



*Central Puget Sound
Regional Transit Authority*

*Financial Statements and Independent
Auditors' Report for the Years Ended
December 31, 2023 and 2022*

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The financial statements of the Central Puget Sound Regional Transit Authority (Sound Transit or the agency) have been prepared from its accounting system in accordance with generally accepted accounting principles. The integrity and objectivity of information in Sound Transit's financial statements, including estimates and judgments, are the responsibility of management.

Sound Transit maintains a system of internal accounting controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting, the safeguarding of assets and the prevention and detection of material errors or fraudulent financial reporting. Monitoring of such systems includes management's responsibility to objectively assess the effectiveness of internal accounting controls and recommend improvements therein.

Limitations exist in any system of internal accounting controls in which the cost of the system being implemented should not exceed the benefits derived. Sound Transit believes that the agency's system does provide reasonable assurance that transactions are executed in accordance with management's general or specific authorizations and is adequate to accomplish the stated objectives.

The independent auditors, whose report is included herein, were engaged to express an opinion on our 2023 financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

In an attempt to assure objectivity, the financial information contained in this report is subject to review by the Board of Directors.



Goran Sparrman

Interim Chief Executive Officer



John S. Henry

Chief Financial Officer



Jeff Clark

*Deputy Executive Director
Financial Operations*

INDEPENDENT AUDITOR'S REPORT

Finance and Audit Committee
Board of Directors
Central Puget Sound Regional Transit Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Central Puget Sound Regional Transit Authority ("Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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.

Other Matter

The financial statements of the Authority for the year ended December 31, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on May 5, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024 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 solely 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.



Crowe LLP

Indianapolis, Indiana
April 26, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2023 and 2022

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of Sound Transit for the years ended December 31, 2023 and 2022. The MD&A focuses on significant financial activities and identifies any significant changes in the periods reported. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

Sound Transit is a regional transit authority implementing and operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties. Modes of operation include commuter rail (Sounder), light rail (Link and Tacoma Link), a regional express bus system (ST Express) and a bus rapid transit system (Stride). Sound Transit was established by the legislature in 1993, and authorized to collect taxes to fund, build and operate a comprehensive transit system by voter approved plans in 1996 (Sound Move), 2008 (ST2) and 2016 (ST3).

- *Sound Move* – a 10-year regional transit system plan, which authorized tax collections to fund operations and the first set of regional transit projects; completed in 2016.
- *ST2* – a 15-year program authorizing additional tax collections to fund additional bus and commuter rail service, as well as 36 miles of new Link light rail service; in progress.
- *ST3* – a 25-year program authorizing additional tax collections and a new property tax to fund 62 new miles of light rail, bus rapid transit, expanded capacity and service on Sounder south line, ST Express bus service and improved access to stations; in progress.

Sound Transit opened its Hilltop Tacoma Link extension in 2023, adding seven new stations and 2.4 miles to Tacoma Link.

In late 2023, Sound Transit's Chief Executive Officer (CEO) resigned, and an interim CEO was appointed in early 2024. Sound Transit continues to have knowledgeable leadership and staff capable of executing on the capital expansion (project delivery) program and agency operations (service delivery).

Financial Highlights

- Sound Transit's financial statements show an increase in net position of \$2.8 billion and \$2.0 billion in 2023 and 2022, respectively. The increase reflects continued progress on the voter approved capital expansion programs and highlights the agency's diversified tax revenues supported by the regional economic conditions, Transportation Infrastructure Finance and Innovation Act (TIFIA) draw downs and capital contributions in both 2023 and 2022.
- System expansion continued in all corridors (North, Central, South and East) and across all modes, most significantly light rail in 2023 and 2022. Capital assets increased 12.5% in 2023 as a result of \$1.9 billion of capital project spending related primarily to the Federal Way, Lynnwood, Redmond, and East Link extension projects, as well as Bus Rapid Transit.
- Non-operating revenues, net of expenses, were \$2.1 billion, a 9.6% decrease from 2022, primarily due to higher contributions to other governments on extension projects for light rail and Bus Rapid Transit.

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- Capital contributions from federal, state and local funding arrangements were \$1.5 billion, a net increase of \$1.2 billion or 378.2% from 2022, primarily reflecting the ownership transfer of the Downtown Seattle Transit Tunnel (DSTT) and increased grant revenues associated with Federal Way and Lynnwood Link extension projects.
- Total operating subsidy (loss from operations) increased by \$182.2 million or 28.9% to \$813.3 million primarily due to higher operations and maintenance expenses and growing depreciation.

Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The 2023 and 2022 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period they are earned, and expenses are recognized in the period they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of Sound Transit are included in the Statements of Net Position. Depreciation and amortization of capital and other assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position.

The financial statements provide both long-term and short-term information about Sound Transit's overall financial status as well as Sound Transit's net position, segregated by net investment in capital assets, restricted and unrestricted. Net position is the difference between Sound Transit's assets, deferred outflows of resources, liabilities and deferred inflows of resources and over time, may serve as a useful indicator of Sound Transit's financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

Financial Analysis

Net Position

Sound Transit's net position represents the cumulative effect of the excess of revenues over expenses together with the impact of Sound Transit's financing decisions.

Sound Transit's total net position as of December 31, 2023 was \$20.7 billion, an increase of \$2.8 billion or 15.5% from 2022. Total assets increased \$3.6 billion or 16.9% and total liabilities increased \$858.1 million or 23.9%. The increase in total assets reflects the continued capital program spending primarily funded by tax revenues and federal grants, and the ownership transfer of the DSTT. The increase in total liabilities primarily reflects increased Transportation Infrastructure Finance and Innovation Act (TIFIA) draws partially offset by bond payments.

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The table below summarizes Sound Transit's net position:

Statements of Net Position		December 31		% Change	
(in millions)		2023	2022 *(Restated)	2021	2023-2022
Assets					
Current assets, excluding restricted assets	\$ 3,142.9	\$ 3,052.6	\$ 2,014.3	3.0%	51.5%
Restricted assets	118.5	102.3	99.1	15.9	3.3
Capital assets, net	19,269.2	17,135.5	15,650.5	12.5	9.5
Other non-current assets	2,613.1	1,221.9	1,121.5	113.9	9.0
Total assets	25,143.7	21,512.3	18,885.4	16.9	13.9
Deferred outflows of resources	5.0	6.3	7.9	(21.4)	(19.7)
Liabilities					
Current liabilities, excluding interest payable from restricted assets	622.0	580.5	504.7	7.1	15.0
Interest payable from restricted assets	25.9	20.3	17.9	27.9	13.1
Long-term debt	3,631.6	2,811.6	2,280.7	29.2	23.3
Other long-term liabilities	170.5	179.5	179.0	(5.0)	0.3
Total liabilities	4,450.0	3,591.9	2,982.3	23.9	20.4
Deferred inflows of resources	23.3	20.9	22.6	11.3	(7.6)
Net Position					
Net investment in capital assets	15,398.4	14,063.1	13,072.0	9.5	7.6
Restricted net position	107.6	96.3	90.7	11.8	6.1
Unrestricted net position	5,169.4	3,746.4	2,725.7	38.0	37.4
Total net position	\$ 20,675.4	\$ 17,905.8	\$ 15,888.4	15.5%	12.7%

* See accompanying footnotes.

Current assets, excluding restricted assets, increased 3.0% and 51.5% in 2023 and 2022, respectively. Increases in 2023 and 2022 were related to higher cash and investments resulting from TIFIA draws and increased tax revenues that exceeded capital spending.

Capital assets, net increased 12.5% from 2022 and 9.5% between 2022 and 2021. Total capital project spending for 2023 was \$1,886.0 million, versus \$1,768.4 million in 2022, reflecting construction activities on various Link extension and Bus Rapid Transit projects. In addition, ownership of the DSTT transferred to the agency from King County during the year.

Total capital spending for light rail in 2023 was \$1,616.5 million or 85.7% of total capital spending (\$1,596.7 million or 90.3% in 2022). Capital spending on Sounder and Regional Express projects, as a percentage of total capital spending in 2023, was 2.1% and 9.4%, respectively (2.9% and 4.4% in 2022).

Other non-current assets increased 113.9% or \$1,391.2 million and 9.0% or \$100.4 million in 2023 and 2022, respectively. The increase in 2023 and 2022 was primarily due to higher cash balances, which was moved to long term investments due to TIFIA draw down and higher tax revenues.

Deferred outflows of resources includes the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new

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debt, whichever is shorter, and the unamortized deferred outflow of costs related to asset retirement obligations.

Current liabilities, excluding interest payable from restricted assets, increased \$41.5 million or 7.1% and increased \$75.8 million or 15.0% in 2023 and 2022, respectively. The increase in 2023 and 2022 was primarily due to timing of spending on construction and operating costs.

Long-term debt increased \$820.0 million or 29.2% from 2022 mainly due to increased obligation in the form of a \$994.6 million TIFIA loan. This was offset by regularly scheduled long-term debt payments. The increase of \$530.9 million or 23.3% between 2022 and 2021 was mainly due to increased obligation in the form of a \$615.3 million TIFIA loan. This was also offset by regularly scheduled long-term debt payments.

Deferred inflows of resources include the deficit of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter, and the unrecognized lease revenues related to leases in which the agency is the lessor.

Net investment in capital assets reflects investment in construction in progress, non-depreciable assets and depreciable assets, net of related debt used to support the capital program. Balances include capital asset related payables, bonds and debt under the TIFIA program, as well as lease and subscription-based information technology (SBITA) related assets and liabilities. Net investment in capital assets increased 9.5% from 2022 and 7.6% between 2022 and 2021 as capital program spending continued to increase, net of debt, as well as the ownership transfer of the DSTT.

Restricted net position is comprised of assets net of liabilities externally restricted by legal or contractual obligations for a specific purpose related to a third party.

Unrestricted net position is the remainder of assets and deferred outflows of resources, net of liabilities and deferred inflows of resources, not invested in capital assets nor contractually restricted for a specific purpose. Unrestricted net position increased 38.0% and 37.4% in 2023 and 2022, respectively as increase in cash and investments exceeded capital spending.

Changes in Net Position

Changes in net position reflect the excess or deficit of revenues over expenses for a given year.

In 2023, revenues exceeded expenses by \$2,769.6 million, a 37.2% increase from 2022. In 2022, revenues exceeded expenses by \$2,018.9 million, a decrease from the prior year of 0.3%. The 2023 increase was mainly driven by greater federal capital contributions, the local capital contribution resulting from the DSTT ownership transfer, tax revenues, and passenger fare revenues. This was offset by higher operating expenses and contributions to other governments on capital projects. The 2022 decrease mainly reflected a decrease in federal capital, operating support contribution and higher operating expenses offset by higher tax revenue and passenger fares revenue.

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Sound Transit's Statements of Revenue, Expenses and Changes in Net Position is summarized in the table below:

Changes in Net Position						
<i>(in millions)</i>	For the Year Ended December 31			% Change		
	2023	2022 (Restated)	2021	2023-2022	2022-2021	
Operating revenues						
Passenger fares	\$ 51.9	\$ 45.1	\$ 28.1	15.0%	60.4%	
Other	11.0	8.7	7.5	27.5	16.4	
Total operating revenues	62.9	53.8	35.6	16.9	51.1	
Operating expenses						
Total operating expenses, before depreciation	510.3	415.3	391.0	23.0	6.2	
Depreciation and amortization	365.9	269.6	204.1	35.7	32.1	
Total operating expenses	876.2	684.9	595.1	27.9	15.1	
Loss from operations	(813.3)	(631.1)	(559.5)	28.9	12.8	
Non-operating revenues, net of expenses	2,118.9	2,343.8	2,098.6	(9.6)	11.7	
Income before capital contributions						
Capital contributions	1,305.6	1,712.7	1,539.1	(23.8)	11.3	
Change in net position	1,464.0	306.2	486.2	378.2	(37.0)	
Total net position, beginning	2,769.6	2,018.9	2,025.3	37.2	(0.3)	
Total net position, beginning	17,905.8	15,888.4	13,863.1	12.7	14.6	
Cumulative adjustment for adoption of GASB 101	-	(1.5)	-	100.0	(100.0)	
Total net position, ending	\$ 20,675.4	\$ 17,905.8	\$ 15,888.4	15.5%	12.7%	

Operating Revenues

Operating revenues are comprised of passenger fares and other revenues related to operations, such as advertising, rental of facilities, and other miscellaneous revenues.

Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail, Link light rail and Tacoma Link tickets at ticket vending machines (TVMs), fare box receipts on ST Express and use of One Regional Card for All (ORCA) products on all modes. Fares are charged for each service. Passenger fare revenue increased 15.0% and 60.4% in 2023 and 2022, respectively. The increase in 2023 was mainly driven by greater usage of employer provided passes attributable to return to office mandates and the start of fare collection for Tacoma Link. The increase in 2022 was mainly driven by a full year of operation of the Northgate Link extension that opened in late 2021.

