Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Jefferson County Public Transportation Benefit Area (Jefferson Transit Authority)

For the period January 1, 2019 through December 31, 2019

Published September 28, 2020
Report No. 1027020

Office of the Washington State Auditor
Pat McCarthy

September 28, 2020

Board of Trustees
Jefferson Transit Authority
Port Townsend, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson Transit Authority
January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

CFDA No.	Program or Cluster Title
20.509	Formula Grants for Rural Areas and Tribal Transit Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT 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*

Jefferson Transit Authority
January 1, 2019 through December 31, 2019

Board of Trustees
Jefferson Transit Authority
Port Townsend, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Jefferson Transit Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2020.

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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 may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy
State Auditor
Olympia, WA

September 28, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Jefferson Transit Authority
January 1, 2019 through December 31, 2019

Board of Trustees
Jefferson Transit Authority
Port Townsend, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Jefferson Transit Authority, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose of this Report

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

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 28, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Jefferson Transit Authority
January 1, 2019 through December 31, 2019

Board of Trustees
Jefferson Transit Authority
Port Townsend, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Jefferson Transit Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Transit Authority, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Pat McCarthy

State Auditor

Olympia, WA

September 28, 2020

FINANCIAL SECTION

Jefferson Transit Authority
January 1, 2019 through December 31, 2019

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JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/Jefferson Transit Authority

MANAGEMENT DISCUSSION & ANALYSIS
For The Year Ended December 31, 2019

The management of Jefferson Transit Authority (Jefferson Transit) offers the readers of Jefferson Transit's financial statements this narrative as an overview and analysis of the financial activities for the fiscal year ended December 31, 2019. To more fully understand the financial position of Jefferson Transit, this narrative should be considered in conjunction with the information contained in Jefferson Transit's financial statements and accompanying notes.

Jefferson Transit was established in 1980 to provide public transit services.

Current services include:

Fixed Route – Standard bus service on fixed, regularly scheduled routes.

Route Deviated – Is a normal fixed route service that will deviate up to ¾ mile off-route to provide demand response services.

Demand Response (Dial-A-Ride) – Is a shared-ride public transportation service for people with disabilities that prevent them from riding regular bus service.

Vanpool – A program that makes available to groups of 5-15 people a vehicle for commuting to work.

The primary hub of operations is located outside Port Townsend at 63 4 Corners Road, with a transit hub located at the Haines Place Park and Ride and a second satellite base located on the west side of the county in Forks known as Jefferson Transit – Olympic Connection.

FINANCIAL HIGHLIGHTS

It is our opinion that Jefferson Transit's overall future financial position is positive due to sensible reserve policies and judicious control over expenses. Jefferson Transit continues to address existing fiscal challenges including: increasing cost of labor and benefits; ridership, federal/state grant funding resources; and, the inherent instability of sales tax revenue which is the main revenue source funding transit. 2019 versus 2018 changes include the following:

- Operating revenue slightly increased to $179,082 from $176,461. Jefferson Transit did not make any significant changes to service or hours.
- Operating expenses (excluding depreciation) decreased .3% to $4,342,733 from $4,360,118. The primary decreases were seen in fuel and vehicle maintenance parts.
- Sales tax revenue increased 5% to $5,521,927 from $5,238,795.
- Operating subsidies increased 11.5% to $1,542,243 from $1,383,386, this funding fluctuates depending on grant awards.
- Net position increased 11% to $18,880,830 from $16,608,371.

Jefferson Transit's primary expense, as with any service industry, is Labor and Benefits. Jefferson Transit's 2019 labor and benefits expenses included adding positions in Maintenance, making a former part-time position a full-time position in Administration and wage increases for non-represented staff. Labor expenses increased $65,329 and benefits increased by $269,065 (before GASB 68/71/75 adjustments) over 2018.

Another major expense for the Jefferson Transit budget is fuel. The past few years the market has been incredibly volatile, after a 40% increase in costs between 2017 and 2018 fuel expense decreased 16% in 2019. Lower fuel costs account for this increase because service miles and hours were relatively similar. The expense for fuel was $241,040, a decrease of $46,028 from 2018.

Overall, Jefferson Transit's management has a high degree of control over expenses. Budget versus actual expenses are reviewed by staff and reported to the Authority Board bi-monthly. Staff meets with the Finance Committee (2 members of the Authority Board) to review finances monthly.

OVERVIEW OF THE FINANCIAL STATEMENTS

Jefferson Transit's financial statements include two components: 1) financial statements and 2) notes to the financial statements. This management discussion and analysis is intended to serve as an introduction to Jefferson Transit's basic financial statements.

Financial Statements

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

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how Jefferson Transit's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change actually occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused general leave).

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

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information essential to fully understand the data provided in Jefferson Transit's financial statements and are located following the Statement of Cash Flows.

