



Financial Statements  
September 30, 2023

# Valley Regional Transit

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## Independent Auditor's Report

To the Board of Directors  
Valley Regional Transit  
Meridian, Idaho

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the business-type activities of Valley Regional Transit (VRT) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise VRT'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 respective financial position of VRT as of September 30, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, VRT has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended September 30, 2023. There was no restatement of beginning net position as of October 01, 2022. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of 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 VRT's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 VRT'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 VRT'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, schedule of employer's share of net pension liability (asset) and employer contributions 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise VRT's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024 on our consideration of the VRT'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 VRT'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 VRT's internal control over financial reporting and compliance.



Boise, Idaho  
February 7, 2024

The following provides the readers of Valley Regional Transit's (VRT) financial statements with a narrative overview and analysis of the financial activities of VRT for the fiscal year ended September 30, 2023 (Fiscal Year 2022).

### **Financial Highlights**

- The assets and deferred outflows of financial resources of VRT exceeded its liabilities and deferred inflows of financial resources at September 30, 2023, by \$37,301,446.
- Compared to fiscal year 2022, in fiscal year 2023, total net position of VRT decreased by \$735,835 while the net investment in capital assets portion of net position increased by \$584,301. Unrestricted net position decreased by \$1,320,136.
- The implementation of Governmental Accounting Standards Board (GASB) 96, *Subscription Based Information Technology Arrangements (SBITAs)*, added \$544,839 of assets to the statement of net position. This addition represents subscription arrangements, greater than one year in length that VRT is liable for, and is receiving benefit from.

### **Overview of the Financial Statements**

The discussion and analysis related to the overview of the financial statements is intended to serve as an introduction to Valley Regional Transit's basic financial statements and is designed to provide readers with a broad overview of VRT's finances in a manner similar to a private-sector business. The following describes each of the statements and their use:

- *Statement of Net Position* presents information on the assets, deferred outflow of resources, liabilities and deferred inflow of resources; with the resultant net difference being reported as net position. Analyzing increases and decreases in net position is one way to measure VRT's overall financial position and may serve as an indicator of whether the financial position of the organization is improving or deteriorating.
- *Statement of Revenues, Expenses, and Change in Net Position* shows how VRT's net position changed during the year. VRT is structured as a single enterprise fund established to operate in a manner similar to private business enterprises where our intent is to provide services to our ridership on a continuing basis in part through user fees. VRT's accounting system functions and reports on an accrual basis of accounting. Accrual accounting dictates that revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Additionally, all changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows.

The notes to the financial statements provide additional information that is helpful when analyzing the data provided in the basic financial statements.

**Financial Analysis**

**Statement of Net Position**

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. As of September 30, 2023, the net position of Valley Regional Transit was \$37,301,446.

	2023	2022*
Assets		
Current assets	\$ 5,663,852	\$ 6,402,803
Capital assets	35,802,488	35,234,045
Right to use leased assets	5,120,755	4,087,850
Subscription IT assets	525,008	-
Total assets	47,112,103	45,724,698
Deferred outflow of resources	918,875	1,267,385
Total assets and deferred outflow of resources	\$ 48,030,978	\$ 46,992,083
Liabilities		
Current liabilities	\$ 3,106,797	\$ 2,544,303
Long-term liabilities	7,622,735	6,400,630
Total liabilities	10,729,532	8,944,933
Deferred inflow of resources	-	9,869
Total liabilities and deferred inflow of resources	10,729,532	8,954,802
Net position		
Net investment in capital assets	35,716,596	35,132,295
Restricted	-	-
Unrestricted	1,584,850	2,904,986
Total net position	37,301,446	38,037,281
Total liabilities and deferred inflow of resources	\$ 48,030,978	\$ 46,992,083

\*Prior year balances have not been restated for the implementation of GASB Statement No. 96, *SBITAs*.

Current asset balances were \$738,951 lower in FY 2023 as compared to the prior fiscal year, primarily attributable to the decrease in cash of \$1,311,708, offset by a slight increase in federal receivables of \$323,504. This was due to a decrease in the COVID-19 resources that were received from the U.S. Department of Transportation as that funding source is sunsetting.

The balance of current liabilities was \$1,784,599 higher in fiscal year 2023, as compared to the prior fiscal year. Total working capital (current assets, less current liabilities) decreased by \$1,301,445 from 2022 to 2023. VRT working capital was \$2,557,055 at the end of fiscal year 2023.

By far, the largest portion of VRT's net position reflects the regional transportation authority's net investment in capital assets. All capital assets are used by VRT in the provision of regional public transportation services and are utilized in the capacity as intended and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. VRT's net capital assets are further restricted. Any liquidation occurring prior to the end of the asset's useful life must have the corresponding federal assistance repaid to the Federal Transit Administration (FTA).

Capital assets, right to use leased assets, and right to use subscription IT assets increased by a net amount \$2,126,356 after taking into consideration additions related to GASB 96, increases in depreciation/amortization, and certain vehicle and equipment disposals at September 30, 2023.

VRT's depreciation schedule is compliant with FTA regulations and is an unfunded expense.

Unrestricted net position, which represents assets that may be used to meet on going obligations to VRT's ridership and creditors, was in a surplus position of \$1,584,850 at the end of the fiscal year. Unrestricted net position decreased by \$1,320,136, as compared to the prior fiscal year.

### **Statement of Revenues, Expenses, and Change in Net Position**

Operating as a single enterprise fund, Valley Regional Transit's financial structure is similar to a private business enterprise with the exception of unique revenue and expense reporting categories which are dictated by the FTA. All recipients of federal assistance are required to conform to standardized revenue and expense classifications for the purpose of reporting on specific federal grant assistance programs.

Valley Regional Transit receives federal operating and capital assistance through the FTA Section 5307 Urbanized Area Formula Program and the FTA Section 5339 Capital Program for both the Boise Transportation Management Area (TMA) and the Nampa Urbanized Area (UZA). VRT also receives funding from Federal Section 5310 (Enhanced Mobility for Seniors and Individuals with Disabilities) Program. While Valley Regional Transit is the designated recipient of federal funds for both the Boise TMA and Nampa UZA, each area is operated and funded independently.