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A summary of passenger fare revenue by year and by mode of transportation are as follows:

Passenger Fare Revenue

	<i>(in millions)</i>			% Change	
	2023	2022	2021	2023-2022	2022-2021
Link	\$ 32.4	\$ 29.1	\$ 15.6	11.6%	86.8%
ST Express	14.4	12.0	9.8	20.2	22.2
Sounder	5.0	4.0	2.7	23.4	51.8
Tacoma Link	0.1	-	-	100.0	-
Total	\$ 51.9	\$ 45.1	\$ 28.1	15.0%	60.4%

Ridership

Sound Transit provided 37.6 million rides in 2023, an increase of 17.1%, compared to 32.1 million rides in 2022. Changes in ridership by mode were as follows:

- Link ridership increased 13.4% and 105.9% in 2023 and 2022, respectively. The increase in ridership in 2023 is primarily attributable to additional service for special events and increased usage of employer provided passes attributable to return to office policies.
- ST Express ridership increased 25.4% and 31.2% in 2023 and 2022, respectively. The increase in ridership in 2023 is primarily attributable to increase usage of employer provided passes attributable to return to office policies.
- Sounder ridership increased 38.4% and 72.9% in 2023 and 2022, respectively. The increase in ridership in 2023 are attributable to additional service for special events and increased usage of employer provided passes attributable to return to office policies.
- Tacoma Link ridership increased 33.3% in 2023 and decreased 28.0% in 2022. The ridership in 2023 and 2022 were comparable.

A summary of the ridership by year and mode of transportation are as follows:

Ridership

	<i>(in millions)</i>			% Change	
	2023	2022	2021	2023-2022	2022-2021
Link	26.9	23.7	11.5	13.4%	105.9%
ST Express	8.5	6.8	5.2	25.4	31.2
Sounder	1.8	1.3	0.7	38.4	72.9
Tacoma Link	0.4	0.3	0.4	33.3	(28.0)
Total	37.6	32.1	17.8	17.1%	80.8%

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Average Fare per Boarding (AFB)

The combined AFB decreased by 0.7% in 2023 across Link, ST Express and Sounder due to lower boardings with fare media.

Average Fare per Boarding

	2023	2022	2021	2023-2022	% Change 2022-2021
Link	\$ 1.20	\$ 1.23	\$ 1.35	(2.0)%	(9.3)%
ST Express	1.68	1.75	1.90	(3.8)	(8.2)
Sounder	3.05	3.17	3.75	(3.8)	(15.4)
Tacoma Link	2.35	-	-	100.0	-
Combined average fare per boarding	\$ 1.40	\$ 1.42	\$ 1.62	(0.7)%	(11.2)%

Other operating revenues

Other operating revenues consist of vehicle advertising, rental of facilities, and other miscellaneous revenues.

Operating expenses

Operating expenses

(in millions)	2023	2022 (Restated)	2021	2023-2022	% Change 2022-2021
Operating expenses					
Operations and maintenance	\$ 463.5	\$ 378.5	\$ 358.1	22.4%	5.7%
Agency administration	21.7	16.7	15.6	30.2	6.7
Fare and regional planning	25.1	20.1	17.3	24.8	16.0
Depreciation, amortization	365.9	269.6	204.1	35.7	32.1
Total	\$ 876.2	\$ 684.9	\$ 595.1	27.9%	15.1%

Operating expenses are comprised of operations and maintenance costs, agency administration, fare and regional planning, depreciation and amortization. Major operations and maintenance expense categories consist of services, materials, utilities, insurance, taxes, purchased transportation, allocated overhead from general and agency administration divisions, short-term leases and rental expense. Purchased transportation includes amounts paid for the operation of Sound Transit's express bus service to Community Transit, King County Metro and Pierce Transit, for the operation of Link light rail and associated paratransit services to King County Metro and for the operation of Sounder commuter rail services to BNSF Railway Company (BNSF). Purchased transportation services accounts for 53.1% of operating expenses in 2023 (49.3% in 2022). Services are the next largest expenditure category and include the Sounder vehicle maintenance, contracted to the National Railroad Passenger Corporation (Amtrak), as well as various contracts for facility maintenance, policing services and security at Sound Transit's owned and shared facilities. Services were 18.4% in 2023 (21.3% in 2022) of total operating and maintenance expenses.

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Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

Operations and Maintenance Expenses by Mode			% Change		
(in millions)	2023	2022 (Restated)	2021	2023-2022	2022-2021 (Restated)
Link	\$ 230.7	\$ 179.4	\$ 154.5	28.5%	16.1%
ST Express	147.9	130.0	136.8	13.8	(4.9)
Sounder	72.3	61.6	60.4	17.5	1.8
Tacoma Link	12.6	7.5	6.4	67.5	19.4
Total	\$ 463.5	\$ 378.5	\$ 358.1	22.4%	5.7%

Link operations and maintenance expenses increased \$51.3 million or 28.5% in 2023 and \$24.9 million or 16.1% in 2022. The main contributor to cost increases in 2023 was higher insurance premium rates from the expansion of system assets including the ownership transfer of the DSTT, negotiated partner operator rates and increased onboard security. The main contributor to cost increases in 2022 was a full year of operation of the Northgate Link extension, which began service in late 2021.

ST Express operations and maintenance expenses increased \$17.9 million or 13.8% in 2023 and decreased \$6.8 million or 4.9% in 2022. 2023 operating levels increased mainly due to higher insurance premium rates and negotiated partner operator rates. 2022 operating levels decreased mainly due to operator shortages.

Sounder operations and maintenance expenses increased \$10.7 million or 17.5% in 2023 and increased \$1.2 million or 1.8% in 2022. 2023 operating costs increased mainly due to resuming service level back to pre-pandemic level, higher insurance premium rates and negotiated partner operator rates, while the 2022 activity was comparable to 2021.

Tacoma Link operations and maintenance expenses increased \$5.1 million or 67.5% in 2023 and increased \$1.1 million or 19.4% in 2022. 2023 operating costs increased mainly due to expanded service with Hilltop Tacoma Link opening, while the 2022 activity was comparable to 2021.

Agency Administration

Agency administration expenses are comprised of costs not allocated to capital projects or operations and include costs attributable to the general cost of government, such as the costs of the Chief Executive Office, Government Relations and Marketing. Agency administration expenses increased \$5.0 million or 30.2% and \$1.1 million or 6.7% in 2023 and 2022, respectively.

Fare and Regional Planning

Fare and regional planning expense increased \$5.0 million or 24.8% and \$2.7 million or 16.0% in 2023 and 2022, respectively. Increases in 2023 and 2022 were primarily due to continued growth in the ORCA team and increased consulting services across multiple fare and regional planning projects.

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Depreciation and Amortization

Depreciation and amortization are comprised of non-cash expenses that reflect the reduction in the value of capital and intangible assets over time. Depreciation and amortization increased \$96.3 million or 35.7% in 2023 (\$65.5 million or 32.1% in 2022) reflecting increased expense related to capital assets placed in service during the year, the ownership transfer of the DSTT, as well as amortization of subscription assets related to new accounting guidance.

Non-Operating Revenues and Expenses

Net non-operating revenues decreased \$224.9 million or 9.6% in 2023 and increased \$245.2 million or 11.7% in 2022. The decrease in 2023 was mainly due to higher capital contributions to other governments, reduced other revenues and interest expenses, partially offset by investment income and tax revenues. The increase in 2022 was mainly due to higher overall tax revenues and other revenues, while decreases were primarily due to less interest expense, contributions to other governments and defeasance costs. Net non-operating revenues and expenses are summarized in the table. Additional commentary is provided below for select items with significant year over year changes.

Non-Operating Revenue / Expenses <i>(in millions)</i>			% Change		
	2023	2022 (Restated)	2021	2023-2022	2022-2021
Non-operating revenues					
Sales and use tax	\$ 1,741.3	\$ 1,711.4	\$ 1,584.8	1.7%	8.0%
Motor vehicle excise tax	380.7	359.2	370.6	6.0	(3.1)
Property tax	167.3	163.7	157.7	2.2	3.8
Rental car tax	4.9	4.4	3.5	11.8	25.6
Investment income (loss)	211.0	(15.8)	(2.1)	1,439.4	661.7
Other revenues	48.3	277.3	248.8	(82.6)	11.5
Total	2,553.5	2,500.2	2,363.3	2.1	5.8
Non-operating expenses					
Interest expense	91.7	78.4	88.6	16.8	(11.5)
Loss on defeasance of bonds	-	-	72.4	-	(100.0)
Contributions to other governments	276.0	39.9	55.3	592.0	(27.8)
Other expenses	60.0	38.1	41.0	57.4	(7.1)
Contributions to affordable housing	3.7	-	6.8	100.0	(100.0)
Loss (gain) on disposal of assets	2.5	(0.1)	0.5	2,827.4	(119.2)
Impairment	0.7	0.1	0.1	776.8	-
Total	434.6	156.4	264.7	177.8	(40.9)
Non-operating revenues, net	\$ 2,118.9	\$ 2,343.8	\$ 2,098.6	(9.6)%	11.7%

Total tax revenues increased by \$55.5 million or 2.5% in 2023 and increased \$122.0 million or 5.8% in 2022. The increases in 2023 and 2022 are mainly due to regional economic conditions.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Investment income (loss) increased \$226.8 million or 1,439.4% in 2023 and decreased \$13.7 million or 661.7% in 2022. The increase in 2023 was mainly due to higher investment balances and favorable interest rates. The decrease in investment income in 2022 and 2021 was mainly due to lower market rates. Investment income includes the impact of market adjustments to fair market value at year-end and interest income from leasing transactions.

Other revenues are comprised primarily of funds received from federal agencies to support light rail and bus operations and the Build America Bond program. Other revenues decreased in 2023 by \$229.0 million or 82.6% mainly due to reduction in operating grants from federal sources. Other revenues increased in 2022 by \$28.5 million or 11.5% mainly due to funding from the American Rescue Plan (ARP) Act and increases in Sounder and Link light rail preventative maintenance grants. This was offset by a decrease in the CRRSA Act funding.

Contributions to other governments increased \$236.1 million or 592.0% in 2023 and decreased \$15.4 million or 27.8% in 2022. The increase in 2023 was mainly due to contributions donated to cities, counties and the Washington State Department of Transportation (WSDOT) for Bus Rapid Transit, East Link, and Hilltop Tacoma Link extension projects. The decrease in 2022 was mainly due to lower contributions with the completion of the Northgate Link extension in the prior year. Contributions to other governments and contributions to affordable housing are dependent upon the timing and scope of project activities. As such, there may be significant fluctuations from year to year depending upon the timing and scope of capital improvement or funding arrangements for other governments.

Interest expense is recognized in the period in which the cost is incurred. Interest expense includes interest from borrowing, leasing and SBITA transactions. Total interest expense was \$91.7 million and \$78.4 million in 2023 and 2022, respectively. The increase of \$13.3 million or 16.8% was mainly due to overall higher TIFIA loan balances, while the decrease of \$10.2 million or 11.5% was due to overall lower interest rates on long-term debt and overall lower long-term debt balances in 2022.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Capital Contributions

Capital contributions include federal grant funding and state and local contributions to Sound Transit. Overall capital contributions increased in 2023 by \$1,157.8 million or 378.2% and decreased by \$180.0 million or 37.0% in 2022. The following table summarizes capital contributions by major category:

Capital Contributions <i>(in millions)</i>	% Change				
	2023	2022	2021	2023-2022	2022-2021
Federal	\$ 500.5	\$ 302.8	\$ 464.1	65.2%	(34.8)%
State and local governments	963.5	3.4	22.1	28,093.4	(84.5)
Total	\$ 1,464.0	\$ 306.2	\$ 486.2	378.2%	(37.0)%

Federal capital contributions increased in 2023 by \$197.7 million or 65.2%. This increase was mainly due to higher full funding grant agreements (FFGA) of \$114.4 million related to Federal Way Link and \$109.4 million related to Lynnwood Link. This increase was partially offset by decreases of \$10.2 million for Downtown Redmond Link, \$5.4 million for Tacoma Dome Link and other projects. Federal capital contributions of \$302.8 million in 2022 were \$161.3 million or 34.8% lower than 2021 primarily due to decrease in federal contributions of full funding grant agreements (FFGA) of \$168.9 million related to the Federal Way Link Extension and \$34.0 million related to the Tacoma Link Extension. This decrease was partially offset by increases of \$27.7 million of FFGA for Lynnwood Link Extension and \$10.3 million of grants related to Tacoma Dome Link Extension.

Projects receiving federal funding in excess of \$5.0 million in 2023 included Federal Way, Lynnwood and Redmond Link. In 2022, projects included Lynnwood and Tacoma Dome Link Extensions.

State and local government contributions increased \$960.1 million or 28,093.4% in 2023 and decreased \$18.7 million or 84.5% in 2022. The increase in 2023 was mainly due to the ownership transfer of the DSTT from King County, the majority of which was classified for accounting purposes as a contribution. The decrease in 2022 was primarily driven by lower land bank agreement credits from WSDOT with the completion of the Northgate Link Extension and lower local contributions towards the East Link Extension. The agency receives credit from WSDOT under a land bank agreement for funding improvement projects. Sound Transit recognizes land bank credits when they are used to fund the purchase or lease of WSDOT property necessary for transit projects (see also note 12).

\$32.7 million and \$3.1 million of WSDOT land bank credits were utilized to fund temporary construction easements and access rights related to various light rail extension projects in 2023 and 2022, respectively, (see also note 12).