FINANCIAL ANALYSIS

Statement of Net Position

The following condensed financial information provides an overview of Jefferson Transit's financial position for the fiscal years ending December 31, 2019 and 2018.

In 2019, total assets and deferred outflows were $22,896,195, an increase of $1,555,690 (or 7.3%) from 2018. In 2019 current and other assets were $11,076,256, an increase of $1,762,111 (or 18.9%) from 2018. The increase in assets is due to favorable reserve balances and the purchase of assets.

At December 31, 2019 Jefferson Transit had total liabilities of $3,498,785, a decrease of -$773,711 (or 18.1%) from 2018 year-end. The decrease in total liabilities is primarily due to Jefferson Transit calling their bond debt and paying it off in October 2019 and a decrease in pension liability.

Jefferson Transit's assets exceeded liabilities at December 31, 2019 by $18,888,830 (total net position), an increase of $2,280,458 (or 13.7%). This is due to a favorable sales tax year as well as careful control over expenses. Because Jefferson Transit paid off the bond debt, Jefferson Transit no longer has a restricted component of assets.

The financial position of Jefferson Transit remains strong in 2019.

Statement of Net Position (Summary)
December 31, 2019 and 2018

		2019		2018		2019 Increase (Decrease) Over 2018
Assets:						
Current and Other Assets	$	11,076,256	$	9,314,145	$	1,762,111
Capital Assets, Net		11,580,165		11,818,282		(238,117)
Total Assets	$	22,656,421	$	21,132,428	$	1,523,993
Deferred Outflow - Pension	$	238,762	$	207,084		31,678
Deferred Outflow - OPEB	$	1,012	$	994		18
Total Deferred Outflows	$	239,774	$	208,078	$	31,696
Total Assets & Deferred Outflows		22,896,195		21,340,506		1,555,690
Liabilities:						
Current Liabilities	$	157,234	$	271,450	$	(114,216)
Long-Term Liabilities		3,341,551		4,001,045		(659,495)
Total Liabilities	$	3,498,785	$	4,272,495	$	(773,711)
Deferred Inflow - Pension	$	508,581	$	459,639		48,942
Invested in Capital Assets	$	11,580,165	$	11,448,619	$	131,546
Restricted	$	-	$	85,250	$	(85,250)
Unrestricted	$	7,308,665	$	5,074,502		2,234,162
Total Net Position	$	18,888,830	$	16,608,371	$	2,280,458
Total NP-Liabilities-Deferred IF	$	22,896,195	$	21,340,506	$	1,555,689

Statement of Revenues, Expenses and Changes in Fund Net Position

As of December 31, 2019 total net position was $18,888,830, an increase of $2,280,458 (or 13.7%) from 2018 year-end. 2019 capital contributions were $-0-. No capital grant funding was expended in 2019. There are four (4) buses with expected delivery in the fall of 2020, Jefferson Transit expects these funds to be similar to the 2018 figures in 2020.

Operating revenue, operating expense and non-operating revenue variances are detailed in greater detail below.

Revenues, Expenses and Changes in Fund Net Position (Summary)
For The Years Ended December 31, 2019 and 2018

	2019	2018	2019 Change Over 2018
Operating Revenues	$ 179,082	$ 176,461	$ 2,621
Operating Expense	(5,142,599)	(5,024,002)	118,596
Operating Income (Loss)	$ (4,963,517)	$ (4,847,541)	$ 121,217
Nonoperating Revenues (Expenses)	7,242,791	6,706,912	535,879
Capital Contributions	0	1,545,789	(1,545,789)
Increases (Decreases) in Net Assets	$ 2,279,275	$ 3,405,160	$ (1,125,886)
Net Position - Beginning (January 1)	$ 16,608,371	$ 15,596,020	$ 1,012,351
Change in Accounting Method GASB 75	$ -	$ (2,299,515)	2,299,515
Prior Period Adjustment	1,184	(93,293)	94,477
Net Position - Ending (December 31)	$ 18,888,830	$ 16,608,371	$ 2,280,458

Operating Revenues

Operating revenues are revenues tied directly to transit and transit related services. 2019 operating revenues for Jefferson Transit were $179,082. This is an increase of $2,621 (1.5%) over 2018 figures. Passenger Fares for Transit Services includes fares for fixed route, Dial-a-Ride and, vanpool programs. The increase in revenue is due increased ridership. Jefferson Transit made some changes to service in 2018 that have resulted in an increase in ridership. Jefferson Transit continues to market reaching out to the non-transit riding community to encourage people to “Try Transit”.

Operating Revenues
For The Years Ended December 31, 2019 and 2018

	2019	2018	2019 Increase (Decrease) Over 2018
Passenger Fares for Transit Services	$ 179,082	$ 176,461	$ 2,621
Operating Revenues	$ 179,082	$ 176,461	$ 2,621

Operating Expenses

Operating expenses are all expenses tied to operations and providing transit related services. Operating expense categories include operations, maintenance, administration and depreciation.

