



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Whatcom Transportation Authority

For the period January 1, 2021 through December 31, 2022

Published July 6, 2023

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

July 6, 2023

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Whatcom Transportation Authority's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Whatcom Transportation Authority January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Whatcom Transportation Authority 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 Authority.

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$753,305.

The Authority 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*

Whatcom Transportation Authority January 1, 2021 through December 31, 2022

Board of Directors
Whatcom Transportation Authority
Bellingham, 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 the Whatcom Transportation Authority, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

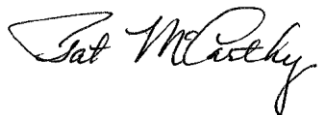
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 Authority'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 29, 2023

INDEPENDENT AUDITOR'S REPORT

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

Whatcom Transportation Authority January 1, 2022 through December 31, 2022

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Whatcom Transportation Authority, 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 Authority's major federal programs for the year ended December 31, 2022. The Authority'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 Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Authority 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 Authority'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 Authority'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 Authority'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 Authority'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 Authority'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 Authority'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 Authority's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Whatcom Transportation Authority January 1, 2021 through December 31, 2022

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Whatcom Transportation Authority, as of and for the years ended December 31, 2022 and comparative year 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Whatcom Transportation Authority, as of December 31, 2022 and comparative year 2021 and the respective changes in financial position and where applicable, cash flows thereof for the years then ended for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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 8 to the financial statements, in 2022, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 Authority'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 opinions. 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023

**Whatcom Transportation Authority
January 1, 2021 through December 31, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022 and 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022 and 2021

Statement of Revenues, Expenses and Changes in Net Position – 2022 and 2021

Statement of Cash Flows – 2022 and 2021

Notes to Financial Statements – 2022 and 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3– 2022 and 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022 and 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

Overview

The management of Whatcom Transportation Authority (WTA) provides the readers of WTA's Financial Statements with this narrative as an overview and analysis of the financial activities for the year ended December 31, 2022.

Management is responsible for the completeness, reliability, and objectivity of these financial statements. Estimates and judgments used in the financial statements have been made on a prudent and reasonable basis.

Whatcom Transportation Authority was established in 1983 to provide public transit services within the Public Benefit Transportation Area. Current services include:

- Fixed Route – Provides standard bus service on fixed, regularly scheduled routes.
- Paratransit Service – Provides dial-a-ride transportation service to passengers unable to utilize fixed route service.
- Vanpool - A program that makes a vehicle available to groups of 5-15 people for commuting to work.
- On-Demand Service – A service that allows passengers to hail a ride anywhere within the City of Lynden. Rides can be booked via a mobile app or by calling WTA. Rides are open to all passengers and vehicles are ADA compliant.

WTA continued to provide essential transportation to our community during the COVID-19 pandemic; Financial Statement Note 6 details WTA's response.

We continue to assess and respond as needed with the changing landscape surrounding the pandemic. Our goal has been to maintain essential connections and service at sustainable levels to our community, provide a safe working and riding environment, and uphold our mission and values.

Agency Accomplishments

WTA accomplished many of the goals set for 2022 while responding to a rapidly changing environment as we move from the world-wide pandemic into an endemic status. Several of the 2022 accomplishments are shown below:

Safety

- Operated safely during periods of extreme heat, poor air quality, floods, and snow/ice storms.
- Received the 2022 Well City Award from the Association of Washington Cities (AWC).

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

- Closed the Bellingham Transit and Cordata Transit Stations' washrooms due to illicit use and brought in portable toilets while performing deep cleaning and working on a long-term restricted access solution. The washrooms were reopened with a washroom attendant.
- Budgeted for hiring four (4) new safety employees in 2023 to be in the field to help WTA employees and riders with safety related issues as WTA responds to a challenging operating environment.

Advocacy/Partnerships

- Continued efforts with several jurisdictions to implement a reliable multi-agency radio communications system.
- Partnered with Whatcom Smart Trips and Whatcom County Schools to teach more than 1,000 7th graders how to ride the bus.
- Resumed negotiations with the ATU on a Collective Bargaining Agreement.
- Renegotiated the student bus pass contract with Western Washington University (WWU).
- Began discussions with Bellingham Technical College regarding workforce development and other partnership opportunities.

Fiscal Stewardship

- Presented financial highlights and ratios to the Board on a quarterly basis.
- Ended 2022 under budget with strong designated reserves and continued research of potential future project funding.
- Received the 25th consecutive clean financial and accountability audit from the Washington State Auditor's Office.
- Completed a full warehouse inventory count after 3 years with minimal adjustments.
- Received final federal COVID relief funding through the American Rescue Plan Act (ARPA). All funds were spent on wages and benefits during 2022.

Succession Planning

- Hired thirty-seven (37) new employees and promoted twenty (20) current employees.
- Continued to train and develop staff on a variety of topics including mental health and CPR.
- Sponsored two more employees to participate in the Washington State Transit Association's (WSTA) Transit Next Leadership Institute (TNLI).

Carbon Impacts

- Began a study to learn about methods to transition WTA vehicles to zero emissions by the agency adopted goal of 2040.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

Innovation

- Developed an in-house Sustainability Team to review methods for WTA to reduce its carbon impact in ways other than vehicle propulsion mechanisms. Began developing a sustainability plan for adoption in 2023.
- Developed software to support WWU's and Whatcom Community College's ability to self-manage fares using "Umo" fare system.
- Increased weekend service on the Lynden Hop to meet growing demand.

Looking Forward

- The board adopted a long-range transit plan, WTA 2040.
- Participating in many studies to determine future projects for WTA: rapid transit, paratransit cross county service, community economic impact, transit-oriented development, and on-demand service.
- Planning and grant writing are underway for improvements to the Midway and North Lot properties.

Financial Highlights

Assets and total deferred outflows of resources of WTA exceeded its liabilities and deferred inflows of resources at December 31, 2022, by \$112.1 million. Of this amount, \$48.7 million represents WTA's net position invested in capital assets and \$6.2 million is restricted for the PERS 2/3 pension asset. In the unrestricted amount, the WTA Board has designated reserves of \$21.2 million for operations, fleet replacement and expansion, and additional capital projects.

WTA's Total Net Position increased by \$20.7 million or 22.6% over 2021. The operating loss of \$45.1 million does not include sales tax and grant revenues. These sources are not considered operating revenue by GASB and are shown as nonoperating revenues. This is the second year WTA shows a Restricted Net Position relating to the Pension Asset resulting from the State's PERS Retirement Plans 2 and 3 being fully funded.

WTA continued to fund operations via current cash flow and remain debt free during the year, although a \$6 million line of credit for bus purchases is available. Cash balances, less designated reserves, are planned for future operating and capital expenses.

Financial Statements

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Under GAAP, revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Most capital assets are depreciated over their useful lives. The notes to the financial statements provide a summary of WTA's significant accounting policies.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

The Statement of Net Position presents information on WTA's assets and liabilities, with the difference between the two reported as Net Position. Over time, changes in assets and liabilities may serve as a useful indicator of whether WTA's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing WTA's net asset changes during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows presents actual cash activity during the fiscal period related to operating activities, noncapital financing activities, capital activities and investing activities. Additionally, a reconciliation of net cash (used) by operating activities to operating (loss) is included. Over time, increases or decreases in cash balances serve as a useful indicator of the financial stability of WTA.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information essential to fully understand the data provided in WTA's financial statements and are located following the Statement of Cash Flows and should be read in conjunction with the Financial Statements.