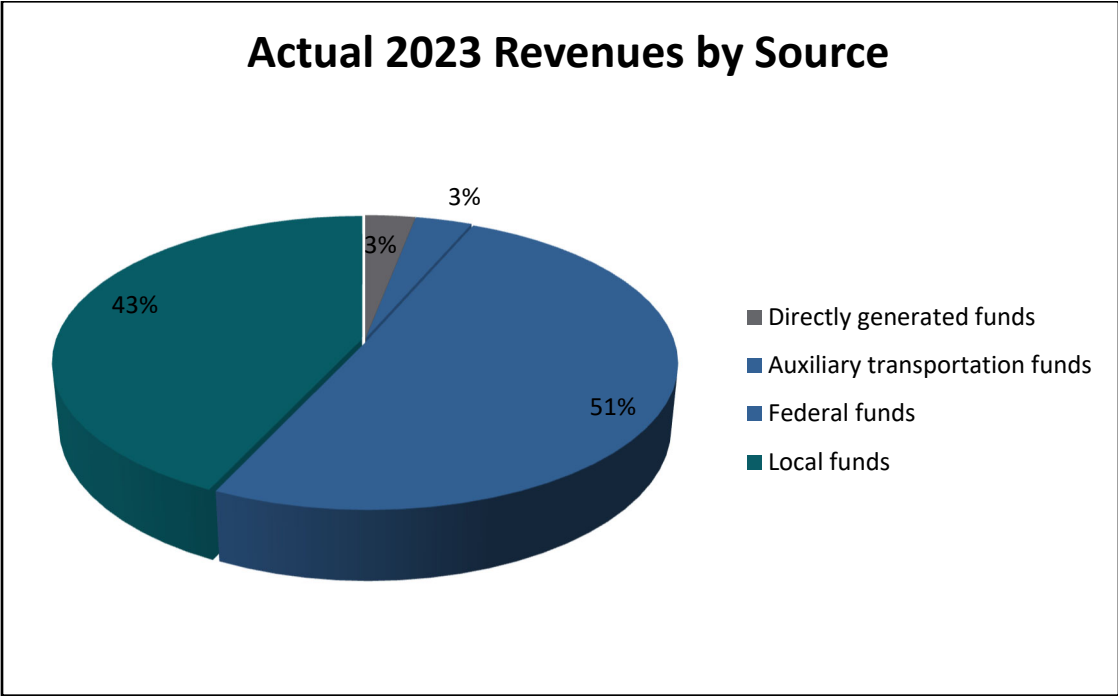
Local revenues are contributions made by each of the members of VRT to support regional management, minor capital, local match for special projects, as well as service contributions which are intended to fund the operating expenses of the various VRT programs, depending upon the services a member receives.

	<u>2023</u>	<u>2022*</u>
Revenues		
Directly generated funds	\$ 807,578	\$ 796,650
Auxiliary transportation funds	914,373	882,410
Non-transportation funds	107,108	133,720
Federal funds	13,415,599	15,754,273
Local funds	11,411,567	10,583,458
Contributed capital	308,480	-
Net gain on sale of capital assets	13,355	26,878
	<u>26,978,060</u>	<u>28,177,389</u>
Expenses		
Salaries and fringe benefits	14,967,560	13,279,443
Professional services	1,959,439	2,320,655
Materials and supplies	1,712,713	1,433,837
Utilities	334,989	308,985
Casualty and liability insurance	1,070,815	1,138,169
Miscellaneous	1,488,936	804,159
Interest expense	152,279	116,103
Lease and rental	24,176	85,326
Non-capital expenditures	290,442	281,553
Purchased transportation	2,172,522	1,579,298
Depreciation & amortization	3,540,024	2,930,446
	<u>27,713,895</u>	<u>24,277,974</u>
Change in Net Position	(735,835)	3,899,415
Beginning Balance Net Position	<u>38,037,281</u>	<u>34,137,866</u>
Ending Balance Net Position	<u>\$ 37,301,446</u>	<u>\$ 38,037,281</u>

\*Prior year balances have not been restated for the implementation of GASB Statement No. 96, *SBITAs*.

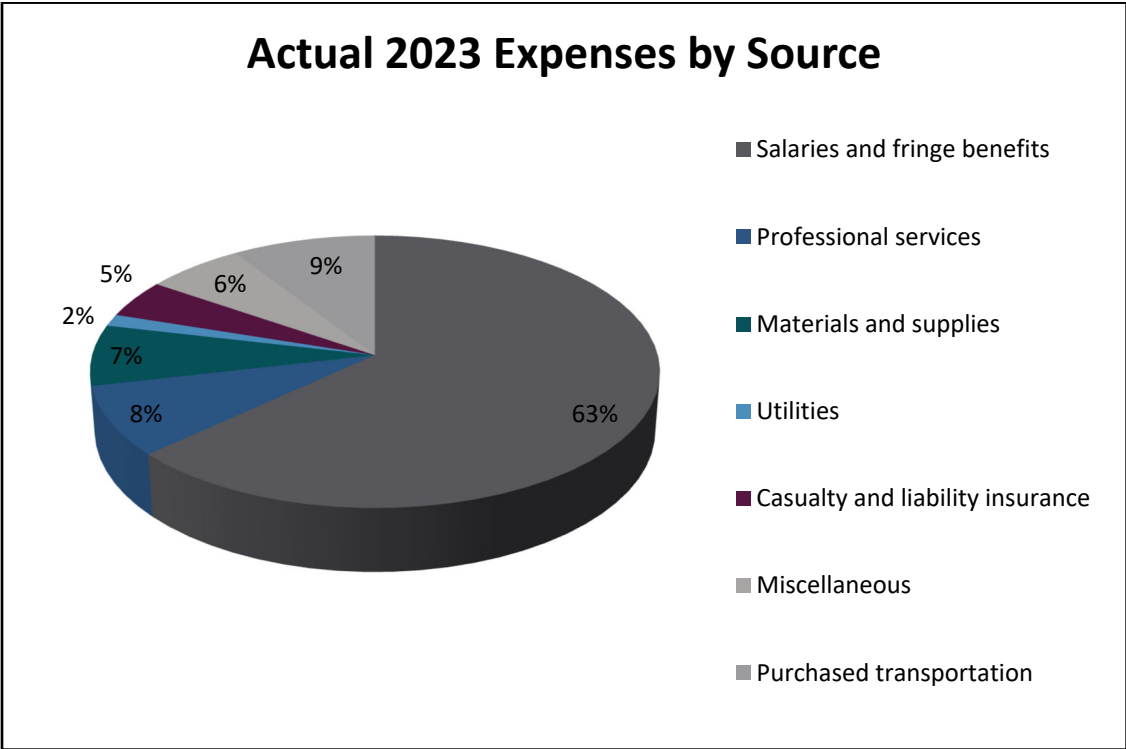
**Analysis of Revenues**

Total revenues were \$26,978,060 and \$28,177,389 for FY 2023 and FY 2022, respectively. Total revenues decreased \$1,199,329 on a net basis, or 4.3%, in comparison to the prior fiscal year. In FY 2023, federal revenues decreased \$2,338,674. This decrease was partially offset by increases in directly generated revenues of \$10,928, auxiliary transportation funds of \$31,963, contributed capital of \$308,480, and local funds of \$828,109. The change in revenues was largely due to the following events: 1) federal revenues decreased due to lower FTA grant drawdown activity directly related to COVID-19 federal funding; 3) Directly generated revenues increased due to increased fare sales compared to the previous year; 4) Auxiliary transportation revenues increased due to higher advertising and City Go revenue earned during FY 2023 as compared to the prior fiscal year.



