



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, 2024 through December 31, 2024**

*Published August 18, 2025*

Report No. 1037885



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

August 18, 2025

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

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	10
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	12
Independent Auditor's Report on the Financial Statements.....	16
Financial Section.....	20
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	75
About the State Auditor's Office.....	76

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Intercity Transit January 1, 2024 through December 31, 2024

### 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 deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.513	Transit Services Programs Cluster - Enhanced Mobility of Seniors and Individuals with Disabilities

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

See Finding 2024-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Intercity Transit January 1, 2024 through December 31, 2024

#### **2024-001    The Transit did not have adequate internal controls and did not comply with federal suspension and debarment requirements.**

<b>Assistance Listing Number and Title:</b>	20.513 Enhanced Mobility of Seniors and Individuals with Disabilities
<b>Federal Grantor Name:</b>	Federal Transit Administration
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	WA Department of Transportation
<b>Pass-through Award/Contract Number:</b>	PTD0335, PTD0336
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	N/A

#### ***Background***

During fiscal year 2024, the Transit spent \$2,917,117 in federal funding from the Enhanced Mobility of Seniors and Individuals with Disabilities program. The objective of this program is to enhance mobility for seniors and people with disabilities by providing funds for programs that serve the special needs of transit dependent populations beyond traditional public transportation services and Americans with Disabilities Act complementary paratransit services.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the Transit enters into contracts or purchases goods and services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must

verify the contractors are not suspended, debarred or otherwise excluded from participating in federal programs. The Transit may verify this by obtaining a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The Transit must verify this before entering into the contract, and must maintain documentation demonstrating compliance with this federal requirement.

### *Description of Condition*

Our audit found the Transit did not have internal controls to verify the contractors it paid more than \$25,000 in federal funds were not suspended or debarred from participating in federal programs. Although the Transit verified the status of contractors it paid exclusively with federal funds, it did not have controls to verify the status of contractors it paid with both operating and federal funds.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

### *Cause of Condition*

When submitting reimbursement, the Transit allocated \$140,971 of its \$15,357,881 in operating accounts payable expenses to the federal program. Transit staff did not realize that allocating operating expenses to the program makes them federal expenses and therefore subject to suspension and debarment requirements.

### *Effect of Condition*

Using a nonstatistical sample, we found that for three of seven contractors we tested, the Transit did not obtain a written certification from the contractors, insert a clause into the contracts, or check for exclusion records at SAM.gov to verify contractors it paid \$2,603 using federal funds were not suspended or debarred before contracting. Without adequate internal controls, the Transit increases its risk of awarding federal funds to contractors that are excluded from participating in federal programs. Any payments the Transit made to an ineligible party would be unallowable, and the awarding agency could potentially recover them.

The Transit subsequently verified the contractors were not suspended or debarred. Therefore, we are not questioning costs.

## ***Recommendation***

We recommend the Transit strengthen its internal controls to verify all contractors it pays \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs and maintain documentation demonstrating compliance with this requirement.

## ***Transit's Response***

*Intercity Transit deeply appreciates the important work of the Washington State Auditor's Office and values our partnership with the local audit team. Their professionalism and thoroughness play a vital role in helping our agency uphold transparency, accountability, and compliance with regulatory requirements. We are grateful for their commitment to protecting public resources and for bringing forward findings that help agencies like ours improve.*

*While Intercity Transit has a longstanding and commendable record of clean audits—a reflection of our staff's diligence and commitment to responsible financial stewardship—this particular case presented an unexpected challenge. The unique structure of this federal operational grant, specifically the way costs were allocated, resulted in a broader requirement for all expenditures to comply with federal suspension and debarment provisions. Unfortunately, this nuance was not clearly identified by our agency, leading to a misunderstanding of the grant's regulatory scope.*

*Looking ahead, Intercity Transit is fully committed to strengthening internal controls and implementing updated procedures to ensure compliance with all applicable regulations governing federal grant administration. Specifically, the following steps will be taken:*

- ***Strengthen procurement procedures*** to align with all local, state, and federal requirements related to the use of federal funds;
- ***Update documentation standards*** to verify contractors and consultants working on federally funded projects are not suspended or debarred, using one or more of the following: staff search results, stand-alone certifications, and/or certification clauses in contracts;
- ***Enhance staff training*** by attending federal grant workshops to gain deeper knowledge of uniform guidance, levels of federal procurement, and associated documentation requirements.

*We look forward to continued collaboration with the State Auditor's Office as we work to strengthen our practices and remain responsible stewards of public funds.*



### ***Auditor's Remarks***

We thank the Transit for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Transit's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

## 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, 2024 through December 31, 2024**

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, 2024, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated August 12, 2025.

### **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.

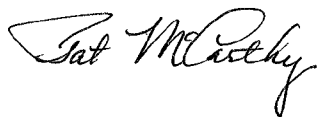
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

August 12, 2025

## INDEPENDENT AUDITOR'S REPORT

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

#### **Intercity Transit January 1, 2024 through December 31, 2024**

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, 2024. 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, 2024.

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

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

We are required to be independent of the 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.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

## Transit's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Transit's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Transit's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2024-001, that we consider to be a material weakness.

## Transit's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Transit's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Transit's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Purpose of this Report

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 12, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Intercity Transit January 1, 2024 through December 31, 2024**

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, 2024, 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, 2024, 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.



## **Matters of Emphasis**

As discussed in Note 14 to the financial statements, in 2024, the Transit adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 100, Accounting Changes and Error Corrections. Our opinion is not modified with respect to this matter.

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 August 12, 2025 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, State Auditor

Olympia, WA

August 12, 2025

## **FINANCIAL SECTION**

### **Intercity Transit January 1, 2024 through December 31, 2024**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2024

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2024

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

Statement of Cash Flows – 2024

Notes to Financial Statements – 2024

#### **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

Schedule of Changes in the Total OPEB Liability and Related Ratios – PEBB - 2024

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2024

Notes to the Schedule of Expenditures of Federal Awards – 2024

## MANAGEMENT'S DISCUSSION & 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 ending December 31, 2024. This section should be read in conjunction with the financial statements that follow.

### Introduction

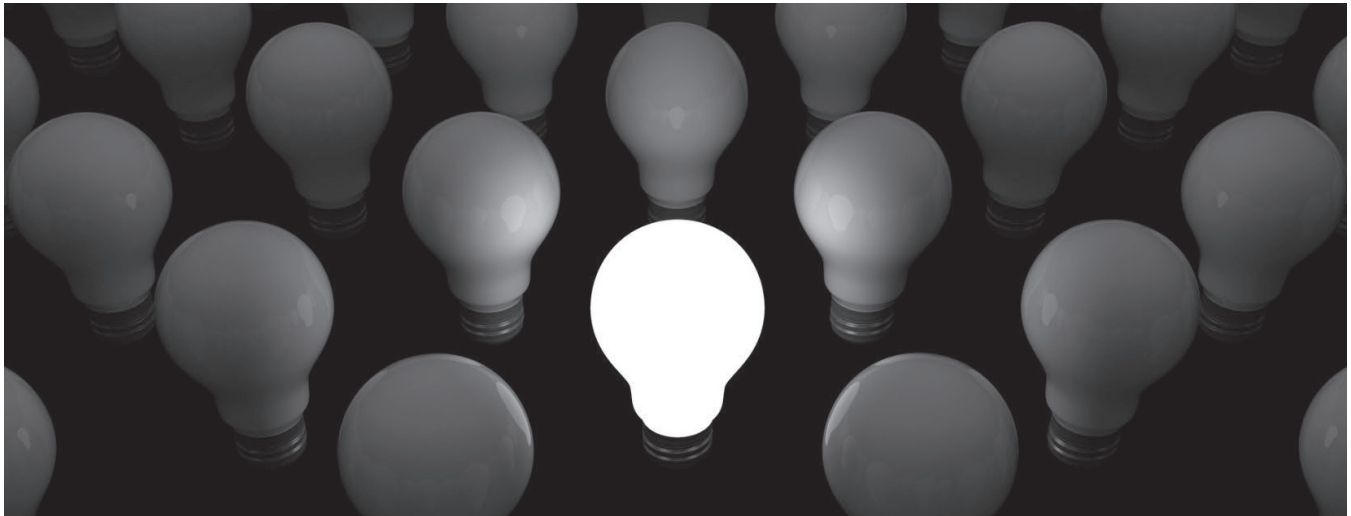
Intercity Transit (IT) is a Public Transportation Benefit Area (PTBA) corporation providing public transportation services to the Thurston County community.

Services include:

- Local and inter-county bus service.
- Paratransit, Dial-A-Lift (DAL), services for the elderly and disabled.
- A Vanpool program and ridematch services.
- A youth and adult education program for walking, biking and public transportation use.

### Highlights for 2024

- As of December 31, 2024, IT's net position totaled \$410.3 million. Of this amount, \$252.8 million is available to meet our primary goal of providing service to the public and to be invested in future capital improvements as discussed in IT's five-year plan.
- IT's total net position increased by \$37.6 million.
- IT's primary source of funding is local sales taxes. IT's sales tax revenue decreased slightly from \$86.2 million in 2023 to \$85.8 million in 2024.
- Capital contributions were \$13 million in 2024.
- As a result of the COVID-19 global pandemic, in 2020 IT suspended all fixed route bus service and only provided demand response for essential trips. Since that time, IT has incrementally restored bus service; the progression of service restoration has been impacted by the varying rate of growth in hiring and retention of labor. During 2024, service levels reached 100% of pre-pandemic volume, marking the end of the pandemic-influenced decrease.