Statement of Net Position

The Condensed Statement of Net Position represents the financial condition of WTA at the end of the last three calendar years and reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

A summarized comparison as of December 31, 2022, 2021 and 2020, is on the following page:

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

Condensed Statement of Net Position

	2022	2021	2020
Current Assets	\$ 68,424,178	\$ 47,983,525	\$ 43,664,195
Noncurrent Assets	6,159,358	15,253,813	-
Capital Assets	48,665,939	49,028,319	40,553,644
Total Assets	\$ 123,249,475	\$ 112,265,657	\$ 84,217,839
Total Deferred Outflows of Resources	\$ 6,288,124	\$ 2,036,733	\$ 2,266,437
Current Liabilities	\$ 5,619,147	\$ 3,855,661	\$ 4,807,855
Noncurrent Liabilities	5,389,625	3,256,921	6,548,499
Total Liabilities	\$ 11,008,772	\$ 7,112,582	\$ 11,356,354
Total Deferred Inflows of Resources	\$ 6,395,284	\$ 15,728,359	\$ 1,760,354
Invested in capital assets (net of debt)	\$ 48,665,939	\$ 49,028,319	\$ 40,553,644
Restricted	6,211,504	2,818,227	-
Unrestricted	57,256,100	39,614,903	32,813,924
Total Net Position	\$ 112,133,543	\$ 91,461,449	\$ 73,367,568

Assets

For 2022, current assets increased \$20.4 million or 43% over 2021 primarily due to a larger cash and cash equivalents balance because of federal relief funds received from the American Rescue Plan Act (ARPA), a slight increase in taxes receivable at year end, and a larger ending balance in grants receivable due to amounts owed but not received at year end.

2021 current assets increased \$4.3 million or 9.9% over 2020 primarily due to funds received from the Coronavirus Response and Relief Supplement Act (CRRSA), an increase in taxes receivable at year end and a larger accounts receivable balance due to higher pass sales.

The noncurrent pension asset decreased \$9.1 million or (59.6%) from 2021. The decrease in this asset results from the difference between the actual and expected experience of PERS Retirement Plans 2 and 3. These entries are required by GASB 68.

The noncurrent pension asset increased \$15.3 million or 100% over 2020. The asset results from PERS Retirement Plans 2 and 3 becoming fully funded during 2021 and the required entry from GASB 68.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

During 2022, net capital assets increased \$0.4 million or .7% from 2021 primarily due to the addition of seven (7) fixed route buses, the completion of the MOAB 2nd floor remodel and the completed Ferndale Station LED lighting project, offset by disposals and depreciation.

Net capital assets for 2021 increased \$6.9 million or 17.1% from the prior year due to the addition of two (2) electric fixed route buses, nine (9) paratransit vehicles, eight (8) fixed route diesel buses, and the purchase of the North Lot property.

Deferred Outflows of Resources

During 2022, deferred outflows of resources increased \$4.3 million or 208.5% due to investment earnings outpacing assumptions for PERS Plans 1, 2 and 3, plus a combination of actual experience being greater than projected and greater earnings.

In 2021 deferred outflows of resources decreased \$230 thousand or 10.1% from 2020 due to the required pension adjustments resulting from Governmental Accounting Standards Board (GASB) Statement 68 requirements.

Liabilities

During 2022, current liabilities increased \$1.8 million or 45.7% over 2021. This was due to a \$575 thousand accounts payable invoice for charging equipment that was unpaid at year end and accrued wages that included the final COVID Relief payment of \$738 thousand that was paid in January 2023.

In 2021 current liabilities decreased \$952 thousand or 19.8% from the prior year as all bus orders had been received and paid.

During 2022, noncurrent liabilities increased \$2.1 million or 65.5% over 2021 due to an increase in WTA's pension liability and the implementation of GASB 87 for Leases.

Noncurrent liabilities in 2021 declined \$4.9 million or 74.1% from the prior year primarily due to a \$4.8 million pension liability adjustment required by GASB 68.

Deferred Inflows of Resources

During 2022, deferred inflows of resources decreased \$9.3 million or (59.3%) due to the changes in earnings and experience level for PERS Plans 1, 2, and 3.

Deferred inflows of resources increased dramatically in 2021, \$14.0 million or 793.5% over 2020 related to the net pension asset balance for PERS pension plans 2/3 required by GASB 68.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

Net Position

The difference between total assets, deferred outflows and inflows, and total liabilities is net position. The change in net position measures whether the overall financial condition of the agency has improved or diminished during the year.

WTA's 2022 net position increased \$20.7 million or 22.6% due to the increase required for the pension asset and the receipt of \$21.2 million in federal COVID relief funds.

During 2021, net position increased \$18.1 million, or 24.7% over the prior year primarily due to the growth in sales tax, grant revenues and the receipt of \$9.3 million in federal relief funds.

Net position is reported in the following three categories:

Net Investment in Capital Assets: WTA's total investments in land, buildings, buses, equipment, technology, and other infrastructure net of accumulated depreciation. WTA uses these capital assets to provide public transportation services to the citizens and visitors of Whatcom County.

Restricted: WTA funds restricted for the pension asset resulting from PERS Plans 2 and 3 becoming fully funded during 2021.

Unrestricted: WTA funds available to the agency to meet obligations to its citizens and creditors.

Statement of Revenues, Expenses and Changes in Fund Net Position

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents WTA's results of operating and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

A summarized comparison of WTA's revenues, expenses, and changes in net position for the years ended December 31, 2022, 2021, and 2020, follows on the next page:

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

**Condensed Statement of
Revenues, Expenses and Changes in Fund Net Position**
(including depreciation)

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Operating Revenues	\$ 1,546,622	\$ 684,831	\$ 746,629
Operating Expenses	<u>46,653,215</u>	<u>34,254,339</u>	<u>36,410,572</u>
Operating (Loss)	(45,106,593)	(33,569,508)	(35,663,943)
Non-operating Revenue	66,139,442	51,866,900	42,096,437
Non-operating Expense	(29,989)	-	(1,558)
Special Item	-	(49,018)	-
(Loss) / Gain on Disposal of Assets	<u>(330,766)</u>	<u>(154,493)</u>	<u>(216,770)</u>
Increase / (Decrease) in Net Position	20,672,094	18,093,881	6,214,166
Net Position - Beginning of Period	<u>91,461,449</u>	<u>73,367,568</u>	<u>67,153,402</u>
Net Position - End of Period	<u>\$ 112,133,543</u>	<u>\$ 91,461,449</u>	<u>\$ 73,367,568</u>

Revenues

WTA's operations are primarily funded with local sales tax revenue, passenger fares, and partnerships with other local agencies. Capital expenditures, primarily for procuring or improving fleet and facilities, are largely reimbursed with federal and state grant funds. Local funds, such as sales tax revenue and passenger fares, are required to supplement the capital project budget to meet grant-match requirements or fund projects that do not have grant funding.

Operating revenues consist primarily of transit and transit related services such as passenger fares, special transit agreements, and vanpool charges. During 2022, operating revenues increased \$862 thousand or 125.8% as WTA collected fares for the entire calendar year. Fare revenue from Western Washington University and Whatcom Community College declined as a result of a revised billing method and implementation of Youth 18 and under riding free.