2019 operating expenses were $5,142,599, an increase of $118,596 (or 2.4%) from 2018.

Operating expenses by category:

Operations – Responsible for all on-street services including transit operators and dispatchers. 2019 expenses related to operations were $1,962,531, a decrease of $62,234 (3.1%) from 2018. Jefferson Transit did not make service changes in 2019 and recognized some savings in lower overtime expenses. Dial-A-Ride ridership/service increased significantly and saw increased expenses (up $23.5K).

Haines Place Transit Center (HPTC) – HPTC is responsible for all customer service and passenger interactions. HPTC staff include the Mobility Coordinator, Service and Training Supervisor, Field Supervisor and Customer Support Specialist positions. In 2019 HPTC expenses were $364,357. An increase of $28,557 (8.5%). In mid-2018 Jefferson Transit hired a Field Supervisor support position to cover evening and weekend operations, 2019 is the first full-year for this position.

Maintenance – Responsible for all vehicles including fuel, parts, cleaning, servicing, and facility upkeep. There are two departments in Maintenance – Facility Maintenance and Vehicles Maintenance. Expenses related to maintenance were $1,125,825 in 2019. This is a decrease of $20,013 (1.7%) from 2018. Facilities Maintenance hired a full-time equivalent employee, however, the increased personnel expenses (up $39K) were off-set by the decreased cost of fuel and vehicle maintenance and repair parts (down $68K).

Administration – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, and human resources. 2019 expenses related to administration were $889,820, an increase of $36,286 (or 4.3%) from 2018. Wage increases, rising cost of liability insurance, were offset somewhat by savings realized in professional services and long term debt interest paid.

Depreciation – This is the estimated pro-ration of the cost of capital assets over the useful life of the asset. 2019 expenses related to depreciation were $799,866, an increase of $135,981 (20.5%) from 2018. New vehicle purchases in 2018 are primarily responsible for the increase.

Operating Expenses
For The Years Ended December 31, 2019 and 2018

	2019	2018	2019 Increase (Decrease) Over 2018
Operations	$ 1,962,531	$ 2,024,766	$ (62,234)
Haines Place Transit Center	364,557	335,980	$ 28,577
Maintenance	1,125,825	1,145,838	(20,013)
Administrative Expenses	889,820	853,534	36,286
Depreciation	799,866	663,884	135,981
Operating Expenses	$ 5,142,599	$ 5,024,002	$ 118,596

Non-operating Revenues

Non-operating income consists mainly of sales tax revenue, investment income, and operating grants. Non-operating revenues are all revenues that are not tied directly to an operating category such as fixed route fares.

2019 non-operating revenue was $7,242,791, an increase of $535,879 (or 8%) over 2018.

Non-operating Revenues by category:

Sales Tax – Consists of revenue received from local sales tax at the rate of 0.9%. 2019 sales tax was $5,521,927, an increase of $283,132 (or 5.4%) from 2018.

Operating Subsidies – Consist mainly of state and federal grants. 2019 operating subsidies were $1,542,243, an increase of $158,857 (11.5%) from 2018. Grant funding fluctuates from year to year.

Investment Income – Consists of revenue generated from investment interest. 2019 investment income was $120,423, an increase of $37,872 (or 45%) from 2018. Strong fund balances account for the increase.

Interest Paid on Capital Debt was $-365 in 2019. Jefferson Transit called all bonds in 2019 and therefore paid less in interest. The bonds were used for the construction of the 4-Corners Administration and Maintenance Facility. The original bonds were sold at a premium, when the bonds were called, reducing the premium resulted in a credit to interest expense.

Other Non-operating Revenues (Expenses) – Consists of revenues not readily categorized to another revenue line. Other Non-operating Revenues consists of extraordinary items, special items, gain (loss) on sales disposition of capital items, public donations and other non-transportation revenues. For 2019 Non-operating Revenues consist of a used bus granted to Jefferson Transit from WSDOT and the sale of other surplus vehicles. 2019 other non-operating revenues (expenses) were $57,833, an increase of $45,283 (or 361%) from 2018.