## **Overview of the Financial Statements**

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

The Statement of Net Position presents information about Intercity Transit's assets, liabilities, deferred outflows of resources and deferred inflows of resources. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. When the net position is compared for several years, increases and decreases may serve as a useful indicator of whether IT'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 IT's cash receipts, cash payments, and changes in cash and cash equivalents during the fiscal year.

The basic financial statements can be found following this Management Discussion and Analysis. 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 following the basic financial statements.

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

As noted earlier, net position serves as a useful indication of the agency's financial strength. IT's overall financial position improved in 2024. Net investment in capital assets increased by 8.3% or \$11 million. Restricted net position increased by \$3 million due to change in the net pension asset. Unrestricted net position increased by 10.3% or \$23.7 million. The result is an increase in total net position of 10.1% or \$37.6 million.

Current assets net of current liabilities was \$269.5 million for the year ended Dec. 31, 2024, as compared to \$248.3 million for 2023.

IT relies heavily on sales tax revenue, and in 2024, sales tax was relatively flat from 2023 showing a slight decrease of 0.5%. In 2024, sales tax revenue was \$85.8 million compared to 2023 of \$86.2 million.

Cash reserves available to meet current and future obligations increased from \$217.1 million in 2023 to \$253.9 million in 2024.

As of December 31, 2024, Intercity Transit had no long-term debt.

## Financial Analysis

Intercity Transit's net position at year-end was \$410.3 million as compared to \$372.6 million in 2023. A summary of Net Position follows:

Changes in Net Position	2024	2023	Net Increase (Decrease)
<b>ASSETS</b>			
Current Assets	\$ 279,074,672	\$ 253,828,301	\$ 25,246,371
Net Pension Asset	7,735,211	9,200,806	(1,465,595)
Capital Assets	144,236,524	132,310,898	11,925,626
<b>Total Assets</b>	<b>\$ 431,046,407</b>	<b>\$ 395,340,005</b>	<b>\$ 35,706,402</b>
<b>Deferred Outflows of Resources</b>	<b>12,814,762</b>	<b>10,229,576</b>	<b>2,585,186</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 443,861,170</b>	<b>\$ 405,569,581</b>	<b>\$ 38,291,589</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 9,544,963	\$ 5,492,078	\$ 4,052,885
Long-Term Liabilities	15,593,572	18,067,863	(2,474,291)
<b>Total Liabilities</b>	<b>\$ 25,138,535</b>	<b>\$ 23,559,941</b>	<b>\$ 1,578,594</b>
<b>Deferred Inflows</b>	<b>8,458,017</b>	<b>9,393,509</b>	<b>(935,492)</b>
<b>Net Position:</b>			
Investment in capital assets	\$ 143,135,384	\$ 132,172,633	\$ 10,962,751
Restricted for Pensions	14,323,006	11,345,131	2,977,875
Unrestricted	252,806,227	229,098,367	23,707,861
<b>Total Net Position</b>	<b>\$ 410,264,617</b>	<b>\$ 372,616,131</b>	<b>\$ 37,648,486</b>
<b>Total Liab, Def Inflow, Net Position</b>	<b>\$ 443,861,170</b>	<b>\$ 405,569,581</b>	<b>\$ 38,291,589</b>

Public transportation is a capital-intensive enterprise. Consequently, 34.9% of IT's net position was invested in capital assets. Because these assets are used to provide services to the community, they are not available for future spending.

IT's net position increased by \$37.6 million during the current fiscal year.

Key elements of this increase are shown in the subsequent chart:

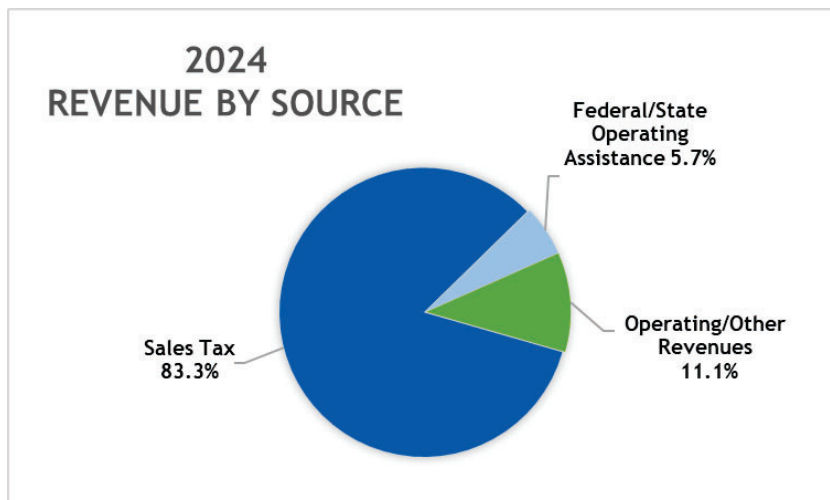
Changes in Operating Statement	2024	2023	Net Increase (Decrease)
<b>Operating Revenues:</b>			
Passenger Fares	\$ 456,805	\$ 466,799	\$ (9,994)
TESC Late Night Svcs / Other	17,133	72	17,061
Total Operating Revenue	\$ 473,938	\$ 466,872	\$ 7,067
<b>Non-Operating Revenues:</b>			
Sales Tax	\$ 85,755,939	\$ 86,183,273	\$ (427,334)
Federal/State operating assistance	5,831,899	13,981,176	(8,149,277)
Other revenues	10,884,523	9,259,653	1,624,870
Gain(Loss) on Capital Assets	49,421	94,407	(44,986)
<b>Total Revenues</b>	<b>\$102,995,720</b>	<b>\$109,985,380</b>	<b>\$ (6,989,660)</b>
<b>Expenses:</b>			
Operations and Maintenance	\$ 49,545,638	\$ 42,414,618	\$ 7,131,020
General and Administrative	17,476,775	19,616,302	(2,139,527)
Depreciation	10,664,071	9,185,365	1,478,706
<b>Total Expenses</b>	<b>\$ 77,686,484</b>	<b>\$ 71,216,285</b>	<b>\$ 6,470,199</b>
<b>Net Income Before Contributions</b>	<b>25,309,236</b>	<b>38,769,095</b>	<b>(13,459,859)</b>
Capital Grants/Contributions	12,959,125	8,882,638	4,076,487
<b>Total Change in Net Position</b>	<b>\$ 38,268,361</b>	<b>\$ 47,651,733</b>	<b>\$ (9,383,371)</b>
<b>Net Position-Beginning of Year</b>	<b>372,616,131</b>	<b>324,964,399</b>	<b>47,651,733</b>
<b>Restatement*</b>	<b>(619,875)</b>		
<b>Net Position - Beginning of Year, Restated</b>	<b>371,996,256</b>		
<b>Net Position - End of Year</b>	<b>\$410,264,617</b>	<b>\$372,616,131</b>	<b>\$37,648,486</b>

\* Restatement due to GASB 101 implementation, see Note 14 - Accounting Reporting and Changes, for further details.



## Revenues

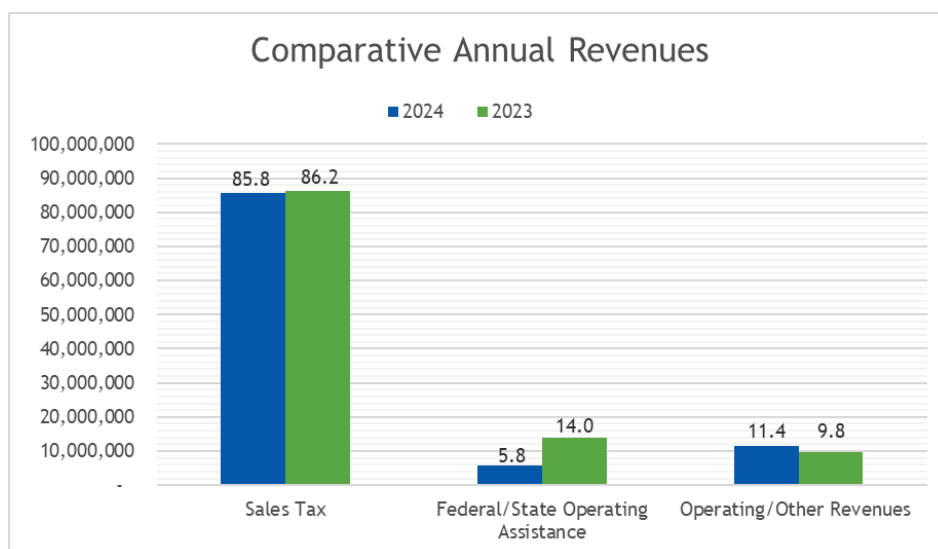
During 2024, total revenues decreased by \$7 million due to a reduction received in federal and state operating grants. However, capital contributions increased by \$4.1 million. Revenues from major sources are illustrated below:



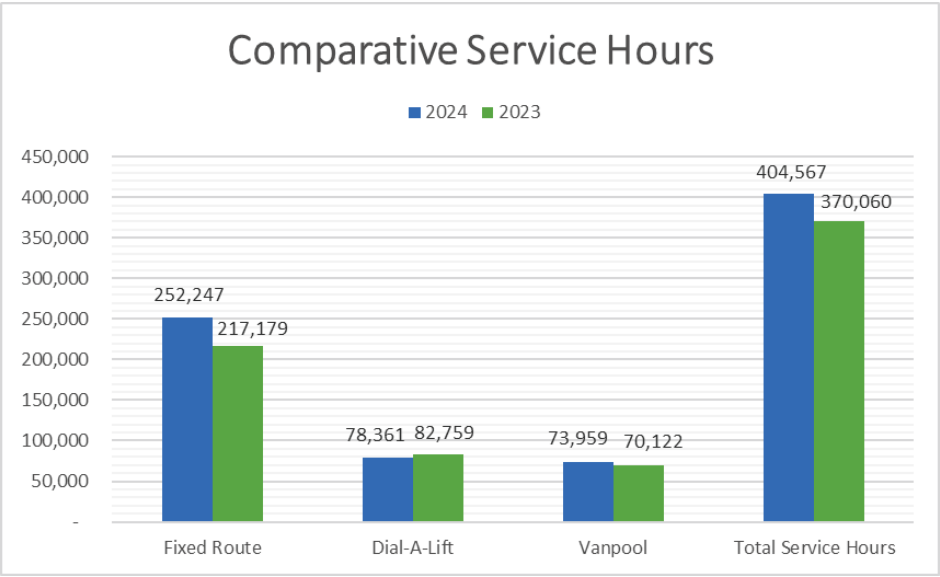
Total operating revenues increased between 2024 and 2023 by 1.5% or \$7,000. Sales tax revenues decreased by \$427,000 from 2023 (0.5% decrease). Federal and state operating assistance decreased by \$8.1 million.

Other revenue sources represented interest income (loss), miscellaneous revenue and gain/loss on disposal of assets. The total other revenue increase was primarily due to the interest earned on investments in 2024.

The following graph compares revenues by function for 2024 and 2023:



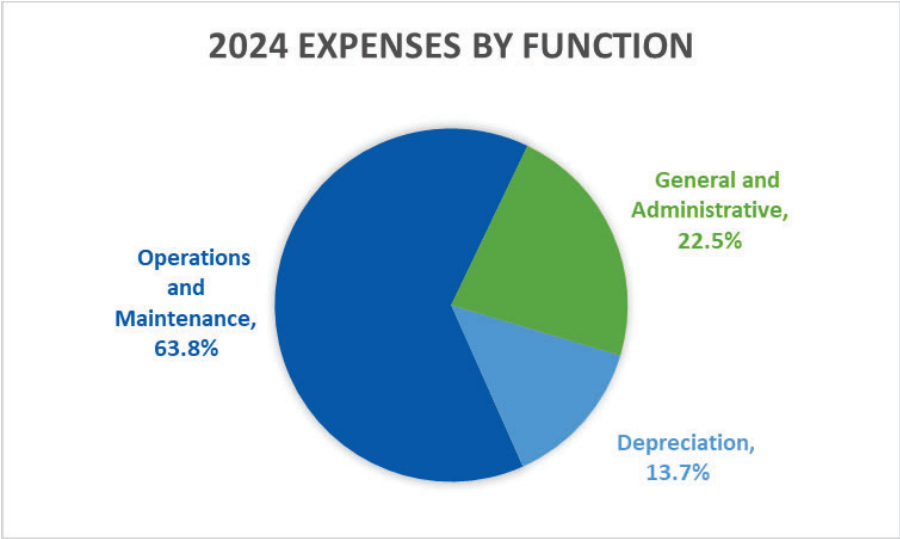
Total service hours for fixed route, Dial-A-Lift (DAL) and Vanpool services increased in 2024. Total ridership increased from 4 million in 2023 to 4.6 million in 2025.



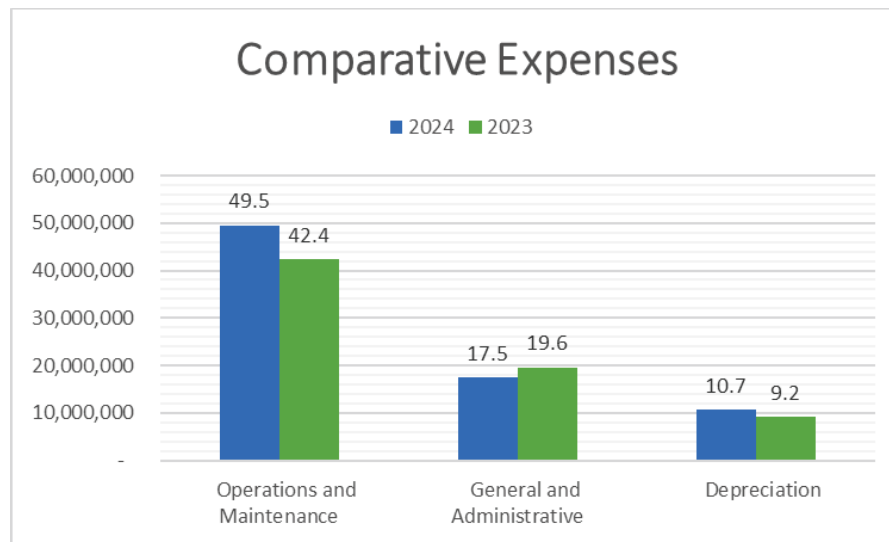
**Expenses**

Total expenses in 2024 increased by \$6.5 million, a 9.1% increase compared to 2023.

Expenses by major function are shown below:



This graph compares expenses by function for 2024 and 2023:



Operations and maintenance expenses increased by \$7.1 million or 16.8%.

General and administrative expenses decreased by \$2.1 million or 10.9%.

Depreciation expense increased \$1.5 million or 16.1%.

## Capital Assets

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

IT's investment in capital assets as of December 31, 2024, amounted to \$144.2 million, net of accumulated depreciation. Net capital assets increased \$11.9 million or 9% during 2024.

Major capital projects during 2024 included:

- Pattison maintenance facility upgrade project work in progress.
- New Dial-A-Lift vehicles.
- Olympia Transit Center north site pedestrian improvements.
- Bus stop improvements.

For additional information on IT's capital assets see Note 4 of the financial statements included with this report.

## Economic Factors and Future Outlook

Thurston County's economy is generally in a strong position, supported by its robust public sector and diversified local economy. As the county seat of Olympia, the state capital, government employment plays a key role, providing stability even during economic fluctuations. The county also benefits from its proximity to the JBLM military base, providing stability through federal stimulus.

Recent trends show an increase in median household incomes and a low unemployment rate compared to national averages, reflecting the strength of the local labor market. Moreover, Thurston County has shown progress in attracting new businesses and fostering entrepreneurship, particularly in technology

and green industries. As of 2023, the median household income in Thurston County was approximately \$93,985. This represents a 5.73% increase from the previous year.

Thurston County's economy is diverse, with significant employment in government (42,128 jobs in 2023), healthcare and social assistance, retail trade, accommodation and food services, and professional, scientific, and technical services. The government sector remains a major employer, particularly due to Olympia being the state capital.

Challenges include managing growth sustainably and ensuring affordable housing as the population expands. Still, the overall outlook is one of steady, balanced development with opportunities in a range of industries.

The 2025 budget includes the continued commitment of IT to our community. December 2024 service levels finally reached 100% of the pre-pandemic volumes, allowing IT to transition from restoration of service to a state of growth and expansion.

The table below is the summary of the 2025 budget adopted by the Intercity Transit Authority in December 2024:

**Summary of 2025 Operating Budget**

	<b>2025 Adopted Budget</b>
<b>Operating Revenue</b>	
Sales Tax	\$84,459,607
Vanpool Fares	492,000
Federal & State Grants	16,491,312
Miscellaneous Revenue	5,687,935
<b>Total Operating Revenues</b>	<b>\$107,130,854</b>
<b>Operating Expenditures</b>	
Salaries & Wages	\$64,503,249
All Other Operating Expenditures	25,804,207
<b>Total Operating Expenses</b>	<b>\$90,307,456</b>
<b>Net Revenues over Expenditures</b>	<b>\$16,823,398</b>

The 2025 budget also includes \$73.5 million in capital acquisitions and improvements which are funded by reserves and \$28.1 million in capital grant revenues.

More information about the 2025 Budget can be found at [intercitytransit.com](https://intercitytransit.com).

As noted previously, IT's primary source of funding is sales tax. Through April of 2025, we have seen a 0.9% increase in sales tax revenue in comparison to prior year-to-date April 2024. However, the current political climate is leading to increased economic uncertainty. This has the potential to impact consumer spending and sales tax revenues in 2025 and beyond.

IT will continue to monitor these risks and be responsive to effectively steward available resources and address the needs of the community we serve.