For 2021, operating revenues declined \$62 thousand or 8.3% from 2020 as fare suspension continued until July 1st and ridership has not fully recovered to pre-pandemic levels.

Non-operating revenues consist primarily of sales tax revenue, grants, interest income, advertising revenue, and tenant lease income. WTA currently receives six-tenths of one percent of Whatcom County sales and use tax.

For 2022, sales tax revenues continued to grow ending the year \$4.1 million or 12.0% over 2021 with increases in all categories, the largest being manufacturing and accommodation and food services.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

2021 sales tax revenues, \$5.5 million or 18.7% over 2020, grew with continued home projects, growing local construction and increased travel and hospitality once the Canadian border reopened.

WTA received approximately \$21.2 and \$9.3 million in federal COVID-19 relief funds during 2022 and 2021 respectively, to reimburse payroll and benefit expenses during and after the COVID-19 pandemic.

WTA received \$4,500 from the Washington State Transit Insurance Pool (WSTIP) to reimburse the agency for the promotion of cybersecurity activities, including educating our staff on email security and for safety related equipment.

Interest income increased \$290 thousand or 103.4% over 2021 due to significant growth in cash holdings with the receipt of the final federal COVID relief payments coupled with increased interest rates.

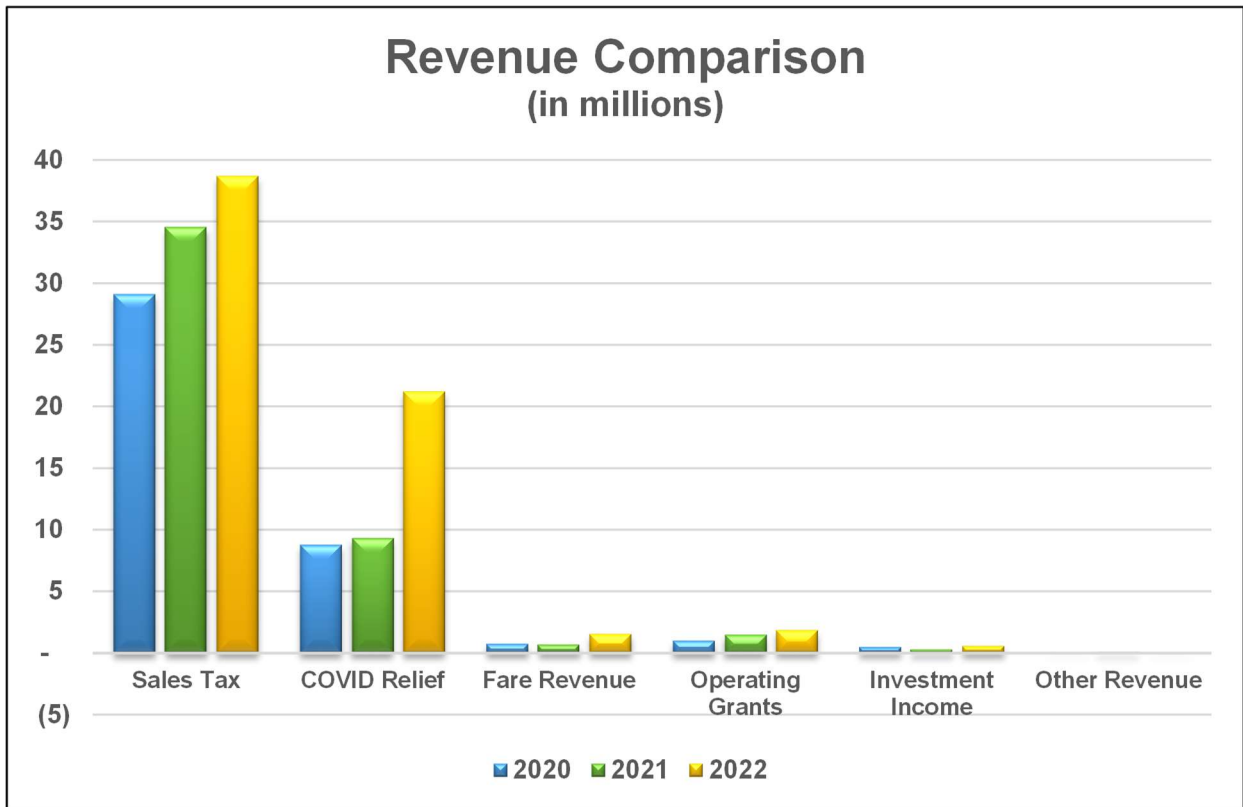
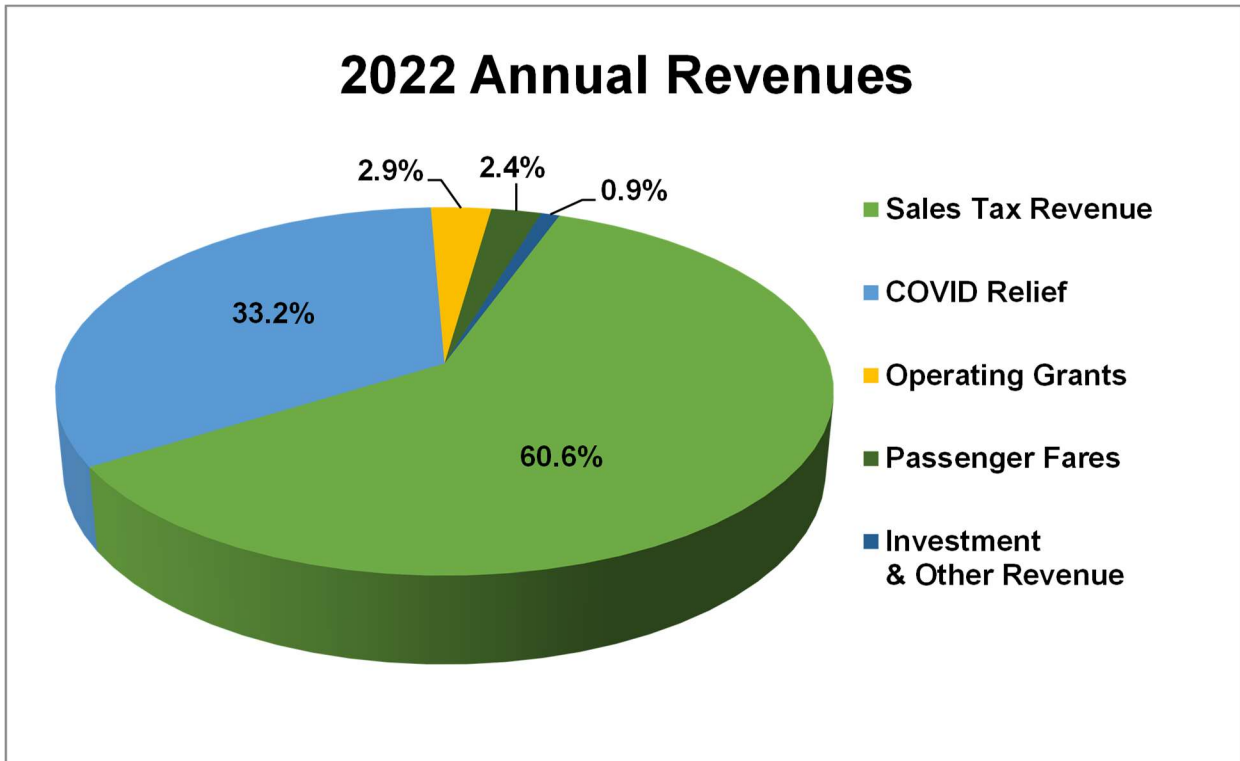
Despite larger cash holdings in 2021, interest income declined \$218 thousand or 43.9% from the prior year.

