



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, 2021 through December 31, 2021

Published June 23, 2022

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

June 23, 2022

Board of Directors
Intercity Transit
Olympia, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Intercity Transit January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.507	Federal Transit Cluster – COVID-19 – Federal Transit Formula Grants
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,458,480.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Intercity Transit January 1, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated June 2, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

June 2, 2022

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, 2021 through December 31, 2021

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, 2021. 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, 2021.

Basis for Opinion on Each Federal Program

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

We are required to be independent of the Transit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Transit's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our 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 that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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

June 2, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Intercity Transit January 1, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements as listed in the table of contents.

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, 2021, and the changes in financial position, and, where applicable, 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 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 11 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Transit is unknown. Management's plans in response to this matter are also described in Note 11. 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 table of contents 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 as a whole. 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 schedule 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022 on our consideration of the Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Transit's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

June 2, 2022

**Intercity Transit
January 1, 2021 through December 31, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Revenues, Expenses and Changes in Net Position – 2021

Statement of Cash Flows – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – 2021

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

INTERCITY TRANSIT

2021

Management's Discussion and Analysis

This section of Intercity Transit's Annual Financial Report represents management's overview and analysis of Intercity Transit's financial performance for the fiscal year ended December 31, 2021. This section should be read in conjunction with the financial statements which follow.

Introduction

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

Services include:

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

Highlights for 2021

- As of December 31, 2021, Intercity Transit's assets and deferred outflows exceeded its liabilities and deferred inflows by \$285.4 million.
- Intercity Transit's total net position increased by \$82.6 million.
- Intercity Transit's primary source of funding is local sales taxes. Intercity Transit's sales tax revenue increased from \$72.3 million in 2020 to \$80.3 million in 2021.
- In November of 2018 voters approved a 50% increase in Intercity Transit's sales tax percentage, from 0.8 % to 1.2%. The additional sales taxes began April 1, 2019.
- Federal assistance for transits was included in the ARP Act (America Rescue Plan).
- Capital contributions were \$22.3 million in 2021.
- Beginning January 1, 2020, Intercity Transit no longer charges customers fares for bus and paratransit service. Advertising contracts were also phased out.
- Due to the ongoing COVID-19 global pandemic, Intercity Transit bus service in 2021 remained below pre-pandemic levels. Gradual increases were made over five separate service change periods.
 - At the beginning of the year fixed route service measured 42% of pre-pandemic levels.
 - On January 11, 2021 service increased to 48%, then to 71% on March 21, 2021.
 - June 12, 2021 adjustments were made although service volumes remained unchanged.
 - Beginning July 19, 2021 fixed route service improved to 74% of pre-pandemic levels.
 - The final adjustment of 2021 took effect on September 19th with service measuring 79% of pre-pandemic levels as additional trips were restored to the weekday schedule.

Overview of the Financial Statements

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

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

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

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

The basic financial statements can be found in this report.

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

Intercity Transit's Financial Position

Intercity Transit has historically had two major concerns. The first concern is a heavy reliance on sales tax revenue as the primary source of funding. Sales tax follows the general economic situation which results in cycles of boom and bust. The other concern is volatility in the cost of fuel. IT currently uses almost one million gallons of fuel each year, so a \$1 increase in fuel costs is significant.

From the Statement of Net Position:

Current assets net of current liabilities were \$193.7 million for the year ended December 31, 2021 as compared to \$146.9 million for 2020.

Cash reserves available to meet current and future obligations increased from \$119.3 million in 2020 to \$178.2 million in 2021.

As of December 31, 2021, Intercity Transit had no long-term public financing debt.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended December 31, 2021, Intercity Transit's assets and deferred outflows exceeded liabilities and deferred inflows by \$285.4 million, which is an increase from \$202.7 million in 2020.

The following is a summary of Intercity Transit's net position:

	2021	2020	Net increase (decrease) 2021 vs. 2020
Assets:			
Current Assets	\$199,169,100	\$152,795,248	\$46,373,852
Net Pension Asset	20,753,120	-	20,753,120
Capital Assets	104,126,362	75,366,507	28,759,855
Total Assets	324,048,582	228,161,755	95,886,827
Deferred Outflows	6,304,412	7,016,993	(712,581)
Total Assets and Deferred Outflows	330,352,994	235,178,748	95,174,246
Liabilities:			
Current Liabilities	5,436,091	5,929,871	(493,780)
Long-Term Liabilities	17,435,672	23,242,107	(5,806,435)
Total Liabilities	22,871,763	29,171,978	(6,300,215)
Deferred Inflows	22,098,113	3,259,372	18,838,741
Net Position:			
Investment in Capital Assets	104,126,362	75,366,507	28,759,855
Restricted - Net Pension Asset	3,661,996	-	3,661,996
Unrestricted	177,594,760	127,380,891	50,213,869
Total Net Position	285,383,118	202,747,398	82,635,720
Total Liabilities, Deferred Inflows and Net Position	\$330,352,994	\$235,178,748	\$95,174,246

Public transportation is a capital-intensive enterprise. Consequently, 36.5 percent of Intercity Transit's net position was invested in capital assets. Because these assets are used to provide services to citizens, they are not available for future spending.

Intercity Transit's Authority has designated an operating reserve equal to one fourth of the current operating budget (a ninety-day reserve). For 2021 the designated reserve was \$16.4 million.