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Capital Assets

A summary of Sound Transit's capital assets is presented in the following table:

Capital Assets, net					
<i>(in millions)</i>	December 31		% Change		
	2023	2022	2021	2023-2022	2022-2021
Land	\$ 1,167.9	\$ 1,131.3	\$ 1,107.1	3.2%	2.2%
Permanent easements	583.6	552.0	550.1	5.7	0.4
Capital projects in progress	8,844.5	8,583.8	7,250.5	3.0	18.4
Total non-depreciable assets	10,596.0	10,267.1	8,907.7	3.2	15.3
Transit facilities, rail and heavy equipment	7,552.2	5,818.9	5,790.1	29.8	0.5
Access rights	273.1	286.0	298.9	(4.5)	(4.3)
Revenue vehicles	732.3	632.6	532.3	15.8	18.9
Other depreciable assets	18.8	18.4	21.1	2.5	(13.0)
Right-to-use lease assets	79.9	92.8	100.4	(13.9)	(7.6)
Right-to-use SBITA assets	16.9	19.7	-	(14.3)	100.0
Total depreciable assets	8,673.2	6,868.4	6,742.8	26.3	1.9
Total capital assets, net	\$19,269.2	\$17,135.5	\$15,650.5	12.5%	9.5%

In 2023, spending on capital projects in progress was \$1,886.0 million, while in 2022 it was \$1,768.4 million. The increase in 2023 was mainly due to higher construction activities in Federal Way Link, Lynnwood Link, Redmond Link, East Link and Bus Rapid Transit. The slight decrease in 2022 was mainly due to slower construction activities and ongoing reassessment on various Link extension projects.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Capital projects with major spending activity in excess of \$5 million in 2023 and 2022 are summarized in the following table:

Year	Link	Sounder	Regional Express/Stride
2023	Downtown Redmond Link Extension East Link Extension Everett Link Extension Federal Way Link Extension Hilltop Tacoma Link Extension Light Rail Vehicle Expansion Lynnwood Link Extension Northgate Link Extension Operations & Maintenance Facility East Tacoma Dome Link Extension West Seattle-Ballard Link Extension	Fleet Expansion Sumner Station	Bus Rapid Transit Maintenance Base I-405 Bus Rapid Transit SR-522-NE 145th Street Bus Rapid Transit Rapid Ride C and D
2022	Downtown Redmond Link Extension East Link Extension Everett Link Extension Federal Way Link Extension Hilltop Tacoma Link Extension Light Rail Vehicle Expansion Lynnwood Link Extension Northgate Link Extension Tacoma Dome Link Extension West Seattle-Ballard Link Extension	Fleet Expansion Puyallup Station Sumner Station	I-405 Bus Rapid Transit Bus Rapid Transit Stations Rapid Ride C and D

See note 5 to the Financial Statements for additional information about Sound Transit's capital assets.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Long-Term Debt

A summary of Sound Transit's long-term debt is presented in the following table:

Long-Term Debt		December 31			% Change	
(in millions)		2023	2022	2021	2023-2022	2022-2021
Long-term debt						
Bonds payable	\$ 2,011.9	\$ 2,170.7	\$ 2,251.1		(7.3)%	(3.6)%
TIFIA Loans	1,697.6	702.9	87.7	141.5	701.9	
Total long-term debt	\$ 3,709.5	\$ 2,873.6	\$ 2,338.8		29.1%	22.9%

Reductions in bonds payable in 2023 and 2022 are due to regularly scheduled principal payments and a redemption of 2015S-2B bond in November 2023.

Under state law, issuance of bonds payable from any type of tax is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing additional voter approval. With the approval of 60.0% of the region's voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area. Based on the 2022 assessed valuations for collection of 2023 taxes, Sound Transit's current approved remaining debt capacity is \$9.8 billion and its additional remaining debt capacity subject to voter approval is \$45.9 billion.

In 2023, Sound Transit borrowed an additional \$994.6 million under the preexisting East Link agreement under the TIFIA loan program. As of December 31, 2023, the agency also had outstanding loans of \$615.3 million borrowed under the TIFIA Northgate Link agreement and \$87.7 million borrowed under the TIFIA OMFE agreement.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

(in thousands)	December 31	
	2023	2022 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	\$ 969,333	\$ 1,137,953
Restricted assets (note 3)	101,025	84,665
Investments (note 3)	1,536,335	1,340,611
Taxes and other receivables (note 4)	574,879	524,045
Inventory and prepaids	<u>62,359</u>	<u>49,980</u>
Total current assets	<u>3,243,931</u>	<u>3,137,254</u>
Non-current assets		
Restricted assets (note 3)	17,522	17,627
Investments (note 3)	2,344,443	959,714
Capital assets, nondepreciable/amortizable (note 5)	10,596,065	10,267,142
Capital assets, depreciable/amortizable, net (note 5)	8,673,166	6,868,331
Other lease related assets (note 6)	<u>268,671</u>	<u>262,176</u>
Total non-current assets	<u>21,899,867</u>	<u>18,374,990</u>
Total assets	<u>25,143,798</u>	<u>21,512,244</u>
DEFERRED OUTFLOWS OF RESOURCES		
Asset retirement obligations	2,331	2,521
Deferred loss on bond refunding	<u>2,652</u>	<u>3,821</u>
Total deferred outflows of resources	<u>4,983</u>	<u>6,342</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	356,783	346,447
Unearned revenue	18,411	15,578
Interest payable	25,918	19,840
Current portion, lease related obligations (note 6)	7,451	11,358
Current portion, SBITA related obligations (note 7)	3,720	3,542
Current portion, long-term debt (note 9)	77,870	62,005
Other claims and short-term obligations	<u>157,771</u>	<u>141,510</u>
Total current liabilities	<u>647,924</u>	<u>600,280</u>
Non-current liabilities		
Long-term debt (note 9)	3,631,648	2,811,627
Lease related obligations (note 6)	144,338	150,105
SBITA related obligations (note 7)	13,013	16,268
Other long-term obligations (note 10)	<u>13,170</u>	<u>13,615</u>
Total non-current liabilities	<u>3,802,169</u>	<u>2,991,615</u>
Total liabilities	<u>4,450,093</u>	<u>3,591,895</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	2,727	3,893
Unrecognized lease revenue	<u>20,525</u>	<u>16,996</u>
Total deferred inflows of resources	<u>23,252</u>	<u>20,889</u>
NET POSITION		
Net investment in capital assets	15,398,432	14,063,145
Restricted (note 11)	107,616	96,275
Unrestricted	<u>5,169,388</u>	<u>3,746,382</u>
Total net position	<u>\$ 20,675,436</u>	<u>\$ 17,905,802</u>

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

(in thousands)	Year ended, December 31	
	2023	2022
	(Restated)	
Operating revenues		
Passenger fares	\$ 51,858	\$ 45,133
Other operating revenue	<u>11,097</u>	<u>8,708</u>
Total operating revenues	<u>62,955</u>	<u>53,841</u>
Operating expenses		
Operations and maintenance	463,542	378,502
Agency administration	21,726	16,690
Fare and regional planning	25,080	20,093
Depreciation, amortization and accretion	<u>365,857</u>	<u>269,573</u>
Total operating expenses	<u>876,205</u>	<u>684,858</u>
Loss from operations	(813,250)	(631,017)
Non-operating revenues (expenses)		
Sales tax	1,741,333	1,711,443
Motor vehicle excise tax	380,679	359,205
Property tax	167,305	163,648
Rental car tax	4,903	4,386
COVID relief grants	-	230,064
Other revenues	48,296	47,225
Investment income (expense)	211,003	(15,754)
Interest expense	(91,660)	(78,479)
Contributions to other governments	(276,044)	(39,889)
Other expenses	(63,218)	(38,091)
Contributions to affordable housing	<u>(3,676)</u>	-
Total non-operating revenues, net	<u>2,118,921</u>	<u>2,343,758</u>
Income before capital contributions	<u>1,305,671</u>	<u>1,712,741</u>
Federal capital contributions	500,531	302,740
State and local capital contributions	<u>963,432</u>	3,417
Total capital contributions	<u>1,463,963</u>	<u>306,157</u>
Change in net position	<u>2,769,634</u>	<u>2,018,898</u>
Total net position, beginning of year	<u>17,905,802</u>	<u>15,888,394</u>
Cumulative adjustment for adoption of GASB 101	<u>-</u>	<u>(1,490)</u>
Total net position, end of year	<u>\$ 20,675,436</u>	<u>\$ 17,905,802</u>

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended, December 31		
	2023	2022	(Restated)
Cash flows from operating activities			
Cash receipts from fares	\$ 43,425	\$ 45,233	
Cash receipts from other operating revenue	8,763	7,880	
Payments to employees for wages and benefits	(82,032)	(90,693)	
Payments to suppliers	(161,428)	(128,550)	
Payments to transportation service providers	(218,126)	(220,269)	
Net cash used by operating activities	(409,398)	(386,399)	
Cash flows from non-capital financing activities			
Preventative maintenance grants received	41,618	271,401	
Taxes received	2,290,439	2,221,751	
Tax collection fees paid	(5,433)	(4,963)	
Net cash provided by non-capital financing activities	2,326,624	2,488,189	
Cash flows from capital and related financing activities			
Capital contributions from grants	466,203	260,002	
Contributions to other government	(5,000)	(5,000)	
Proceeds for betterments and recoverable costs	1,311	3,384	
Proceeds from insurance recoveries and sale of assets	923	93	
Proceeds from TIFIA loans	994,647	615,267	
Payments for bond principal	(137,005)	(58,105)	
Payments for interest and bond related costs	(99,920)	(91,864)	
Payments to employees capitalized to projects	(149,408)	(105,950)	
Payments for SBITA obligations	(4,093)	-	
Payments to suppliers for capital activities	(1,697,230)	(1,645,470)	
Purchase of property	(38,554)	(24,317)	
Payments for lease obligations	(11,206)	(14,179)	
Receipts from lessees	2,890	2,239	
Net cash used by capital and related financing activities	(676,442)	(1,063,900)	
Cash flows from investing activities			
Investment income	100,347	35,833	
Proceeds from sales or maturities of investments	1,417,106	645,147	
Purchases of investments	(2,910,248)	(1,708,737)	
Net cash used by investing activities	(1,392,795)	(1,027,757)	
Net (decrease) increase in cash and cash equivalents	(152,011)	10,133	
Cash and cash equivalents			
Beginning of year	1,231,681	1,221,548	
End of year	\$ 1,079,670	\$ 1,231,681	
Cash and cash equivalents (note 3)			
Unrestricted	\$ 969,333	\$ 1,137,953	
Current restricted	100,477	84,142	
Non-current restricted	9,860	9,586	
	\$ 1,079,670	\$ 1,231,681	

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS, continued

(in thousands)	Year ended, December 31		
	2023	2022	(Restated)
Loss from operations	\$ (813,250)	\$ (631,017)	
Adjustments to reconcile loss from operations to net cash used by operating activities			
Increase (decrease) in bad debt expense	2	(3)	
Depreciation, amortization and accretion	365,857	269,573	
Increase in inventory allowance	394	767	
Increase in other expenses	(557)	(660)	
Changes in operating assets and liabilities			
Increase in other receivables	(13,055)	(673)	
(Increase) decrease in inventory, prepaid and deposits	(7,299)	90	
Increase (decrease) in accounts payable and accrued liabilities	51,958	(24,207)	
Increase (decrease) in unearned revenue	2,832	(268)	
Increase (decrease) in other current liabilities	3,720	(1)	
Net cash used by operating activities	<u>\$ (409,398)</u>	<u>\$ (386,399)</u>	

(in thousands)	Year ended, December 31		
	2023	2022	(Restated)
Supplemental disclosures of investing and financing activities			
Capital contribution from Land Bank	\$ 4,853	\$ 3,090	
Contributions to other governments	(271,044)	(34,889)	
Construction in progress in current liabilities	400,409	416,728	
Contributions from other government (DSTT)	930,410	-	
Increase (decrease) in fair value of investments	41,638	(64,262)	
Additions to lease related assets, net	7,583	10,753	
Additions to lease obligations, net	(10,662)	(10,753)	
Additions to SBITA related assets, net	663	23,417	
Additions to SBITA obligations, net	(178)	(19,381)	
Spare parts previously capitalized	(5,264)	(4,973)	
Start-up costs previously capitalized	(35,316)	(16,300)	

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND REPORTING ENTITY

As provided under the Revised Code of Washington (RCW) Chapter 81.112 applicable to a regional transit authority, the Central Puget Sound Regional Transit Authority, a public corporation acting under the service name of Sound Transit, also referred to herein as “the agency”, was established in 1993. Sound Transit is implementing a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties in the State of Washington through the design, construction and operation of a commuter rail (Sounder), light rail (Link and Tacoma Link), regional express bus system (ST Express) and bus rapid transit system (Stride).

Reporting Entity—Sound Transit is a special purpose government supported primarily through sales and use, motor vehicle excise, property and rental car taxes assessed in Sound Transit’s operating jurisdiction (the District). In addition, Sound Transit receives capital and operating funding from federal, state and local agencies.

Sound Transit is governed by an eighteen-member board, seventeen of whom are appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population from the portion of each county that lies within Sound Transit’s service area. Representation on the board includes an elected official representing the largest city in each county and ensures proportional representation from other cities and from unincorporated areas of each county. The final board position is held by the Secretary of Transportation, Washington State Department of Transportation (WSDOT).

Accounting principles generally accepted in the United States of America (GAAP) require the financial statements of the reporting entity to include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, Sound Transit is considered a primary government and does not have any component unit relationships. Conversely, Sound Transit is not considered a component unit of any primary government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and should be considered an integral part of the financial statements.