Nonoperating Revenues (Expenses)
For The Years Ended December 31, 2019 and 2018

	2019	2018	2019 Increase (Decrease) Over 2018
Sales Tax	$ 5,521,927	$ 5,238,795	$ 283,132
Operating Subsidies	1,542,243	1,383,386	158,857
Investment Income	120,423	82,551	37,872
Interest Paid on Capital Debt	365	(10,370)	10,735
Other Nonoperating Revenues (Expenses)	57,833	12,550	45,283
Nonoperating Revenues (Expenses)	$ 7,242,791	$ 6,706,912	$ 535,879

Statement of Cash Flows

2019 year-end cash balance was $9,605,065, an increase of $2,419,307 (or 33.7%) from 2018 year-end. 2019 cash used by operating activities was $4,165,390, a decrease in expenditures of $326,510 (or 7.3%) from 2018. 2019 cash provided from noncapital financing activities was $6,624,122, an increase of $65,583 (or 1%) from 2018. 2019 cash used by capital and related financing activities was $161,013, a decrease in expenditures of $1,207,774 (or 88.2%) from 2018. This decrease is due to fewer capital asset purchases in 2019. Cash provided by investing activities (interest earned) was $120,722, an increase of $37,871 (or 45.9%) from 2018. Jefferson Transit is focused on controlling costs, building reserves for future capital purchases, expanding service options, and sustaining current operations.

Statement of Cash Flows (Summary)
For The Years Ended December 31, 2019 and 2018

	2019	2018	2019 Change Over 2018
Net Cash Provided (Used) by:			
Operating Activities	$ (4,165,390)	$ (4,491,900)	326,510
Noncapital Financing Activities	6,624,122	6,555,539	68,583
Capital and Related Financing Activities	(161,031)	(1,368,805)	1,207,774
Investing Activities	120,422	82,551	37,871
Net Increase (Decrease) in Cash and Equivalents	$ 2,418,123	$ 777,384	$ 1,640,739
Cash Balances - Beginning of Year	$ 7,185,758	$ 6,408,374	$ 777,384
Prior Year Adjustment	1,184		1,184
Cash Balances - End of Year	$ 9,605,065	$ 7,185,758	$ 2,419,307

Capital Assets

Jefferson Transit's investment in capital assets as of year-end 2019 was $11,580,165, an increase of $131,546 (or 1.1%) from year-end 2018. Jefferson Transit's investment in capital assets includes land, buildings, shelters, vehicles & equipment and construction in progress. Depreciation expense was $799,866. Jefferson Transit purchased real property adjacent to the 63 4 Corners property, installed a restroom at the Haines Place Transit Center, purchased two (2) Dial-A-Ride cut-a-way vehicles and was granted one (1) large used cut-a-way bus, and had several other smaller capital projects completed. Jefferson Transit also retired three (3) fixed route buses, two (2) vanpool vans, and one (1) service vehicle.

Additional information concerning capital assets may be obtained from Note 2 in the Notes to the Financial Statements.

ECONOMIC OUTLOOK

Jefferson Transit management has been and continues to be focused on controlling expenses. Jefferson Transit management has taken several measured steps to hold expenses in check and minimize the impact of inflationary pressures, but is keenly aware that the sales tax rate is at the maximum allowable by law. Any future actions taken by management will carefully consider the impact of service to the public and continued ability to comply with regulatory compliance expected of any government entity.

Given that costs increase in the long run, maintaining revenues coupled with the need to maintain Operating and Capital reserves, management must continue to ensure sound fiscal operation of Jefferson Transit.

Major issues which could impact the future financial condition of Jefferson Transit include:

- The financial impact on Jefferson Transit of the COVID-19 pandemic.
- Maintaining grant and sales tax revenue streams with a focus on sustaining existing and developing new ones in order to address cost increases due to inflationary pressures.
- Review of community growth patterns and adjustment of routes as needed to address various county population centers. Jefferson Transit has started the 20-Year Comprehensive Plan project and it is expected to be complete in late 2020.
- Jefferson Transit has started projects for the design of a Maintenance Bay Expansion and HPTC Bus Loop Expansion in 2020. Jefferson Transit will actively search construction grants for these projects in the coming months.

Requests for Information

This financial report is designed to provide a general overview of Jefferson Transit Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

General Manager
Jefferson Transit Authority
63 Four Corners Road
Port Townsend, WA 98368

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF NET POSITION
December 31, 2019

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	9,605,065
Taxes Receivable	$	953,787
Accounts Receivable (Net)	$	21,404
Due To (From) Other Governments	$	382,866
Inventory	$	105,527
Prepaid Expenses	$	7,606
TOTAL CURRENT ASSETS	$	11,076,256
NONCURRENT ASSETS		
Capital Assets Not Being Depreciated:		
Land	$	1,183,315
Construction in Progress	$	39,360
Capital Assets Being Depreciated:		
Facility	$	7,402,907
Other Buildings & Structures	$	1,970,830
Revenue Vehicles	$	6,808,576
Service Vehicles	$	505,097
Service Equipment	$	693,383
Office Furniture & Equipment	$	625,246
Less: Accumulated Depreciation	$	(7,648,550)
TOTAL NONCURRENT ASSETS	$	11,580,165
TOTAL ASSETS	$	22,656,421
DEFERRED OUTFLOW OF RESOURCES		
Pension	$	238,762
OPEB	$	1,012.00
TOTAL DEFERRED OUTFLOWS	$	239,774
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	22,896,195
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	66,727
Accrued Expenses	$	54,559
Current Employee Leave Benefits	$	35,948
TOTAL CURRENT LIABILITIES	$	157,234
NONCURRENT LIABILITIES		
Deposits and Other Payables	$	435
Employee Leave Benefits	$	147,636
Pension Liability	$	868,644
OPEB Liability	$	2,324,835
TOTAL NONCURRENT LIABILITIES	$	3,341,551
TOTAL LIABILITIES	$	3,498,785
DEFERRED INFLOW OF RESOURCES		
Pension	$	508,581
NET POSITION		
Net Investment in Capital Assets	$	11,580,165
Restricted for Bond Covenant	$	-
Unrestricted	$	7,308,665
TOTAL NET POSITION	$	18,888,830
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	22,896,195