**Analysis of Expenses**

Total expenses for FY 2023 were \$27,713,895 and \$24,277,974 for FY 2022. Expenses increased \$3,435,921 or 14.15% in comparison to the prior fiscal year largely due to the following events: 1) Salaries and fringe benefits expenditures increased \$1,688,117, or 12.71%. There were decreases in professional services, insurance, lease expenses, partially offset by increases in salaries and fringe benefits, material and supplies, utilities, miscellaneous, interest, and purchased transportation. While these expenses were higher than the previous year, they are below the budgeted amount approved by the Valley Regional Transit Board of Directors.



**Capital Asset and Debt Administration**

Valley Regional Transit’s net investment in capital assets and right of use assets, as of September 30, 2023, was \$41,448,251 (net of accumulated depreciation and amortization). This investment in capital assets, right to use leased assets, right to use subscription assets includes office equipment, building and improvements, vehicles, machinery and equipment, software, land, construction in process and right of use assets related to leases. Additional information can be found in Notes 3 and 6 of the financial statements.

The increase in VRT’s net investment in capital assets, right to use leased assets, and right to use subscription IT assets, for the current fiscal year was \$2,126,356, or 5.41%. This net increase was the result of construction projects, vehicle and equipment purchases, SBITAs and leases. The purchase of battery electric buses began in FY 2021 and will continue through fiscal year 2024 with the final battery purchase.

### ***Debt Obligations***

As of September 30, 2023, VRT had \$5,731,655 in outstanding right to use obligations. Leases related to the leasing of facilities, batteries for the electric buses, and copiers, represents \$5,320,648 of the liability amount. SBITAs relates to the implementation of VRT's new enterprise resource platform and comprises the remaining \$411,007 of the liability amount. See page 20 *Implementation of GASB Statement No. 96* for a full description of this new standard.

### ***Economic Factors and Next Year's Budgets***

As a component of the annual budget process, VRT prepares a six-year operating budget and a ten-year capital budget. These budget projections assist with the current year budget development by establishing base fundamental assumptions with regard to capital replacement requirements, maintenance demands, changes to wage overhead rates, operating expenses, funding projections, and fare returns.

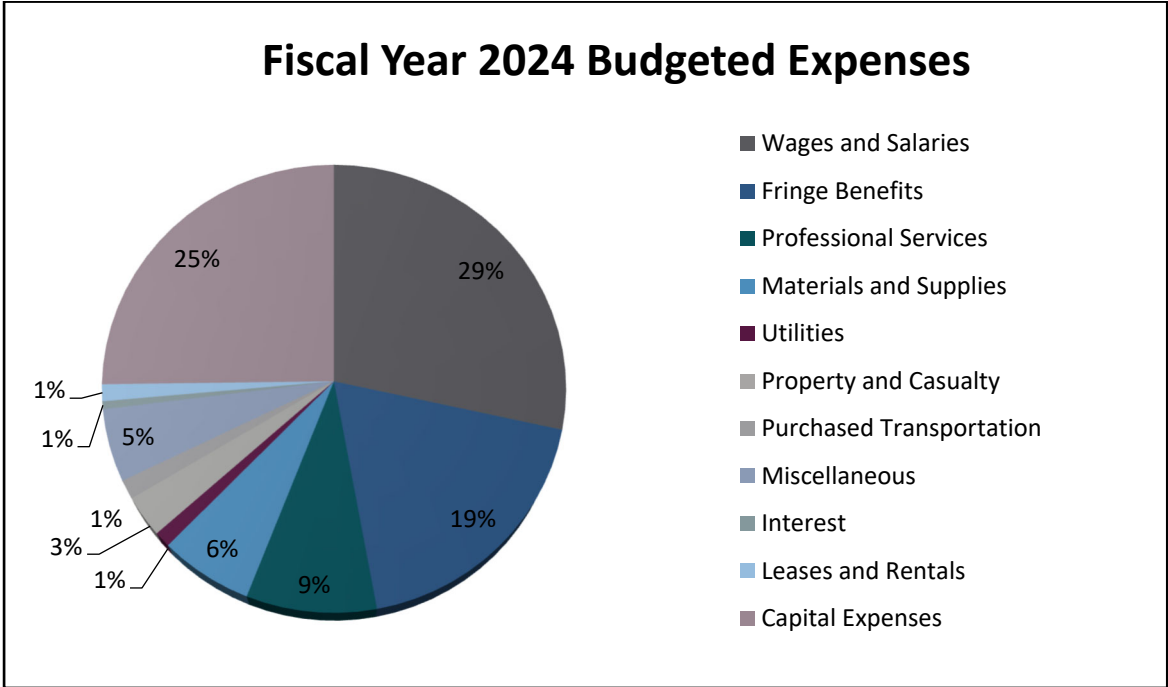
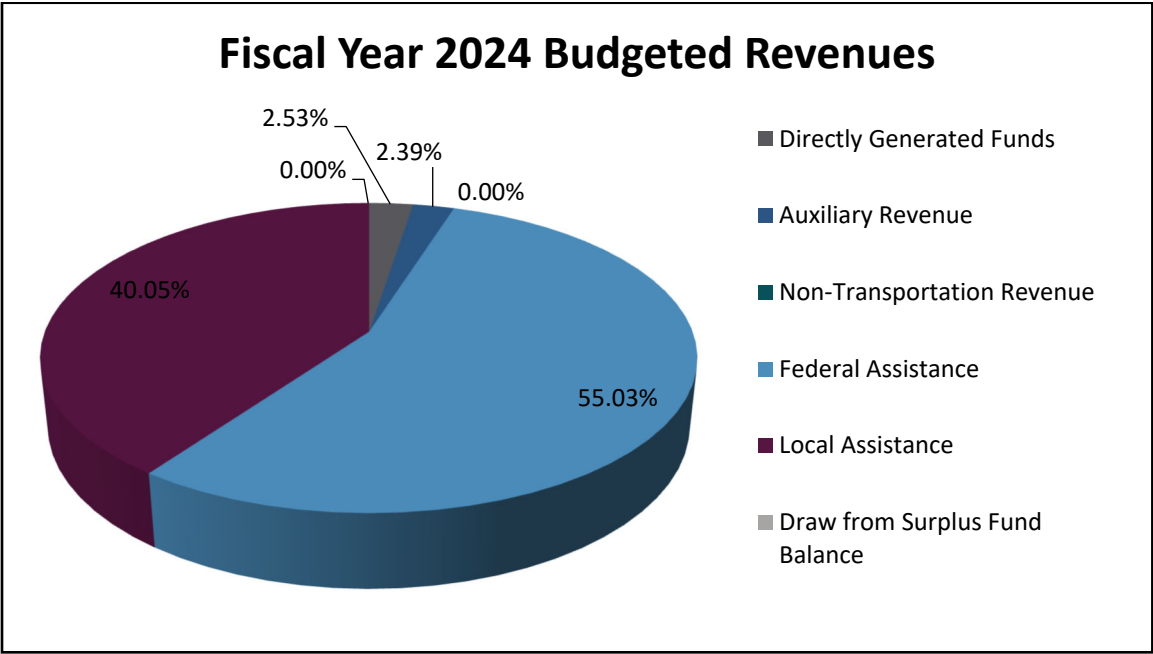
Valley Regional Transit's FY 2024 operating budget decreased by \$2,413,547, or 8.62%, from the FY 2023 operating budget. The capital budget for FY 2024 decreased by \$7,871,407 or 48%, from the FY 2023 capital budget.