Basis of Accounting—The accounts are maintained, and financial statements are prepared, using the economic resources measurement focus and accrual basis of accounting in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

In accordance with GAAP, all revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of Sound Transit are included in the Statements of Net Position. Depreciation and amortization of capital assets are recognized in the Statements of Revenues, Expenses and Changes in Net Position.

Operating revenues are recognized in the period earned and consist primarily of passenger fares. Operating expenses are recognized in the period in which they are incurred and consist primarily of purchased transportation services.

Non-operating revenues, primarily tax revenues, are recorded in the period when the underlying transaction occurs on which the tax is imposed and include sales and use tax on goods and services, motor vehicle excise tax, property tax and rental car tax. Non-operating expenses are recognized in the period in which they are incurred and consist primarily of interest expense and contributions to other governments.

Sales, use and rental car taxes are collected on Sound Transit's behalf by the Washington State Department of Revenue and the motor vehicle excise tax by the Washington State Department of Licensing. Property tax is levied on a calendar year basis and is administered and collected by King, Pierce and Snohomish counties. Taxes are levied within the district at a rate of 1.4% for sales and use, 1.1% for motor vehicle excise and 0.8% on rental cars. In November 2016, voters approved an increase in the sales and use tax of 0.5%, an additional motor vehicle excise tax of 0.8%, both of which are included in the rates stated above, and a property tax levy rate up to \$0.25 per \$1,000 of assessed property value. The additional motor vehicle tax came into effect March 1, 2017 and the additional sales and use tax came into effect April 1, 2017. The first property tax levy was authorized for calendar year 2017.

Bond Discounts and Premiums— Bond discounts and premiums are recorded net to long-term debt and amortized using the effective interest rate method over the life of the related debt issuance. Deferred outflows of resources includes the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter. Deferred inflows of resources includes the deficit of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter.

Capital Assets— Capital assets are stated at cost, except for capital assets contributed to Sound Transit, which are stated at the acquisition value on the date of contribution. Expenditures and contributions for additions and improvements with a value in excess of \$5,000 and a useful life of more than one year are capitalized. Maintenance, repairs and minor improvement costs are charged to operations as incurred. Depreciation and amortization of capital, intangible and right-to-use assets are recorded using the straight-line method applied to each asset over its estimated useful life, except for the amortization associated with leasehold improvements which is recognized over the shorter of the life of the asset and the remaining length of the related lease agreement.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Estimated useful lives are shown in the following table:

	Estimated useful life
Access rights	5 – 100 years
Buildings and leasehold improvements	5 – 30 years
Furniture, equipment and vehicles	3 – 8 years
Revenue vehicles	12 – 40 years
Software	3 – 5 years
Transit facilities, rail and heavy equipment	6 – 150 years

On an annual basis, Sound Transit evaluates whether events or circumstances have occurred affecting capital assets that are other than temporary in nature and which could result in an impairment of those assets. Impairment is considered to have occurred if there is a large permanent decline in the asset's service utility and the event or circumstance is outside the normal life cycle of the asset. Impairment losses on assets that will no longer be used are measured based on the lower of carrying value and fair value of the affected asset. Impairment losses on assets that will continue to be used are measured using the method that best reflects the diminished service utility.

All qualifying costs, directly and indirectly, attributable to capital projects are capitalized. Capital projects in progress (CIP) balances include costs incurred for projects not yet in service and are segregated between assets in which Sound Transit maintains a continuing ownership interest and capital assets that will be transferred to other governments upon completion.

Access rights include costs incurred for, or rights acquired that allow, Sound Transit to operate its services in public and private right of ways. Access rights are amortized over the life of the underlying asset constructed or the term of the contractual agreement granting the related right.

Interest costs on funds borrowed through tax-exempt and taxable debt to finance the construction or acquisition of certain capital assets are expensed in the period in which they are incurred. Prior to 2019, interest costs were capitalized during the period of construction or acquisition and depreciated over the life of the related assets once placed into service.

Capital Contributions to Other Governments— Pursuant to capital improvement agreements, Sound Transit has provided funding to, or constructed assets for, various governments for transit-related capital improvements. Costs incurred to construct assets for other governments are capitalized and included in CIP until the asset is substantially completed and accepted, at which time the costs are transferred out of CIP and recorded as contributions to other governments.

Cash and Cash Equivalents— Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Restricted cash and cash equivalents contain externally imposed legal and contractual obligations and are classified as current or non-current in accordance with their requirements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Compensated Absences— The agency provides a PTO program to eligible employees. Under the program, PTO is earned based on tenure and job level. PTO is payable at 100% upon employee termination. Certain accrued balances relating to other compensated absences are recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulated, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The legacy programs are presented as liabilities until utilized or forfeited.

Environmental Remediation Obligations— Environmental remediation activities are reviewed annually to determine whether an obligating event has occurred, as defined by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, when the liability should be accrued and whether the cost should be expensed or capitalized. Generally, such costs are incurred in relation to properties that Sound Transit is preparing for use in operations, or in relation to properties acquired to support the construction of a project and which are subsequently resold. As such, these costs are recorded as incurred and capitalized to the project. Costs that are in excess of the property's fair market value, or that do not meet capitalization criteria under GAAP, are expensed as soon as a reasonable estimate can be obtained.

Indirect Cost Allocation— Indirect costs relate to the overall costs of running the agency and include employee costs, services, and information technology costs. These indirect costs are allocated to capital projects, operating activities, agency administration and fare and regional planning using overhead rates that are based primarily on departmental headcount and budgeted expenditures. Overhead rates are designed to allocate all agency overhead costs except for certain executive divisions and marketing costs.

Inventory— Inventory includes spare parts and is recorded at the lower of average purchase cost and net realizable value. Allowances for excess and obsolete parts are provided for spare parts currently identified as excess and obsolete. Allowances are reflected as a charge to operations and are based on management's estimate, which is subject to change. As of December 31, 2023 and 2022, inventory reflects an allowance of \$1.9 million and \$1.5 million, respectively.

Investment Valuation— Investments are stated at fair value.

New Accounting Pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, for the reporting periods beginning after June 15, 2024. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. Sound Transit is reviewing and considering the applicability and potential for early adoption of the standard.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, for the reporting periods beginning after December 15, 2023. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

than not to be used for time off or otherwise paid in cash or settled through noncash means. Sound Transit early adopted the standard in 2023 with a conversion date of January 1, 2022 and has restated the 2022 financial statements presented herein.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, for the reporting periods beginning after June 15, 2023. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balance of the current period and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Sound Transit adopted the standard in 2023 and there is no material effect on the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective for reporting periods beginning after June 15, 2022. This statement provides guidance on the accounting for SBITAs based on the concept that certain SBITAs result in a right-to-use intangible asset and corresponding liability that should be recognized on the financial statements, that certain costs may be capitalizable and that governments should make certain relevant disclosures. Sound Transit adopted the standard in 2023 with a conversion date of January 1, 2022 and has restated the 2022 financial statements presented herein.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022. This statement provides guidance on the accounting for partnerships involving the operation of nonfinancial assets in an exchange or exchange-like transaction and availability payment arrangements. Sound Transit has evaluated this pronouncement and potentially relevant arrangements, and determined it has no material arrangements to which this guidance applies.

Restatements — The 2022 financial statements have been restated to reflect the impact of adoption of two new accounting standards and changes in accounting principle, GASB 101, *Compensated Absences* and GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*. And.

The agency adopted GASB 101 and GASB 96 during 2023, resulting in the restatement of 2022 amounts in various line items related to the accounting of compensated absences and SBITA. GASB 101, Compensated absences related line items that were impacted include short term accrued liabilities and increase of operations and maintenance expense. SBITA related line items that were impacted include right-of-use SBITA assets, SBITA interest liabilities, SBITA liabilities and prepaid SBITA on the Statements of Net Position and the reduction of operations and maintenance expense and increase of amortization expense and interest expense related to right-of-use SBITA assets on the Statements of Revenues, Expenses and Changes in Net Position.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(in thousands)	2022 As Previously Reported	2022 Effect of Restatement	2022 As Restated
STATEMENT OF NET POSITION			
Non-current assets			
Inventory and prepaids	\$ 50,585	\$ (605)	\$ 49,980
Capital assets, depreciable/amortizable, net (note 5)	\$ 6,848,637	\$ 19,694	\$ 6,868,331
Current liabilities			
Accounts payable and accrued liabilities (note 8)	\$ 344,096	\$ 2,351	\$ 346,447
Current portion, SBITA related obligations (note 7)	\$ -	\$ 3,542	\$ 3,542
Non-current liabilities			
SBITA related obligations (note 7)	\$ -	\$ 16,268	\$ 16,268
Net position			
Net investment in capital assets	\$ 14,063,866	\$ (721)	\$ 14,063,145
Unrestricted	\$ 3,748,733	\$ (2,351)	\$ 3,746,382

(in thousands)	2022 As Previously Reported	2022 Effect of Restatement	2022 As Restated
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating expenses			
Operations and maintenance	\$ 381,481	\$ (2,979)	\$ 378,502
Depreciation, amortization and accretion	\$ 265,850	\$ 3,723	\$ 269,573
Non-operating revenues (expenses)			
Interest expense	\$ (77,641)	\$ (838)	\$ (78,479)

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(in thousands)	2022 As Previously Reported	2022 Effect of Restatement	2022 As Restated
STATEMENT OF CASH FLOWS			
Cash flows from operating activities			
Payments to employees for wages and benefits	\$ (91,090)	\$ 397	\$ (90,693)
Payments to supplier	\$ (131,529)	\$ 2,979	\$ (128,550)
Cash flows from capital and related financing activities			
Payments for interest	\$ (91,456)	\$ (408)	\$ (91,864)
Payments to employees capitalized to capital projects in progress	\$ (106,414)	\$ 464	\$ (105,950)
Payments to suppliers for capital activities	\$ (1,642,037)	\$ (3,432)	\$ (1,645,469)
Loss from operations	\$ (630,273)	\$ (744)	\$ (631,017)
Adjustments to reconcile loss from operations to net cash used by operating activities			
Depreciation, amortization and accretion	\$ 265,850	\$ 3,723	\$ 269,573
Changes in operating assets and liabilities			
Increase in salaries, wages and benefits payable	\$ 1,981	\$ 397	\$ 2,378
Supplemental disclosures of non-cash investing and financing activities			
Construction in progress in current liabilities	\$ 416,264	\$ 464	\$ 416,728

Reserves— Sound Transit's financial policies require the agency to maintain certain internal reserves as follows: an operating expense reserve in the amount of two months average annual spending expenses; a capital replacement reserve supported by a specific investment fund; and an emergency loss fund to cover retention, deductible or excess loss due to an uninsured loss or portion of loss. As these cash and investment reserves are derived from internal restrictions, they are included in unrestricted net position.

Restricted Net Position— Restricted net position consists of cash, cash equivalents and investments that contain externally imposed legal and contractual obligations. Assets comprising restricted net position are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first and then unrestricted resources as they are needed.

Revenue and Expense Classification— Sound Transit distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with Sound Transit's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Tax Abatements—As of December 31, 2023 and 2022, Sound Transit has no direct tax abatement agreements wherein taxes are decreased for a particular payer which contribute to economic development or otherwise benefits the government or its citizens. In 2023 and 2022, Sound Transit collected property tax revenue through Snohomish, King and Pierce counties which have direct tax abatement agreements. However, the tax abatements do not result in reduction or loss of revenue to Sound Transit, pursuant to Washington State law, as these taxes are reallocated to other property taxpayers.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Undivided Interests— Sound Transit participates in a joint operation (or undivided interest), jointly governed with six other agencies for the provision of a regional fare coordination system (One Regional Card for All, ORCA). Sound Transit reports its undivided interest in assets, liabilities, expenses and revenues of ORCA within its financial statements, as they are specifically identifiable to Sound Transit. ORCA does not meet the definition of a component unit as defined in GASB No. 61 – *The Financial Reporting Entity: Omnibus*.

Use of Estimates— The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED ASSETS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Cash in the Local Government Investment Pool (LGIP) is managed by the Washington State Treasurer's Office. Investments in the King County Investment Pool (KCIP) are managed by the King County Finance Division. The LGIP and the KCIP represent an interest in a group of securities and have no specific security subject to custodial risk.

Sound Transit's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Cash, cash equivalents, investments and restricted assets consist of the following:

(in thousands)	December 31	
	2023	2022
Cash and cash equivalents - current		
LGIP *	\$ 942,210	\$ 1,125,702
FDIC or PDPC Insured Bank Deposits	27,123	10,077
Cash on hand	-	2,174
	<u>969,333</u>	<u>1,137,953</u>
Restricted assets - current		
Cash and cash equivalents - LGIP	99,819	84,142
FDIC or PDPC Insured Bank Deposits	658	-
Investments - KCIP	548	523
	<u>101,025</u>	<u>84,665</u>
Investments - current	1,536,335	1,340,611
Restricted assets - non-current		
Cash and cash equivalents		
LGIP	1,415	1,148
FDIC or PDPC Insured Bank Deposits	441	436
Escrow funds	8,004	8,002
	<u>9,860</u>	<u>9,586</u>
Investments - Debt service and OCIP reserve	7,599	8,016
Other	63	25
	<u>17,522</u>	<u>17,627</u>
Investments - non-current	2,344,443	959,714
Total cash, cash equivalents, investments and restricted assets	\$ 4,968,658	\$ 3,540,570

* The balance includes amounts set aside in satisfaction of Sound Transit's financial policies for an operating expense reserve and an emergency loss fund.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

All surplus cash is invested in accordance with Washington State statute and an Asset and Liability Management policy approved by Sound Transit's Board. Qualifying investments under this policy include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit, corporate bonds & commercial paper, general obligation municipal bonds and repurchase agreements. Sound Transit's policy and monitoring program addresses common deposit and investment risks as described below, with detailed information by investment type presented in the tables that follow. Duration is presented in years.

