$	11,345,131
Unrestricted	$	229,098,367
Total Net Position	$	372,616,131
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$**	**405,569,581**

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, 2023

OPERATING REVENUES		
Vanpool fares	$	466,799
Commissions	$	72
TOTAL OPERATING REVENUE	$	466,872
OPERATING EXPENSES		
Operations	$	29,137,373
Vehicle Maintenance	$	10,077,924
Non-Vehicle Maintenance/Facilities	$	3,199,321
General & Administration	$	19,616,302
Depreciation/Amortization	$	9,185,365
TOTAL OPERATING EXPENSES	$	71,216,285
OPERATING INCOME (LOSS)	$	(70,749,414)
NON-OPERATING REVENUES (EXPENSES)		
Sales Tax	$	86,183,273
Federal/State Operating Assistance	$	13,981,176
Interest Income (loss)	$	9,000,836
Miscellaneous	$	258,817
Gain (Loss) on Disposal of Assets	$	94,407
TOTAL NONOPERATING REVENUES (EXPENSES)	$	109,518,509
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	$	38,769,095
Capital Contributions	$	8,882,638
CHANGE IN NET POSITION	$	47,651,733
NET POSITION, January 1	$	324,964,399
NET POSITION, December 31	$	372,616,131

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$	487,369.13
Payments to employees	$	(47,194,246.32)
Payments to suppliers	$	(15,999,527.21)
NET CASH USED BY OPERATING ACTIVITIES	$	(62,706,404.40)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Sales tax	$	86,006,511
Operating grants	$	4,475,196
Other nonoperating receipts	$	258,817
NET CASH PROVIDED BY NONCAPITAL ACTIVITIES	$	90,740,523.80
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	$	5,895,792.26
Sale of capital assets	$	94,406.89
Purchases of capital assets	$	(12,092,945.02)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	$	(6,102,745.87)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings (loss)	$	8,685,710
NET CASH PROVIDED BY INVESTING ACTIVITIES	$	8,685,710
NET INCREASE IN CASH & CASH EQUIVALENTS	$	30,617,083
CASH & CASH EQUIVALENTS - January 1	$	186,512,626
CASH & CASH EQUIVALENTS - December 31	$	217,129,709

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, 2023

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

Operating Income(Loss)	$	(70,749,414)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Noncash Adjustments:		
Depreciation & Amortization	$	9,185,365
Pension Asset	$	(1,207,010)
Deferred Outflows	$	1,090,033
Lease Liability	$	(76,827)
SBITA Liability	$	1,132,932
ARO Liability	$	9,867
Pension Obligation	$	(623,647)
Other Post Employment Benefits	$	798,241
Deferred Inflows	$	(3,510,502)
Changes in Assets - Decrease (Increase):		
Accounts Receivable	$	243,577
Prepaid Expenses	$	441,000
Inventory	$	(89,079)
Changes in Liabilities - Increase (Decrease)		
Accounts Payable	$	633,567
Accrued Wages & Benefits	$	265,817
Advanced Payments	$	52,792
Accrued Vacation and Sick Leave Payable	$	(303,118)
TOTAL ADJUSTMENTS	$	8,043,009
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	(62,706,404)

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

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 significant accounting policies are described below.

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, non-capital 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 year-end.

C. Assets, Liabilities, Net Position

1. 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.

2. Investments – (See Note 2 – Deposits and Investments)

3. 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. Sales tax receivable consists of sales tax for November and December 2023 received in January and February 2024. Accrued interest receivable consists of amounts earned on investments at the end of the year and the miscellaneous accounts receivable represent rebates, claim payments and refunds owed to Intercity Transit at the end of 2023.

Due from other governments receivable is the amount due from federal and state governments for grants.

See Note 3 – Receivables, for further information.

4. Inventories and Prepaid Expenses

Inventories consist of building, shelter, and 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.

5. Capital Assets (See Note 4 – Capital Assets)

Capital assets, which include property, plant, and equipment with individual values of at least $5,000 and an estimated useful life of more than one year 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.