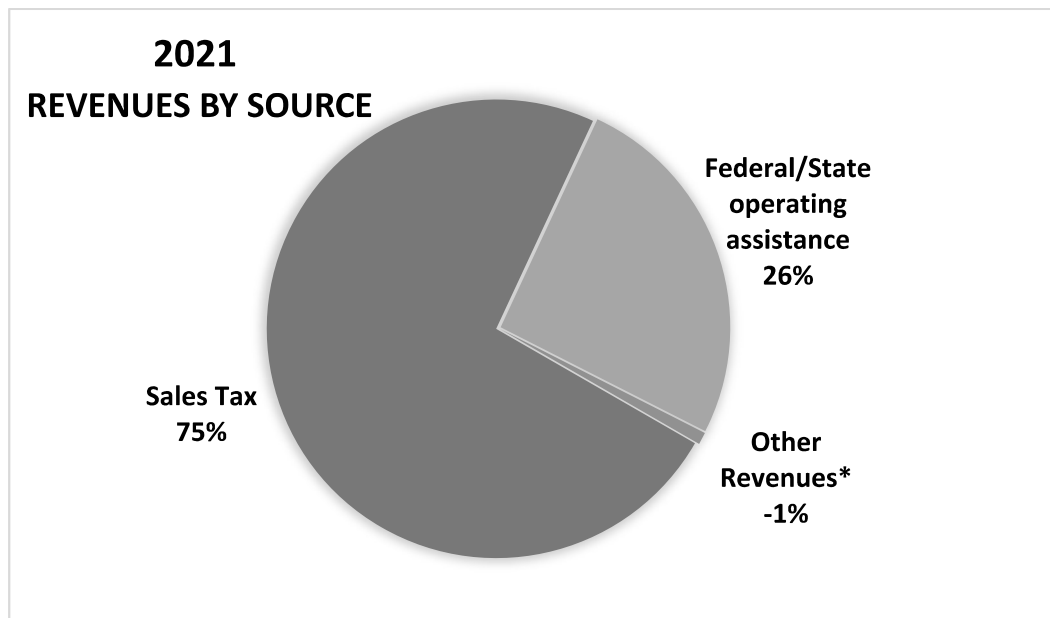
In 2021 a Restricted for Pensions portion of Net Position was added. This represents funds restricted for the pension asset resulting from PERS 2/3 plans becoming fully funded in 2021.

Intercity Transit's net position increased by \$82.6 million during the current fiscal year. Key elements of this increase are shown below:

	2021	2020	Net increase (decrease) 2021 vs. 2020
Operating Revenues:			
Passenger Fares	\$301,631	\$307,720	(\$6,089)
Advertising & commissions	76	5,331	(5,255)
Subtotal - Operating Income	301,707	313,051	(11,344)
Non-Operating Revenues:			
Sales Tax	80,275,672	72,309,014	7,966,658
Federal/State Operating Assistance	27,869,156	29,989,246	(2,120,090)
Other revenues	(1,327,872)	2,150,676	(3,478,548)
Gain (Loss) on Capital Assets	97,307	119,080	(21,773)
Subtotal - Non-Operating Revenue	106,914,263	104,568,016	2,346,247
Total Revenues	107,215,970	104,881,067	2,334,903
Expenses:			
Operations and Maintenance	30,117,989	32,697,888	(2,579,899)
General and Administration	10,306,840	10,497,868	(191,028)
Depreciation/Amortization	6,483,587	5,907,149	576,438
Total Expenses	46,908,416	49,102,905	(2,194,489)
Net Income Before Contributions	60,307,554	55,778,162	4,529,392
Capital Grants/Contributions	22,328,166	15,966,597	6,361,569
Total Change in Net Position	82,635,720	71,744,759	10,890,961
Net Position—Beginning of Year	202,747,398	131,002,639	71,744,759
Net Position – End of Year	\$285,383,118	\$202,747,398	\$82,635,720

Revenues

During 2021, revenues increased by \$2.3 million, and capital contributions increased by \$6.4 million. Revenues from major sources are illustrated below:

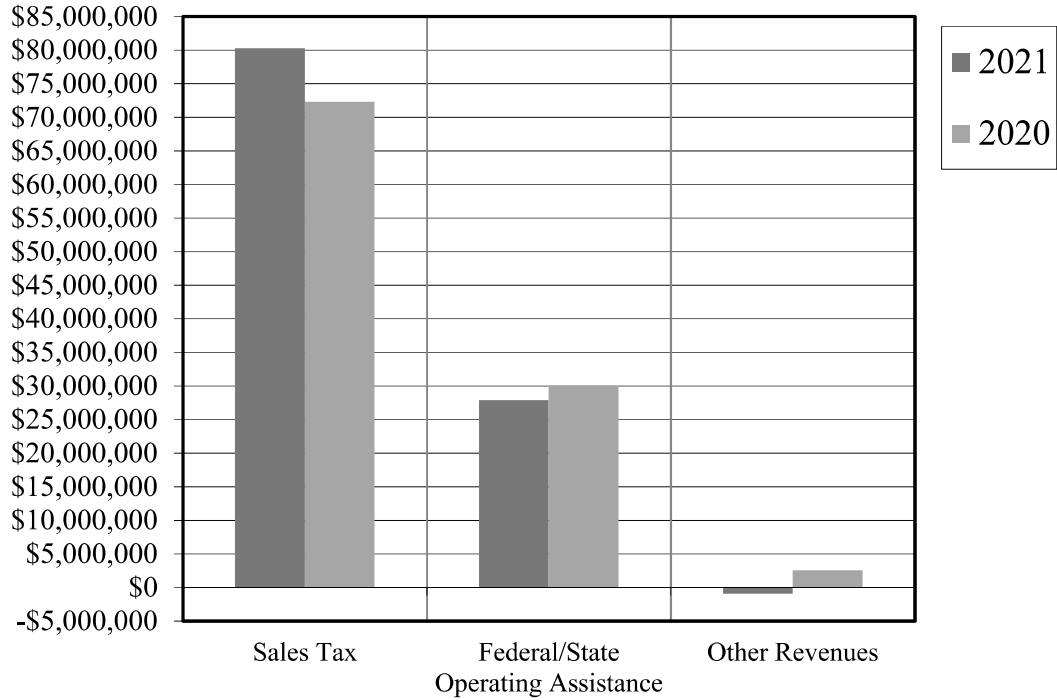


Total operating revenue sources (passenger fares, advertising, commissions) decreased between 2021 and 2020 by \$11 thousand. As explained previously Intercity Transit was fare-free starting in 2020 for bus and paratransit service, and advertising contracts were phased out. Sales tax revenues increased by \$8 million from 2020 (11% increase). Federal and State operating assistance decreased by \$2.1 million.

*Other revenue sources (interest income (loss), miscellaneous revenue and gain/loss on disposal of assets) decreased by \$3.5 million primarily due to a fair value adjustment for investments in interest income (loss).

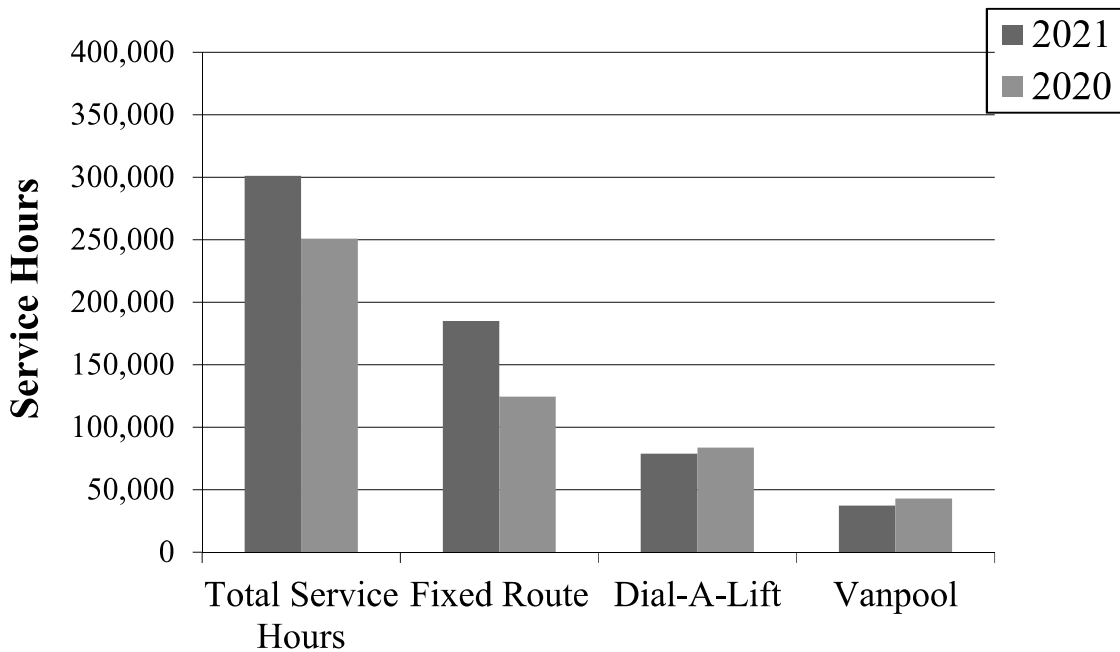
The following graph compares revenues by function for 2021 and 2020.

2021 & 2020 Comparative Revenues



Total service hours for fixed route increased in 2021. DAL (Dial-a-Lift) and vanpool modes decreased in 2021. Total ridership increased from 2.3 million in 2020 to 2.6 million in 2021.