Sound Transit holds a significant amount of investments that are measured at fair value on a recurring basis, within the following hierarchy:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 – inputs are unobservable inputs for an asset or liability

Unrestricted investments consist of the following:

(in thousands)	2023			2022		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Investments – current						
Commercial Paper	\$ 73,256	\$ -	\$ 73,256	\$ 79,084	\$ -	\$ 79,084
KCIP *	16,279	-	-	15,528	-	-
U.S. Agency Securities	469,311	-	469,311	383,493	-	383,493
U.S. Treasury Securities	898,341	898,341	-	814,159	814,159	-
Corporate Bonds	79,148	-	79,148	48,347	-	48,347
Total investments – current	1,536,335	898,341	621,715	1,340,611	814,159	510,924
Investments – non-current						
Investments – undesignated						
U.S. Agency Securities	467,393	-	467,393	183,457	-	183,457
U.S. Treasury Securities	1,302,921	1,302,921	-	315,621	315,621	-
Municipal Bonds	3,022	-	3,022	14,035	-	14,035
Corporate Bonds	214,620	-	214,620	111,099	-	111,099
Total investments - undesignated	1,987,956	1,302,921	685,035	624,212	315,621	308,591
Investments – capital replacement						
U.S. Agency Securities	166,468	-	166,468	157,793	-	157,793
U.S. Treasury Securities	85,479	85,479	-	87,490	87,490	-
Municipal Bonds	32,544	-	32,544	34,989	-	34,989
Corporate Bonds	71,996	-	71,997	55,230	-	55,230
Total investments – capital replacement	356,487	85,479	271,009	335,502	87,490	248,012
Total investments – non-current	\$ 2,344,443	\$ 1,388,400	\$ 956,044	\$ 959,714	\$ 403,111	\$ 556,603

* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Restricted investments consist of the following:

(in thousands)	2023			2022		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Restricted assets - current						
KCIP *	\$ 548	\$ -	\$ -	\$ 532	\$ -	\$ -
Total restricted assets - current	548	-	-	532	-	-
Restricted assets - non-current						
Municipal bonds	2,564	-	2,564	2,535	-	2,535
U.S. Agency securities	5,035	-	5,035	5,481	-	5,481
Total restricted assets - non-current	\$ 7,599	\$ -	\$ 7,599	\$ 8,016	\$ -	\$ 8,016

* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

U.S Treasury securities are classified as Level 1 and are valued using prices in active markets for identical assets. Commercial paper, U.S. Agency securities, municipal bonds and corporate bonds are classified as Level 2 and are valued using inputs that are observable but not actively using the market approach.

The KCIP is valued using amortized cost basis. The objective of the KCIP investment policy is to invest public funds in a manner which will preserve the safety and liquidity of all investments while obtaining a reasonable rate of return. The redemption period for the KCIP is one to ten days, depending on the dollar amount redeemed.

Interest Rate Risk— Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The agency manages duration to mitigate its exposure to interest rate risk. The greater the duration of a bond, or portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice versa. Sound Transit policy limits its maximum weighted portfolio duration to three years.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Modified duration (in thousands)	2023			2022		
	Total	Duration	Percent of total	Total	Duration	Percent of total
Investments – current						
Commercial Paper	\$ 73,256	0.31	4.8%	\$ 79,084	0.25	5.9%
KCIP	16,279	0.79	1.1%	15,528	0.99	1.2%
U.S. Agency Securities	469,311	0.35	30.5%	383,493	0.50	28.6%
U.S. Treasury Securities	898,341	0.82	58.4%	814,159	0.73	60.7%
Corporate Bonds	79,148	0.38	5.2%	48,347	0.76	3.6%
Total investments - current	1,536,335	0.63	100.0%	1,340,611	0.64	100.0%
Investments – non-current						
Investments – undesignated						
U.S. Agency Securities	467,393	2.04	23.5%	183,457	1.63	29.4%
U.S. Treasury Securities	1,302,921	1.37	65.5%	315,621	2.20	50.6%
Municipal Bonds	3,022	3.48	0.2%	14,035	1.36	2.2%
Corporate Bonds	214,620	2.08	10.8%	111,099	2.30	17.8%
Total investments - undesignated	1,987,956	1.61	100.0%	624,212	2.03	100.0%
Investments – capital replacement						
U.S. Agency Securities	166,468	3.40	46.7%	157,793	2.41	47.0%
U.S. Treasury Securities	85,479	3.66	24.0%	87,490	3.94	26.1%
Municipal Bonds	32,544	2.14	9.1%	34,989	2.79	10.4%
Corporate Bonds	71,996	1.82	20.2%	55,230	2.26	16.5%
Total investments – capital replacement	\$ 356,487	3.03	100.0%	\$ 335,502	2.82	100.0%
Total investments – non-current	\$ 2,344,443			\$ 959,714		

(in thousands)	December 31				
	2023	2022	Maturity	Call Date	
Restricted assets - non-current					
Debt service reserve					
Municipal bonds:					
Georgia State GO Unlimited BAB	\$ 2,564	\$ 2,535	11/1/2027	11/24/2009*	
U.S. agency securities:					
Federal Home Loan Bank	2,513	-	6/30/2028		
Federal Farm Credit Bank	2,522	-	8/14/2026		
Federal Home Loan Mortgage Corporation	-	4,855	8/24/2023		
	7,599	7,390			
OCIP reserve					
U.S. agency securities:					
Federal Home Loan Mortgage Corporation	-	626	3/15/2023		
	-	626			
	\$ 7,599	\$ 8,016			

* Continuously callable from this date forward

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Concentration of Credit Risk— Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual-counterparties. The investment policy sets forth maximum concentration guidelines. At both December 31, 2023 and 2022, Sound Transit portfolios were within these guidelines.

Investment Type Per Investment Policy	Maximum
Treasury securities and investments in the LGIP	100%
Total U.S. Agency securities	75%
Single U.S. Agency and investments in the KCIP	50%
Repurchase agreements, general obligation bonds, PDPC financial institution sponsored investment accounts	25%
Deposit bank notes	20%
Certificates of deposit, bankers' acceptances, reverse repurchase agreements and A1/P1 commercial paper	10%

Credit Risk— Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2023 and 2022, all Treasury, U.S. Agency, general obligation bonds and commercial paper securities are rated in one of the four highest credit rating categories of a nationally recognized statistical rating organization. After a bond has been purchased, if it is downgraded below one of the three highest ratings, a case-by-case review is conducted to determine the reason for the downgrade and to evaluate whether or not to continue to hold the bond. The LGIP and KCIP are unrated. As of December 31, 2023, the agency has investments in Federal Home Loan Bank (FHLB) of \$542,110,000, which exceed 5% of total investments.

Custodial Credit Risk— Custodial credit risk is the risk that, in the event of the failure of the counterparty, Sound Transit would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments purchased by Sound Transit are held and registered in Sound Transit's name in the trust or safekeeping department of a financial institution as established by a written third party safekeeping agreement between Sound Transit and the financial institution.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

4. TAXES AND OTHER RECEIVABLES

Taxes and other receivables consist of the following:

<i>(in thousands)</i>	December 31	
	2023	2022
Taxes receivable	\$ 343,424	\$ 339,641
Grants receivable	172,514	105,165
Interest receivable	30,420	6,670
Due from other governments	21,856	11,296
Accounts receivable, net	6,665	61,273
	\$ 574,879	\$ 524,045

Amounts due from other governments include amounts due from ORCA for fare revenues and reimbursable administration expenses (see also note 13) and amounts reimbursable under other interlocal agreements for operating expenses or capital contributions for transit facilities and betterments. Payment terms are generally defined in the various agreements with other governments and range from 21 to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified on the invoice, which is generally 30 days.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

5. CAPITAL ASSETS

Capital assets are summarized as follows:

(in thousands)	2023				
	Beginning balance restated	Additions	Disposals / reductions	Transfers / adjustments	2023 Ending balance
Non-depreciable assets					
Land	\$ 1,131,374	\$ 41,489	\$ (16,205)	\$ 11,279	\$ 1,167,937
Permanent easements	552,003	31,644	-	-	583,647
Capital projects in progress:					
Sound Transit - tangible	8,559,013	1,746,909	(183,062)	(1,340,454)	8,782,406
Sound Transit - intangible	17,461	18,983	(810)	(2,634)	33,000
Other governments - tangible	7,291	120,104	(129,341)	31,021	29,075
Total non-depreciable assets	10,267,142	1,959,129	(329,418)	(1,300,788)	10,596,065
Depreciable and amortizable assets					
Access rights	560,514	-	-	-	560,514
Buildings and leasehold improvements	199,605	43,552	(1,259)	(1,142)	240,756
Furniture, equipment and vehicles	35,445	5,310	(6)	447	41,196
Revenue vehicles	1,055,813	147,883	(4,102)	1	1,199,595
Software	45,984	9,213	(448)	(449)	54,300
Transit facilities, rail and heavy equipment	6,933,887	2,069,209	(113,985)	878	8,889,989
Right-to-use lease assets	144,926	-	(1,698)	-	143,228
Right-to-use SBITA assets	23,417	663	-	336	24,416
Total depreciable and amortizable assets	8,999,591	2,275,830	(121,498)	71	11,153,994
Accumulated depreciation and amortization					
Access rights	(274,535)	(12,902)	-	-	(287,437)
Buildings and leasehold improvements	(32,552)	(27,897)	457	(1)	(59,993)
Furniture, equipment and vehicles	(27,659)	(4,953)	1	(58)	(32,669)
Revenue vehicles	(423,238)	(48,159)	4,102	-	(467,295)
Software	(37,936)	(6,107)	-	63	(43,980)
Transit facilities, rail and heavy equipment	(1,279,470)	(251,387)	12,280	1	(1,518,576)
Right-to-use lease assets	(52,147)	(12,893)	1,697	-	(63,343)
Right-to-use SBITA assets	(3,723)	(3,812)	-	-	(7,535)
Total accumulated depreciation and amortization	(2,131,260)	(368,110)	18,537	5	(2,480,828)
Total depreciable assets, net	6,868,331	1,907,720	(102,961)	76	8,673,166
Total capital assets, net	\$17,135,473	\$ 3,866,849	\$ (432,379)	\$ (1,300,712)	\$19,269,231

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

(in thousands)	2022				
	Beginning balance as restated	Additions	Disposals / reductions	Transfers	2022 Ending balance
Non-depreciable assets					
Land	\$ 1,107,058	\$ -	\$ -	\$ 24,316	\$ 1,131,374
Permanent easements	550,063	-	-	1,940	552,003
Capital projects in progress:					
Sound Transit - tangible	7,198,131	1,733,484	(22,493)	(350,109)	8,559,013
Sound Transit - intangible	50,477	14,864	(7,184)	(40,696)	17,461
Other governments - tangible	2,010	20,057	(14,896)	120	7,291
Total non-depreciable assets	8,907,739	1,768,405	(44,573)	(364,429)	10,267,142
Depreciable and amortizable assets					
Access rights	555,536	4,978	-	-	560,514
Buildings and leasehold improvements	197,747	-	-	1,858	199,605
Furniture, equipment and vehicles	30,111	-	(292)	5,626	35,445
Revenue vehicles	909,842	-	(733)	146,704	1,055,813
Software	34,875	-	-	11,109	45,984
Transit facilities, rail and heavy equipment	6,732,619	-	-	201,268	6,933,887
Right-to-use lease assets	139,204	5,722	-	-	144,926
Right-to-use SBITA assets	21,974	1,443	-	-	23,417
Total depreciable and amortizable assets	8,621,908	12,143	(1,025)	366,565	8,999,591
Accumulated depreciation and amortization					
Access rights	(256,655)	(17,880)	-	-	(274,535)
Buildings and leasehold improvements	(26,950)	(5,602)	-	-	(32,552)
Furniture, equipment and vehicles	(23,435)	(4,292)	292	(224)	(27,659)
Revenue vehicles	(377,576)	(46,601)	733	206	(423,238)
Software	(34,399)	(3,246)	-	(291)	(37,936)
Transit facilities, rail and heavy equipment	(1,099,348)	(180,433)	-	311	(1,279,470)
Right-to-use lease assets	(38,759)	(13,400)	-	12	(52,147)
Right-to-use SBITA assets	-	(3,723)	-	-	(3,723)
Total accumulated depreciation and amortization	(1,857,122)	(275,177)	1,025	14	(2,131,260)
Total depreciable assets, net	6,764,786	(263,034)	-	366,579	6,868,331
Total capital assets, net	\$ 15,672,525	\$ 1,505,371	\$ (44,573)	\$ 2,150	\$ 17,135,473

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

6. LEASES

Sound Transit, as lessee, has entered into various leases for office space, parking, land, storage and equipment with lease terms expiring between 2024 and 2056, with some leases containing options to renew.