Major expenses for capital assets, major repairs that increase the useful life of an asset, and right to use assets such as capital leases (see Note 11) and subscription-based information technology arrangements (see Note 12) are capitalized. Labor and other expenses incurred in the acquisition and construction of capital assets are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

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 40 years
Revenue Vehicles	4 to 12 years
Other Vehicles	3 to 5 years
Equipment, Furniture	3 to 10 years

6. 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. At the commencement of the lease, Intercity Transit initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line method over its useful life.

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. Leases that do not meet these criteria are recognized as current period revenues and expenses.

Intercity Transit monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

7. 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.

8. 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)	$ 223,338,290
Fair Market Value (FMV) Adjustment	(6,208,581)
Ending Cash and Investment Value	$ 217,129,709

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 voluntary participant in the Thurston County Investment Pool (TCIP), an external investment pool operated by the Thurston County Treasurer. As of December 31, 2023, 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 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. Principal Custody Solutions acts as safekeeping agent for the Thurston County Treasurer. The TCIP is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the TCIP are reported at fair value, which, as of 12/31/2023 is reporting an unrealized loss from book value of 2.7799%. The TCIP does not impose any restrictions on participant withdrawals. The TCIP does not have a credit rating and had a weighted average maturity of 1.209 years as of December 31, 2023.

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, 3000 Pacific Ave SE, Olympia, WA 98501 or it is available on their website at https://www.thurstoncountywa.gov/departments/auditor/financial-services.

NOTE 3 – RECEIVABLES

December 31, 2023, Intercity Transit had the following receivables:

Receivables	
Sales Tax Receivable	$ 15,071,445
Other Receivables	226,817
Interest Receivable	718,994
Total Receivables	**$ 16,017,256**
Due from Other Government Units	**$ 18,131,294**

Within "Due from Other Government Units", the amount representing state is $11,086,441 and federal is $7,044,853.

NOTE 4 - CAPITAL ASSETS AND RELATED DEPRECIATION/AMORTIZATION

Summary of changes in plant, property, and equipment for 2023:

	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital Assets, not being depreciated				
Land	$ 5,331,565	$ -	$ -	$ 5,331,565
Work in Progress (WIP)	61,641,714	10,047,355	(61,131,961)	10,557,109
Total Capital Assets, not being depreciated	**$ 66,973,279**	**$ 10,047,355**	**$ (61,131,961)**	**$ 15,888,673**
Capital Assets, being depreciated/amortized				
Administrative Vehicles	$ 1,427,933	$ 146,453	$ (45,829)	$ 1,528,558
Shop Equipment	2,754,496	288,313	(539,240)	2,503,569
Office Equipment/Furniture	505,205	2,324,185	(11,505)	2,817,885
IS Equipment	1,295,109	766,343	(16,683)	2,044,769
Communication Equipment	1,017,197	-	-	1,017,197
Miscellaneous Equipment	92,153	132,566	(37,890)	186,829
Facilities	42,462,498	57,251,011	(2,633,279)	97,080,230
Revenue Equipment	65,322,039	488,342	(948,015)	64,862,366
Intangibles	3,514,478	-	-	3,514,478
Leased Assets *	375,097	11,494	-	386,591
Subscription-based Info Tech Arrangements (SBITA) **	-	1,698,960	-	1,698,960
Total Capital Assets, being depreciated or amortized	**$ 118,766,204**	**$ 63,107,668**	**$ (4,232,441)**	**$ 177,641,431**
Less Accumulated Depreciation & Amortization for:				
Administrative Vehicles	$ 1,141,628	$ 151,215	$ (45,829)	$ 1,247,014
Shop Equipment	2,040,010	92,054	(536,419)	1,595,644
Office Equipment	190,304	244,267	(11,505)	423,066
IS Equipment	860,944	206,136	(16,683)	1,050,397
Communication Equipment	108,985	145,314	-	254,299
Miscellaneous Equipment	67,405	18,778	(37,890)	48,293
Facilities	21,003,885	2,630,608	(2,625,791)	21,008,701
Revenue Equipment	30,426,777	4,812,190	(948,015)	34,290,953
Intangibles (excluding Leases/SBITAs)	362,243	502,068	-	864,312
Leased Assets *	63,942	90,810	-	154,752
Subscription-based Info Tech Arrangements (SBITA) **	-	281,776	-	281,776
Total Accumulated Depreciation & Amortization	**$ 56,266,124**	**$ 9,175,215**	**$ (4,222,133)**	**$ 61,219,206**
Total Capital Assets, being depreciated/amortized, net	**$ 129,473,359**	**$ 63,979,808**	**$ (61,142,269)**	**$ 132,310,898**