Decreased operating budget amounts are due to the following: 1) Notably, the most significant decrease is observed in purchased transportation. The introduction of VRT's new Beyond Access service is a key contributor to this reduction, as it effectively replaces our acquisition of services and is anticipated to operate more efficiently resulting in a significant budget decrease. This decrease is offset somewhat with the following increases, 2) Wage and salary expenses, along with fringe benefit expenses, have been budgeted higher across all divisions. The most substantial increases are observed in Specialized Transportation to accommodate the hiring of staff for operating the Beyond Access service, and in the Canyon County system, where driver wages have been increased to enhance recruitment and retention efforts 3) There are budget increases in professional services, material and supplies, utilities, and interest. However, these increases are counterbalanced by budget reductions in insurance, purchased transportation, leases, and miscellaneous expenses.

Decreases in capital budget amounts are due to the anticipated completion of vehicle purchases and anticipated capital budget carryforwards from FY 2023 to the FY 2024 amended budget.

The Fiscal Year 2024 operating budget is \$25,588,639 whereas the capital budget is \$8,624,500.

The following charts show the composition of anticipated revenues and expenses within the 2024 budget.



Fiscal Year 2024 budget issues include:

- VRT meets financial requirements with revenue from federal and local sources. Federal funding from formula and discretionary grants funds the majority of capital needs. A combination of federal formula and local revenue funds operating expenses. Local funds come primarily from voluntary contributions of local revenue from cities and counties, as VRT is one of only three political subdivisions in Idaho without levy authority. Additionally, VRT earns directly generated and auxiliary revenue from fares, advertising, interest and disposal of aging assets.
- Acknowledging the uncertainty current funding has on VRT's ability to plan for the future and respond to growth and demands for service, VRT is actively communicating with the state leaders. There is a concerted effort, led by the CEO, engaged private sector leaders and engaged Board members, to emphasize the crucial necessity of establishing consistent funding sources for addressing all the transportation needs not only in the Treasure Valley but across the state of Idaho.

VRT's audited financial statements are posted to <https://www.valleyregionaltransit.org/about-us/accountability/>.

Valley Regional Transit  
Statement of Net Position  
September 30, 2023

Assets	
Cash	\$ 1,348,543
Receivables	
Federal receivables	3,430,001
Prepaid expenses	310,070
Inventories	575,238
	5,663,852
Capital assets, net of accumulated depreciation	35,802,488
Right to use leased assets, net of accumulated amortization	5,120,755
Right to use subscription IT assets, net of accumulated amortization	525,008
	5,663,852
Total assets	47,112,103
Deferred Outflows of Resources	
Pension	918,875
Liabilities and Net Position	
Liabilities	
Accounts payable and other accrued expenses	1,683,056
Accrued payroll and benefits	684,235
Advanced revenue	328,499
Lease liability	5,320,648
SBITA liability	411,007
Net pension liability	2,302,087
	10,729,532
Deferred Inflows of Resources	
Pension	-
Net Position	
Net investment in capital assets	35,716,596
Unrestricted	1,584,850
	1,584,850
Total net position	\$ 37,301,446

Valley Regional Transit  
Statement of Revenues, Expenses and Change in Net Position  
Year Ended September 30, 2023

Operating Revenues	
Directly generated funds	\$ 807,578
Auxiliary transportation funds	914,373
Federal funds	10,947,873
Local funds	<u>10,327,789</u>
Total operating revenues	<u>22,997,613</u>
Operating Expenses	
Salaries and fringe benefits	14,967,560
Professional services	1,959,439
Materials and supplies	1,712,713
Utilities	334,989
Casualty and liability insurance	1,070,815
Miscellaneous	1,488,936
Site rentals	24,176
Non-capital expenditures	290,442
Purchased transportation	2,172,522
Depreciation & amortization	<u>3,540,024</u>
Total operating expenses	<u>27,561,616</u>
Operating Loss	<u>(4,564,003)</u>
Nonoperating Revenue and (Expense)	
Other income	107,108
Net gain on sale of capital assets	13,355
Interest expense	<u>(152,279)</u>
Total nonoperating revenue, net	<u>(31,816)</u>
Loss Before Capital Grants	(4,595,819)
Capital Grants & Contributions	
Federal capital grants	2,467,726
Local capital grants	1,083,778
Capital contributions	<u>308,480</u>
Total capital grants & contributions	<u>3,859,984</u>
Change in Net Position	(735,835)
Net Position, Beginning of Year	<u>38,037,281</u>
Net Position, End of Year	<u><u>\$ 37,301,446</u></u>

Valley Regional Transit  
Statement of Cash Flows  
Year Ended September 30, 2023