## **Requests for Information**

This financial report is designed to provide a general overview of Intercity Transit's finances for those interested. 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

2024

# STATEMENT OF NET POSITION

DECEMBER 31, 2024

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

### ASSETS

#### Current Assets

Cash & Cash Equivalents	\$ 253,919,775
Receivables	1,020,043
Due From Government Units	21,657,072
Prepaid Expenses	1,163,946
Inventories	1,313,837

<b>Total Current Assets</b>	<b>\$ 279,074,672</b>
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#### Noncurrent Assets

Net Pension Asset	\$ 7,735,211
Capital Assets Not Being Depreciated:	
Land	5,606,546
Work In Process	23,252,421
Capital Assets Being Depreciated:	
Facilities	97,809,087
Revenue Equipment	68,995,778
Communication Equipment	1,017,197
Administrative Vehicles	1,904,801
Shop Equipment	3,052,409
Office/IS Equipment	4,668,556
Miscellaneous Equipment	235,896
Intangible Assets	5,769,282
(Less) Total Accumulated Depreciation & Amortization	(68,075,452)

<b>Total Noncurrent Assets</b>	<b>\$ 151,971,735</b>
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<b>Total Assets</b>	<b>\$ 431,046,407</b>
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### DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows on Pensions	\$ 10,553,019
Deferred Outflows on OPEB	1,991,639
Deferred Outflows on ARO	270,104

<b>Total Deferred Outflows of Resources</b>	<b>\$ 12,814,762</b>
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 443,861,170</b>
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The notes to the financial statements are an integral part of this statement.

2024

# STATEMENT OF NET POSITION CONT.

DECEMBER 31, 2024

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

### LIABILITIES

#### Current Liabilities

Accounts Payable	\$ 3,650,112
Retainage Payable	28,438
Accrued Wages & Benefits	2,616,666
Accrued Vacation/Sick Leave	2,091,684
Other Current Liabilities	362,920
Current portion of OPEB Liability	277,808
Current portion of Lease Liability	188,778
Current portion of Software Based Tech (SBITA) Liability	328,557

<b>Total Current Liabilities</b>	<b>\$ 9,544,963</b>
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#### Noncurrent Liabilities

Accrued Vacation/Sick Leave	\$ 2,043,905
ARO Liability	317,998
Lease Liability	141,362
Net Pension Liability	3,212,381
OPEB Liability	9,435,483
Software Based Tech (SBITA) Liability	442,443

<b>Total Noncurrent Liabilities</b>	<b>\$ 15,593,572</b>
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<b>Total Liabilities</b>	<b>\$ 25,138,535</b>
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### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows on Pensions	\$ 3,706,422
Deferred Inflows on OPEB	4,751,595

<b>Total Deferred Inflows of Resources</b>	<b>\$ 8,458,017</b>
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### NET POSITION

Investment in Capital Assets	\$ 143,135,384
Restricted - Net Pension Asset	14,323,006
Unrestricted	252,806,227

<b>Total Net Position</b>	<b>\$ 410,264,617</b>
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<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 443,861,170</b>
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The notes to the financial statements are an integral part of this statement.

2024

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2024

<b>OPERATING REVENUES</b>	
Vanpool fares	\$ 456,805
TESC Late Night Services	17,133
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 473,938</b>
<b>OPERATING EXPENSES</b>	
Operations	\$ 34,678,961
Vehicle Maintenance	10,774,003
Non-Vehicle Maintenance/Facilities	4,092,674
General & Administration	17,476,775
Depreciation/Amortization	10,664,071
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 77,686,484</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (77,212,546)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Sales Tax	\$ 85,755,939
Federal/State Operating Assistance	5,831,899
Interest Income (loss)	10,481,050
Miscellaneous	403,474
Gain (Loss) on Disposal of Assets	49,421
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>\$ 102,521,782</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>\$ 25,309,236</b>
Capital Contributions	12,959,125
<b>CHANGE IN NET POSITION</b>	<b>\$ 38,268,361</b>
Beginning Net Position, as previously reported	\$ 372,616,131
Restatement	\$ (619,875)
Beginning net position, as restated	\$ 371,996,256
<b>NET POSITION, December 31</b>	<b>\$ 410,264,617</b>

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



2024

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$ 441,236
Payments to employees	(54,335,018)
Payments to suppliers	(15,103,501)

<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (68,997,283)</u></b>
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Sales tax	\$ 85,487,816
Operating grants	16,895,249
Other nonoperating receipts	403,474

<b>NET CASH PROVIDED BY NONCAPITAL ACTIVITIES</b>	<b><u>\$ 102,786,539</u></b>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital contributions	\$ 13,816,630
Sale of capital assets	49,421
Purchases of capital assets	(21,182,627)

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>\$ (7,316,575)</u></b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earnings (loss)	10,317,386
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<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>\$ 10,317,386</u></b>
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<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 36,790,066</b>
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<b>CASH &amp; CASH EQUIVALENTS - January 1</b>	<b><u>217,129,709</u></b>
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<b>CASH &amp; CASH EQUIVALENTS - December 31</b>	<b><u><u>\$ 253,919,775</u></u></b>
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*The notes to the financial statements are an integral part of this statement.*

2024

## STATEMENT OF CASH FLOWS CONT.

FOR THE YEAR ENDED DECEMBER 31, 2024

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

Operating Income(Loss) \$ (77,212,546)

**ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES:**

**Noncash Adjustments:**

Depreciation & Amortization	\$ 10,664,071
Pension Asset	1,465,595
Deferred Outflows	(2,585,186)
Lease Liability	90,441
SBITA Liability	(361,932)
ARO Liability	6,845
Pension Obligation	(761,992)
Other Post Employment Benefits	(463,705)
Deferred Inflows	(935,492)

**Changes in Assets - Decrease (Increase):**

Accounts Receivable	\$ (17,632)
Prepaid Expenses	48,582
Inventory	23,676

**Changes in Liabilities - Increase (Decrease)**

Accounts Payable	\$ 135,624
Accrued Wages & Benefits	492,971
Advanced Payments	(9,538)
Accrued Vacation and Sick Leave Payable	422,935

**TOTAL ADJUSTMENTS** \$ 8,215,264

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** \$ (68,997,283)

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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. Measurement Focus, Basis of Accounting

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 in 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 services, 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.

## **C. Assets, Liabilities and Net Positions**

### **1. Cash and Equivalents**

Intercity Transit considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the county Investment Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

For purposes of the statement of cash flows, Intercity Transit considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### **2. Investments** (See NOTE 2 – Deposits and Investments)

### **3. Receivables**

Accounts Receivable consist of amounts owed from customers and third-party accounts receivable for goods and services including amounts owed for which billings have not been prepared. Accrued interest receivable consists of amounts earned on investments at the end of the year and the other receivables represent rebates, claim payments and refunds owed to Intercity Transit at the end of 2024.

The receivable amount due from other governments includes the amount due from federal and state governments for grants, sales tax receivable for November and December 2024 received in January and February 2025, and miscellaneous government receivables for rebates and program reimbursements.

See NOTE 3 – Receivables, for further information.

### **4. Inventories and Prepaid Items**

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded in the financials as prepaid items until such a time it is appropriate to record as an expenditure when the service is performed or delivered.

### **5. Capital Assets**

Capital assets, which include property, plant, and equipment with individual values of at least \$10,000 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 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 expensed 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:

Asset Type	Useful Life
Land & Land Improvements	Not depreciated
Buildings & Facilities	10 to 40 years
Building & Facility Equipment/Components	10 to 25 years
Shelters & Amenities	7 to 15 years
Bus pads and infrastructure	30 to 40 years
Revenue Vehicles	4 to 12 years
Other Vehicles	5 to 12 years
Equipment, Furniture & Systems	3 to 15 years
Leasehold Improvements	3 to 10 years
Intangible assets	3 to 10 years

See NOTE 4 – Capital Assets for additional information.

## **6. Leases & SBITAs**

Lessee/SBITA: Intercity Transit recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the financial statements for lease/SBITA liabilities with an initial, individual value of \$5,000 or more.

The lease/SBITA asset is amortized using the straight-line basis over its useful life. IT recognizes a capital outlay at the commencement of a new lease/SBITA. Lease/SBITA payments are reported as principal and interest expenditures.

IT uses the interest rate charged by the lessor/vendor as the discount rate if available. When the interest rate charged by the lessor/vendor is not provided, IT generally uses the State of Washington's Incremental Borrowing Rates for Leases and SBITAs.

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

## **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## **8. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay are accrued when incurred in the financial statements.

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.

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. Hours exceeding this maximum limit may be accrued within the year but any hours above the maximum are forfeited if unused as of the end of the last pay period of each year. All vacation cash outs at separation are limited to 360 hours.

All employees may accumulate 960 hours of sick leave. At separation of employment, under non-disciplinary circumstances and the completion of at least five years of employment with IT, employees may receive partial pay for sick leave based on their years of service and the number of hours accrued as shown below:

Hours of Accrued WPSL and Sick Leave	Cash out Rate
1 to 400	1 to 5 for hours 1 to 400
401-600	1 to 4 for hours 1 to 600
601-1000	1 to 3 for hours 1 to 1,000

Intercity Transit records unpaid leave for compensated absences as an expense and liability when incurred.

See NOTE 14 – Accounting Changes and Error Corrections for further information.

## 9. 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.

## 10. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

## NOTE 2 – DEPOSITS AND INVESTMENTS

Composition of cash and cash equivalents are shown below:

Cash Invested in the Thurston County Investment Pool (TCIP)	\$256,666,880
Fair Market Value (FMV) Adjustment	(2,747,106)
Ending Cash and Investment Value	<u>\$253,919,775</u>

### A. Deposits

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, Intercity Transit would not be able to recover deposits or be able to recover collateral securities that are in possession of an outside party. There is no custodial credit risk for demand deposits because they are entirely covered either by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

Intercity Transit is a participant in the Thurston County Investment Pool (TCIP), an external investment pool operated by the Thurston County Treasurer. As of Dec. 31, 2024, 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 Dec. 31, 2024, is reporting an unrealized loss from book value of 1.0703%. 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 1.139 years as of Dec. 31, 2024.