** Leased Asset Detail Listed Below*
*** Subscription-based (SBITA) Detail Listed Below*

Work in progress as of December 31, 2023, consists of the following projects:

Pattison Rehab & Expansion	$ 10,351,442
Pattison Furniture, Fixtures & Equipment	5,475
OTC Pedestrian Crossing Improvement	200,192
Total Work In Progress Balance	$ 10,557,109

Summary of Lease Activity for 2023:

Intangible right-to-use lease assets	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Thermo King NW (Bobcat)	$ 228,549	$ -	$ -	$ 228,549
Canon Financial Services	146,548	-	-	146,548
Pitney Bowes	-	11,494	-	11,494
Total Lease Assets	**$ 375,097**	**$ 11,494**	**$ -**	**$ 386,591**
Less Accumulated Amortization for:				
Thermo King NW (Bobcat)	$ 61,500	$ 61,500	$ -	$ 123,000
Canon Financial Services	2,442	29,310	-	31,752
Pitney Bowes	-	-	-	-
Total Accumulated Amortization	**$ 63,942**	**$ 90,810**	**$ -**	**$ 154,752**
Total Lease Assets, Net	**$ 311,155**	**$ (79,316)**	**$ -**	**$ 231,839**

Summary of Subscription-Based Information Technology Arrangements (SBITA) for 2023:

Intangible right-to-use SBITA assets	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
MICROSOFT OFFICE 365	$ -	$ 388,468	$ -	$ 388,468
NEOGOV	-	24,552	-	24,552
REMIX	-	37,767	-	37,767
RIDEPRO_TRIPSPARK	-	142,639	-	142,639
VIA	-	1,105,534	-	1,105,534
Total SBITA Assets	**$ -**	**$ 1,698,960**	**$ -**	**$ 1,698,960**
Less Accumulated Amortization for:				
MICROSOFT OFFICE 365	$ -	$ 129,489	$ -	$ 129,489
NEOGOV	-	14,731	-	14,731
REMIX	-	18,883	-	18,883
RIDEPRO_TRIPSPARK	-	63,395	-	63,395
VIA	-	55,277	-	55,277
Total Accumulated Amortization	**$ -**	**$ 281,776**	**$ -**	**$ 281,776**
Total SBITA Assets, Net	**$ -**	**$ 1,417,184**	**$ -**	**$ 1,417,184**

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Intercity Transit has the following significant commitments as of December 31, 2023:

Vendor	Full Contractual Amount	Amount Outstanding as of 12/31	Project
Iteris Inc	$ 673,525	$ 92,589	Smart Corridors
Intueor Consulting	168,025	7,014	ERP Research and Review
Schetky Northwest, Inc	7,382,700	7,382,700	Delayed Dial-a-Lift Vehicles
Bud Clary Ford Hyundai	132,377	132,377	Delayed 1 Maintenance Vehicle
Bud Clary Ford Hyundai	284,474	284,474	Delayed 3 Facilities Vehicles
Maul Foster & Alongi	53,236	6,929	Marketing Campaign Services
Center for Transportation and the Environmnt	596,150	596,150	Zero Emissions Transition Plan & Design
Foster Government Relations	48,000	36,000	State & Fed Advocacy
Gordon Thomas Honeywell Relations	96,000	72,000	State & Fed Advocacy
The Athena Group	19,460	12,400	Employee engagemnt survey & consulting
WA State Dept of Enterprise Svcs	854,341	154,840	Pattison Rehab & Expansion
KPFF	43,320	1,395	Pattison Rehab & Expansion
Forma	34,372,279	28,091,875	Pattison Rehab & Expansion
GeoEngineers	362,500	12,279	Pattison Rehab & Expansion
KBA	223,878	18,494	Pattison Rehab & Expansion
PBS Environmental	18,490	4,620	Pattison Rehab & Expansion
Stantec	11,563,393	2,396,457	Pattison Rehab & Expansion
SCJ Alliance	531,287	38,190	Martin Way Park & Ride Improvemnt Proj
Tapani	2,300,000	24,551	Martin Way Park & Ride Improvemnt Proj
SCJ Alliance	130,105	43,151	Bus Stop Improvements
SCJ Alliance	53,250	5,416	OTC Pedestrian Site Improvements
TOTAL		**$ 39,413,900**	