The Notes to the Financial Statements are an integral part of this statement.

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For The Year Ended December 31, 2019

OPERATING REVENUES	
Passenger Fares	179,082
Other Operating Revenue	0
Total Operating Revenues	179,082
OPERATING EXPENSES	
Operations	1,962,531
HPTC	364,557
Maintenance	1,125,825
Administrative Expenses	889,820
Depreciation	799,866
Total Operating Expenses	5,142,599
Operating Income (Loss)	(4,963,517)
NONOPERATING REVENUES (EXPENSES)	
Sales Tax	5,521,927
External Operating Subsidies	1,542,243
Investment Income	120,423
Interest Paid on Capital Debt	365
Other Nonoperating Revenues (Expenses)	57,833
Total Nonoperating Revenues (Expenses)	7,242,791
Income (Loss) Before Capital Contributions, Extraordinary and Special Items	2,279,275
Capital Contributions	0
Increase (Decrease) In Net Position	2,279,275
Net Position - Beginning of Period	16,608,371
Change in Accounting Method for GASB 75	
Prior Period Adjustment	1,184
Net Position - End of Period	18,888,830

The Notes to the Financial Statements are an integral part of this statement.

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	558,450
Payments to Suppliers	(1,027,820)
Payments to Employees	(3,388,109)
Change in accounting method for GASB 68	(274,460)
Change in accounting method for GASB 75	(33,452)
Net Cash Provided (Used) by Operating Activities	(4,165,390)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales Tax Receipts	5,457,793
Other Nonoperating Receipts	6,951
Operating Grant Receipts	1,139,877
Local Government Assistance Fund Receipts	19,500
Net Cash Provided (Used) by Noncapital Financing Activities	6,624,122
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	717,439
Principal Paid on Capital Debt	(369,663)
Interest Paid on Capital Debt	365
Purchases of Capital Assets	(561,748)
Sale of Capital Assets	52,577
Net Cash Provided (Used) by Capital and Related Financing Activities	(161,031)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	120,423
Net Cash Provided by Investing Activities	120,423
Net Increase (Decrease) in Cash and Cash Equivalents	2,418,123
Balances - Beginning of the Year	7,185,758
Prior Period Adjustment - Credit from 2011	1,184
Balances - End of the Year	9,605,065
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(4,963,517)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	799,866
Change in accounting method for GASB 68	(274,460)
Change in accounting method for GASB 75	(33,452)
Change in Assets and Liabilities:	
Receivables, Net	382,455
Inventories	8,275
Prepaid Expenses	(5,667)
Prepaid Revenue	(225)
Accounts and Other Payables	(76,302)
Accrued Payroll and Benefit Expenses	(2,363)
Net Cash Provided by Operating Activities	(4,165,390)

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson County Public Transportation Benefit Area was incorporated on July 11, 1980 and operates under the laws of the State of Washington applicable to a transit district. The financial statements of the Jefferson County P.T.B.A., DBA/Jefferson Transit Authority (Jefferson Transit) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A. Reporting Entity

Jefferson Transit is a special purpose government entity and provides Fixed Route, Route Deviated, Demand Response (Dial-A-Ride) and Vanpool Programs to the general public. Jefferson Transit is supported through passenger and other transit charges, sales tax revenue and various local, state and federal contributions and grant programs.

Jefferson Transit is governed by an elected five-member board which consists of two City of Port Townsend councilors and the three Jefferson County commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Jefferson Transit has no component units.

B. Basis of Accounting and Reporting

The accounting records of Jefferson Transit are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. Jefferson Transit uses the *Budgeting, Accounting, and Reporting System (BARS)* in the State of Washington.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Their reported net position is segregated into invested in capital assets, restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. Jefferson Transit discloses changes in cash flows by a separate statement that presents their operating, non-capital financing, capital and related financing and investing activities.