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.

Custodial 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 is the risk IT may face should interest rate variances affect the fair value of investments. 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. This 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

Dec. 31, 2024, Intercity Transit had the following receivables:

Receivables	
Accounts Receivable	\$ 139,416
Other Receivables	32,771
Interest Receivable	847,856
<b>Receivables</b>	<b>\$ 1,020,043</b>
Sales Tax Receivable	15,339,568
Federal Grant Receivable	5,851,674
State Grant Receivable	358,765
Misc Government Receivables	107,065
<b>Due from Other Government Units</b>	<b>\$ 21,657,072</b>

## NOTE 4 – CAPITAL ASSETS AND RELATED DEPRECIATION/AMORTIZATION

Summary of changes in plant, property, and equipment for 2024:

	Beginning Balance 1/1/2024	Increases	Decreases	Ending Balance 12/31/2024
<b>Capital Assets, not being depreciated</b>				
Land	\$ 5,331,565	\$ 274,981	\$ -	\$ 5,606,546
Work in Progress (WIP)	10,557,109	13,347,074	(651,761)	23,252,421
<b>Total Capital Assets, not being depreciated</b>	<b>\$ 15,888,673</b>	<b>\$ 13,622,055</b>	<b>\$ (651,761)</b>	<b>\$ 28,858,967</b>
<b>Capital Assets, being depreciated/amortized</b>				
Administrative Vehicles	\$ 1,528,558	\$ 421,244	\$ (45,000)	\$ 1,904,801
Shop Equipment	2,503,569	548,840	-	\$ 3,052,409
Office Equipment/Furniture	2,817,885	30,590	-	\$ 2,848,475
IS Equipment	2,044,769	49,296	(273,984)	\$ 1,820,081
Communication Equipment	1,017,197	-	-	\$ 1,017,197
Miscellaneous Equipment	186,829	49,067	-	\$ 235,896
Facilities	97,080,230	906,468	(177,610)	\$ 97,809,087
Revenue Equipment	64,862,366	7,378,775	(3,245,363)	\$ 68,995,778
Intangibles (excluding Leases/SBITAs)	3,514,478	-	-	\$ 3,514,478
Leased Assets *	386,591	231,573	-	\$ 618,164
Subscription-based Info Tech Arrangements (SBITA) **	1,698,960	-	(62,319)	\$ 1,636,641
<b>Total Capital Assets, being Depreciated/Amortized</b>	<b>\$ 177,641,431</b>	<b>\$ 9,615,853</b>	<b>\$ (3,804,275)</b>	<b>\$ 183,453,009</b>
<b>Less Accumulated Depreciation/Amortization:</b>				
Administrative Vehicles	\$ 1,247,014	\$ 155,532	\$ (45,000)	\$ 1,357,546
Shop Equipment	1,595,644	105,026	-	1,700,670
Office Equipment	423,066	307,725	-	730,791
IS Equipment	1,050,397	240,044	(273,984)	1,016,458
Communication Equipment	254,299	145,314	-	399,613
Miscellaneous Equipment	48,293	24,879	-	73,172
Facilities	21,008,701	3,043,148	(177,610)	23,874,238
Revenue Equipment	34,290,953	5,532,843	(3,238,383)	36,585,413
Intangibles (excluding Leases/SBITAs)	864,312	502,068	-	1,366,380
Leased Assets *	154,752	154,267	-	309,018
Subscription-based Info Tech Arrangements (SBITA) **	281,776	442,695	(62,319)	662,152
<b>Total Accumulated Depreciation/Amortization</b>	<b>\$ 61,219,206</b>	<b>\$ 10,653,541</b>	<b>\$ (3,797,295)</b>	<b>\$ 68,075,452</b>
<b>Total Capital Assets, Net of Accumulated Depreciation/Amortization</b>	<b>\$ 132,310,898</b>	<b>\$ 12,584,367</b>	<b>\$ (658,741)</b>	<b>\$ 144,236,524</b>
* Leased Asset Detail Listed Below				
** Subscription-based (SBITA) Detail Listed Below				

Intercity Transit's asset capitalization threshold increased from \$5,000 to \$10,000 in 2024 to follow updated policy and grant accounting updates.

Work in progress as of December 31, 2024, consists of the following projects:

Project	Amount
Pattison Rehab & Expansion	21,958,781
Pattison Furn, Equipment	5,475
NE Lacey Terminal/Martin Meridian RAB	223,269
Alternative Fuel Infrastructure	35,733
Rear Door Bus Stop Pads -Bus Stop Improv	300,509
Real Time Info Signage - Bus Stop Improv	126,119
Lacey Transit Center Restroom	3,037
Amtrak Restroom	649
Vanpool Vehicles	598,850
<b>Total Work in Progress</b>	<b>\$ 23,252,421</b>

Summary of Lease Asset Activity for 2024:

Intangible Right-to-Use Lease Assets	Beginning Balance 1/1/2024	Increases	Decreases	Ending Balance 12/31/2024
Thermo King NW (Bobcat)	\$ 228,549	\$ -	\$ -	\$ 228,549
Canon Financial Services (Printer/copiers)	146,548	-	-	146,548
Pitney Bowes	11,494	-	-	11,494
Kaufman Hawks Hub Warehouse	-	219,963	-	219,963
Canon Financial Services (Plotter)	-	11,610	-	11,610
<b>Total Lease Assets</b>	<b>\$ 386,591</b>	<b>\$ 231,573</b>	<b>\$ -</b>	<b>\$ 618,164</b>
<b>Less Accumulated Amortization:</b>				
Thermo King NW (Bobcat)	\$ 123,000	\$ 69,674	\$ -	\$ 192,674
Canon Financial Services (Printer/copiers)	31,752	29,310	-	61,061
Pitney Bowes	-	2,299	-	2,299
Kaufman Hawks Hub Warehouse	-	52,791	-	52,791
Canon Financial Services (Plotter)	-	194	-	194
<b>Total Accumulated Amortization</b>	<b>\$ 154,752</b>	<b>\$ 154,267</b>	<b>\$ -</b>	<b>\$ 309,018</b>
<b>Total Lease Assets, Net of Amortization</b>	<b>\$ 231,839</b>	<b>\$ 77,306</b>	<b>\$ -</b>	<b>\$ 309,145</b>

Summary of Subscription-Based Information Technology Arrangements (SBITA) Asset activity for 2024:

Intangible Right-to-Use SBITA Assets	Beginning Balance 1/1/2024	Increases	Decreases	Ending Balance 12/31/2024
Microsoft Office 365	\$ 388,468	\$ -	\$ -	\$ 388,468
Neogov	24,552	-	(24,552)	-
Remix	37,767	-	(37,767)	-
Ridepro_Tripspark_Trapeze	142,639	-	-	142,639
VIA	1,105,534	-	-	1,105,534
<b>Total SBITA Assets</b>	<b>\$ 1,698,960</b>	<b>\$ -</b>	<b>\$ (62,319)</b>	<b>\$ 1,636,641</b>
<b>Less Accumulated Amortization:</b>				
Microsoft Office 365	\$ 129,489	\$ 129,489	\$ -	\$ 258,978
Neogov	14,731	9,821	(24,552)	-
Remix	18,883	18,884	(37,767)	-
Ridepro_Tripspark_Trapeze	63,395	63,395	-	126,790
VIA	55,277	221,107	-	276,384
<b>Total Accumulated Amortization</b>	<b>\$ 281,776</b>	<b>\$ 442,695</b>	<b>\$ (62,319)</b>	<b>\$ 662,152</b>
<b>Total SBITA Assets, Net of Amortization</b>	<b>\$ 1,417,184</b>	<b>\$ (442,695)</b>	<b>\$ -</b>	<b>\$ 974,489</b>

## NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Intercity Transit has the following significant commitments as of Dec. 31, 2024:

Vendor	Full Contractual Amount	Amount Outstanding as of 12/31	Project
Bud Clary Ford Hyundai	\$ 692,345	\$ 692,345	Maint/Facil Trucks (4) & Staff vehicle replacemnt (1)
Center for Transportation and the Environment	596,150	500,898	Zero Emissions Transition Plan & Design
Forma	41,371,884	25,511,360	Pattison Rehab & Expansion
Foster Government Relations	48,000	36,000	State & Federal Advocacy
GeoEngineers	166,400	21,679	Pattison Rehab & Expansion
Gordon Thomas Honeywell Relations	96,000	72,000	State & Federal Advocacy
Hultz BHU	9,868	4,109	Pattison Adops HVAC
Intueor Consulting	569,230	148,942	Consulting services for ERP/ETMS Analysis
Iteris Inc	973,513	299,253	Smart Corridors
KPFF	43,320	1,305	Pattison Rehab & Expansion
KPFF	171,457	46,406	Real Time Information Signage
KPFF	476,750	231,901	Rear-door Bus Pads
KPFF	43,886	8,375	Lacey Transit Center and Amtrak Stormwater Drainage
Maul Foster & Alongi	48,372	29,866	Marketing Design
MTC	237,194	22,957	Pattison Rehab & Expansion
New Flyer of America	8,603,406	8,603,406	Hydrogen Fuel Cell Electric Buses
Prestige Truck Accessories dba Olympic Trailer	10,983	10,983	Cargomate Trailer
PBS Environmental	25,105	9,515	Pattison Rehab & Expansion
SCJ Alliance	72,584	2,148	Olympia Transit Center North Site Improvements
SCJ Alliance	29,183	27,311	Martin Way Park & Ride Direct Access
SCJ Alliance	798,125	574,856	Martin Way / Meridian Design
SCJ Alliance	9,446	3,771	Zero Emissions Master Planning
SCJ Alliance	175,805	172,119	Lacey Transit Center & Amtrak Restroom Renovations
Stantec	5,479,980	1,758,479	Pattison Rehab & Expansion
Stantec	232,556	202,498	Zero Emissions Master Planning
Toyota of Yakima	250,416	250,416	Vanpool - Toyota Camrys (8)
<b>TOTAL</b>		<b>39,242,897</b>	

## NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2024:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(3,212,381)
Pension assets	7,735,211
Deferred outflows of resources	10,553,019
Deferred inflows of resources	(3,706,422)
Pension expense/expenditures	(368,874)

### State Sponsored Pension Plans

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

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

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

### Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of 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.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement.