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(3,974,373)
Pension assets	9,200,806
Deferred outflows of resources	7,542,368
Deferred inflows of resources	(5,322,562)
Pension expense/expenditures	(859,321)

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.

Public Employees' Retirement System (PERS)

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

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

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July - August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**

Intercity Transit's actual contributions to the plan were $1,154,289 for the year ended December 31, 2023.

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

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

<u>Contributions</u>

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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2/3**
January – June 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**
July - August 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**9.39%**	**6.36%**
September – December 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	**9.53%**	**6.36%**

Intercity Transit's actual contributions to the plan were $2,155,198 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.25% salary inflation

Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.

Investment rate of return: 7.00%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

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, 2021. 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%
	100%	

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	$5,552,500	$3,974,373	$2,597,040
PERS 2/3	$10,006,979	($9,200,806)	($24,981,214)

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, 2023, Intercity Transit reported a total pension liability(asset) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$3,974,373
PERS 2/3	($9,200,806)

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

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2023	Change in Proportion
PERS 1	0.165137%	0.174106%	0.008969%
PERS 2/3	0.215537%	0.224482%	0.008945%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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, 2023, Intercity Transit recognized pension expense as follows:

	Pension Expense
PERS 1	$249,069
PERS 2/3	($1,108,390)
Total	($859,321)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, 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	$0	$0
Net difference between projected and	0	(448,327)
Changes of assumptions	0	0
Changes in proportion and differences	0	0
Contributions subsequent to the measurement date	523,807	0
Total	**$523,807**	**($448,327)**
PERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and	$1,874,194	($102,801)
Net difference between projected and	0	(3,467,420)
Changes of assumptions	3,862,817	(841,942)
Changes in proportion and differences	167,876	(462,073)
Contributions subsequent to the measurement date	1,113,675	0
Total	**$7,018,561**	**($4,874,235)**

Combined Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and	$1,874,194	($102,801)
Net difference between projected and actual investment earnings on pension plan investments	0	(3,915,746)
Changes of assumptions	3,862,817	(841,942)
Changes in proportion and differences between contributions and proportionate share of contributions	167,876	(462,073)
Contributions subsequent to the measurement date	1,637,482	0
Total	**$7,542,368**	**($5,322,562)**

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

Year ended	PERS 1
2024	(305,022)
2025	(383,602)
2026	236,523
2027	3,775
2028	0
Thereafter	0
Total	**(448,327)**

Year ended	PERS 2/3
2024	(1,703,449)
2025	(2,021,356)
2026	2,816,291
2027	973,180
2028	963,607
Thereafter	2,379
Total	**1,030,651**

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 up to 6.2% of the annual salary of all participating employees who also contribute. In 2023 Intercity Transit contributed $1,729,208 and employees contributed $2,508,326 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 2023:

Aggregate OPEB Amounts	
OPEB Liability	$10,176,996
OPEB Assets	$0
Deferred outflow of resources	$2,413,418

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	$8,642,858	$10,176,996	$12,136,700

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.