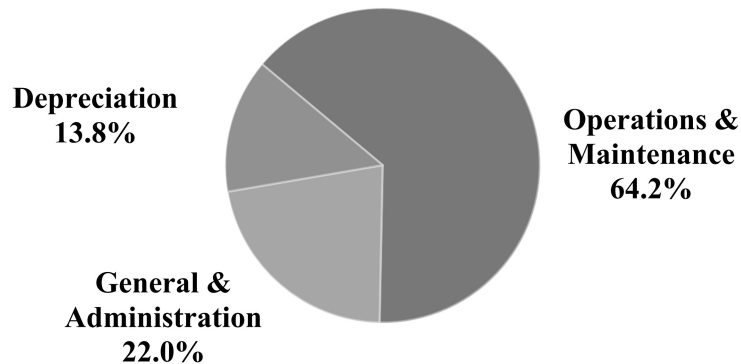
2021 & 2020 Comparative Service Hours



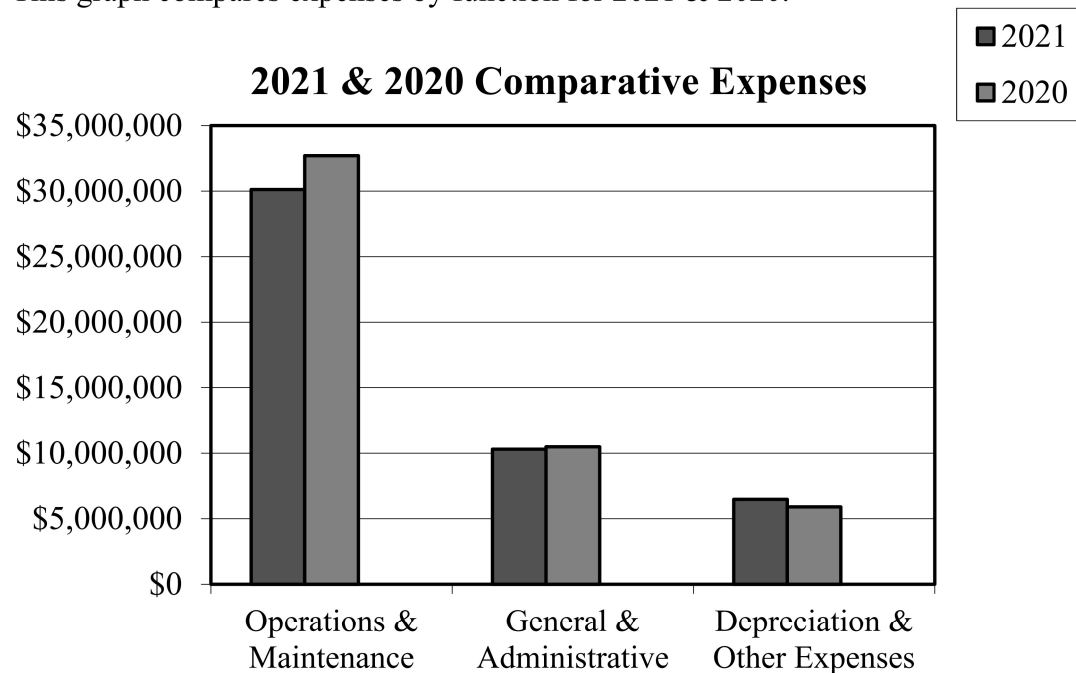
Expenses

Total expenses in 2021 decreased by \$2.2 million, or 4.5 percent decrease compared to 2020. Expenses by major function are shown below:

2021 Expenses by Function



This graph compares expenses by function for 2021 & 2020.



Operations and maintenance expenses decreased by \$2.6 million or 7.9 percent.

General and administrative expenses decreased by \$191 thousand or 1.8 percent.

Depreciation expense increased \$576 thousand or 9.8%.

Capital Assets

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

Intercity Transit's investment in capital assets as of December 31, 2021 amounted to \$104 million, net of accumulated depreciation. Net capital assets increased \$28.8 million or 38% during 2021.

Major acquisitions during 2021 included: Pattison operations/administration new building work in progress, CAD/AVL work in progress, and new buses, DAL vans and staff vehicles.

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

Economic Factors and Future Outlook

Thurston County's March unemployment rates from 2019 to 2022 compared to Washington State and the nation are as follows:

	February <u>2022</u>	February <u>2021</u>	February <u>2020</u>	March <u>2019</u>
Thurston County	5.0%	6.1%	4.7%	5.5%
Washington State	4.3%	5.6%	3.8%	4.5%
United States	3.8%	6.2%	3.5%	3.8%

The 2022 budget is summarized as follows: Total Budgeted Operating and Capital Expenditures \$182.6 million.

The COVID pandemic continues to affect ridership and service in 2022. New federal grant funding may be available under the Infrastructure Investment and Jobs Act.

Requests for Information

This financial report is designed to provide a general overview of Intercity Transit finances for anyone who has an interest. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to: Suzanne Coit, Intercity Transit, P.O. Box 659, Olympia, WA 98507-0659.

**INTERCITY TRANSIT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Current Assets

Cash & Cash Equivalents	\$ 178,170,084
Receivables	14,503,813
Due From Government Units	4,883,014
Prepaid Expenses	452,067
Inventories	1,160,122

Total Current Assets	<u>199,169,100</u>
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Noncurrent Assets

Net Pension Asset	20,753,120
Capital Assets Not Being Depreciated:	
Land	5,331,565
Work In Process	41,152,159
Capital Assets Being Depreciated:	
Facilities	41,511,573
Revenue Equipment	64,336,250
Communication Equipment	5,726,299
Administrative Vehicles	1,171,345
Shop Equipment	2,754,496
Office/IS Equipment	1,609,546
Miscellaneous Equipment	64,800
(Less) Total Accumulated Depreciation	<u>(59,531,671)</u>

Total Noncurrent Assets	<u>124,879,482</u>
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Total Assets	<u>324,048,582</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows on Pensions	2,800,102
Deferred Outflows on OPEB	3,256,976
Deferred Outflows on ARO	247,334

Total Deferred Outflows of Resources	<u>6,304,412</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 330,352,994</u></u>
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES

Current Liabilities

Accounts Payable	\$ 3,371,683
Accrued Wages & Benefits	1,554,030
Accrued Vacation	124,468
Other Current Liabilities	134,093
Current portion of OPEB Liability	251,817

Total Current Liabilities	<u>5,436,091</u>
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The notes to the financial statements are an integral part of this statement.