As lessor, Sound Transit has entered into leases for commercial space and land for use in transportation-oriented development. Sound Transit's activities as lessor are generally intended to be temporary and relate mainly to property held for a period of time between acquisition for right of way, and other system assets and facilities, through the completion of construction of the related assets and eventually disposition of surplus property.

Sound Transit adopted GASB Statement No. 87, *Leases*, in 2020 with a conversion date of January 1, 2019. In accordance with the adopted standard, the agency, as a lessee, is required to recognize intangible right-of-use assets and corresponding lease liabilities, and as a lessor, lease receivables and deferred inflows of resources, for all leases that are not considered short-term. Sound Transit has adopted the following policies to assist in determining lease treatment according to the standard (unless otherwise specified, the following policies pertain to agreements in which Sound Transit acts as lessee, and agreements in which Sound Transit acts as lessor):

Basis of lease classification – Leases that meet the following requirements will not be considered short-term: (1) the maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months, and (2) the monthly lease payment is greater than \$5 thousand.

Term – At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information regarding the likelihood of renewal. For extension periods without explicit rent payment amounts in the lease agreement, the agency included an increase of 3% to prior rent payment amounts on an annual basis.

Discount rate – Unless explicitly stated in the lease agreement, known by the agency, or the agency is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-of-use assets and liabilities in the case of agreements in which Sound Transit acts as lessee, or deferred inflow of resources and related lease receivable, in the case of agreements in which Sound Transit acts as lessor, will be the agency's tax exempt market borrowing rate for 30 year fixed terms at the end of each year, which will be the rate utilized for the next calendar year. The 30 year fixed tax exempt borrowing rate at December 31, 2022 was 4.24% and at December 31, 2021 was 3.06% and was used for applicable leases beginning in 2023 and 2022, respectively.

Prepaid lease payments – Prepaid lease payments related to leases wherein Sound Transit acts as lessee, are not included in right-of-use assets until such time as the lease term commences.

Variable payments – Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the years ended December 31, 2023 and 2022, all leases are based on fixed payments and do not have variable payment components.

Residual value guarantees – There were no residual guarantees included in the measurement of lease assets and liabilities, or deferred inflow of resources and lease receivables, for the years ended December 31, 2023 and 2022.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Lease related capital assets by major class of underlying assets consist of the following:

(In thousands)	2023						2023
	Beginning balance	Additions	Reductions	Transfers / adjustments			Ending balance
Right-of-use assets							
Office buildings	\$ 95,412	\$ -	\$ -	\$ -	-	\$ 95,412	
WSDOT land access rights (airspace leases)	35,552	-	-	-	-	35,552	
Land	5,543	-	(1,475)	-	-	4,068	
Warehouse space	6,968	-	(223)	-	-	6,745	
Equipment	1,451	-	-	-	-	1,451	
Total right-of-use assets	144,926	-	(1,698)	-	-	143,228	
Accumulated amortization							
Office buildings	(42,739)	(10,294)	-	-	-	(53,033)	
WSDOT land access rights (airspace leases)	(2,703)	(1,047)	-	-	-	(3,750)	
Land	(2,617)	(822)	1,474	-	-	(1,965)	
Warehouse space	(2,637)	(730)	223	-	-	(3,144)	
Equipment	(1,451)	-	-	-	-	(1,451)	
Total accumulated amortization	(52,147)	(12,893)	1,697	-	-	(63,343)	
Total right-of-use assets, net	92,779	(12,893)	(1)	-	-	79,885	

(in thousands)	2022					2022
	Beginning balance	Additions	Reductions	Transfers / adjustments		Ending balance
Right-of-use assets						
Office buildings	\$ 95,412	\$ -	\$ -	\$ -	-	\$ 95,412
WSDOT land access rights (airspace leases)	29,471	5,722	-	359	-	35,552
Land	5,902	-	-	(359)	-	5,543
Warehouse space	6,968	-	-	-	-	6,968
Equipment	1,451	-	-	-	-	1,451
Total right-of-use assets	139,204	5,722	-	-	-	144,926
Accumulated amortization						
Office buildings	(32,111)	(10,628)	-	-	-	(42,739)
WSDOT land access rights (airspace leases)	(1,678)	(1,037)	-	12	-	(2,703)
Land	(1,811)	(806)	-	-	-	(2,617)
Warehouse space	(1,907)	(730)	-	-	-	(2,637)
Equipment	(1,252)	(199)	-	-	-	(1,451)
Total accumulated amortization	(38,759)	(13,400)	-	12	-	(52,147)
Total right-of-use assets, net	100,445	(7,678)	-	12	-	92,779

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Other lease related assets consist of the following:

(in thousands)	December 31	
	2023	2022
Long-term prepaid lease payments	\$ 171,466	\$ 171,497
Lease-leaseback investment account asset	69,965	68,551
Lease receivables	<u>27,240</u>	<u>22,128</u>
	\$ 268,671	\$ 262,176

As lessee, the agency recognized \$12.9 million and \$13.4 million of lease related amortization expense in the years ended December 31, 2023 and 2022, respectively. The agency also recognized \$3.2 million and \$3.6 million of lease related interest expense in the years ended December 31, 2023 and 2022, respectively.

As lessor, the agency recognized \$1.5 million and \$1.2 million in lease related interest revenue in the years ended December 31, 2023 and 2022, respectively. The agency also recognized revenues from lease related deferred inflows of resources of \$0.3 million and \$0.2 million in the years ended December 31, 2023 and 2022, respectively.

Lease related obligations consist of the following:

(in thousands)	December 31	
	2023	2022
Lease liabilities	\$ 78,578	\$ 90,307
Lease-leaseback obligations	69,965	68,551
Accrued lease interest	2,931	2,160
Deposits held as lessor	315	445
Amounts due within one year	<u>(7,451)</u>	<u>(11,358)</u>
Total lease related obligations	\$ 144,338	\$ 150,105

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Minimum lease payments, excluding lease-leaseback obligations, through 2056 are as follows:

<i>(in thousands)</i>	Principal Payments	Interest Payments	Total Payments
Year ending December 31			
2024	\$ 5,004	\$ 2,870	\$ 7,874
2025	7,640	2,546	10,186
2026	7,204	2,272	9,476
2027	7,790	1,982	9,772
2028	8,137	1,673	9,810
2029-2033	19,132	4,708	23,840
2034-2038	1,760	3,489	5,249
2039-2043	7,012	2,655	9,667
2044-2048	5,726	1,739	7,465
2049-2053	4,004	1,033	5,037
2054-2056	5,169	412	5,581
	\$ 78,578	\$ 25,379	\$ 103,957

Lease-Leaseback— In May 2001, Sound Transit entered a transaction to lease 22 rail passenger cab and coach cars and 5 locomotives (the head lease) to an investor and simultaneously sublease the vehicles back from the investor (the sublease). Under these transactions, Sound Transit maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The current lease expires on September 17, 2040.

The vehicles had a fair market value of \$61.3 million with a book value of \$37.7 million at closing. Sound Transit received a prepayment equivalent to the net present value of the head lease obligations totaling \$61.3 million. From those proceeds, \$50.4 million was deposited with AIG-FP Special Finance Ltd. To partially meet Sound Transit's obligations under the sublease payments. In addition, \$5.7 million was deposited with AIG Matched Funding Corp. and invested in securities, issued or guaranteed by the United States government, to meet the remaining obligations under the sublease. The remaining \$4.9 million (net of closing costs of \$363 thousand) was retained by Sound Transit and recorded as non-operating revenues during the year ended December 31, 2001.

The net present value of the future sublease Payments has been recorded as a long-term lease obligation. The agreements have been structured to meet all future obligations under the sublease when due and, as such, the corresponding investment account has been recorded to equal the sublease obligations. As of December 31, 2023, and 2022, the fair value of the underlying securities was sufficient to satisfy the current required value as set forth in the related agreements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Net changes in the lease-leaseback sublease are shown in the following table:

<i>(in thousands)</i>	December 31	
	2023	2022
Net sublease, January 1	\$ 68,551	\$ 67,237
Accrued interest	5,131	5,032
Less payment	(3,718)	(3,718)
Net sublease, December 31	\$ 69,964	\$ 68,551

In late 2022, Sound Transit was informed that a party to the agreement, AIG Financial Products Corp., had declared bankruptcy. The bankrupt entity was previously subject to a waiver agreement and temporary waiver of delivery of required items letter with the Owner Participant, Lessor, Lender, and Debt Payment Undertaker. The role of the bankrupt entity in the transaction was to provide a financial guaranty of Sound Transit's obligations under the sublease. In February 2024, all parties to the transaction consented to AIG Matched Funding Corp. as substitute for AIG Financial Products Corporation. Future AIG credit ratings will no longer trigger technical defaults. No additional temporary standstill agreements will be required. Additionally, Sound Transit agreed to provide collateral in an amount equal to four million dollars as security for performance by the substituted party.

Sound Transit expects the lease to continue until expiration or such time that early termination is available and beneficial.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

7. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Sound Transit has entered into subscription-based information technology arrangements (SBITA) with providers for information technology services with terms expiring between 2024 and 2038. The agency adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* in 2023, with a conversion date of January 1, 2022. In accordance with the adopted standard, the agency is required to recognize intangible subscription assets and corresponding subscription liabilities. Upfront implementation fees are included as subscription assets, which are amortized over the estimated useful life of the respective agreement, as determined by the contract terms. Sound Transit has adopted the following policies to assist in determining SBITA treatment according to the standard:

Basis of SBITA classification – SBITAs that meet the following requirements will not be considered short-term: (1) the maximum possible contract term(s) is non-cancelable by both the agency and provider, and (2) the contract term is more than 12 months.

Term – At the time of software commencement or conversion, the term of the subscription will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. For extension periods without explicit payment amounts in the contract agreement, the agency included an increase of 3% to prior payment amounts on an annual basis.

Discount rate – Unless explicitly stated in the contract, known by the agency, or the agency is able to determine the rate implicit within the contract, the discount rate used to calculate subscription right-of-use assets and liabilities in the case of agreements in which Sound Transit acts as the subscriber, will be the agency's tax exempt market borrowing rate for 30 year fixed terms at the end of each year, which will be the rate utilized for the next calendar year. The 30 year fixed tax exempt borrowing rate at December 31, 2022 was 4.24 % was used for applicable subscriptions beginning in 2023 and 2022.

Variable payments – Variable payments based on the future performance of the subscriber or provider, or usage of the underlying asset are not included in the measurement of SBITA assets or liabilities.

Other payments – Other payments, such as termination penalties, are not included in the measurement of subscription liability. For the years ended December 31, 2023 and 2022, there were no other payments included in SBITA agreements.

As subscriber, the agency recognized \$3.8 million and \$3.7 million of subscription related amortization expense in the years ended December 31, 2023 and 2022, respectively. The agency also recognized \$0.7 million and \$0.8 million of subscription related interest expense in the years ended December 31, 2023 and 2022, respectively.

As a subscriber, the agency recognized \$0.4 million and \$0.3 million of variable subscription payments in the years ended December 31, 2023 and 2022, respectively.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Subscription related obligations consist of the following:

<i>(in thousands)</i>	December 31	
	2023	2022 (Restated)
Subscription liabilities	\$ 16,448	\$ 19,381
Subscription interest liabilities	285	429
Amounts due within one year	<u>(3,720)</u>	<u>(3,542)</u>
Total subscription related obligations	\$ 13,013	\$ 16,268

Minimum subscription payments, through 2038 are as follows:

Year ending December 31	Principal Payments	Interest Payments	Total Payments
2024	\$ 3,720	\$ 699	\$ 4,419
2025	1,366	549	1,915
2026	1,309	489	1,798
2027	1,359	413	1,772
2028	1,408	376	1,784
2029-2033	6,797	889	7,686
2033-2038	489	43	532
	\$ 16,448	\$ 3,458	\$ 19,906

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

<i>(in thousands)</i>	December 31	
	2023	2022 (Restated)
Accrued liabilities	\$ 187,949	\$ 198,889
Due to other governments	88,436	71,869
Accounts payable	37,506	39,685
Accrued salaries, wages and benefits	42,152	35,686
Retainage payable	<u>740</u>	<u>318</u>
	\$ 356,783	\$ 346,447

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

9. LONG-TERM DEBT

Sound Transit's long-term debt is comprised of four categories: Prior Bonds, Parity Bonds, Second Tier Junior Obligations borrowed pursuant to the Transportation Infrastructure Finance and Innovation Act (TIFIA Loans) and Railroad Rehabilitation and Improvement Financing (RRIF loans). All bond issuances and borrowings are considered public debt. Prior Bonds have first claim upon the local option taxes of sales and use, rental car, and MVET. Parity Bonds are subordinate to the Prior Bonds and also have claim upon the local option taxes of sales and use, rental car, and MVET. TIFIA Loans and RIFF loan are subordinate to both Prior Bonds and Parity Bonds and have claim on the local option taxes of sales and use, rental car, and MVET, as well. Proceeds from bond issues are used for funding Sound Transit's capital program or refunding prior bond issues. As of December 31, 2023 and 2022, Sound Transit had no direct borrowings.