Operating Activities	
Receipts from customers and users	\$ 1,829,059
Receipts from federal government	10,624,369
Receipts from local government	10,276,059
Payments to suppliers	(9,848,206)
Payments to employees	<u>(14,467,673)</u>
Net Cash used for Operating Activities	<u>(1,586,392)</u>
Investing Activities	
Capital and Related Financing Activities	
Interest paid	(152,279)
Receipts of capital grants (federal and local)	3,551,504
Purchase of capital assets	(2,757,760)
Payments on lease agreements	(257,057)
Payments on SBITAS	(133,832)
Proceeds from sale of capital assets	<u>24,108</u>
Net Cash from Capital and Related Financing Activities	<u>274,684</u>
Net Change in Cash	<u>(1,311,708)</u>
Cash, Beginning of Year	<u>2,660,251</u>
Cash, End of Year	<u>\$ 1,348,543</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	\$ (4,564,003)
Adjustment to reconcile operating loss to net cash used for operating activities	
Depreciation	3,164,994
Amortization	375,031
Other miscellaneous receipts	107,108
GASB 68 actuarial pension expense	429,697
Changes in assets and liabilities	
Accounts receivable	(323,504)
Inventories	(62,168)
Prepaid expenses	(187,085)
Accounts payable	(544,921)
Accrued expenses	70,189
Advanced revenue	<u>(51,730)</u>
Net Cash used for Operating Activities	<u>\$ (1,586,392)</u>
Supplemental Disclosure of Non-cash Investing Financing Activities	
Property and equipment purchases included in accounts payable	\$ 677,949
Property and equipment donated	\$ 308,480
Property and equipment purchases financed through lease arrangements	\$ 1,388,105
IT subscription purchases financed through SBITAS	\$ 411,007

## **Note 1 - Summary of Significant Accounting Policies**

The financial statements of Valley Regional Transit (VRT) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting and reporting policies and practices used by VRT are described below.

### **Reporting Entity**

VRT is a Regional Public Transportation Authority structured as an enterprise fund created by a vote of Ada and Canyon County voters. VRT is the regional public transportation authority, VRT is responsible for the short and long-term planning and operations of providing public transportation services for the region. The VRT Board of Directors consists of 25 appointed representatives from incorporated cities, counties and highway districts in Ada and Canyon Counties, plus one representative from Capital City Development Corporation, one representative from Meridian Development Corporation, one representative from the Idaho Department of Transportation, one representative from Boise State University and one representative from the College of Western Idaho.

VRT entered into a contract with Transit Management of Ada County (TMAC) and Transit Management of Canyon County (TMCC), wholly-owned subsidiaries of First Transit Corporation, for operation of the Ada County transit system and the Canyon County transit system, respectively. Under this model, TMAC and TMCC are responsible for all operational and personnel decisions for operations. TMAC and TMCC perform all payroll and human resource functions, issue standard purchase orders, approve accounts payable, manage inventory and maintain separate bank accounts for the operations. TMAC and TMCC enter all approved purchase orders and accounts payable into the Fleetnet system, which is the overall financial information system for VRT. VRT generates all accounts payable payments which are approved by the Board of Directors and signed by authorized signatories within VRT. VRT transfers funds to the TMAC and TMCC payroll accounts on a bi-weekly basis to cover incurred personnel expenses. The results of all financial and personnel transactions are reflected in VRT's financial statements. TMAC and TMCC are responsible for remittance and reporting of all employer related payroll expenses.

The financial statements for VRT include all organizations for which VRT is financially accountable, and other organizations for which the nature and significance of their relationships with VRT are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no such organizations included in the current year.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

VRT is accounted for and reported as a proprietary-type enterprise fund, using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of cash flows. The statement of net position and the statement of revenues, expenses, and change in net position display

information about VRT. These statements include the financial activity of the overall reporting entity. These statements report all activities of VRT as a business-type activity. Operations are financed from federal grant monies, local contributions, advertising and fares.

When both restricted and unrestricted resources are available for use, it is VRT's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of VRT are user charges to customers, local contributions, dues, and operating grants. Operating expenses for VRT include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **Accounts Receivable**

Receivables are due from city and federal governments for capital commitment contributions and federal grants. Based on experience, no allowance for uncollectible accounts has been established as of September 30, 2023. It is unlikely but possible that this estimate will change in the near future of the date of the financial statements.

#### **Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the financial statements.

#### **Inventories**

Inventories are stated at average cost (first-in, first-out). Inventories consist of spare parts and equipment held for consumption. The cost is recorded as an expense at the time individual inventory items are used.

#### **Capital Assets**

The policy of VRT is to capitalize all property, such as land, buildings, and equipment with a cost equal to or greater than \$5,000, and a useful life of one or more years. All capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend an asset's life is not capitalized. Assets, like bus shelters, that have a higher chance of being damaged, moved, and vandalized will not be considered for capitalization. Other items not considered for capitalization include items that are consumed, used-up, or worn-out in one year or less.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results of operations in the period of disposal.

The estimated useful lives of fixed assets are as follows:

Office equipment	3-15 years
Software	3 years
Machinery and equipment	5-15 years
Vehicles	3-15 years
Buildings and improvements	10-45 years

Right to use leased assets are recognized as a lease liability and a right to use lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives received). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Right to use subscription IT assets are recognized at the subscription commencement date and represent VRT's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is 5 years.

### **Pensions**

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. VRT has one item that qualifies for reporting in this category: the deferred outflows related to the net pension liability reported on the statement of net position. The deferred net pension results from changes in assumptions or other inputs, changes in VRT's proportion and VRT's contributions and proportionate share of contributions, and the net difference between projected and actual earnings on pension plan investments in the actuarial calculation of VRT's net pension liability.

The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. VRT has one item that qualifies for reporting in this category: the deferred inflows related to the net pension liability. For the year ended September 30, 2023, there were no deferred inflows of resources relating to the pension obligation. The deferred net pension results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of VRT's net pension liability.

### **Accrued Payroll and Benefits**

Accumulated unpaid vacation and compensatory time amounts are accrued and charged to expenses when earned. Terminated employees are paid out their unused vacation without stipulation except for TMCC terminated employees, who are not paid for unused vacation unless they have 10 years of service or are over 62 years of age at the date of termination.

Sick pay amounts are charged to expenses when used. Terminated employees are not paid for unused sick time unless they are over 60 years of age at the date of termination (VRT employee) or unless they have 15 years of service or are over 60 years of age at the date of termination (TMCC employee), in which case they are eligible to receive 50% of their sick pay balance. Terminated TMCC employees are not paid for unused sick time.

### **Advanced Revenue**

Valley Regional Transit receives some funds from local government and private partners that are earmarked for specific projects. Until expenses specific to these projects occur, the earmarked funds are recognized as deferred revenue.

### **Net Position**

VRT classifies net position, revenues and other support based on the existence or absence of grantor-imposed restrictions. Accordingly, net position of VRT and changes therein are classified and reported as follows:

*Net investment in Capital Assets* – This represents VRT's total investment in capital assets and right of use assets. To the extent debt has been incurred but not yet expended for capital assets and right of use assets, such amounts are not included in this section.