The Federal Reserve raised interest rates seven (7) times during 2022 to combat the nation's growing inflation rate. The first increase occurred in March 2022 and the last in December. The increases ranged from .25% to .75%, ending the year at 4.25-4.5%. These increased rates and the level of WTA's cash holdings had a positive impact on the agency's interest income in 2022.

Revenue Analysis

Revenues	2022	2021	2020	2022 % of Total	2022 vs. Prev Yr
Operating	\$ 1,546,622	\$ 684,831	\$ 746,629	2.30%	\$ 861,791
Invest. Income	569,239	279,227	497,328	0.85%	290,012
Sales Tax	38,699,783	34,563,375	29,107,689	57.46%	4,136,408
Operating Grants	1,852,025	10,826,322	9,795,432	2.74%	(8,974,297)
Capital Grants	24,688,008	5,946,169	2,509,685	36.65%	18,741,839
Other Revenue	330,387	251,807	186,303	0.49%	78,580
(Loss) / Gain on Disposal of Assets	(330,766)	(154,493)	(216,770)	-0.49%	(176,273)
Total Revenue	\$ 67,355,298	\$ 52,397,238	\$ 42,626,296	100.00%	\$ 14,958,060

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**



**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

Expenses

Operating expenses consist of expenses related to transit operations, maintenance, administration, customer service, marketing, and depreciation.

During 2022, wages and salaries increased \$6.0 million or 30.7% over 2021 primarily due to payments in COVID relief / retention funds to most employees. The last of these payments was recorded in December.

Wages and salaries paid to employees during 2021 increased \$813 thousand or 4.4% over 2020 with all employees receiving a cost-of-living adjustment (COLA) between 3.00% and 3.25%; and many employees also receiving 5% step increase from one pay rate to the next higher rate within the established salary range for the class or position.

For 2022, benefit costs increased \$4.6 million or 155.1% over 2021 due primarily to the required adjustment for GASB 68. During 2021, benefit costs decreased by \$3.8 million or 56.0% largely due to the reduction in pension expense required by GASB 68. The adjustment to pension expense (included in benefits expense) can vary each year depending on the State of Washington's actuarial values of the PERS pension plans.

For 2022, supplies and services costs increased \$1.8 million or 28.9% as costs for fuel and supplies rose due to limited supply and high demand. WTA also began work on projects that were delayed during 2021.

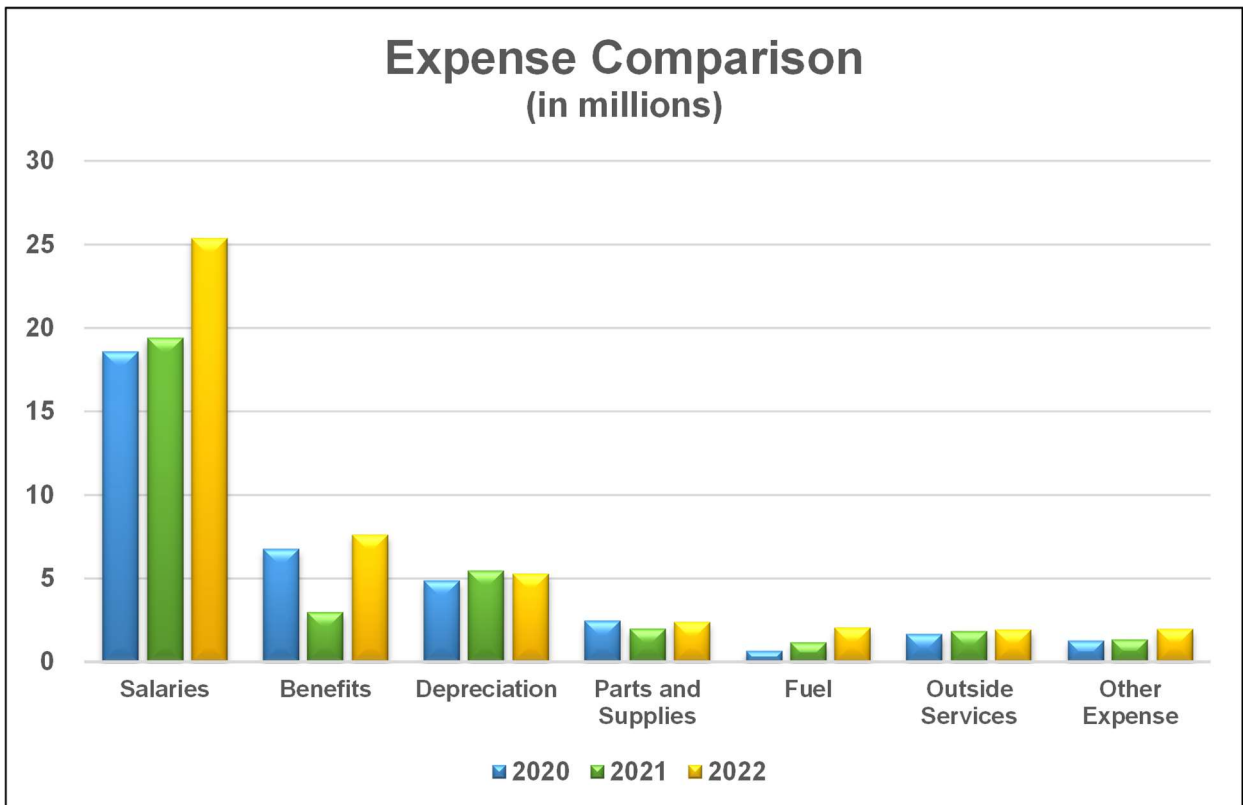
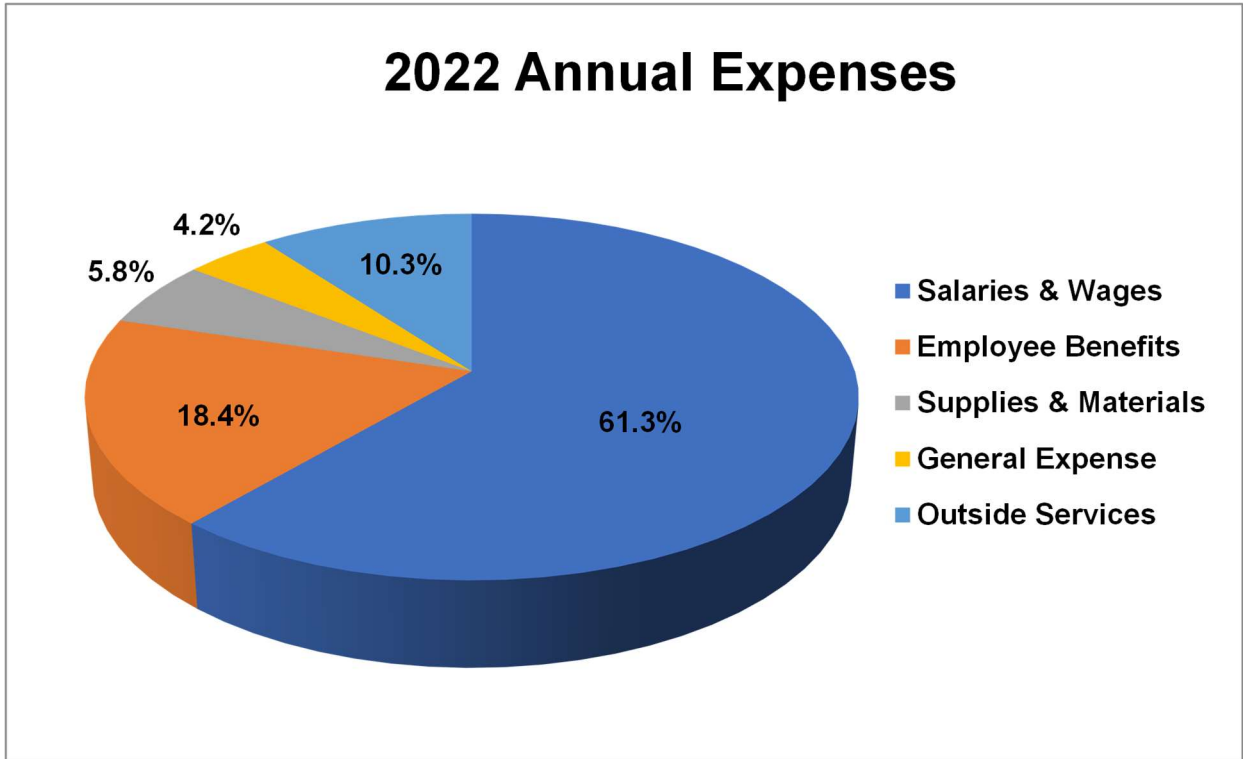
During 2021, supplies and services expense increased \$252 thousand or 4.1% over 2020 as WTA began a return to full service and projects restarted.