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

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

### **PERS Contributions**

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

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

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

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

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

Intercity Transit's actual contributions were \$1,074,303 to **PERS Plan 1** and \$2,480,011 to **PERS Plan 2/3** for the year ended December 31, 2024.

### **Actuarial Assumptions**

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

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

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation.
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7%

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

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

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7%.

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% 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% 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, 2024. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

### Sensitivity of 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	\$4,725,332	\$3,212,381	\$1,885,487
PERS 2/3	\$13,944,194	(\$7,735,211)	(\$25,540,054)

### Pension Plan Fiduciary Net Position

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



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

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

	Liability (Asset)
PERS 1	(\$3,212,381)
PERS 2/3	\$7,735,211

At June 30, 2024, Intercity Transit's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2023	Proportionate Share 6/30/2024	Change in Proportion
PERS 1	0.174106%	0.180792%	0.006686%
PERS 2/3	0.224482%	0.234644%	0.010162%

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

### **Pension Expense**

For the year ended Dec. 31, 2024, Intercity Transit recognized pension expense as follows:

	Pension Expense
PERS 1	\$128,990
PERS 2/3	(\$497,864)
Total	(\$368,874)

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

At Dec. 31, 2024, Intercity Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	0	(257,046)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	515,848	0
<b>Total</b>	<b>\$515,848</b>	<b>(\$257,046)</b>
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,395,312	(\$17,909)
Net difference between projected and actual investment earnings on pension plan investments	0	(2,216,691)
Changes of assumptions	4,271,398	(490,102)
Changes in proportion and differences between contributions and proportionate share of contributions	86,334	(724,674)
Contributions subsequent to the measurement date	1,284,127	0
<b>Total</b>	<b>\$10,037,171</b>	<b>(\$3,449,376)</b>
Combined Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,395,312	(\$17,909)
Net difference between projected and actual investment earnings on pension plan investments	0	(2,473,737)
Changes of assumptions	4,271,398	(490,102)
Changes in proportion and differences between contributions and proportionate share of contributions	86,334	(724,674)
Contributions subsequent to the measurement date	1,799,975	0
<b>Total</b>	<b>\$10,553,019</b>	<b>(\$3,706,422)</b>

Deferred outflows of resources related to pensions resulting from Intercity Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended Dec. 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2025	(425,393)
2026	218,546
2027	(23,140)
2028	(27,060)
2029	0
Thereafter	0
<b>Total</b>	<b>(257,046)</b>

Year ended December 31:	PERS 2/3
2025	(1,789,072)
2026	3,269,054
2027	1,343,087
2028	1,332,716
2029	606,159
Thereafter	541,724
<b>Total</b>	<b>5,303,668</b>

### Deferred Compensation Plans

Intercity Transit offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 401k and 457. The plans are available to all employees on a voluntary basis, and they permit employees to defer a portion of their salaries until future years. Plans are offered through Vanguard, MissionSquare Retirement Corporation, and the Washington State Department of Retirement Systems Deferred Compensation program. Intercity Transit will match up to 6.2% of the annual salary of all participating employees who also contribute. In 2024, Intercity Transit contributed \$1,889,152 and employees contributed \$2,698,359 to all the plans. The plan assets are not the legal property of Intercity Transit and are not subject to claims of 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 2024:

Aggregate OPEB Amounts	
OPEB Liability	9,713,291
OPEB Assets	-
Deferred outflow of resources	1,991,639
Deferred inflow of resources	(4,751,595)
OPEB Expense	916,529

**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 and qualifying dependents 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 Dec. 31, 2024, plan membership consisted of the following:

Inactive members currently receiving benefits	72
Inactive members entitled to but not yet receiving benefits	0
Active members	524
<b>Total</b>	<b>596</b>

**Background:** GASB Statement No. 75 requires employers to accrue the value of OPEB benefits earned during the employee’s working lifetime. Changing the accounting expense recognition from a cash to an accrual basis requires an actuarial valuation.

### Assumptions and Other Inputs:

The most recent actuarial valuation was completed March 20, 2025, with a valuation date of Dec. 31, 2024. This valuation reflected the following changes in assumptions from the prior actuarial valuation.

The discount rate was changed from 3.72% to 4.08%. All other assumptions remained consistent with those used in the prior valuation.

- A.** Measurement, valuation and reporting date – Dec. 31, 2024.
- B.** Measurement period – Jan. 1, 2024 – Dec. 31, 2024.
- C.** 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 4.08% as of Dec. 31, 2024.
- D.** General inflation rate – 3% per year.
- E.** Salary increases – 3% per year.
- F.** Health care cost trend rate – All years 5%.
- G.** Mortality assumption – RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.
- H.** Health coverage costs – Entry age – Under 65 determined from the premiums and actuarial age adjustment factors. Age 65 and over, determined from premiums and PEBB's stated explicit subsidy.
- I.** Dental coverage costs – Assumed to be equal to dental premiums.
- J.** Future retiree participation rate – 40%.
- K.** Initial spouse participation rate – 45% - husbands are assumed to be three years older than wives.
- L.** Turnover – Age based rates based on Scale T-6 of Actuary's Pension Handbook.
- M.** Disability – None.
- N.** Retirement – Rates vary based on age: Age 55-59 = 1%; 60-61 = 5%; 62-64 = 10%; 65 = 40%; 66 = 50%; 67-69 = 20%; 70 or over = 100%
- O.** Asset valuation method – n/a, no assets

**Investment Policy:** Intercity Transit's obligation is unfunded at Dec. 31, 2024. 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 four of GASB Statement No. 75.

### Total OPEB Liability

As of December 31, 2024

Actuarial Present Value of Future Benefits	
Retired - Employees	\$ 2,925,528
Retired - Spouses/Dependents	1,316,218
Actives - Employees	8,634,167
Actives - Spouses/Dependents	4,961,610
Total	<u>\$ 17,837,523</u>
Total OPEB Liability	
Retired - Employees	\$ 2,925,528
Retired - Spouses/Dependents	1,316,218
Actives - Employees	3,471,653
Actives - Spouses/Dependents	1,999,892
Total	<u>\$ 9,713,291</u>

There are no assets accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4%) or 1-percentage point higher (6%) than the current rate:

	1% Decrease (4%)	Current Healthcare Cost Trend Rate (5%)	1% Increase (6%)
Total OPEB Liability	\$8,269,624	\$9,713,291	\$11,559,278

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the current discount rate of 4.08%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (3.08%) or 1-percentage point higher (5.08%) than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB Liability	\$11,288,191	\$9,713,291	\$8,445,749

### Changes in the Total OPEB Liability

<b>Total OPEB Liability at 1/1/2024</b>	<b>\$10,176,996</b>
Service cost	721,058
Interest	400,240
Changes in benefit terms	0
Differences between expected and actual experience	(734,154)
Change of assumptions	(573,041)
Benefit payments	(277,808)
<b>Net Change in Total OPEB Liability</b>	<b>(463,705)</b>
<b>Total OPEB Liability at 12/31/2024</b>	<b>\$9,713,291</b>

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

At Dec. 31, 2024, 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	(\$2,073,850)	\$146,172
Changes of assumptions	(2,677,745)	1,845,467
Net difference between projected and actual earnings	0	0
Payments subsequent to the measurement date	0	0
<b>Total</b>	<b>(\$4,751,595)</b>	<b>\$1,991,639</b>

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

Year ending Dec 31:	Annual recognition
2025	(204,769)
2026	(204,769)
2027	(216,202)
2028	(319,157)
2029	(319,157)
Thereafter	(1,495,902)
<b>Total</b>	<b>(\$2,759,956)</b>

## NOTE 8 – RISK MANAGEMENT

### 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, cyber-liability coverage and terrorism.

At the end of 2024, Intercity Transit retained a \$10,000 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.

The Washington State Transit Insurance Pool (WSTIP) was established on Jan. 1, 1989, under Washington state laws RCW 48.61 and 39.34. WSTIP helps member transit agencies by enabling them to:

- Pool resources for self-insurance.
- Jointly purchase insurance.
- Hire or contract for personnel to provide risk management, claims handling, and administrative services.

Transit agencies that join WSTIP must remain members for at least three years. After this initial period, members can withdraw by giving six months' written notice and then withdrawing at the end of the fiscal year. Agencies that withdraw are not eligible to rejoin for another three years. The Pool is governed by a Board of Directors which is comprised of designated representatives from every Member. An Executive Committee is elected at the Annual Meeting and is responsible for conducting WSTIP's business affairs.