*Restricted Net Position* – This represents the amount related to the net pension asset, which is restricted for a specific use/purpose by law.

*Unrestricted Net Position* – Net position not subject to grantor-imposed stipulations or received with restrictions that were satisfied in the same period.

**Risk Management**

VRT is exposed to various risks of loss related to theft of, damage to, or destruction of assets. VRT participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability insurance. VRT’s exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

**Implementation of GASB Statement No. 96**

As of October 1, 2022, VRT adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset - an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays and other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of the implementation of this standard, there was no effect on beginning net position. The additional disclosure required by this standard is included in Note 6 – Leases and Subscription Based Information Technology Arrangements (SBITAs).

**Note 2 - Cash**

Financial instruments which potentially subject VRT to concentration of credit risk consist principally of cash and sweep accounts. VRT maintains its cash and sweep accounts in one commercial bank.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, VRT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All deposits greater than the FDIC insurance coverage were subject to custodial credit risk. VRT has a written policy limiting custodial credit risk through preauthorization of financial institutions. Accounts at the commercial bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

A summary of the total insured and uninsured bank balances follows:

Total cash in bank	\$ 1,358,312
Portion insured by FDIC	<u>(250,000)</u>
Uninsured and uncollateralized cash	<u><u>\$ 1,108,312</u></u>

**Note 3 - Capital Assets**

The following presents capital asset activity for the year ended September 30, 2023:

	Balance October 1, 2022	Additions	Deletions	Transfers	Balance September 30, 2023
<b>Non-depreciable</b>					
Construction in process	\$ 5,334,959	\$ 3,610,654	\$ -	\$ (3,495,459)	\$ 5,450,154
Land	1,210,000	-	-	-	1,210,000
<b>Depreciable</b>					
Office equipment	793,624	-	-	-	793,624
Software	2,373,523	-	-	-	2,373,523
Machinery and equipment	1,468,823	61,177	-	-	1,530,000
Vehicles	25,430,078	46,801	(1,301,433)	3,165,857	27,341,303
Building and improvements	29,016,278	25,556	-	329,602	29,371,436
Total capital assets	65,627,285	3,744,188	(1,301,433)	-	68,070,040
Accumulated depreciation	(30,393,240)	(3,164,994)	1,290,682	-	(32,267,552)
Net capital assets	<u>\$ 35,234,045</u>	<u>\$ 579,194</u>	<u>\$ (10,751)</u>	<u>\$ -</u>	<u>\$ 35,802,488</u>

**Note 4 - Defined Contribution Plan**

TMAC provides for a non-discretionary 401(k) contribution of 7.5% of eligible compensation to TMAC eligible employees. To participate, the TMAC employee must have completed six months of continuous service. The 401(k) plan allows employee deferred pre-tax and Roth contributions. The maximum contribution amount to the plan is 100% of compensation less any mandatory income and payroll tax withholding or the IRS prescribed amount, whichever is less.

TMCC provides a 401(k) plan for all ATU Bargaining Unit employees who have completed three months of service. Those eligible can contribute to a pre-tax and a Roth contribution up to 100% of compensation less any mandatory income and payroll tax withholding or the IRS prescribed amount, whichever is less.

TMCC provides for a non-discretionary 401(k) contribution of 3% of eligible compensation to TMCC eligible employees.

During the year ended September 30, 2023, VRT reimbursed TMAC and TMCC for contributions of \$456,014 to the plans that are managed by Quorum Financial.

## **Note 5 - Defined Benefit Pension Plan**

### **Plan Description**

Valley Regional Transit contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies, and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

### **Pension Benefits**

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

### **Member and Employer Contributions**

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees. As of June 30, 2023, it was 7.16% for general employees. On July 1, 2023, the rate decreased for general employees to 6.71%. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees as of June 30, 2022. On July 1, 2023, the employer contribution rate decreased to 11.18%. VRT's contributions were \$300,523 for the year ended September 30, 2023.

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

At September 30, 2023, VRT reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. VRT's proportion of the net pension liability was based on VRT's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2023, VRT's proportion was 0.0005768671 percent, an increase from the 2022 proportion which was 0.0005613520.

For the year ended September 30, 2023, VRT recognized pension expense of \$429,698. At September 30, 2023, VRT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 394,595	\$ -
Changes in assumptions or other inputs	227,955	-
Net difference between projected and actual earnings on pension plan investments	216,085	-
VRT's contributions subsequent to the measurement date	80,240	-
Total	\$ 918,875	\$ -

The \$80,240 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024.

The amortization period is based on the remaining expected service lives of all employees that are provided with pensions through the System determined at the beginning of the measurement period. The amortization of the net difference between projected and actual investment earnings on pension plan investments is amortized over a closed 5-year period inclusive of this fiscal year. The amortization period was calculated at 4.4 at the beginning of the measurement period ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (expense offset) as follows:

Years Ending September 30,	
2024	\$ 298,237
2025	140,150
2026	435,982
2027	(35,734)
	\$ 838,635

### Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The following are the actuarial assumptions and the entry age normal cost method, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases, including inflation	3.05 percent
Investment rate of return, net of investment fees	6.35 percent
Cost of Living (COLA) adjustments	1.00 percent

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

### Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	-0.25%
TIPS	10%	-0.30%
Real Estate	8%	3.75%
Private Equity	8%	6.00%

#### Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for administrative expense.

#### Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability of PERSI employer's calculated using the discount rate of 6.35%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.35%) or 1-percentage point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension net pension liability	\$ 4,140,397	\$ 2,302,087	\$ 799,612

### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

### **Payables to the Pension Plan**

At September 30, 2023, VRT had reported payables to the defined benefit pension plan of \$4,614 for legally required employer contributions, \$3,466 for legally required employee contributions, and \$1,116 for the PERSI Choice 401(k) of which had been withheld from employee wages but not yet remitted to PERSI.

### **Defined Contribution – PERSI Choice 401(k)**

Employees of VRT participating in the PERSI Base Plan may enroll in the PERSI Choice 401(k) defined contribution retirement savings plan available to active members. Participation is voluntary. The PERSI Choice 401(k) is intended to be a government plan within the meaning of Code Section 414 (d) and within the meaning of section 3(32) of the Employee Retirement Income Security Act (ERISA) and as such, is exempt from provisions of Title I ERISA. VRT does not match participants' contributions in the PERSI Choice 401(k). A participant shall be 100% vested in their individual account at all times. The authority of the benefit and contribution terms are established and amended by the PERSI Board. VRT recognized \$88,826 of contributions to the PERSI Choice 401(k) as benefits expense during the year ended September 30, 2023.