Noncurrent Liabilities	
Accrued Vacation/Sick Leave	2,442,237
ARO Liability	265,000
Net Pension Liability	1,980,817
OPEB Liability	12,747,618
Total Noncurrent Liabilities	<u>17,435,672</u>
Total Liabilities	<u>22,871,763</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows on Pensions	21,587,902
Deferred Inflows on OPEB	510,211
Total Deferred Inflows of Resources	<u>22,098,113</u>
NET POSITION	
Investment in Capital Assets	104,126,362
Restricted - Net Pension Asset	3,661,996
Unrestricted	177,594,760
Total Net Position	<u>285,383,118</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 330,352,994</u></u>

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

**INTERCITY TRANSIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDING DECEMBER 31, 2021**

OPERATING REVENUES

Vanpool fares	\$ 301,631
Commissions	76

TOTAL OPERATING REVENUE 301,707

OPERATING EXPENSES

Operations	21,256,448
Vehicle Maintenance	6,877,075
Non-Vehicle Maintenance/Facilities	1,984,466
General & Administration	10,306,840
Depreciation/Amortization	6,483,587

TOTAL OPERATING EXPENSES 46,908,416

OPERATING INCOME (LOSS) (46,606,709)

NON-OPERATING REVENUES (EXPENSES)

Sales Tax	80,275,672
Federal/State Operating Assistance	27,869,156
Interest Income (loss)	(1,448,572)
Miscellaneous	120,700
Gain (Loss) on Disposal of Assets	97,307

TOTAL NONOPERATING REVENUES (EXPENSES) 106,914,263

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS 60,307,554

Capital Contributions 22,328,166

CHANGE IN NET POSITION 82,635,720

NET POSITION, January 1 202,747,398

NET POSITION, December 31 \$ 285,383,118

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

**INTERCITY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 301,320
Payments to employees	(37,703,381)
Payments to suppliers	<u>(9,449,344)</u>

NET CASH USED BY OPERATING ACTIVITIES (46,851,405)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Sales tax	81,012,646
Operating grants	39,064,530
Other nonoperating receipts	<u>120,701</u>

NET CASH PROVIDED BY NONCAPITAL ACTIVITIES 120,197,877

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	22,822,366
Sale of capital assets	(304,558)
Purchases of capital assets	<u>(35,545,898)</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (13,028,090)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings (loss)	<u>(1,469,316)</u>
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NET CASH PROVIDED BY INVESTING ACTIVITIES (1,469,316)

NET INCREASE IN CASH & CASH EQUIVALENTS 58,849,066

CASH & CASH EQUIVALENTS - January 1 119,321,018

CASH & CASH EQUIVALENTS - December 31 \$ 178,170,084

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

OPERATING INCOME (LOSS) \$ (46,606,709)

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

Depreciation/Amortization	6,483,587
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CHANGE IN ASSETS AND LIABILITIES:

Receivables	302,959
Inventories	(131,722)
Net Pension Asset	(20,753,120)
Prepaid Expenses	(101,827)
Deferred Outflows	703,748
Accounts Payable	(108,623)
Advance Payments	25,029
Wages and Benefits Payable	292,914
Accrued Vacation and Sick Leave Payable	(215,494)
OPEB Liability	925,289
Pension liability	(6,506,177)
Deferred Inflows	<u>18,838,741</u>

TOTAL ADJUSTMENTS (244,696)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ (46,851,405)

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

INTERCITY TRANSIT

NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 2021 THROUGH DECEMBER 31, 2021

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). The financial statements of Intercity Transit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

The following summary of the significant accounting policies is presented to assist the reader. These notes should be viewed as an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity:

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

B. Basis of Accounting and Reporting:

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

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

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operation. Intercity Transit's principal operating revenues are charges to customers in the form of vanpool fares. Operating expenses include the cost of providing transit service, administration expenses, depreciation on capital assets, and gain/loss on sale of assets. Tax revenue, grants used to finance operations, interest, and expenses not related to the provision of transit service are reported as non-operating revenues and expenses. Accrued revenues include sales tax, state and federal subsidies, and interest earnings. Capital grant revenues are accrued in the amount of reimbursable liabilities incurred as of yearend.

C. Cash and Cash Equivalents:

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

D. Investments:

See Note 2.

E. Inventories:

Inventories consist of vehicle maintenance supplies, tires, fuel, lubricants, and oils. They are valued using the average cost method.