As of December 31, 2023 and 2022, total outstanding long-term debt is as follows:

<i>(in thousands)</i>	2023	2022
Long-term debt		
Bonds payable		
Prior bonds	\$ 199,805	\$ 234,730
Parity bonds	1,614,400	1,716,480
Premium	198,287	220,312
Discount	<u>(551)</u>	<u>(821)</u>
Total bonds payable	2,011,941	2,170,701
TIFIA Loans	1,697,577	702,931
Total debt	3,709,518	2,873,632
Amounts due within one year	<u>(77,870)</u>	<u>(62,005)</u>
Total long-term debt	<u>\$ 3,631,648</u>	<u>\$ 2,811,627</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

As of December 31, 2023 and 2022, additional information for Prior and Parity debt from the table above is as follows:

(in thousands)	2023	2022
Series 1999, with interest paid semiannually at rates ranging from 4.75% to 5.25% and principal payments beginning February 1, 2006 through February 1, 2028.	\$ 154,080	\$ 180,830
Series 2009P-2T, with interest paid semiannually at rates ranging from 4.85% to 5.15% and principal payments beginning February 1, 2020 through February 1, 2028.	45,725	53,900
Series 2009S-2T, with interest paid semiannually at rate of 5.49% and principal payments beginning November 1, 2029 through February 1, 2039.	300,000	300,000
Series 2015S-1, with interest paid semiannually at rates ranging from 4.00% to 5.00% and principal payments beginning November 1, 2018 through November 1, 2025.	22,185	22,185
Series 2015S-2A, with interest paid semiannually at variable rates and principal payments beginning November 1, 2041 through November 1, 2045.	75,000	75,000
Series 2015S-2B, with interest paid semiannually at variable rates and principal payments beginning November 1, 2041 through November 1, 2045. This bond issuance was paid in full in November 2023.	-	75,000
Series 2016S-1, with interest paid semiannually at rate of 5.00% and principal payments beginning November 1, 2021 through November 1, 2046.	375,330	383,960
Series 2021S-1, with interest paid semiannually at rates ranging from 2.60% to 5.00% and principal payments beginning November 1, 2022 through November 1, 2050.	841,885	860,335
Total bonds payable	<u>\$ 1,814,205</u>	<u>\$ 1,951,210</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Bonds Payable (Prior and Parity)

(in thousands)	2023			2023		Amounts due within one year	
	Beginning balance	Additions	Reductions	Ending balance			
Bonds payable							
Series 1999	\$ 180,830	\$ -	\$ (26,750)	\$ 154,080	\$ 28,025		
Series 2009P-2T	53,900	-	(8,175)	45,725	8,470		
Series 2009S-2T	300,000	-	-	300,000	-		
Series 2015S-1	22,185	-	-	22,185	11,435		
Series 2015S-2A	75,000	-	-	75,000	-		
Series 2015S-2B	75,000	-	(75,000)	-	-		
Series 2016S-1	383,960	-	(8,630)	375,330	9,060		
Series 2021S-1	860,335	-	(18,450)	841,885	20,880		
	1,951,210	-	(137,005)	1,814,205	77,870		
Plus unamortized premium	220,312	-	(22,025)	198,287			
Less unamortized discount	(821)	-	270	(551)			
Total bonds payable	\$ 2,170,701	\$ -	\$ (158,760)	\$ 2,011,941	\$ 77,870		

(in thousands)	2022			2022		Amounts due within one year	
	Beginning balance	Additions	Reductions	Ending balance			
Bonds payable							
Series 1999	\$ 206,365	\$ -	\$ (25,535)	\$ 180,830	\$ 26,750		
Series 2009P-2T	61,790	-	(7,890)	53,900	8,175		
Series 2009S-2T	300,000	-	-	300,000	-		
Series 2012S-1	7,440	-	(7,440)	-	-		
Series 2015S-1	22,185	-	-	22,185	-		
Series 2015S-2A	75,000	-	-	75,000	-		
Series 2015S-2B	75,000	-	-	75,000	-		
Series 2016S-1	392,175	-	(8,215)	383,960	8,630		
Series 2021S-1	869,360	-	(9,025)	860,335	18,450		
	2,009,315	-	(58,105)	1,951,210	62,005		
Plus unamortized premium	242,956	-	(22,644)	220,312			
Less unamortized discount	(1,142)	-	321	(821)			
Total bonds payable	\$ 2,251,129	\$ -	\$ (80,428)	\$ 2,170,701	\$ 62,005		

The agency previously partially defeased \$767.8 million in par value of the 2015S-1 series bonds with cash on hand. There remains \$22.2 million of outstanding debt associated with this issuance at December 31, 2023.

Excluding unamortized premium and discount, Sound Transit had a total of \$1,814.2 million Prior and Parity Bonds outstanding at December 31, 2023, compared to \$1,951.2 million at December 31, 2022. A

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

total of \$137.0 million and \$58.1 million of principal payments were made in 2023 and 2022, respectively.

Sound Transit maintains certain minimum deposit accounts pursuant to Sound Transit Board resolutions, the Prior Master Bond Resolution and the Parity Master Bond Resolution, to meet debt service requirements. A Prior Bond Account and a Parity Bond Account are funded with monthly deposits so that the balance will be sufficient to pay the interest, or principal and interest, next coming due on the bonds (see also note 3).

The following tables set forth average coupon and effective rates, rating agency information, principal payment commencement dates, fair value and minimum deposits currently restricted for debt service related to bonds.

Prior Bonds— Debt service requirements for Prior Bonds are payable in February and August of each year and are secured by local option taxes.

(in millions)		Average rate		Ratings		Principal	Fair value*		Principal and interest restricted	
	Issue date	Coupon		Moody's	S&P	Payment begins	2023	2022	2023	2022
Series 1999	Dec 1, 1998	4.75 - 5.25%		Aaa	AAA	Feb 1, 2006	\$154.3	\$206.7	\$31.2	\$ 30.3
Series 2009P-2T	Sep 29, 2009	4.85 - 5.15%		Aaa	AAA	Feb 1, 2020	46.4	62.0	9.5	9.3

* Estimated using quoted market prices

Sound Transit is also required, by covenant, to maintain a common debt service reserve account for all Prior Bonds. The common debt service reserve requirement for these bonds is met by a surety policy in the amount of \$31.7 million purchased in 1999, a \$7.9 million cash reserve, funded at the time the 2009P-2T bonds were issued (see also note 3). Sound Transit is required to value, at market, the investments held in debt service reserve accounts annually and to make up any deficiency within six months after the date of the valuation. As of December 31, 2023, and 2022, the market value of the Prior debt service reserve exceeded the required reserve amount. Reserve account proceeds are invested in municipal and US agency bonds.

Additionally, Sound Transit has created a Bond Account to pay and secure the payment of the bonds. The Bond Account is pledged to the payment of bonds and is a trust account for the owners of the bonds. For as long as any bonds remain outstanding, the agency has pledged to pay into the Bond Account from local option taxes: (i) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on outstanding bonds; and (ii) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal for bonds.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Parity Bonds— Debt service requirements for Parity Bonds are payable in May and November each year and are secured by local option taxes.

(in millions)										
Issue date	Coupon	Average Rate		Ratings		Principal Payment begins	Fair value*		Principal and interest restricted	
		Moody's	S&P				2023	2022	2023	2022
Series 2009S-2T	Sep 29, 2009	5.49%	Aa1	AAA	Nov 1, 2029	\$ 324.0	\$ 310.9	\$ 2.7	\$ 2.7	
Series 2015S-1	Sep 10, 2015	4.00 - 5.00%	Aa1	AAA	Nov 1, 2018	22.9	23.3	11.5	0.2	
Series 2015S-2A	Sep 10, 2015	Var	Aa1	AAA	Nov 1, 2041	75.8	147.9	0.2	0.2	
Series 2015S-2B	Sep 10, 2015	Var	Aa1	AAA	Nov 1, 2041	-	-	0.2	0.2	
Series 2016S-1	Dec 19, 2016	5.00%	Aa1	AAA	Nov 1, 2021	400.1	411.1	12.3	11.8	
Series 2021S-1	Nov 04, 2021	2.60 - 5.00%	Aa1	AAA	Nov 1, 2022	882.4	889.6	27.1	24.7	

* Estimated using quoted market prices

There are no externally imposed legal or contractual obligations requiring Sound Transit to establish a reserve account for Parity Bonds.

Sound Transit makes monthly deposits into a Parity Bond Account from pledged taxes so that the balance therein will be sufficient to pay: (i) the interest, or principal and interest, next coming due on the Parity Bonds and (ii) regularly scheduled payments under Parity Payment Agreements.

Long-term Bond Requirements

Long-term bond requirements are displayed in the table below:

(in thousands)		Year ending December 31	Principal	Interest *	Total
2024			\$ 77,870	\$ 84,512	\$ 162,382
2025			81,875	80,632	162,507
2026			85,775	76,566	162,341
2027			89,880	72,297	162,177
2028			85,915	67,824	153,739
2029-2033			335,225	292,394	627,619
2034-2038			391,155	209,278	600,433
2039-2043			339,580	100,718	440,298
2044-2048			269,735	32,718	302,453
2049-2053			57,195	2,239	59,434
			<u>\$ 1,814,205</u>	<u>\$ 1,019,178</u>	<u>\$ 2,833,383</u>

* Does not deduct 35% Build America Bonds subsidy on the interest payments.

The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) program, which authorized state and local governments to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt municipal bonds. Issuers receive a direct federal subsidy payment for a portion of their borrowing costs paid to investors of BABs. The direct federal subsidy, once earned, is considered a non-exchange transaction, separate from the interest payments made, and is recorded in other non-operating revenue when Sound Transit makes its interest payment. Sound Transit received subsidies of \$6.7 million and \$5.9 million, in 2023 and 2022, respectively. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Second Tier Junior Obligations (TIFIA Loans and RRIF Loan)

TIFIA and RRIF loans are second tier junior obligations and as such, are subordinate to both the Parity and Prior bonds. The TIFIA and RRIF loans are governed by individual credit agreements, the details of which are presented below.

(in thousands)	Year executed or refinanced	Credit line	Interest rate	Final maturity	Drawn amount	Interest	2023 Ending balance
TIFIA loans							
East Link Extension	2021	\$1,330,000	1.91%	2058	\$ 994,646	\$ 7,248	\$ 1,001,894
Northgate Link Extension	2021	615,300	1.91%	2056	615,267	1,959	617,226
OMFE	2021	87,700	1.91%	2055	87,664	279	87,943
Lynnwood Link Extension	2021	657,900	1.91%	2059	-	-	-
Federal Way Link Extension	2021	629,500	1.91%	2059	-	-	-
Downtown Redmond Link Extension	2021	521,000	1.91%	2059	-	-	-
NE 130th Street Infill Station	2023	79,251	3.79%	2061	-	-	-
Hilltop Tacoma Link Extension	2023	93,306	3.79%	2058	-	-	-
Total TIFIA loans		<u>\$4,013,957</u>			<u>\$1,697,577</u>	<u>\$ 9,486</u>	<u>\$ 1,707,063</u>

(in thousands)	Year executed or refinanced	Credit line	Interest rate	Final maturity	Drawn amount	Interest	2023 Ending balance
RRIF loan							
South Sounder Station Parking	2023	154,153	3.79%	2061	-	-	-
Total RRIF loan		<u>\$ 154,153</u>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth TIFIA loan activity for the years ended December 31, 2023 and 2022:

(in thousands)	2023			2023 Ending balance
	Beginning balance	Additions	Reductions	
TIFIA loans				
East Link Extension	\$ -	\$ 994,646	\$ -	\$ 994,646
Northgate Link Extension	615,267	-	-	615,267
OMFE	87,664	-	-	87,664
Total TIFIA loans	<u>\$ 702,931</u>	<u>\$ 994,646</u>	<u>\$ -</u>	<u>\$ 1,697,577</u>

(in thousands)	2022			2022 Ending balance
	Beginning balance	Additions	Reductions	
TIFIA loans				
Northgate Link Extension	\$ -	\$ 615,267	\$ -	\$ 615,267
OMFE	87,664	-	-	87,664
Total TIFIA loans	<u>\$ 87,664</u>	<u>\$ 615,267</u>	<u>\$ -</u>	<u>\$ 702,931</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

In May 2023, Sound Transit executed new individual TIFIA loan agreements related to NE 130th Street Infill Station and Hilltop Tacoma Link Extension. These agreements have a fixed rate of 3.79% and final maturity range from 2058 to 2061. As of December 31, 2023, there have been no borrowings on this loan.

In May 2023, Sound Transit executed a RIFF loan agreement related to South Sounder Station Parking. This agreement has a fixed rate of 3.79% and final maturity in 2061. As of December 31, 2023, there have been no borrowing on this loan.

In August 2023, Sound Transit borrowed \$944.6 million under the East Link agreement. Each agreement obligates Sound Transit to make interest-only payments for five years. After five years, Sound Transit will make semi-annual principal payments plus interest on the outstanding balance as outlined in each of the individual loan amortization schedules. From 2040 through final maturity, principal and interest are payable in equal semi-annual installments. The final maturity of the loans range from 2055 to 2058. The principal of each TIFIA loan may be prepaid without penalty at any time.

As of December 31, 2023, the agency had outstanding TIFIA loans with principal balances of \$1,697.6 million and accrued interest of \$9.5 million. Principal and interest on the loans is payable semi-annually in May and November of each year-in accordance with the executed loan agreements.