### **Note 6 - Leases and Subscription Based Information Technology Arrangements (SBITAs)**

#### Orchard Facility:

In October 2015, VRT entered into a lease agreement for the use of a vehicle maintenance facility. Previously this lease agreement was recognized as an operating-type lease arrangement, however during the current fiscal year the agreement was recorded as a right of use asset, as a direct result of the implementation of GASB Statement No. 87. A right to use lease asset in the amount of \$2,456,780 was recognized, with an annual interest rate of 3.00%. Annual payments for both principal and interest are approximately \$149,928. The agreement expires September 30, 2045.

#### Bus Battery Leases:

In 2021, VRT entered into a lease agreement with Proterra for the purpose of leasing batteries for electric buses. The first set of agreements commenced on September 1, 2021 with monthly principal and interest payments totaling approximately \$5,833, bearing an interest rate of 3.27%. This agreement expires on August 31, 2033. A second lease agreement with Proterra was executed October 1, 2021 for additional batteries, with monthly payments of approximately \$5,833 (includes both principal and interest), bearing an interest rate of 3.27%. This lease agreement is scheduled to expire September 30, 2033. A third battery lease agreement was executed on

August 1, 2022 with a monthly payment for both principal and interest of \$2,917 that will expire on July 31, 2034. This agreement also bears an interest rate of 3.27%.

In 2022, three additional lease agreements were executed, all bearing an interest rate of 3.27%. The fourth and fifth battery lease agreements were executed on November 1, 2022 and December 1, 2022, respectively, with a monthly payment for both principal and interest of \$2,917 that will expire on November 30, 2034 and December 31, 2032. A sixth battery lease agreement was executed for two additional batteries was executed June 1, 2023 with a monthly payment for both principal and interest of \$5,833. The agreement expires May 31, 2035. Right to use leased assets for the batteries totaled \$3,123,234 as of September 30, 2023.

Subsequent to year end, a battery lease for one bus commenced in November 2023, having a monthly payment of approximately \$2,917.

Bikeshare Facility:

VRT entered a lease agreement effective September 1, 2022, for the use of a facility in the operations of the Boise Bike Share Program. The lease is a 37-month lease with monthly payments for principal and interest of approximately \$3,100. The agreement bears an interest rate of 4.25%. A right of use asset in the amount of \$104,788 was recognized during the fiscal year 2022. The use of the facility has been expanded to include use by the Programs and Supports division of VRT.

Copiers:

Beginning July 2022, VRT entered into a 36-month lease agreement for copiers with a monthly payment (including both principal and interest) of approximately \$589. The agreement bears an interest rate of 3.35%. A right of use asset in the amount of \$20,153 was recognized during fiscal year 2022.

Below summarizes the changes in right to use leased assets and the related accumulated amortization for the year ended September 30, 2023:

Right to use leased assets	Balance as of October 1, 2022	Additions	Deletions	Balance as of September 30, 2023
Orchard Facility	\$ 2,456,780	\$ -	\$ -	\$ 2,456,780
Bus Battery Leases	1,735,130	1,388,105	-	3,123,235
Bikeshare Facility	104,788	-	-	104,788
Copiers	20,153	-	-	20,153
	<u>\$ 4,316,851</u>	<u>\$ 1,388,105</u>	<u>\$ -</u>	<u>\$ 5,704,956</u>

Accumulated amortization	Balance as of October 1, 2022	Additions	Deletions	Balance as of September 30, 2023
Orchard Facility	\$ (102,366)	\$ (100,016)	\$ -	\$ (202,382)
Bus Battery Leases	(122,124)	(214,481)	-	(336,605)
Bikeshare Facility	(2,832)	(33,985)	-	(36,817)
Copiers	(1,679)	(6,718)	-	(8,397)
	<u>\$ (229,001)</u>	<u>\$ (355,200)</u>	<u>\$ -</u>	<u>(584,201)</u>
Total right to use leased assets, net				<u>\$ 5,120,755</u>

Below summarizes the changes in lease liability amounts for the year ended September 30, 2023:

Lease Liability	Balance as of October 1, 2022	Additions	Deletions	Balance as of September 30, 2023
Orchard Facility	\$ 2,425,535	\$ -	\$ (38,568)	\$ 2,386,967
Bus Battery Leases	1,643,255	1,388,105	(180,886)	2,850,474
Bikeshare Facility	102,259	-	(31,054)	71,205
Copiers	18,551	-	(6,549)	12,002
	<u>\$ 4,189,600</u>	<u>\$ 1,388,105</u>	<u>\$ (257,057)</u>	<u>\$ 5,320,648</u>

Future payments under these arrangements are as follows:

Years Ending September 30,	Principal	Interest	Total
2024	\$ 306,512	\$ 161,909	\$ 468,421
2025	318,533	152,267	470,800
2026	289,488	143,151	432,639
2027	302,537	133,632	436,169
2028	316,112	123,691	439,803
2029 - 2033	1,815,682	453,459	2,269,141
2034 - 2038	786,544	229,215	1,015,759
2039 - 2043	794,402	122,787	917,189
2044 - 2045	390,838	12,521	403,359
	<u>\$ 5,320,648</u>	<u>\$ 1,532,632</u>	<u>\$ 6,853,280</u>

Subscription Based Information Technology Arrangements (SBITAs):

Enterprise Resource Platform:

VRT has a SBITA contract for their ERP platform and are required to make principal and interest payments, with services that commenced July 2023 and are scheduled to end July 2028. The subscription liability was valued using a discount rate of 4.19% based on VRT's incremental borrowing rate at the inception of the subscriptions. \$411,007 has been recognized as a subscription IT asset related to these SAAS payments.

\$133,832 was recognized as a subscription IT asset in progress which represents implementation costs in progress to get the ERP system configured for VRT. At the time the ERP modules go-live, the amounts relating to those specific modules will be reclassified from Subscription IT asset in progress to subscription right to use asset and begin amortizing.