F. Capital Assets:

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

G. Accumulated Unpaid Vacation and Sick Leave:

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

Transit Operators		Maintenance Workers		Other Employees	
Years of Service	Vacation Hours	Years of Service	Vacation Hours	Years of Service	Vacation Hours
1	112	1	112	1	112
2	120	2	120	2	120
3-4	128	3-4	128	3-4	128
5	136	5	136	5	136
6-7	144	6-7	144	6-7	144
8-10	152	8-9	152	8-10	152
11-12	160	10	152	11-12	160
13-16	168	11-12	160	13-16	168
17-18	176	13-16	168	17-18	176
19	184	17-18	176	19	184
20-25	192	19	184	20-25	192
26+	200	20-25	192	26+	200
		26+	200		

Non-represented employees may accumulate 360 hours of vacation; members of IAM may accumulate 360 hours of vacation; and members of ATU may accumulate 360 hours of vacation. The vacation leave policy was amended to allow all employees to exceed the maximum number of hours until their anniversary date in 2022. All employees may accumulate 960 hours of sick leave. At termination employees receive cash for accrued vacation, and may receive partial pay for sick leave based on their years of service and the number of hours accrued. Intercity Transit records unpaid leave for compensated absences as an expense and liability when incurred.

H. Pensions

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Composition of cash and cash equivalents are shown below:

Demand Deposits	\$100
Investments in the TCIP (Thurston County Investment Pool)	\$178,169,984
Total Cash and Cash Equivalents	\$178,170,084

A. Deposits

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

B. Thurston County Investment Pool (TCIP)

Intercity Transit is a participant in the Thurston County Investment Pool (TCIP), an external investment pool. As of December 31, 2021 all of Intercity Transit's investments are in the TCIP. In accordance with State law, Intercity Transit has entered into a formal agreement with Intercity Transit's ex officio treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the TCIP.

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

All TCIP investment instruments are those allowed by statute including: U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP). Thurston County investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. Wells Fargo bank acts as safekeeping agent for the Thurston County Treasurer. The TCIP is not rated or registered with the SEC. The TCIP does not have a credit rating and had a weighted average maturity of 2.13 years as of December 31, 2021.

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

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

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

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

NOTE 3 – RECEIVABLES

At December 31, 2021, Intercity Transit had the following receivables:

Receivables	
Sales Tax receivable	\$13,936,557
Other Receivables	373,240
Interest Receivable	194,016
Total Receivables	\$14,503,813
Due from Other Government Units	\$4,883,014

NOTE 4 - CAPITAL ASSETS AND RELATED DEPRECIATION

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

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

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

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

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

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

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

Summary of changes in plant, property and equipment for 2021:

	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital Assets, not being depreciated				
Land	5,331,565	-	-	5,331,565
Work in Process	14,173,684	27,289,761	(311,286)	41,152,159
Total Capital Assets, not being depreciated	19,505,249	27,289,761	(311,286)	46,483,724
Capital Assets, being depreciated				
Administrative Vehicles	1,112,034	162,904	(103,593)	1,171,345
Shop Equipment	2,443,210	311,286	-	2,754,496
Office Equipment/Furniture	476,887	23,887	-	500,774
IS Equipment	1,070,226	38,546	-	1,108,772
Miscellaneous Equipment	64,800	-	-	64,800
Facilities	41,451,058	60,515	-	41,511,573
Revenue Equipment	60,858,304	7,659,001	(4,181,055)	64,336,250

Communication Equipment	5,726,299	-	-	5,726,299
Total Capital Assets, being depreciated	113,202,818	8,256,139	(4,284,648)	117,174,309
Less Accumulated Depreciation for:		Increases	Decreases	
Administrative Vehicles	842,412	141,635	(103,592)	880,455
Shop Equipment	1,906,057	63,408	-	1,969,465
Office Equipment	48,375	71,026	-	119,401
IS Equipment	622,495	105,816	-	728,311
Miscellaneous Equipment	64,800	-	-	64,800
Facilities	18,427,008	1,272,246	-	19,699,254
Revenue Equipment	29,704,113	4,820,623	(4,181,051)	30,343,685
Communication Equipment	5,726,300	-	-	5,726,300
Total Accumulated Depreciation	57,341,560	6,474,754	(4,284,643)	59,531,671
Total Capital Assets, being depreciated, net	75,366,507	29,071,146	(311,291)	104,126,362

Work in progress as of 12/31/2021 consists of the following projects:

Facilities	\$38,786,378
Equipment & computer systems	2,365,781
Total	\$41,152,159

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Intercity Transit has active construction projects as of December 31, 2021.

Project	Spent to Date	Remaining Commitment
Pattison improvements	\$35,099,866	\$23,187,805

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$1,980,817)
Pension assets	\$20,753,120
Deferred outflows of resources	\$2,800,102
Deferred inflows of resources	(\$21,587,902)
Pension expense/expenditures	\$5,083,837

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, or may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual contribution Rates:	Employer	Employee
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%

Intercity Transit's actual contributions to the plan were \$1,124,513 for the year ended December 31, 2021.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit.

Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual contribution Rates:	Employer 2/3	Employee 2
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

Intercity Transit’s actual contributions to the plan were \$1,869,495 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Experience Study and the 2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020 to June 30, 2021, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

There were no changes in assumptions since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 A VR when preparing the 2021 A VR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	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 7.4 percent, 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$3,374,434	\$1,980,817	\$765,440
PERS 2/3	(\$5,912,161)	(\$20,753,120)	(\$32,974,656)

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, 2021, Intercity Transit reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$1,980,817
PERS 2/3	(\$20,753,120)

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

	Proportionate Share 6/30/2020	Proportionate Share 6/30/2021	Change in Proportion
PERS 1	0.163202%	0.162198%	(0.001004)%
PERS 2/3	0.213073%	0.208331%	(0.004742)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30,2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2021, Intercity Transit recognized pension expense as follows:

	Pension Expense
PERS 1	\$406,942
PERS 2/3	\$4,676,895
Total	\$5,083,837

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, Intercity Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(2,198,044)
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	501,367	0
Total	\$501,367	(\$2,198,044)
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,007,949	(254,413)
Net difference between projected and actual investment earnings on pension plan investments	0	(17,344,740)
Changes of assumptions	30,327	(1,473,815)
Changes in proportion and differences between contributions and proportionate share of contributions	404,376	(316,890)
Contributions subsequent to the measurement date	856,083	0
Total	\$2,298,735	(\$19,389,858)
Combined Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,007,949	(254,413)
Net difference between projected and actual investment earnings on pension plan investments	0	(19,542,784)
Changes of assumptions	30,327	(1,473,815)
Changes in proportion and differences between contributions and proportionate share of contributions	404,376	(316,890)
Contributions subsequent to the measurement date	1,357,450	0
Total	\$2,800,102	(\$21,587,902)

Deferred outflows of resources related to pensions resulting from Intercity Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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
2022	(582,262)
2023	(533,564)
2024	(504,506)
2025	(577,712)
2026	0
Thereafter	0
Total	(2,198,044)

Year ended December 31:	PERS 2/3
2022	(4,713,832)
2023	(4,402,204)
2024	(4,246,617)
2025	(4,538,467)
2026	(51,239)
Thereafter	5,153
Total	(17,947,206)

Deferred Compensation Plans

Intercity Transit offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 401k and 457. The plans are available to all employees on a voluntary basis and they permit employees to defer a portion of their salaries until future years. Plans are offered through Vanguard, MissionSquare Retirement Corporation, and the Washington State Department of Retirement Systems Deferred Compensation program. Intercity Transit will match 6.2% of the annual salary of all participating employees who also contribute at least 6.2%. In 2021 Intercity Transit contributed \$1,414,396 and employees contributed \$2,151,220 to the plans. The plan assets are not the legal property of Intercity Transit and are not subject to claims of the Intercity Transit’s creditors. Therefore, these plan assets are not shown on the Statement of Net Position.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for the plan subject to the requirements of GASB 75 for the year 2021:

Aggregate OPEB Amounts	
OPEB Liability	\$12,999,435
OPEB Assets	\$0
Deferred outflow of resources	\$3,256,976
Deferred inflows of resources	\$(510,211)
OPEB expense/expenditures	\$1,538,146

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

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

Under state law, active Intercity Transit employees who are covered by the state public employee retirement system are eligible upon retirement to obtain medical, prescription drug, and dental coverage through the state PEBB program at the retiree rate associated with the elected plan. Because the rate is based on a pool of both active employees and retirees, the rate paid by pre-Medicare retirees is less than the full cost of the benefits, based on their age and other demographic factors. This creates an implicit subsidy where the “underpayment” of retiree premiums is funded through the premiums paid by Intercity Transit for active employees. The explicit subsidy is funded through premiums paid by Intercity Transit for active employees. There are no COLAs associated with the plan.

At December 31, 2020, the following employees were covered by the benefit terms:

Active employees	396
Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	0
Total	456

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

Assumptions and Other Inputs:

- a. Discount rate – As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 2.12% as of December 31, 2020.
- b. Health care cost trend rate – Year 1 6.0%, Year 2 5.5%, subsequent years 5.0%
- c. Mortality assumption – RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2020 generational projection of future mortality improvement
- d. General inflation rate – 3.0% per year
- e. Salary increases – 3.0% per year
- f. Actuarial cost method – Entry age
- g. Amortization method – The recognition period for the experience and assumption changes is 10.4 years. This is equal to the average expected remaining service lives of all active and inactive members.
- h. Asset valuation method – n/a, no assets

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following table presents the total OPEB liability of Intercity Transit calculated using the current healthcare cost trend rate of 6.0 percent decreasing to 5.0%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.0% to 4.0%) or 1 percentage point higher (7.0% to 6.0%) than the current rate.

	1% Decrease (5% decreasing to 4.0%)	Current Healthcare Cost Trend Rate (6% decreasing to 5.0%)	1% Increase (7% decreasing to 6.0%)
Total OPEB Liability	\$10,814,956	\$12,999,435	\$15,841,534

Sensitivity of Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of Intercity Transit calculated using the discount rate of 2.12%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12%) or 1 percentage point higher (3.12%) than the current rate.

	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB Liability	\$15,459,694	\$12,999,435	\$11,051,810

Changes in the Total OPEB Liability

Total OPEB Liability at 1/1/2021	\$12,074,146
Service cost	904,625
Interest	272,481
Changes in benefit terms	0
Differences between expected and actual experience	0
Change of assumptions	0
Benefit payments	(251,817)
Net Change in Total OPEB Liability	925,289
Total OPEB Liability at 12/31/2021	\$12,999,435

The most recent actuarial valuation was completed March 2, 2021 with a valuation date of December 31, 2020. Update procedures were used to roll forward the Service Cost and total OPEB liability to the December 31, 2021 measurement date.