Transit agencies may apply for WSTIP membership, which is granted upon approval by a simple majority vote of the WSTIP Board of Directors. WSTIP's underwriting and rate-setting policies are established based on actuarial consultation. WSTIP members may be subject to supplemental assessments in the event of funding deficiencies. If WSTIP's assets were to be exhausted, Members would be responsible for WSTIP's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited annually by the Washington State Auditor.

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

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 increases the availability of insurance and/or drop down if the



basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not shared with any other policy holder or WSTIP member. IT elected to purchase \$2 million (in excess of \$2 million). The carrier is Palomar Excess & Surplus insurance company.

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

Intercity Transit purchases an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier is Mid-Continent Casualty Company. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is \$1 million per environmental incident with a \$1 million aggregate and a \$500,000 limit on defense per environmental incident. Intercity Transit has a \$25,000 deductible per environmental incident. Tanks must be listed to be covered.

Intercity Transit purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2024 to April 4, 2027. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses.

The limit of coverage is \$5 million each pollution condition – includes claims 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.

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

**Coverage Limits:**

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

**Definitions:**

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

**Coverage Details:**

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

Here is a summary of insurance coverage provided in 2024:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>GENERAL LIABILITY:</b>			
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 Motor Vehicle	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
Agency, rental, and personal/private vehicle occupants not covered by workers compensation or transit passengers	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
		Per occurrence	\$0
<b>Endorsement 1:</b>			
COMMUNICABLE DISEASE LIABILITY:	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
<b>Endorsement 2:</b>			
The Use of Force via a Conducted Energy Weapon	1.5 million	Per Occurrence	\$1.5 million per occurrence
*Uninsured and underinsured motorist coverage was purchased on the following modes: Fixed Route, Paratransit/Demand Response, Vanpool, and Admin/Maint vehicles			
RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>PUBLIC OFFICIALS LIABILITY</b>	\$25 million	Per occurrence and aggregate	\$5,000
<b>Endorsement 1:</b>			
VIOLATIONS OF WAGE & HOUR LAWS	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>PROPERTY COVERAGE</b>	\$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 occurrence per unit

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>AUTO PHYSICAL DAMAGE</b>			
Auto Physical Damage (below \$250,000 in value)	Fair market value		\$10,000
Auto Physical Damage for all vehicles valued over \$250,000 and less than 10 years old	Replacement Cost	Limited to \$1,750,000 any one vehicle	\$10,000
Extra Coverage Purchased	\$10 million extra auto physical damage purchased as described in the paragraphs above for a total of \$30 million		

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>BOILER AND MACHINERY</b>	\$100 million		\$250,000 or \$350,000 depending on size of boiler
<b>CRIME / PUBLIC EMPLOYEE DISHONESTY</b> including faithful performance. Also includes:	\$2 million	Per occurrence	\$10,000
Employee theft	\$2 million	Per occurrence	\$10,000
Forgery or alteration	\$2 million	Per occurrence	\$10,000
Inside the premises - theft of money and securities	\$2 million	Per occurrence	\$10,000
Inside the premises - robbery or safe burglary of other property	\$2 million	Per occurrence	\$10,000
Outside premises	\$2 million	Per occurrence	\$10,000
Computer fraud	\$2 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$2 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$2 million	Per occurrence	\$10,000

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>UNDERGROUND STORAGE TANK - POLLUTION LIABILITY</b>			
Bodily injury, property damage, government mandated cleanup costs, and defense (limit \$500k per incident) and claims handling	\$1 million	Per Incident	\$25,000
<b>COVERED LOCATIONS POLLUTION LIABILITY</b>			
New pollution conditions, covered location pollution liability, transportation pollution liability, and non-owned disposal site pollution liability. Cleanup costs, damages, claims expenses.	\$5 million	Per Pollution condition and aggregate	\$100,000
<b>TERRORISM</b>			
Terrorism & Sabotage	\$20 million	per occurrence/annual aggregate	\$25,000
Terrorism Liability	\$10 million	per occurrence/annual aggregate	\$25,000

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>CYBER LIABILITY INSURANCE</b>			
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$75 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million Plus IT purchased Extra Cyber limit of additional \$2 million as noted above		\$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)	
<b>FIRST PARTY LOSS</b>			
Business Interruption			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$500,000	Aggregate limit	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
<b>LIABILITY</b>			
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	
<b>eCRIME</b>			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
<b>CRIMINAL REWARD</b>	\$25,000	Limit	
<b>COVERAGE ENDORSEMENTS</b>			
Reputation Loss	\$200,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$200,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$50,000	Limit of Liability	

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 12<sup>th</sup> Ct SW, Olympia, WA 98502.

## **B. Unemployment Insurance**

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

## **C. Workers Compensation Insurance**

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

## **NOTE 9 – CONTINGENCIES AND LITIGATIONS**

Intercity Transit has various unresolved claims and suits against it as of Dec. 31, 2024. 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 \$270,104. The USTs have an estimated useful life of 25 years remaining.

## **NOTE 11 – LEASES PAYABLE**

Intercity Transit has a lease agreement with Thermo King NW for land use for auxiliary storage and parking for vehicles and equipment 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%.

IT has two lease agreements with Canon Financial Services for office equipment. The first is for copiers/printers 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%. The second lease with Canon began in 2024 for a plotter. The 60-month lease commenced Dec. 1, 2024, and expires in 2029, with monthly payments of \$212.80 per month. The lease payable was calculated using a discount rate of 3.94%.

IT 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%.

IT has a lease agreement with Kaufman Real Estate LLC for a warehouse building lease, due to limited space. The agreement began July 8, 2024, for the lease of 5,568 sq feet, and was amended effective Dec. 1, 2024, to include an additional 1,888 sq feet. The lease agreement ends July 31, 2026. The lease payable was calculated using a discount rate of 3.97%.

Monthly payments are as follows:

	Suite 110	Suite 108	Suite 112	Total Monthly
July 8, 2024 – July 31, 2024:	\$ 3,680.00	\$ 1,963.20		\$ 5,643.20
August 1, 2024 – November 30, 2024:	\$ 4,600.00	\$ 2,454.00		\$ 7,054.00
December 1, 2024 – July 31, 2025:	\$ 4,600.00	\$ 2,454.00	\$2,548.00	\$ 9,602.00
August 1, 2025 – July 31, 2026:	\$ 4,738.00	\$ 2,527.62	\$2,624.44	\$ 9,890.06

As of and for the year ended Dec. 31, 2024, the lease payable activity was as follows:

Description	Underlying asset category	Beginning Balance January 1,	Increases	Decreases	Ending Balance, Dec 31, 2024
Thermo King NW (Bobcat lot)	Land	\$ 113,804	\$ -	\$ (70,727)	\$ 43,077
Canon Financial (Copiers/Printers)	Equipment	\$ 114,290	\$ -	\$ (28,561)	\$ 85,729
Pitney Bowes (Postage machine)	Equipment	\$ 11,605	\$ -	\$ (2,146)	\$ 9,458
Kaufman (Warehouse space)	Building	\$ -	\$ 219,963	\$ (39,522)	\$ 180,441
Canon Financial (Plotter)	Equipment	\$ -	\$ 11,610	\$ (175)	\$ 11,434
<b>Totals</b>		<b>\$ 239,698</b>	<b>\$ 231,573</b>	<b>\$ (141,132)</b>	<b>\$ 330,139</b>

On Dec. 31, 2024, the principal and interest requirements to maturity by underlying asset category are as follows:

Fiscal Year Ending Dec 31	Land (Thermo King NW)			Buildings (Kaufman Warehouse)			Equipment (Pitney Bowes & Canon)			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	43,077	323	43,400	111,891	4,773	116,664	33,809	2,804	36,613	\$ 188,777	\$ 7,900	\$ 196,677
2026	-	-	-	68,549	681	69,230	34,879	1,734	36,613	\$ 103,428	\$ 2,415	\$ 105,843
2027	-	-	-	-	-	-	30,708	651	31,359	\$ 30,708	\$ 651	\$ 31,359
2028	-	-	-	-	-	-	4,923	170	5,093	\$ 4,923	\$ 170	\$ 5,093
2029	-	-	-	-	-	-	2,303	38	2,341	\$ 2,303	\$ 38	\$ 2,341
<b>Totals</b>	<b>\$43,077</b>	<b>\$ 323</b>	<b>\$ 43,400</b>	<b>\$180,441</b>	<b>\$5,454</b>	<b>\$185,895</b>	<b>\$106,622</b>	<b>\$ 5,397</b>	<b>\$ 112,019</b>	<b>\$ 330,139</b>	<b>\$11,174</b>	<b>\$ 341,314</b>

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) information technology 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 had activity on four SBITA liabilities to be reported for the fiscal year ending 2024.

- Microsoft Office 365 – Office productivity applications such as Teams, Word, Excel, PowerPoint, Outlook, OneDrive, etc.
- Remix – Route planning software.
- VIA – Route scheduling and management software.
- Trapeze Ridepro – Vanpool customer facing website & Vanpool management software.