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB Liability	$11,867,895	$10,176,996	$8,817,758

Changes in the Total OPEB Liability

Total OPEB Liability at 1/1/2023	**$9,378,755**
Service cost	**700,056**
Interest	**369,878**
Changes in benefit terms	**0**
Differences between expected and actual experience	**0**
Change of assumptions	**0**
Benefit payments	**(271,693)**
Net Change in Total OPEB Liability	**798,241**
Total OPEB Liability at 12/31/2023	**$10,176,996**

The most recent actuarial valuation was completed April 27, 2023, with a valuation date of December 31, 2022. OPEB expense for the year 2023: $987,333.

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 12/31/2023 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	**($1,617,037)**	**$196,575**
Changes of assumptions	**(2,453,911)**	**2,216,843**
Net difference between projected and actual earnings	**0**	**0**
Payments subsequent to the measurement date	**0**	**0**
Total	**($4,070,948)**	**$2,413,418**

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:	
2024	($82,601)
2025	(82,601)
2026	(82,601)
2027	(94,034)
2028	(196,989)
Thereafter	(1,118,704)
Total	**($1,657,530)**

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 2023, 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.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six months written notice and 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 and The Burlington Insurance Company 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.

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 (in excess of $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 2022-2023 policy term was Great American. The carrier for the 2023-2024 policy term is Mid-Continent Casualty Company. 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.

Here is a summary of coverage provided in 2023:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY:			
Bodily Injury & Property Damage	$25 million	Per occurrence	$0
Personal Injury and Advertising Injury	$25 million	Per offense	$0
Contractual liability	$25 million	Per occurrence	$0
Vanpool Driver Medical Expense Protection	$35,000	Per occurrence	$0
Underinsured Motorist Coverage (by mode)	$60,000	Per occurrence	$0
Permissive Use of a Member-Owned	$100,000 for property damage and $300,000 for bodily injury	Per occurrence	$0
Motor Vehicle			
Agency, rental, and personal/private vehicle occupants not covered by workers compensation or transit passengers	$100,000 for property damage and $300,000 for bodily injury	Per occurrence	$0
Endorsement 1:			
COMMUNICABLE DISEASE LIABILITY:	$500,000	Per occurrence	$0
Annual aggregate for all Members or			
Additional Covered Parties	$2 million		
PUBLIC OFFICIALS LIABILITY	$25 million	Per occurrence and aggregate	$5,000
Endorsement 1:			
VIOLATIONS OF WAGE & HOUR LAWS	$250,000	Per occurrence	$25,000
Annual aggregate per Member	$250,000		
PROPERTY COVERAGE	$500 million	Per occurrence, all perils and insureds/ members combined	$5,000
All perils subject to the following sublimits:			
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 occur per unit
AUTO PHYSICAL DAMAGE			
Auto Physical Damage (below $250,000 in	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 $1.6 million any one vehicle	$5,000
BOILER AND MACHINERY	$100 million		$250,000 or $350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance.	$2 million	Per occurrence	$10,000
Also includes:			
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	$2 million	Per occurrence	$10,000
burglary of other property			
Outside premises	$2 million	Per occurrence	$10,000
Computer fraud	$2 million	Per occurrence	$10,000
Funds Transfer Fraud	$2 million	Per occurrence	$10,000
Money orders and counterfeit money	$2 million	Per occurrence	$10,000

CYBER LIABILITY INSURANCE		**Coverage**	**Deductible**
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP	$45 million		
Insured/Member Annual Aggregate Limit of	$2 million		$5,000
BREACH RESPONSE COSTS	$500,000	Aggregate for each insured/member (limit is increased to $1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS			
Business Interruption			
Resulting from Security Breach	$750,000	Aggregate limit	
Resulting from System Failure	$500,000	Aggregate limit	
Dependent Business Loss			
Resulting from Security Breach	$750,000	Aggregate limit	
Resulting from System Failure	$100,000	Aggregate limit	
Cyber Extortion Loss	$750,000	Aggregate limit	
Data Recovery Costs	$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	$2 million	Aggregate limit	
Regulatory defense and penalties	$2 million	Aggregate limit	
Payment Card Liabilities & Costs	$2 million	Aggregate limit	
Media Liability	$2 million	Aggregate limit	
eCRIME			
Fraudulent Instruction	$75,000	Aggregate limit	
Funds Transfer Fraud	$75,000	Aggregate limit	
Telephone Fraud	$75,000	Aggregate limit	
CRIMINAL REWARD	$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	$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 are expected to exceed its current coverage limits through WSTIP.