Depreciation expense fell by \$49 thousand or (.9%) as the value of depreciated assets changed slightly from 2021. During 2021, depreciation expense grew by \$580 thousand or 11.9% as WTA added new assets to its books.

For 2022, capital expenses decreased \$7.3 million or 59.2% from 2021 as WTA waited for buses to be constructed, delivered and paid for. These expenses should occur during 2023 as the agency plans on receiving two (2) electric buses and thirty (30) paratransit vehicles.

Capital expenses increased during 2021 as the agency received, paid for, and put buses into service and completed other projects delayed in 2020. WTA continues to assess and determine future capital projects necessary to support the WTA 2040 plan and our community needs.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**



**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2022**

2022 Budgetary Analysis

WTA's 2022 actual operating revenues were slightly under budget by \$9 thousand or (.6%) due to lower fare revenues. Nonoperating revenues were below budget by \$1.9 million or (2.9%) due to a combination of sales tax revenues exceeding budget, capital grant revenues coming in under budget due to delays in receipt of vehicles and the related FTA reimbursements.

Operating expenses also ended the year favorably compared with the 2022 budget. WTA expended \$6.3 million less than budget or (11.9%). This variance is primarily due to salaries and wages being under budget by \$5.3 million or (19.9%) as WTA was not fully staffed for the entire year as we experienced recruiting challenges and retirements and the impacts of GASB 68. While most operating expense categories were under budget for the year, fuel ended the year \$783 thousand or 61.5% over budget.

The comparison of the 2022 actuals to 2022 budget:

**2022 Condensed Statement of
Actual to Budgeted Results**
(including depreciation)

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>% CHANGE</u>
Operating Revenues	\$ 1,546,622	\$ 1,555,516	\$ (8,894)	-0.6%
Operating Expenses	<u>46,653,215</u>	<u>52,935,271</u>	<u>(6,282,056)</u>	-11.9%
Operating (Loss)	(45,106,593)	(51,379,755)	6,273,162	-12.2%
Non-operating Revenue	66,109,453	68,065,148	(1,955,695)	-2.9%
Special Item	-	-	-	100.0%
(Loss) / Gain on Disposal of Assets	<u>(330,766)</u>	<u>-</u>	<u>(330,766)</u>	100.0%
Increase / (Decrease) in Net Position	20,672,094	16,685,393	3,986,701	23.9%
Net Position - Beginning of Period	<u>91,461,449</u>	<u>72,067,210</u>	<u>19,394,239</u>	26.9%
Net Position - End of Period	<u>\$ 112,133,543</u>	<u>\$ 88,752,603</u>	<u>\$ 23,380,940</u>	26.3%

Requests for Information

This financial report is designed to provide a general overview of Whatcom Transportation Authority's financial position. Questions regarding this report or requests for additional information should be directed to:

Shonda L. Shipman, CPA, CGMA
Finance Director
Whatcom Transportation Authority
4011 Bakerview Spur
Bellingham, WA 98226-8056
(360) 788-9331

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION**

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and Cash Equivalents	\$ 57,967,966	\$ 38,800,480
Taxes Receivable	6,668,843	6,026,316
Grants Receivable	1,762,338	1,210,473
Interest Receivable	90,232	21,918
Accounts Receivable	261,159	418,104
Inventories	1,315,115	1,213,100
Prepayments	358,525	293,134
Total Current Assets	<u>68,424,178</u>	<u>47,983,525</u>
Noncurrent assets:		
Pension Asset	6,159,358	15,253,813
Capital Assets not Being Depreciated:		
Land	7,170,167	7,170,167
Work in Progress	1,948,776	327,075
Capital Assets Being Depreciated:		
Buildings	24,263,281	24,263,281
Improvements	7,013,607	6,501,589
Transportation Equipment	45,084,811	43,972,280
Other Equipment	3,525,801	3,938,978
Maintenance/Shop Equipment	2,024,602	2,007,320
Communications Equipment	8,704,099	8,904,491
Less: Accumulated Depreciation	(52,594,714)	(49,615,371)
Leased Assets	1,657,056	1,558,509
Less: Accumulated Amortization	(131,547)	-
Total Noncurrent Assets	<u>54,825,297</u>	<u>64,282,132</u>
 TOTAL ASSETS	 <u>\$ 123,249,475</u>	 <u>\$ 112,265,657</u>
 DEFERRED OUTFLOWS of RESOURCES		
Deferred Outflows Related to Pensions	\$ 6,288,124	\$ 2,036,733
 TOTAL DEFERRED OUTFLOWS of RESOURCES	 <u>\$ 6,288,124</u>	 <u>\$ 2,036,733</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION**