As of and for the year ended Dec. 31, 2024, SBITA payable activity was as follows:

SBITA Liabilities	Payment Frequency	Final Payment Amount (incl interest)	Final Payment Due	Discount Rate	Liability Beginning Balance Jan 1, 2024	Increases	Decreases	Liability Ending Balance, Dec 31, 2024
Microsoft Office 365	Annual	134,272	8/1/2025	3.74%	\$ 263,703	\$ -	\$ (129,431)	\$ 134,272
Remix	Annual	20,000	1/1/2024	3.74%	\$ 20,000	\$ -	\$ (20,000)	\$ -
Trapeze	Annual	35,434	6/1/2024	3.74%	\$ 34,887	\$ -	\$ (34,887)	\$ -
VIA	Annual	237,600	10/1/2027	3.86%	\$ 814,342	\$ -	\$ (177,614)	\$ 636,728
<b>Totals</b>					<b>\$ 1,132,932</b>	<b>\$ -</b>	<b>\$ (361,932)</b>	<b>\$ 771,000</b>

On Dec. 31, 2024, future principal and interest payments for SBITA payables are as follows:

Fiscal Year Ending Dec 31	Microsoft Office 365			VIA			Totals - All SBITAs		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	134,272	\$ -	\$ 134,272	194,285	22,915	217,200	328,557	\$ 22,915	\$ 351,472
2026	-	-	-	211,612	15,188	226,800	211,612	\$ 15,188	\$ 226,800
2027	-	-	-	230,831	6,769	237,600	230,831	\$ 6,769	\$ 237,600
2028	-	-	-	-	-	-	-	\$ -	\$ -
2029	-	-	-	-	-	-	-	\$ -	\$ -
<b>Totals</b>	<b>\$ 134,272</b>	<b>\$ -</b>	<b>\$ 134,272</b>	<b>\$ 636,728</b>	<b>\$ 44,872</b>	<b>\$ 681,600</b>	<b>\$ 771,000</b>	<b>\$ 44,872</b>	<b>\$ 815,872</b>

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



## NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

During the year ending Dec. 31, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2024	Additions	Reductions	Ending Balance 12/31/24	Due within One Year
Leases	239,698	231,573	(141,132)	330,139	188,778
Subscription Based Information Technology Arrangements (SBITA)	1,132,932	-	(361,932)	771,000	328,557
Pension/OPEB Liabilities*	14,151,369	-	(1,225,697)	12,925,672	277,808
Compensated Absences*	3,712,653	422,935	-	4,135,589	2,091,684
ARO Liability	311,154	6,845	-	317,998	-
<b>Total Long-term Liabilities</b>	<b>19,547,806</b>	<b>661,353</b>	<b>(1,728,761)</b>	<b>18,480,398</b>	<b>2,886,827</b>

\*Additions and Reductions are reported as a net change

## NOTE 14 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Effective fiscal year 2024, Intercity Transit adopted the new standard, Statement No. 100, *Accounting Changes and Error Corrections*, issued by the Governmental Accounting Standards Board (GASB). The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Beginning in the fiscal year ending Dec. 31, 2024, Intercity Transit implemented a correction in the classifications for receivables reported on the Statement of Net Position. In prior years, IT reported the amounts due from state and federal grants in the *Due from Government Units* classification but did not include other receivables from government units such as sales tax receivable and related interest. These amounts were previously included in the general *Receivables* classification. In 2024 Intercity Transit included sales tax receivable and related interest, governmental rebates, and other governmental program receivables in the *Due from Other Government Units* classification. This correction will more appropriately reflect the receivables classifications. This change does not impact the total for current assets or net position.

The following grid demonstrates the impacts to the classifications for receivables. The amounts for 2024 are restated for comparison purposes in the grid below.

	12/31/24 Receivables Classifications prior to accounting change	Change in accounting principle	Change to or within the financial reporting entry	Error Correction - Receivables Reclassifications	12/31/24 Receivables Classifications as restated/adjusted
Receivables	16,466,675	-	-	(15,446,632)	1,020,043
Due from Government Units	6,210,469	-	-	15,446,632	21,657,102
<b>Total Receivables</b>	<b>22,677,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,677,144</b>

Effective fiscal year 2024, Intercity Transit also adopted the new standard, Statement No. 101, *Compensated Absences*, issued by the Governmental Accounting Standards Board (GASB). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The implementation of GASB 101 resulted in an increase in the compensated absences liability recorded on the Intercity Transit financial statements and a restatement of beginning Net Position as of Jan. 1, 2024, as shown below.

1/1/24 beginning Net Position as previously reported	Change in accounting principle - Implementation of GASB 101	Change to or within the financial reporting entry	Error Correction	1/1/24 beginning Net Position as restated/adjusted
372,616,131	(619,875)	-	-	371,996,256

2024

# REQUIRED SUPPLEMENTARY INFORMATION

## Schedule of Proportionate Share of the Net Pension Liability – PERS Plan 1

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										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.180792%	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	\$3,212,381	\$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	\$36,313,813	\$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	8.85%	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	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

## Schedule of Proportionate Share of the Net Pension Liability – PERS Plan 2 & 3

### REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

	Intercity Transit									
	Schedule of Proportionate Share of the Net Pension Liability(Asset)									
	WA State Public Employees' Retirement System (PERS) Plan 2/3									
	As of June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.234644%	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)	(\$7,735,211)	(\$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	\$36,313,813	\$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	-21.30%	-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)	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

# Schedule of Employer Contributions – PERS Plan 1

## REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit Schedule of Employer Contributions WA State Public Employees' Retirement System (PERS) Plan 1 For the year ended December 31 Last 10 Fiscal Years										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$1,074,303	\$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	\$1,074,303	\$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	\$0
Covered payroll	\$38,993,894	\$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	2.76%	3.41%	3.75%	4.31%	4.79%	4.95%	5.07%	4.94%	4.83%	4.42%

# Schedule of Employer Contributions – PERS Plan 2 & 3

## REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit Schedule of Employer Contributions WA State Public Employees' Retirement System (PERS) Plan 2/3 For the year ended December 31 Last 10 Fiscal Years										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	2,480,011	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	\$2,480,011	\$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	\$0
Covered payroll	\$38,993,894	\$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%	6.36%	7.17%	7.92%	7.71%	7.50%	6.83%	6.23%	5.60%

## Schedule of Changes in Total OPEB Liability and Related Ratios

### Required Supplementary Information

#### Intercity Transit

#### Schedule of Changes in Total OPEB Liability and Related Ratios - PEBB

#### For the year ended December 31

#### Last 10 Fiscal Years\*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$10,176,996	\$9,378,755	\$12,999,435	\$12,074,146	\$8,956,296	\$8,408,507	\$6,805,477
Service cost	721,058	700,056	931,764	904,625	428,386	415,909	349,413
Interest	400,240	369,878	292,422	272,481	379,539	357,183	317,551
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(734,154)	-	(1,524,282)	-	(631,689)	-	498,993
Changes of assumptions	(573,041)	-	(3,045,215)	-	3,196,863	-	633,454
Benefits payments	(277,808)	(271,693)	(275,369)	(251,817)	(255,249)	(225,303)	(196,381)
Total OPEB liability - ending	\$9,713,291	\$10,176,996	\$9,378,755	\$12,999,435	\$12,074,146	\$8,956,296	\$8,408,507
Covered employee payroll	\$40,765,115	\$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	23.83%	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, 2024**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	568,319	568,319	-	1,2,3, 4
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	134,950	134,950	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	235,057	235,057	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	13,601	13,601	-	1,2,3
Total ALN 20.507:				-	951,927	951,927	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	-	9,289,853	9,289,853	-	1,2,3
Total Federal Transit Cluster:				-	10,241,780	10,241,780	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0335	2,275,344	-	2,275,344	-	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, 2024**

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)			Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0336	641,773	-	641,773
						2,917,117	-	2,917,117
						2,917,117	10,241,780	13,158,897
		<b>Total Transit Services Programs Cluster:</b>					-	-
		<b>Total Federal Awards Expended:</b>					-	-

The accompanying notes are an integral part of this schedule.

**Intercity Transit**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2024**

***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.

***NOTE 4 – SALES PROCEEDS APPLIED***

The amount shown includes \$76,999.28 in Federal Surplus Proceeds applied. This reduces our retained balance of federal surplus proceeds to zero in 2024.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Intercity Transit**  
**January 1, 2024 through December 31, 2024**

This schedule presents the corrective action planned by the Transit for findings reported in this report 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).

<b>Finding ref number:</b> 2024-001	<b>Finding caption:</b> The Transit did not have adequate internal controls and did not comply with federal suspension and debarment requirements
<b>Name, address, and telephone of Transit contact person:</b> Jen Amendala PO Box 659 Olympia, WA 98507 (360) 705-5883	
<b>Corrective action the auditee plans to take in response to the finding:</b> <ul style="list-style-type: none"> <li>• <i>Update current grant allocation methodology to reflect that we are not federalizing 100% of IT funds.</i></li> <li>• <i>Review and strengthen procurement procedures to align with all local, state, and federal requirements related to the use of federal funds.</i></li> <li>• <i>Determine opportunities to update documentation standards to verify contractors and consultants working on federally funded projects are not suspended or debarred, using one or more of the following: staff search results, stand-alone certifications, and/or certification clauses in contracts.</i></li> <li>• <i>Ensure key staff members receive training by attending federal grant workshops to gain deeper knowledge of uniform guidance, levels of federal procurement, and associated documentation requirements.</i></li> </ul>	
<b>Anticipated date to complete the corrective action:</b> December 31, 2025	

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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