Jefferson Transit uses the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

Jefferson Transit distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with Jefferson Transit's principal ongoing operations. The principal operating revenues of Jefferson Transit are charges to customers for passenger fares and charges collected for the use of the Vanpool program. Operating expenses result from those expenses incurred to provide transit services such as fixed route, route deviated, demand response and other services such as the Vanpool program. Operating expenses consist of direct expenses including driver wages and fuel, and indirect expenses such as administration costs and depreciation of capital assets. All revenues and expenses not meeting the definition of operating are classified as non-operating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents and Investments

It is Jefferson Transit's policy to invest all temporary cash surpluses. As of December 31, 2019 the treasurer was holding $9,605,065 in short-term residual investments of surplus cash. This amount is classified on the *Statement of Net Position* as cash and cash equivalents.

For purposes of the *Statement of Cash Flows*, Jefferson Transit considers all highly liquid investments (including restricted assets) with a maturity of less than three months when purchased, to be cash equivalents.

2. Receivables

As of December 31, 2019, Jefferson Transit had $953,787 in Taxes Receivable.

Taxes Receivable consists of sales tax receivable. Sales tax revenue is accrued in the period earned and received two months later.

As of December 31, 2019, Jefferson Transit had the following sales tax amounts accrued:

November 2019 Sales Tax Received January 2020	$	435,461
December 2019 Sales Tax Received February 2020		518,325
TOTAL	$	953,787

As of December 31, 2019, Jefferson Transit had $21,861 in Accounts Receivable (Net).

Accounts receivable consists of amounts owed from employees, private individuals or organizations for goods and services.

Due to the type and amount of receivables, no estimation is made for uncollectible accounts. When accounts are deemed uncollectible following all methods of collection efforts and, if necessary, reviewed by legal counsel, they are written off to appropriate categories.

As of December 31, 2019, Jefferson Transit had the following receivables:

Accounts Receivable	$	21,578
Accounts Receivable - Other		283
Accounts Receivable - Vanpool		(457)
TOTAL	$	21,404

3. Due to (From) Other Governments

As of December 31, 2019, Jefferson Transit had a net $382,866 Due From Other Governments.

Amounts included in Due to (From) Other Governments consist primarily of local, state and federal grant funds.

Federal and State Governments - Operating	$	382,866
TOTAL	$	382,866

4. Inventory

As of December 31, 2019, Jefferson Transit had $105,527 in Inventory.

Inventories consist of fuel on hand and vehicle maintenance parts and supplies and are valued using the first-in/first-out (FIFO) method. Jefferson Transit Authority values Maintenance Parts Inventory on a cost basis monthly, while fuel is valued on the lower of cost or market. Fuel value is determined utilizing the Washington State Department of Enterprise Services Fuel Price Update website.

As of December 31, 2019 Jefferson Transit had the following inventories:

Maintenance Parts Inventory		$ 77,299
Fuel Inventory		28,228
	TOTAL	$ 105,527

5. Other Assets and Debits

As of December 31, 2019, Jefferson Transit had $7,606 in Prepaid Expenses.

Prepaid expenses consist of services that will be provided in a future period but paid as of the close of current period.

As of December 31, 2019, Jefferson Transit had the following prepaid expenses:

Prepaid Expenses		$ 7,606
	TOTAL	$ 7,606

6. Capital Assets and Depreciation - See Note 2.

7. Compensated Absences

As of December 31, 2019, Jefferson Transit had $183,584 in Employee Leave Benefits. This represents a decrease of $14,071 from 2018.

Employee leave (general leave) benefits are for absences for which employees will be paid. Jefferson Transit records unpaid leave for compensated absences as an expense and liability when earned. Jefferson Transit's employee general leave policy as of December 31, 2019 for both represented and non-represented staff allowed for the accumulation of general leave benefits at the rate of twenty-five days per year. Additional general leave benefits accrue after five and ten years continuous service at the rate of five additional days per year, respectively. The maximum amount of general leave hours represented employees may carry over from year to year is 520 hours and non-represented is 280 hours. Employees' general leave balances as of December 31st in excess of allowed balances are cashed-out and the funds are placed into employee HRA VEBA accounts.

8. Other Accrued Liabilities

As of December 31, 2019, Jefferson Transit had $66,727 in Accounts Payable.

Accounts payable are expenses unrelated to wages and employee-related liabilities recognized in the current period and paid in a future period.

As of December 31, 2019 Jefferson Transit had the following accounts payable:

Accounts Payable		$ 66,727
	TOTAL	$ 66,727

As of December 31, 2019, Jefferson Transit had $54,559 in Accrued Expenses.

Accrued expenses consist mainly of accrued wages and employee-related liabilities.

As of December 31, 2019, Jefferson Transit had the following accrued expenses:

Accrued Employee Payroll & Related Liabilities		54,559
	TOTAL	$ 54,559

As of December 31, 2019, Jefferson Transit had $435 in Deposits and Other Payables.

Deposits and Other Payables consist of liabilities for deposits made by passengers for bike lockers.