December 31, 2022 and 2021

LIABILITIES	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts Payable	\$ 1,158,126	\$ 482,489
Accrued Compensated Absences	2,199,860	2,145,108
Accrued Wages	1,545,362	766,954
Other Accrued Liabilities	559,698	404,609
Due to other governmental agencies	49,018	49,018
Unearned Revenue	107,083	7,483
Total Current Liabilities	<u>5,619,147</u>	<u>3,855,661</u>
Noncurrent Liabilities:		
Pension Liability	3,578,134	1,469,230
Accrued Long-Term Compensated Absences	234,133	219,121
Other Noncurrent Liabilities	9,176	10,061
Lease Liability	1,568,182	1,558,509
Total Noncurrent Liabilities	<u>5,389,625</u>	<u>3,256,921</u>
 TOTAL LIABILITIES	 <u>\$ 11,008,772</u>	 <u>\$ 7,112,582</u>
 DEFERRED INFLOWS of RESOURCES		
Deferred Inflows Related to Pensions	\$ 6,395,284	\$ 15,728,359
 TOTAL DEFERRED INFLOWS of RESOURCES	 <u>\$ 6,395,284</u>	 <u>\$ 15,728,359</u>
 NET POSITION		
Net Investment in Capital Assets	48,665,939	49,028,319
Restricted for Pension Asset	6,211,504	2,818,227
Unrestricted	57,256,100	39,614,903
TOTAL NET POSITION	<u>\$ 112,133,543</u>	<u>\$ 91,461,449</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Passenger Fares	\$ 1,546,622	\$ 684,831
Total Operating Revenues	<u>1,546,622</u>	<u>684,831</u>
OPERATING EXPENSES:		
Salaries	25,391,001	19,421,203
Benefits	7,624,995	2,988,913
Supplies	3,760,127	2,615,170
Services	4,456,322	3,759,091
Depreciation	5,420,770	5,469,962
Total Operating Expenses	<u>46,653,215</u>	<u>34,254,339</u>
Operating Loss	<u>(45,106,593)</u>	<u>(33,569,508)</u>
NONOPERATING REVENUES (EXPENSES):		
Sales Tax	38,699,783	34,563,375
External Subsidies - Grant Revenue	26,540,033	16,772,491
Investment Income	569,239	279,227
Other Nonoperating Revenues	330,387	251,807
Interest Expense	<u>(29,989)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>66,109,453</u>	<u>51,866,900</u>
Gain before Contributions, Gains and Losses	21,002,860	18,297,392
Special item	-	(49,018)
(Loss) on asset disposal	<u>(330,766)</u>	<u>(154,493)</u>
Increase in net position	20,672,094	18,093,881
Net Position - Beginning of Period	<u>91,461,449</u>	<u>73,367,568</u>
Net Position - End of Period	<u>\$ 112,133,543</u>	<u>\$ 91,461,449</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS from OPERATING ACTIVITIES		
Receipts from customers	\$ 1,703,567	\$ 421,772
Payments to suppliers	(7,628,435)	(7,601,430)
Payments to employees	(34,461,307)	(28,068,699)
Other receipts	(1,163,106)	(293,793)
Other payments	(13,202)	14,813
Net cash used by operating activities	<u>(41,562,483)</u>	<u>(35,527,337)</u>
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
Sales Tax receipts	38,699,783	34,563,375
Operating contributions - grants	23,078,345	10,826,322
Other noncapital financing activities	330,387	251,807
Net cash provided by noncapital financing activities	<u>62,108,515</u>	<u>45,641,504</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Capital contributions - grants	3,461,688	5,946,169
Purchases of capital assets	(5,048,718)	(12,386,128)
Other payments	(330,766)	(154,493)
Interest paid on capital debt	(29,989)	-
Net cash used by capital and related financial activities	<u>(1,947,785)</u>	<u>(6,594,452)</u>
CASH FLOWS from INVESTING ACTIVITIES		
Interest and dividends	569,239	279,227
Net cash provided by investing activities	<u>569,239</u>	<u>279,227</u>
Net increase in cash and cash equivalents	19,167,486	3,798,942
Balances - beginning of the year	38,800,480	35,001,538
Balances - end of the year	<u>\$ 57,967,966</u>	<u>\$ 38,800,480</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (45,106,593)	\$ (33,569,508)
Adjustments to reconcile operating loss to net cash used:		
Depreciation expense	5,420,770	5,469,962
Change in assets and liabilities:		
Receivables	(1,105,761)	(556,002)
Inventories and other current assets	(167,406)	35,614
Accounts and other payables	1,763,486	(952,194)
Accrued expenses	(2,366,979)	(5,955,209)
Net cash used by operating activities	<u>\$ (41,562,483)</u>	<u>\$ (35,527,337)</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Whatcom Transportation Authority (the Authority) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

Whatcom Transportation Authority was incorporated in August 1983 and operates under the laws of the state of Washington applicable to a municipality.

The Authority is a special purpose government and provides transportation services to the public within Whatcom County and is supported primarily through local sales tax collections and user charges. It is governed by an appointed nine-member board of elected officials that are representative of the districts served by WTA. As required by the generally accepted accounting principles, management has considered all potential component units in defining the reporting entity and has determined that the Authority has no component units.

B. Measurement Focus, Basis of Accounting

Statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority come from farebox collections and bus pass media sales. The Authority also recognizes vanpool income and special transit fare agreements with other governmental agencies as operating revenue. Operating expenses for the Authority include, but are not limited to, wages and benefits, vehicle maintenance and operations costs, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the Authority's policy to invest all temporary cash surpluses. At December 31, 2022, Whatcom Transportation Authority was holding \$57,967,966, in short-term residual investments of surplus cash, of which \$57,452,105 was held in the Whatcom

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

County Investment Pool. This amount is classified on the balance sheet as cash and cash equivalents. The 2021 year-end balance was \$38,800,480.

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables

Taxes receivable at December 31, 2022, consist of \$6,624,857 in state sales tax receivable for the months of November and December 2022, and \$43,986 due from the Washington State Department of Licensing representing the State gas and diesel taxes paid on fuel purchases to be refunded. WTA is required to pay this fuel tax on purchases of fuel from its vendor and then applies for a refund based upon monthly revenue vehicle usage. Taxes receivable at December 31, 2021, were \$5,988,382 and \$37,934, respectively.

Grants receivable at December 31, 2022, consist of \$655,472 due from the Washington State Department of Transportation and \$1,106,866 due from the Federal Transit Administration. Grants receivable at December 31, 2021, were \$324,463 due from the Washington State Department of Transportation, \$864,165 due from the Federal Transit Administration, and \$21,845 due from the Federal Emergency Management Agency.

Interest receivable at December 31, 2022, totaled \$90,232. This is interest earned on investments and tax revenues through the end of the year but not received by year end. Interest receivable at December 31, 2021, was \$21,918.

Accounts receivable at December 31, 2022, of \$261,159 consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. This amount is considered fully collectible by WTA. Accounts receivable at December 31, 2021, were \$418,104.

3. Inventories are valued by the weighted average method. Inventories were valued at \$1,315,115 at December 31, 2022, and \$1,213,100 at December 31, 2021.

4. Capital Assets See Note 3 - *Capital Assets* on page 23.

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than three years. Such assets are recorded at historical cost.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

The Authority has acquired certain assets with funding provided by state and federal financial assistance programs. Depending on the terms of the agreements involved, the state or federal government could retain an equity interest in these assets. However, the Authority has enough legal interest to include these assets in WTA's records.