VRT amortized the subscription assets as follows:

	<u>Balance as of October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of September 30, 2023</u>
Right to use Subscription IT Assets not Being Amortized				
Subscription IT asset in progress	\$ -	\$ 133,832	\$ -	\$ 133,832
Right to use Subscription IT Assets Being Amortized	-	411,007	-	411,007
Less Accumulated Amortization	-	(19,831)	-	(19,831)
Total Subscription IT Assets, net	<u>\$ -</u>	<u>\$ 525,008</u>	<u>\$ -</u>	<u>\$ 525,008</u>

A summary of the changes in the subscription IT liability is as follows:

	<u>Balance as of October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of September 30, 2023</u>	<u>Amounts Due Within One Year</u>
Subscription IT liability	<u>\$ -</u>	<u>\$ 411,007</u>	<u>\$ -</u>	<u>\$ 411,007</u>	<u>\$ 75,477</u>

Future payments under the SBITA liability arrangement are as follows:

<u>Fiscal Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 75,477	\$ 16,794	\$ 92,271
2025	78,696	12,070	90,766
2026	82,058	8,673	90,731
2027	85,563	5,131	90,694
2028	89,213	1,444	90,657
	<u>\$ 411,007</u>	<u>\$ 44,112</u>	<u>\$ 455,119</u>

**Note 7 - Concentrations**

Approximately 51% of VRT's total revenue for the year ended September 30, 2023, was derived from contracts with the federal government, and 83% of the local revenue came from the City of Boise.

**Note 8 - Self-Insurance**

TMAC established a partially self-funded health plan for its employees. The employees are responsible for the first \$250 of their individual deductible and \$500 of their family deductible. TMAC is responsible for the remainder of the deductible up to the \$1,575 individual out-of-pocket limit and \$3,150 family out-of-pocket limit. The employee is responsible for all further claims not covered by the insurance. The health care plan is administered by Blue Cross of Idaho and they are responsible for the approval, processing and payment of claims.

At September 30, 2023, VRT has reported a liability of \$53,474 which represents amounts payable by VRT towards the employee's deductible for claims incurred as of the end of the year but not paid by VRT as of that date.

**Note 9 - Related Party**

The Board of VRT is made up of representatives from member organizations that pay dues to VRT as a part of the local match requirement on federal grants.



Required Supplementary Information  
September 30, 2023

## Valley Regional Transit

Valley Regional Transit  
Schedule of Employer's Share of Net Pension Liability (Asset) and Employer Contributions  
Year Ended September 30, 2023

**Schedule of Employer's Share of Net Pension Liability (Asset)**  
**PERSI – Base Plan**  
**Last 10 – Fiscal Years \***

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's portion of the net pension liability	0.000439740	0.000443322	0.000445219	0.000438584	0.00045406	0.000504707	0.0005481181	0.0005613520	0.0005768671
Employer's proportionate share of the net pension liability (asset)	\$ 579,066	\$ 898,682	\$ 699,808	\$ 646,919	\$ 518,297	\$ 1,171,996	\$ (43,289)	\$ 2,211,030	\$ 2,302,087
Employer's covered payroll	\$ 1,231,700	\$ 1,296,576	\$ 1,425,209	\$ 1,411,082	\$ 1,542,171	\$ 1,800,522	\$ 2,045,507	\$ 2,213,664	\$ 2,452,792
Employer's proportional share of the net pension liability as a percentage of its covered payroll	47.01%	69.31%	49.10%	45.85%	33.61%	65.09%	-2.12%	99.88%	93.86%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%	90.68%	91.69%	93.79%	88.22%	100.36%	83.09%	83.83%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, VRT will present information for those years for which information is available.

Data reported is measured at the measurement date which is as of June 30 of each year.

**Schedule of Employer Contributions**  
**PERSI – Base Plan**  
**Last 10 – Fiscal Years \*\***

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contribution	\$ 138,531	\$ 152,675	\$ 150,283	\$ 162,701	\$ 182,493	\$ 219,740	\$ 251,757	\$ 267,743	\$ 305,137
Contributions in relation to the statutorily required contribution	\$ (140,279)	\$ (150,744)	\$ (145,075)	\$ (170,757)	\$ (189,393)	\$ (233,612)	\$ (276,205)	\$ (250,533)	\$ (300,523)
Contribution (deficiency) excess	\$ 1,748	\$ (1,931)	\$ (5,208)	\$ 8,056	\$ 6,899	\$ 13,872	\$ 24,447	\$ (17,210)	\$ (4,614)
Employer's covered payroll	\$ 1,223,775	\$ 1,348,714	\$ 1,350,824	\$ 1,437,288	\$ 1,594,325	\$ 1,840,370	\$ 2,108,521	\$ 2,329,618	\$ 2,555,586
Contributions as a percentage of covered payroll	11.46%	11.18%	10.74%	11.88%	11.88%	12.69%	13.10%	11.17%	11.76%

\*\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, VRT will present information for those years for which information is available.

Data reported is measured as of September 30 of each year.



Federal Awards Reports in Accordance with the Uniform  
Guidance

September 30, 2023

**Valley Regional Transit**

Valley Regional Transit  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

Federal/Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass- Through Number	Expenditures	Amounts Passed- Through to Subrecipients
Direct from U.S. Department of Transportation				
Federal Transit Cluster				
Federal Transit Formula Grants	20.507	N/A	\$ 8,686,777	\$ 624,889
COVID 19 - Federal Transit Formula Grants	20.507	N/A	1,086,657	-
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	N/A	<u>1,900,962</u>	<u>-</u>
Total Federal Transit Cluster			<u>11,674,396</u>	<u>624,889</u>
Pass through from Idaho Department of Transportation				
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ID-2023-003	<u>1,151,230</u>	<u>-</u>
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	None Provided	<u>245,477</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 13,071,103</u>	<u>\$ 624,889</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Valley Regional Transit (VRT) under programs of the federal government for the year ended September 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of VRT, it is not intended to and does not present the financial position, changes in net position, or cash flows of VRT.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the cash basis of accounting, including amounts passed through to subrecipients. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

VRT has not elected to use the 10% de minimis cost rate.



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

To the Board of Directors  
Valley Regional Transit  
Meridian, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Valley Regional Transit (VRT), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise VRT’s basic financial statements and have issued our report thereon dated February 7, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VRT's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VRT’s internal control. Accordingly, we do not express an opinion on the effectiveness of VRT’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VRT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Boise, Idaho  
February 7, 2024



**Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors  
Valley Regional Transit  
Meridian, Idaho

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Valley Regional Transit’s (VRT) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on VRT’s major federal program for the year ended September 30, 2023. VRT’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, VRT complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

***Basis for Opinion on the Major Federal Program***

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

We are required to be independent of VRT and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of VRT’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho  
February 7, 2024

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	No

**Identification of major programs:**

Name of Federal Program	Federal Financial Assistance Listing
Federal Transit Cluster	
Federal Transit Formula Grants	20.507
COVID 19 - Federal Transit Formula Grants	20.507
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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None reported

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**Section III – Federal Award Findings and Questioned Costs**

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None reported