9. Long Term Debt – See Note 6

10. Pensions

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

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

A. Capital Assets

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical cost or estimated historical cost where historical cost is not known. Jefferson Transit has acquired certain assets with funding provided by Washington State Department of Transportation (WSDOT) and federal financial assistance programs. Depending on the terms of the agreements involved, WSDOT and the federal government could retain an equity interest in these assets. However, Jefferson Transit has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

The original cost of capital property retired or otherwise disposed of, and the cost of installation less salvage, is charged to accumulated depreciation. However, in the case of the sale of an asset, the original cost is removed from Jefferson Transit asset accounts. Accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income via Other Non-operating Revenue on the *Statement of Revenues, Expenses and Changes in Net Position*.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method with useful lives of three to thirty years. WSDOT provides guidance on the depreciation of all vehicles due to grant funding and financial reporting requirements.

- Facilities
  - Administration Building – 30 years,
  - Building Improvements – 5 to 10 years (based on type of improvement)
- Buildings and Structures
  - Park and Ride Structures – 30 years
  - Bus Stops and Shelters – 10 years
  - Improvements – 5 to 10 (based on type of improvement)
- Revenue Vehicles, Service Vehicles
  - Heavy Duty Small Buses 28ft-35ft – 10 years
  - Medium Duty Bus/Cutaway – 7 years
  - Light Duty Bus – 5 years
  - Light Duty Small Van – 4 years
- Service Equipment
  - 2 – 12 years dependent upon type of equipment
- Office Furniture & Equipment
  - 3 – 12 years dependent upon furniture or equipment

B. Capital Asset Schedule

In 2019 Jefferson Transit purchased real property located adjacent to the 63 4 Corners property. Several other projects were started or completed including:

- Began a Comprehensive Plan Project (Construction in Progress) and will continue this project through 2020;
- Upgraded the Server Room Fire Protection system;
- Purchased and installed a bathroom for the Haines Place Transit Center;
- Purchased two (2) new dial-a-ride cutaways and received one used bus from WSDOT;
- Purchased items for Maintenance Department including Conex for tire storage, tool box for vehicle 805; and upgraded camera systems for the fixed route buses;
- Continued RouteMatch program project installation, purchased Remix software and a copier for the Haines Place Transit Center.

Several fixed route buses and service vehicles were retired and either sold at auction or sent to metal recycling.

Capital assets activity for the year ended December 31, 2019 was as follows:

	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital assets, not being depreciated				
Land	$ 1,103,423	$ 79,892	$ -	$ 1,183,315
Construction in Progress	11,559	27,802	0	39,360
Total capital assets not being depreciated	$ 1,114,982	$ 107,693	$ -	$ 1,222,675
Capital assets, being depreciated:				
Facility	$ 7,369,904	$ 33,003	$ -	$ 7,402,907
Other Buildings & Structures	1,804,232	166,598	0	1,970,830
Revenue Vehicles	7,313,015	209,542	713,981	6,808,576
Service Vehicles	584,135	0	79,038	505,097
Service Equipment	653,777	39,606	0	693,383
Office Furniture & Equipment	590,371	34,875		625,246
Total capital assets being depreciated	$ 18,315,435	$ 483,624	$ 793,019	$ 18,006,041
Less accumulated depreciation for:				
Facility	$ 568,789	$ 246,693	$ -	$ 815,482
Other Buildings & Structures	1,356,928	66,092	0	$ 1,423,020
Revenue Vehicles	4,507,000	355,578	684,411	$ 4,178,166
Service Vehicles	421,016	36,816	79,038	$ 378,794
Service Equipment	426,092	41,420	0	$ 467,512
Office Furniture & Equipment	332,310	53,267	0	$ 385,576
Total accumulated depreciation	$ 7,612,134	$ 799,866	$ 763,450	$ 7,648,551
Total capital assets, being depreciated, net	$ 10,703,301	$ (316,241)	$ 29,569	$ 10,357,490
Total capital assets	**$ 11,818,282**	**$ (208,548)**	**$ 29,569**	**$ 11,580,165**

NOTE 3 – CHANGES LONG TERM LIABILITIES

During the year ended December 31, 2019 the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2019	Additions	Reductions	Ending Balance 12/31/2019	Due Within One Year
Liability					
2014 General Obligation Bonds	$360,000	$0	$360,000	$0	$0
Compensated Absences	$197,656	$0	$14,000	$183,584	$35,948
Pension obligations	$1,160,368	$0	$291,724	$868,644	$0
OPEB obligations	$2,358,269	$0	$34,000	$2,324,835	$0

NOTE 4 - CONTINGENCIES AND LITIGATION

Jefferson Transit has recorded in its financial statements all material liabilities; including estimates for situations which are not yet resolved but where, based on individual information, management believes it is probable that Jefferson Transit will have to make payment. In the opinion of management, Jefferson Transit's insurance policies are adequate to pay all known and pending claims.