- a. OPEB expense for the year 2021: \$1,538,146
- b. The December 31, 2020 actuarial valuation reflected the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 4.1% to 2.12%. The health care cost trend rate was updated to 6.0% decreasing to an ultimate rate of 5.0%.

- c. There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.
- d. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.

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

At 12/31/2021 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	(510,211)	297,381
Changes of assumptions	0	2,959,595
Net difference between projected and actual earnings	0	0
Payments subsequent to the measurement date	0	0
Total	(510,211)	\$3,256,976

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

Year ended December 31:	
2022	361,040
2023	361,040
2024	361,040
2025	361,040
2026	361,040
thereafter	941,565
Total	2,746,765

NOTE 8 - INSURANCE

A. Washington State Transit Insurance Pool

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

At the end of 2021, Intercity Transit retained a \$5,000 deductible for its all-risk property coverage which includes auto physical damage. Intercity Transit has a \$5,000 deductible for public official’s liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

In addition to the coverage detailed in the basic Cyber Liability insurance description, Intercity Transit has chosen to purchase additional limits. This limit will be in excess to any limit of the basic cyber liability policy and increase the availability of insurance and/or drop down if the basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not shared with any other policy holder or WSTIP member. Intercity Transit elected to purchase \$2 million. The carrier is Great American Fidelity insurance company. Intercity Transit has a \$50,000 deductible per cyber incident.

Intercity Transit purchased an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier for the 2020-2021 policy term was Great American. The carrier for the 2021-2022 policy term is Great American. Insurance provisions on each policy was essentially the same. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is \$1 million per environmental incident with a \$1 million aggregate and a \$500,000 limit on defense per environmental incident. Intercity Transit has a \$25,000 deductible per environmental incident. Tanks must be listed to be covered.

Intercity Transit purchased a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2021 to April 4, 2024. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location

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

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six-month's notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

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

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

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

B. Unemployment Insurance

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

C. Workers Compensation Insurance

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

NOTE 9 - SIGNIFICANT CONTINGENCIES

Intercity Transit has various unresolved claims and suits against it as of December 31, 2021. 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)

Intercity Transit implemented Governmental Accounting Standards Board (GASB) Statement No. 83 *Certain Asset Retirement Obligations* for calendar year 2019 financial reporting.

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 is estimated to be \$265,000. The USTs have an estimated useful life of 30 years.

NOTE 11 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Intercity Transit reduced service in response to the COVID-19 pandemic. Intercity Transit will fully restore scheduled public transportation services when it is safe for our customers and employees to do so, and staffing is available to restore full service.

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

Required Supplementary Information

Intercity Transit

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31

Last 10 Fiscal Years*

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

Notes to Schedule:

*Until a full 10-year trend is complied, 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.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit
 Schedule of Proportionate Share of the Net Pension Liability
 WA State Public Employees' Retirement System (PERS) Plan 1
 As of June 30
 Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.162198%	0.163202%	0.162456%	0.155064%	0.168321%	0.161476%	0.162002%
Employer's proportionate share of the net pension liability	\$1,980,817	\$5,761,912	\$6,247,010	\$6,925,211	\$7,986,963	\$8,672,022	\$8,474,211
Covered payroll	\$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	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	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.208331%	0.213073%	0.209691%	0.198296%	0.211382%	0.202406%	0.204729%
Employer's proportionate share of the net pension liability(asset)	\$ (20,753,120)	\$2,725,082	\$2,036,813	\$3,385,728	\$7,344,514	\$10,190,982	\$7,315,084
Covered payroll	\$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	-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)	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$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	\$1,124,513	\$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
Covered payroll	\$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	4.31%	4.79%	4.95%	5.07%	4.94%	4.83%	4.42%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$1,869,495	\$1,959,713	\$1,855,681	\$1,606,282	\$1,384,949	\$1,200,295	\$1,083,849
Contributions in relation to the statutorily or contractually required contributions	\$1,869,495	\$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
Covered payroll	\$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	7.17%	7.92%	7.71%	7.50%	6.83%	6.23%	5.60%

Notes to Schedule:

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

**Thurston County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2021-005	-	2,785,388	2,785,388	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2021-098	-	1,606,273	1,606,273	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2019-034	-	3,773,414	3,773,414	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2020-098	-	1,892,326	1,892,326	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2021-019	-	4,220,241	4,220,241	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2021-081	-	1,889,051	1,889,051	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2022-014	-	123,163	123,163	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	WA-2021-058	-	26,055,858	26,055,858	-	

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, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
			Total CFDA 20.507:	-	42,345,714	42,345,714	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2021-011	-	593,894	593,894	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2018-057	-	570,258	570,258	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2021-026	-	616,845	616,845	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2020-058	-	4,307,629	4,307,629	-	
			Total CFDA 20.526:	-	6,088,626	6,088,626	-	
			Total Federal Transit Cluster:	-	48,434,340	48,434,340	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0135	32,596	-	32,596	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0336	149,050	-	149,050	-	
			Total Transit Services Programs Cluster:	181,646	-	181,646	-	
			Total Federal Awards Expended:	181,646	48,434,340	48,615,986	-	

The accompanying notes are an integral part of this schedule.

INTERCITY TRANSIT**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****JANUARY 1, 2021 THROUGH DECEMBER 31, 2021****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.

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