Property, plant, and equipment of the Authority is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Computer Software	3-7
Equipment	5-10
Vehicles	4-15
Bus Shelters	15
Buildings	30

5. Leases See Note 8 - Leases on page 26.

The Authority is a lessee for noncancelable leases. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and propriety fund financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgements related to the lease include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

The Authority monitors changes in circumstances that would require a remeasurement of each lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

6. Deferred Outflows/Inflows of Resources See Note 10 - *Pension Plans* on page 27.

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Employees represented by the Amalgamated Transit Union #843 contract accrue vacation benefits at rates of 168-296 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. Exempt employees accrue vacation benefits at rates of 200-304 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. The maximum amount of vacation accrual is 24 months and sick leave is 1,000 hours.

At separation, an employee in good standing can cash out 60% of sick leave balances of 500 hours or greater. Accrued sick leave balances of 300 to 499 hours can be cashed out at 30% of that balance. All accrued vacation is payable upon separation. As of December 31, 2022, a liability of \$2,433,993 has been accrued for vacation, sick leave, and related benefits. The liability at year end 2021 was \$2,364,229.

8. Pensions See Note 10 - *Pension Plans* on page 27.

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 pension related to the net pension asset, the Authority includes the net pension asset and the related deferred outflows and deferred inflows.

9. Accrued Wages and Other Accrued Liabilities

These accounts consist of accrued wages and employee benefits.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

10. Unearned Revenues

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met. As of December 31, 2022, \$107,083 was recognized for advertising revenue received but not earned at year end. \$7,483 for unearned advertising and rent revenue was recognized in 2021.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

The Authority implemented GASB Statement No. 87 *Leases* in 2022. The Statement took effect for governments in fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The Statement revises and establishes new financial reporting requirements for most state and local governments that have a contract that conveys control or the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

The implementation required a restatement of the 2021 lease asset and lease liability balances in the amount of \$1,558,509 to properly reflect the Authority's activity prior to 2022.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 7,170,167	\$ -	\$ -	\$ 7,170,167
Work in progress	327,075	1,926,845	305,144	1,948,776
Total Capital Assets, Not being Depreciated	7,497,242	1,926,845	305,144	9,118,943
Capital assets, being depreciated:				
Buildings	24,263,281	-	-	24,263,281
Improvements other than buildings	6,501,589	531,418	19,400	7,013,607
Transportation equipment	43,972,280	3,122,445	2,009,915	45,084,810
Communications equipment	8,904,491	10,015	210,407	8,704,099
Maintenance/shop equipment	2,007,320	17,282	-	2,024,602
Other equipment	3,938,978	-	413,177	3,525,801
Intangible leased assets	1,558,509	101,857	3,309	1,657,057
Total Capital Assets being Depreciated	91,146,448	3,783,017	2,656,208	92,273,257
Less accumulated depreciation for:				
Buildings	15,838,431	814,461	-	16,652,892
Improvements other than buildings	3,380,386	366,656	15,559	3,731,483
Transportation equipment	22,847,421	3,431,898	1,670,738	24,608,581
Communications equipment	2,756,969	455,258	210,407	3,001,820
Maintenance/shop equipment	1,478,478	71,505	-	1,549,983
Other equipment	3,313,686	149,446	413,177	3,049,955
Intangible leased assets	-	131,547	-	131,547
Total Accumulated Depreciation	49,615,371	5,420,771	2,309,881	52,726,261
Total Capital Assets, Net	\$ 49,028,319	\$ 289,091	\$ 651,471	\$ 48,665,939

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 6,130,578	\$ 1,039,589	\$ -	\$ 7,170,167
Work in progress	3,204,289	284,116	3,161,330	327,075
Total Capital Assets, Not being Depreciated	9,334,867	1,323,705	3,161,330	7,497,242
Capital assets, being depreciated:				
Buildings	23,880,804	382,477	-	24,263,281
Improvements other than buildings	6,460,068	41,521	-	6,501,589
Transportation equipment	35,676,705	9,914,672	1,619,097	43,972,280
Communications equipment	4,806,008	4,098,483	-	8,904,491
Maintenance/shop equipment	2,001,886	5,434	-	2,007,320
Other equipment	3,978,961	-	39,983	3,938,978
Intangible leased assets	-	1,558,509	-	1,558,509
Total Capital Assets being Depreciated	76,804,432	16,001,096	1,659,080	91,146,448
Less accumulated depreciation for:				
Buildings	14,641,493	1,196,938	-	15,838,431
Improvements other than buildings	3,043,219	337,167	-	3,380,386
Transportation equipment	21,007,774	3,239,909	1,400,262	22,847,421
Communications equipment	2,300,271	456,698	-	2,756,969
Maintenance/shop equipment	1,392,456	86,022	-	1,478,478
Other equipment	3,200,442	153,228	39,984	3,313,686
Total Accumulated Depreciation	45,585,655	5,469,962	1,440,246	49,615,371
Total Capital Assets, Net	\$ 40,553,644	\$ 11,854,839	\$ 3,380,164	\$ 49,028,319

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Pension obligations	\$ 1,469,230	2,108,904	-	\$ 3,578,134	-
Compensated absences	219,121	15,012	-	234,133	-
Other noncurrent liabilities	10,061	-	885	9,176	-
Lease Liability	1,558,509	9,673	-	1,568,182	-
Total Long-Term Liabilities	\$3,256,921	\$2,133,589	885	\$5,389,625	-

NOTE 5 - CONTINGENCIES AND LITIGATIONS

The Authority has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on the available information, management believes it is probable that the Authority will have to make payment. In the opinion of management, the Authority’s insurance policies are adequate to pay all known or pending claims.

The Authority participates in several federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Authority management believes that any such disallowances, if any, will be immaterial.

NOTE 6 – 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.

While the Authority lifted its declaration of emergency on July 11, 2022, and has resumed full service, ridership remains significantly lower than pre-pandemic levels.

To help prevent, prepare for, and respond to the COVID-19 pandemic, the Federal Transit Administration (FTA) apportioned \$21,226,320 to WTA in 2022 to cover payroll salaries and wages, along with related payroll tax and employee benefit expenses. No additional relief funding is expected.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

NOTE 7 – DEPOSITS AND INVESTMENTS

The Authority is a voluntary participant in the Whatcom County Investment Pool (WCIP), an external investment pool operated by the County Treasurer. The WCIP is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The Authority reports its investment in the WCIP at amortized cost, which is the same as the value of the pool per share. The WCIP does not impose liquidity fees and explains its deposit and withdrawal procedures in its Operating Terms and Conditions document available on the Whatcom County Treasurer website. <https://www.whatcomcounty.us/DocumentCenter/View/25728>

NOTE 8 - LEASES

The Authority is a lessee for noncancelable leases. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

Lease asset activity for the year ended December 31, 2022, was as follows:

	Lease Asset Balances			
	Beg Bal	Increases	Decreases	End Bal
Leased Equipment	25,230	9,759	(862)	34,127
Leased IT Infrastructure	24,021	92,098	(2,447)	113,672
Leased Radio Towers	1,509,258	-	-	1,509,258
Total	1,558,509	101,857	(3,309)	1,657,057

	Accumulated Lease Amortization			
	Beg Bal	Increases	Decreases	End Bal
Leased Equipment	-	11,970	-	11,970
Leased IT Infrastructure	-	25,703	-	25,703
Leased Radio Towers	-	93,874	-	93,874
Total	-	131,547	-	131,547

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

As of December 31, 2022, the principal and interest requirement to maturity are as follows:

	Principal	Interest	Total
2023	88,779	35,549	124,329
2024	91,361	32,706	124,067
2025	83,225	29,840	113,065
2026	60,771	27,708	88,479
2027	51,751	26,418	78,170
2028-2032	313,319	112,909	426,228
2033-2037	437,965	72,719	510,684
2038-2042	441,009	18,891	459,900
Total	1,568,181	356,739	1,924,921

NOTE 9 – LONG-TERM DEBT

The Authority has an outstanding line of credit in the amount of \$6,000,000. The balance as of December 31, 2022, and 2021 was \$0.