A complete annual report, including financial statements, may be obtained by writing to: WSTIP, 2629 12th 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, 2023. 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 $273,789. The USTs have an estimated useful life of 26 years remaining.

NOTE 11 – Leases Payable

Intercity Transit has a lease agreement with Thermo King NW 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 with Canon Financial Services 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%.

Intercity Transit has a lease agreement with Pitney Bowes for postage equipment in place as of December 2023 with quarterly payments of $635 due at the end of each quarter, with the lease expiring in 2028. The lease payable was calculated using a discount rate of 3.86%.

As of and for the year ended December 31, 2023, the lease payable activity was as follows:

	Beginning Balance January 1, 2023	Increases	Decreases	Ending Balance, Dec 31, 2023
Thermo King NW (Bobcat)	$ 174,517	$ -	$ (60,714)	$ 113,804
Canon Financial Services	142,008	-	(27,718)	114,290
Pitney Bowes	-	11,605	-	11,605
Totals	**$ 316,525**	**$ 11,605**	**$ (88,432)**	**$ 239,698**

At December 31, 2023, future principal and interest payments for the lease payables are as follows:

	Thermo King NW (Bobcat)			Canon Financial Services			Pitney Bowes			Totals		
Fiscal Year Ending Dec 31	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	70,728	$ 2,273	$ 73,000	28,561	2,959	31,520	$ 2,146	$ 393	$ 2,539	$101,435	$ 5,625	$107,060
2025	43,078	323	43,400	29,430	2,091	31,520	2,230	309	2,539	$ 74,738	$ 2,723	$ 77,460
2026	-	-	-	30,325	1,195	31,520	2,317	221	2,539	$ 32,642	$ 1,417	$ 34,059
2027	-	-	-	25,975	293	26,267	2,408	130	2,539	$ 28,383	$ 423	$ 28,807
2028	-	-	-	-	-	-	2,504	36	2,539	$ 2,504	$ 36	$ 2,540
Totals	**$113,806**	**$ 2,596**	**$116,400**	**$114,291**	**$ 6,538**	**$120,828**	**$ 11,606**	**$ 1,089**	**$ 12,694**	**$239,702**	**$10,224**	**$249,926**

See Note 4 – Capital Assets, for related lease asset and accumulated amortization information.

NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

A Subscription Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

For reporting purposes, SBITA terms are longer than one year, and Intercity Transit has set a minimum threshold of $5,000 annual expense to capture the SBITA on annual reports.

Intercity Transit has five SBITA liabilities and five corresponding assets to be reported for the fiscal year ending 2023. All five SBITAs were added to reporting in 2023 as required by new government accounting standards in place effective January 1, 2023.

As of and for the year ended December 31, 2023, SBITA payable activity was as follows:

SBITA Liabilities	Payment Frequency	Final Payment Amount (incl interest)	Final Payment Due	Discount Rate	Beginning Balance	Increases	Decreases	Ending Balance, Dec 31, 2023
Microsoft Office 365	Annual	134,272	8/1/2025	3.74%	$ -	$ 388,468	$ (124,765)	$ 263,703
Neogov	Annual	25,171	9/29/2023	3.74%	$ 24,552	$ -	$ (24,552)	$ -
Remix	Annual	20,000	1/1/2024	3.74%	$ 37,767	$ -	$ (17,767)	$ 20,000
Trapeze	Annual	35,434	6/1/2024	3.74%	$ 66,834	$ -	$ (31,947)	$ 34,887
VIA	Annual	237,600	10/1/2027	3.86%	$ -	$ 1,004,534	$ (190,192)	$ 814,342
Totals					**$ 129,153**	**$ 1,393,002**	**$ (389,223)**	**$1,132,932**

At December 31, 2023, future principal and interest payments for the SBITA payables are as follows:

	Microsoft Office 365		Remix		Trapeze		VIA		Totals - All SBITAs		
Fiscal Year Ending Dec 31	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	129,431	$ 4,841	20,000	$ -	34,887	$ 547	177,614	$29,986	361,932	$ 35,374	$ 397,306
2025	134,272	$ -	-	-	-	-	194,285	22,915	328,557	$ 22,915	$ 351,472
2026	-	-	-	-	-	-	211,612	15,188	211,612	$ 15,188	$ 226,800
2027	-	-	-	-	-	-	230,831	6,769	230,831	$ 6,769	$ 237,600
2028	-	-	-	-	-	-	-	-	-	$ -	$ -
Totals	**$ 263,703**	**$ 4,841**	**$ 20,000**	**$ -**	**$ 34,887**	**$ 547**	**$814,342**	**$74,858**	**$1,132,932**	**$ 80,245**	**$1,213,178**

See Note 4 – Capital Assets, for related SBITA asset and accumulated amortization information.

NOTE 13 – SUBSEQUENT EVENTS

On February 21st, 2024, the Intercity Transit Authority Board provided authority to negotiate the purchase of property. Intercity Transit identified .17 acres of land adjacent to the Olympia Transit Center available for sale from a private owner. On March 28th, 2024, the General Manager's designate signed the purchase and sale agreement in the amount of $240,000 that includes a 60-day feasibility study. The sale is expected to close prior to July 1, 2024. The land will be used for parking for Intercity Transit vehicles.

NOTE 14 – ACCOUNTING AND REPORTING CHANGES

Beginning in the fiscal year ending December 31, 2023, Intercity Transit implemented the Government Accounting Standards Board Statement No. 96 (GASB 96) requirements for Subscription-based Information Technology Arrangements (SBITAs). Implementation resulted in additions to assets and liabilities on the Intercity Transit financial statements in 2023.

The purpose of GASB 96 is to improve financial reporting by defining what a SBITA is, establishing that a SBITA results in both a right-to-use subscription asset and a corresponding liability, and provides capitalization criteria for outlays other than subscription payments, including implementation costs. GASB 96 also requires note disclosures for SBITAs (see Note 12).

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.174106%	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	$3,974,373	$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	$31,032,828	$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	12.81%	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	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

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

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.224482%	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)	$ (9,200,806)	$ (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	$ 31,032,828	$ 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	-29.65%	-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)	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

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

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$1,154,289	$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	$1,154,289	$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	$0
Covered payroll	$33,886,754	$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	3.41%	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.*

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	2,155,198	$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	$2,155,198	$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	$0
Covered payroll	$33,886,754	$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%	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*

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$9,378,755	$12,999,435	$12,074,146	$8,956,296	$8,408,507	$6,805,477
Service cost	700,056	931,764	904,625	428,386	415,909	349,413
Interest	369,878	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	(271,693)	(275,369)	(251,817)	(255,249)	(225,303)	(196,381)
Total OPEB liability - ending	$10,176,996	$9,378,755	$12,999,435	$12,074,146	$8,956,296	$8,408,507
Covered employee payroll	$31,931,547	$31,001,502	$25,285,184	$24,548,722	$22,053,713	$21,411,372
Total OPEB liability as a % of covered payroll	31.87%	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, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	500,500	500,500	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	210,457	210,457	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	386,831	386,831	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	42,165	42,165	-	1,2,3
			Total ALN 20.507:	**-**	**1,139,953**	**1,139,953**	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	189,367	189,367	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	857,124	857,124	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		-	4,956,000	4,956,000	-	1,2,3

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, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
			Total ALN 20.526:	**-**	**6,002,491**	**6,002,491**	-	
		Total Federal Transit Cluster:		**-**	**7,142,444**	**7,142,444**	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0336	447,847	-	447,847	-	1,2,3
	Total Transit Services Programs Cluster:			**447,847**	**-**	**447,847**	-	
		Total Federal Awards Expended:		**447,847**	**7,142,444**	**7,590,291**	**-**	

The accompanying notes are an integral part of this schedule.

Intercity Transit
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2023

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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