TIFIA Requirements

Long-term TIFIA requirements are displayed in the table below:

(in thousands)	Principal	Interest *	Total
Year ending December 31			
2024	\$ -	\$ 36,664	\$ 36,664
2025	500	32,951	33,451
2026	3,500	33,321	36,821
2027	6,000	33,612	39,612
2028	6,000	33,896	39,896
2029-2033	70,000	166,854	236,854
2034-2038	80,000	159,366	239,366
2039-2043	325,101	143,668	468,769
2044-2048	420,934	106,333	527,267
2049-2053	462,918	64,349	527,267
2054-2058	322,624	19,679	342,303
	\$ 1,697,577	\$ 830,693	\$ 2,528,270

* Includes compound interest to East Link.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

10. OTHER LONG-TERM OBLIGATIONS

Other long-term obligations include provisions for asset retirement obligations, uninsured losses related to Sound Transit's risk management program, employee compensated absences and deferred compensation as follows:

(in thousands)	Additions, accretion and changes in estimates			2023 Ending balance	Amounts due within one year *	Total other long-term obligations
	2023 Beginning balance	Reductions				
Asset retirement obligations	\$ 4,797	\$ -	\$ (158)	\$ 4,639	\$ -	\$ 4,639
Uninsured losses	2,739	114	(114)	2,739	761	1,977
Compensated absences	32,023	10,724	(5,339)	37,408	30,854	6,554
Total other long-term obligations	\$ 39,559	\$ 10,838	\$ (5,611)	\$ 44,786	\$ 31,615	\$ 13,170

(in thousands)	Additions, accretion and changes in estimates			2022 Ending balance	Amounts due within one year *	Total other long-term obligations
	2022 Beginning balance	Reductions				
Asset retirement obligations	\$ 4,544	\$ 253	\$ -	\$ 4,797	\$ -	\$ 4,797
Uninsured losses	2,739	26	(26)	2,739	761	1,978
Compensated absences	20,264	17,714	(5,955)	32,023	25,183	6,840
Total other long-term obligations	\$ 27,547	\$ 17,993	\$ (5,981)	\$ 39,559	\$ 25,944	\$ 13,615

* Amounts due within one year are included in current liabilities under the line items Accounts payable and accrued liabilities, and Other claims and short-term obligations.

Asset Retirement Obligations (ARO) — In the course of entering into agreements with other governments and rail providers to construct Sound Transit's capital assets, certain agreements contain clauses that impose a legal burden on Sound Transit to remove all or a portion of those constructed assets at the termination of those agreements. The ARO liability is measured based on estimated costs to fulfill Sound Transit's ARO developed by internal resources with in-depth knowledge of construction and demolition costs and adjusted annually for inflation. The corresponding deferred outflow of resources is amortized over the estimated remaining useful lives of the associated tangible capital assets and ranges from 38 to 48 years. There are no assets required to be restricted for the payment of these liabilities nor is there any legally required funding or assurance provisions associated with the AROs.

Risk Management — In the ordinary course of planning, building and operating its regional transit systems and services, Sound Transit is exposed to various types of risks and exposures of loss including: torts; theft of, damage to and destruction of assets; errors and omissions; job related injuries to persons; natural disasters; and environmental occurrences.

Sound Transit has established a comprehensive risk management and insurance program to mitigate the potential for loss and for the administration of claims through a combination of commercial insurance and coverage under partner agency operating agreements. Sound Transit's agency operations and rail operations insurance policies are written on an occurrence or claims made basis, with a specific deductible or self-insured retention, renewing annually. Agency operation policies renew on May 1st and

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

rail operation policies renew on November 1st. Worker's compensation is insured through the state of Washington.

For certain larger capital projects, Sound Transit utilizes Owner Controlled Insurance Programs (OCIP's) to address general liability, builders risk and contractors' pollution liability claims related to project construction carried out by Sound Transit's third party contractors, as well as professional liability and completed operations coverage. While Sound Transit is directly responsible for payment of deductibles to the insurers, it has further transferred its risk of loss through its construction contracts, requiring contractors covered by these programs to be responsible for 100% of the deductible on general liability and pollution liability claims (\$100 thousand and \$250 thousand respectively) and the first \$250 thousand of any builders risk loss.

Self-insured liabilities are recorded when probable that a loss has occurred and the amount can be reasonably estimated and includes estimates for claims that have been incurred but not yet reported. As actual liabilities depend on a number of complex factors the process used in estimating the claims liability does not necessarily result in an exact amount. Every five years, Sound Transit engages an actuary to prepare an independent actuarial analysis and to prepare an actuarial report in order to estimate its total insurance claim exposure under all of its insurance and risk management programs. The insurance claim amount estimated to be paid within the next year is included in other claims and short-term obligations.

Compensated Balances — Amounts estimated to be paid within the next year are included in accounts payable and accrued liabilities.

11. RESTRICTED NET POSITION

Restricted net position consists of the following:

(in thousands)	2023	2022
Debt service	\$ 76,764	\$ 68,149
Contractual arrangements	30,852	28,126
	\$ 107,616	\$ 96,275

12. EMPLOYEE BENEFITS

Sound Transit provides a defined contribution money purchase plan and trust (401(a) Plan) to its employees. Empower Retirement is the plan's administrator and trustee. This plan is a fixed employer system, and membership in the system includes all full time Sound Transit employees. The vesting schedule of the plan is 20% immediately upon employment, 40% after one year of service, 60% after two years, 80% after three years and 100% after four years. Employees are responsible for directing the investment of their contributions and Sound Transit's contributions.

Eligible employees are required to participate in the plan on the first day of employment. The amount of covered payroll during 2023 and 2022 was \$171.8 million and \$144.9 million, respectively, and total payroll was \$176.8 million and \$146.3 million, respectively. The required contribution rates, expressed as a percentage of covered payroll, and required Sound Transit contributions during 2023 and 2022 were as follows:

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Notes to Financial Statements, continued

	Contribution rate		Contributions			
			(in thousands)			
	2023	2022	2023	2022	\$	\$
Employer	12%	12%	\$ 20,614	\$ 17,392		
Employee	10	10	17,178	14,494		
Total	22%	22%	\$ 37,792	\$ 31,886		

13. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

In the ordinary course of its operations, Sound Transit enters into a number of agreements with other governmental and quasi-governmental agencies, including: the operation and maintenance of buses and trains that it has purchased; right of way access and use; planning, building and operation of its facilities; and collection of its taxes. With the exception of Tacoma Link light rail, all services are operated by partner agencies. A summary of significant agreements follows:

ST Express— Agreements have been entered into with King County Metro, Community Transit and Pierce Transit for the operations and maintenance of bus service, covering vehicle maintenance, operations, coordination of service planning, revenue processing, customer service, personnel and performance standards, and information and compliance reporting. The agreements set forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as fuel and other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15th for the upcoming year and are reconciled to actual incurred costs by no later than March 31st of the year following. The current agreements with Community Transit and Pierce Transit are for 4 years, expiring December 31, 2025. The current agreement with King County is for 5 years, expiring December 31, 2024.

Link Light Rail— Sound Transit contracts with King County Metro for the operation and maintenance of its light rail service, operating between the Angle Lake and the Northgate stations. The agreement sets forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15th for the upcoming year and are reconciled to actual incurred costs by no later than March 31st of the year following. The current agreement with King County is for 2 years, expiring December 31, 2025.

Sound Transit has also entered into the following agreements related to light rail or station operations:

Downtown Seattle Transit Tunnel (DSTT) Agreement— This agreement with King County and City of Seattle previously provided for cost sharing with regard to the maintenance and operation in the DSTT in exchange for the right to use the tunnel for light rail operations. In April 2023, King County transferred ownership of the DSTT to Sound Transit, which wholly transfers maintenance and operations to the agency.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Light Rail Agreements— Sound Transit has entered into a variety of agreements to secure the permanent right to operate light rail in the right of way (under, upon and over streets and property) owned by various municipalities and other entities throughout the region. The cost of public right of way improvements have been capitalized to rail access rights and include those costs necessary to operate light rail service, such as costs to acquire real property and relocate existing residents and businesses, as well as certain improvements to the right of way required under those agreements.

Sounder— Agreements have been entered into with BNSF for the operation of Sounder commuter rail service and with Amtrak for operation and maintenance of the locomotives, cab and coach cars (rolling stock). Service between Everett and Seattle and Seattle and Tacoma is on rail right of way owned and operated by BNSF.

South Line— Service between Seattle and Lakewood is provided by BNSF under a 40-year service agreement that expires in 2040. The agreement establishes the compensation paid to BNSF for train crews, maintenance of way and other expenses incurred in the operation of the Sounder Service and is based on actual cost of crew, dispatch and management, as well as cost for performance incentives. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Tacoma corridor.

North Line— BNSF operates daily commuter rail between Seattle and Everett for Sound Transit under a service agreement. The service agreement expires in December 2030. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Everett corridor.

Rolling Stock— In 2000, Sound Transit leased the initial portion of its rolling stock to Amtrak for \$1. Under the agreement, Amtrak is obligated to repair, maintain and service the rolling stock at Amtrak's maintenance facility in return for payment by Sound Transit. By separate agreement, Amtrak subleased this rolling stock to BNSF for operation of Sounder Service. Both lease agreements are for a 40-year term, expiring in 2040.

Maintenance Service Agreement— In 2016 Sound Transit entered into an amended agreement with Amtrak, under which Sound Transit pays a flat monthly fixed price dependent upon the number of one-way trips and train sets in operation for a baseline set of operating assumptions. A negotiated rate is also established for additional service above the baseline operating plan. This agreement is renewed from time to time.

First Hill Streetcar—In October 2010, Sound Transit agreed to fully fund \$132.8 million of the costs necessary to design, construct and operate the First Hill Streetcar that was established in the November 2009 Funding and Cooperative Agreement, of which \$5.0 million is payable annually through 2023 for annual operations and maintenance expenses. The City of Seattle owns and operates the First Hill Streetcar facilities and vehicles.

Land Bank Agreement— Sound Transit entered into an agreement called the Land Bank Agreement with WSDOT in July 2000 which was restated in December 2003. The purpose of the agreement is to establish a framework within which WSDOT can, from time to time, convey portions of WSDOT property through lease or sale to Sound Transit for non-highway use in consideration for Sound Transit's funding of highway purpose improvements. In August 2010, as part of the Umbrella Agreement with WSDOT to

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

complete the R8A Project, the land bank agreement was extended to 2080. Sound Transit will continue to earn land bank credits for constructing projects containing highway improvements and use credits on projects that are located within the public highway right of way through July 2080.

Sound Transit has light rail guideways located on WSDOT property governed under multiple 20-year and 40-year airspace leases issued under the Land Bank Agreement. These airspace leases have options to renew for an additional 20 to 35 years. Should Sound Transit and WSDOT not enter into a new agreement at the end of the leases, property interests revert to WSDOT. At December 31, 2023, the value of the unused land bank credits that have not been conveyed by WSDOT to Sound Transit was \$68.1 million. This value is not recorded in the financial statements as there is not sufficient certainty that the credit will be utilized.

The following table provides information on additions to and uses of credits accruing to the benefit of Sound Transit in 2023 and 2022:

(in millions)	2023	2022
Balance in Land Bank, beginning of year	\$ 90.9	\$ 82.4
Additions:		
Northgate	-	2.7
East Link	2.6	8.9
BusRapid Transit Improvements	7.3	-
Draws:		
Temporary Construction Airspace Lease (TCAL):		
Downtown Redmond Link	(1.8)	(3.1)
I-90 Two-Way Transit & HOV	(30.9)	-
Balance in Land Bank, end of year	\$ 68.1	\$ 90.9

Amended and Restated Agreement for Regional Fare Coordination System (One Regional Card for All, ORCA)— In April 2009, Sound Transit entered into an amended agreement to operate and maintain ORCA, a system that establishes a common, non-cash fare system throughout seven participating transit agencies' service areas and commits the agencies to using ORCA for a minimum of ten years. In June 2019, Sound Transit entered into an agreement to plan and implement activities necessary to transition the legacy ORCA system, as established in 2009, to the next generation ORCA system, and agreed with the other parties, to keep the 2009 amended agreement in place until termination of the legacy ORCA vendor contract. In May 2022, the existing ORCA system was transitioned to the next generation system. Each agency shares in operating and maintaining ORCA in accordance with the agreement. Sound Transit's proportionate share of ORCA operating and maintenance costs were 23.9% and 27.5% in 2023 and 2022, respectively.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Sound Transit's proportionate share of ORCA's assets, liabilities, revenues and expenses are presented in these financial statements as follows (2022 based on preliminary information available at year end):

(in thousands)	December 31	
	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 21,831	\$ 18,452
Accounts receivable	<u>11,864</u>	<u>8,568</u>
Total assets	33,695	27,020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	14,217	11,441
Unearned revenue	<u>19,478</u>	<u>15,579</u>
Total liabilities	33,695	27,020
Net position	\$ -	\$ -
Total operating revenues	\$ 52,501	\$ 44,305
Total expenses	\$ 2,766	\$ 4,022

Purchases— At December 31, 2023 and 2022, Sound Transit had outstanding construction commitments of approximately \$2.1 billion and \$2.5 billion, respectively.

Grants— Sound Transit participates in several federal, state and local grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Sound Transit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2023 and 2022 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to noncompliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Claims— In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to contractual matters. Although the ultimate outcome, if any, of these matters is presently unknown, management has evaluated all claims and potential claims and, where that exposure is probable and estimable, has reflected in the accounts of Sound Transit its best estimate of the exposure.