NOTE 10 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(3,578,134)
Pension assets	\$6,159,358
Deferred outflows of resources	\$6,288,124
Deferred inflows of resources	\$(6,395,284)
Pension expense/expenditures	\$(58,070)

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

State Sponsored Pension Plans

Substantially all Whatcom Transportation Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

Contributions

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

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - August 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September - December 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

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

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(These notes are an integral part of these financial statements)

of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	7.90%
September – December 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.39%	6.36%

* For employees participating in JBM, the contribution rate was 15.90%.

The Authority’s actual PERS plan contributions were \$867,381 to PERS Plan 1 and \$1,455,655 to PERS Plan 2/3 for the year ended December 31, 2022.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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Actuarial Assumptions

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

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

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 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 of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

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

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NOTES TO FINANCIAL STATEMENTS
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Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

Sensitivity of the Net Pension Liability/ (Asset)

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

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
PERS 1	\$4,780,338	\$3,578,134	\$2,528,892
PERS 2/3	\$7,253,450	\$(6,159,358)	\$(17,178,828)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, the Authority reported its proportionate share of the net pension liabilities and net pension assets as follows:

	Liability (or Asset)
PERS 1	\$3,578,134
PERS 2/3	\$(6,159,358)

At June 30, 2022, the Authority's proportionate share of the collective net pension liabilities and net pension assets was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.120307%	0.128508%	0.008201%
PERS 2/3	0.153126%	0.166075%	0.012949%

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

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

(These notes are an integral part of these financial statements)

Pension Expense

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

	Pension Expense
PERS 1	\$1,879,552
PERS 2/3	\$(1,937,622)
TOTAL	\$(58,070)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the Authority 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
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(593,002)
Contributions subsequent to the measurement date	\$433,696	\$0
TOTAL	\$433,696	\$(593,002)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,526,145	\$(139,432)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(4,553,659)
Changes of assumptions	\$3,432,992	\$(898,880)
Changes in proportion and differences between contributions and proportionate share of contributions	\$176,118	\$(210,311)
Contributions subsequent to the measurement date	\$719,173	\$0
TOTAL	\$5,854,128	\$(5,802,282)

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

Year ended December 31:	PERS 1
2023	\$(250,946)
2024	\$(227,924)
2025	\$(285,924)
2026	\$171,792
2027	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2023	\$(1,353,495)
2024	\$(1,223,469)
2025	\$(1,533,474)
2026	\$2,050,096
2027	\$696,580
Thereafter	\$696,734

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

NOTE 11 – RISK MANAGEMENT

Whatcom Transportation Authority is a member of the Washington State Transit Insurance Pool (WSTIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed by Interlocal Agreement on January 1, 1989. To date, 25 transit agencies have joined the Pool.

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

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

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

WTA joined WSTIP in December 1995, for coverage effective January 1, 1996. WTA has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

Current coverage and deductible levels are available upon request.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

(These notes are an integral part of these financial statements)

NOTE 12 – HEALTH & WELFARE

Whatcom Transportation Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2022, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an individual stop loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

**WHATCOM TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2022**

**Whatcom Transportation Authority
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30:**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.128508%	0.120307%	0.122642%	0.123276%	0.121820%	0.116134%	0.113245%	0.114870%	0.114069%
Employer's proportionate share of the net pension liability	\$ 3,578,134	\$ 1,469,230	\$ 4,329,925	\$ 4,740,400	\$ 5,440,523	\$ 5,510,649	\$ 6,081,790	\$ 6,008,769	\$ 5,746,279
Covered payroll	\$21,649,746	\$18,446,099	\$18,538,492	\$17,220,954	\$16,170,727	\$14,633,946	\$13,433,571	\$12,931,070	\$12,365,861
Employer's proportionate share of the net pension liability as a percentage of covered payroll	16.53%	7.96%	23.36%	27.53%	33.64%	37.66%	45.27%	46.47%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

**Whatcom Transportation Authority
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30:**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.166075%	0.153126%	0.158004%	0.157717%	0.154941%	0.147940%	0.142251%	0.143104%	0.141492%
Employer's proportionate share of the net pension liability (asset)	(6,159,358)	(15,253,813)	2,020,781	1,531,968	2,645,480	5,140,208	7,162,225	5,113,187	2,860,064
Covered payroll	21,575,217	18,380,000	18,474,730	17,158,336	16,109,190	14,561,826	13,317,631	12,728,953	12,158,934
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-28.55%	-82.99%	10.94%	8.93%	16.42%	35.30%	53.78%	40.17%	23.52%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	106.73%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

**WHATCOM TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2022**

**Whatcom Transportation Authority
Schedule of Employer Contributions
PERS 1**

For the year ended December 31:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	867,381	831,028	882,692	898,146	856,033	759,821	672,192	577,964	523,496
Contributions in relation to the statutorily or contractually required contributions	(867,381)	(831,028)	(882,692)	(898,146)	(856,033)	(759,821)	(672,192)	(577,964)	(523,496)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Covered payroll	22,965,616	19,354,561	18,297,993	18,068,461	16,812,665	15,413,674	13,976,438	13,029,862	12,666,334
Contributions as a percentage of covered payroll	3.78%	4.29%	4.82%	4.97%	5.09%	4.93%	4.81%	4.44%	4.13%

**Whatcom Transportation Authority
Schedule of Employer Contributions
PERS 2/3**

For the year ended December 31:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	1,455,655	1,371,588	1,444,165	1,389,803	1,256,296	1,055,358	865,216	727,640	620,275
Contributions in relation to the statutorily or contractually required contributions	(1,455,655)	(1,371,588)	(1,444,165)	(1,389,803)	(1,256,296)	(1,055,358)	(865,216)	(727,640)	(620,275)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Covered payroll	22,886,491	19,287,027	18,234,395	18,004,064	16,750,321	15,353,706	13,874,771	12,917,257	12,418,906
Contributions as a percentage of covered payroll	6.36%	7.11%	7.92%	7.72%	7.50%	6.87%	6.24%	5.63%	4.99%

**Whatcom Transportation Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	3,399,203	3,399,203	-	1, 2, 3	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	-	21,226,320	21,226,320	-	1, 2, 3	
			Total ALN 20.507:	24,625,523	24,625,523	-		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	183,556	183,556	-	1, 2, 3	
			Total Federal Transit Cluster:	24,809,079	24,809,079	-		
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0387	95,491	95,491	-	1, 2, 3	
			Total Transit Services Programs Cluster:	95,491	95,491	-		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Public Transportation Innovation	20.530	-	205,593	205,593	-	1, 2, 3	
			Total Federal Awards Expended:	25,014,672	25,110,163	-		

The accompanying notes are an integral part of this schedule.

Whatcom Transportation Authority

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the full-accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The Authority 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 expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Authority's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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