Jefferson Transit participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Jefferson Transit's management believes that such disallowance, if any, will be immaterial.

NOTE 5 – DEPOSITS AND INVESTMENTS

Jefferson Transit's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC) and thus not subject to custodial credit risk.

Composition of Cash as of December 31, 2019, is as follows:

Description/Purpose	**Held By/On Deposit With**	**Balance : 12/31/2019**
Depository (Operating) Fund	Jefferson County Treasurer	$3,605,704
Unemployment Reserve	Jefferson County Treasurer	14,500
Depository (Capital) Fund	Jefferson County Treasurer	211,769
WA State Investment Pool	Jefferson County Treasurer	5,670,053
Cash on Hand	JTA	400
Payroll ACH Account	First Security Bank	101,139
Advance Travel Fund	First Security Bank	1,500
Subtotal (Current Assets)		9,605,065
Total Cash		$9,605,065

Investments Measured at Amortized Cost

As of December 31, 2019, Jefferson Transit held $5,670,053 in the Local Government Investment Pool, which is valued at amortized cost.

Investments in Local Government Investment Pool (LGIP)

Jefferson Transit Authority is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State

Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

NOTE 6 – LONG-TERM DEBT

Jefferson Transit issued general obligation bonds to finance the construction of a new Administration and Maintenance Facility at 63 Four Corners Road, Port Townsend in 2014. Jefferson Transit pledged sales tax revenue to repay these bonds. Jefferson Transit elected to pay off all bonds in October 2019.

As of December 31, 2019, Jefferson Transit has closed all debt service funds including those restricted funds required by the bond covenant.

NOTE 7 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2019:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$2,324,835
OPEB assets	$-0-
Deferred outflows of resources	$1,012
Deferred inflows of resources	$-0-
OPEB expense/expenditures	$ 31,229

a. As a member of the Washington State Public Employees Benefit Board (PEBB) Jefferson Transit offers employees who retire the option to continue medical coverage on a self-pay basis. The Jefferson Transit plan is considered to be a single-employer defined benefit plan.

b. The plan is available to all employees. The premiums for the retired employees are blended with the rates for active employees. The blending of rates is considered an implicit subsidy paid by Jefferson Transit. There are no COLAs associated with the plan.

c. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	48
Total	48

d. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and Other Inputs

The discount rate used in the online tool developed by the Office of the State Actuary was 3.87% for the beginning of the measurement year and 3.50% for the end of the measurement year. Projected salary changes were 3.5% plus service based increases. Healthcare Trend rates used an initial rate of approximately 7%, trending down to about 5% in 2080. Mortality rates were calculated using the Healthy RP-2000 base mortality table with an age setback of 1 year, mortality improvements of 100% scale BB and a generational projection period. An inflation rate of 2.75% was used. Post-retirement participation percentage was 65% and the percentage with spousal coverage was 45%.

Assumptions for retirement, disability, termination and mortality were based on the 2018 PEBB OPEB Actuarial Valuation Report. Retirement service for each active cohort was based on the average entry age of 35 with service being a component of benefit eligibility.

a. The following presents the total OPEB liability of Jefferson Transit calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	$1,885,778	$2,324,835	$2,896,952

b. The following presents the total OPEB liability of Jefferson Transit calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	$2,815,762	$2,324,835	$1,938,171

Changes in the Total OPEB Liability

For the current reporting period, a schedule of changes in the total OPEB liability should be presented.

Public Employees Benefit Board	
Total OPEB Liability at 1/1/2019	$2,358,269
Service cost	96,578
Interest	94,960
Changes of benefit terms	0
Changes in Experience Data and Assumptions	(222,767)
Benefit payments	(2,205)
Other changes	0
Total OPEB Liability at 12/31/2019	$2,324,835

a. The AMM was performed with a valuation date of June 30, 2018. In order to estimate the TOL as of the beginning of the measurement period, the TOL was projected backwards to the measurement date of June 30, 2018. The alternative measurement method was used to measure the total OPEB liability in place of an actuarial valuation.

b. The backward projection of the liability reflected the estimated service cost, assumed interest, and expected benefit payments.

c. There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

d. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.

e. There were no changes between the measurement date of the total OPEB liability and the employer's reporting date that are expected to have any effect on the total OPEB liability.

f. The total OPEB expense recognized by Jefferson Transit in the reporting period was $31,229.

g. At December 31, 2019, Jefferson Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -0-	$-0-
Changes of assumptions	-0-	-0-
Payments subsequent to the measurement date	$1,012	-0-
TOTAL*	$1,102	$-0-

Deferred outflows of resources of $1,012 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

NOTE 8 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	($868,644)
Pension assets	$ -
Deferred outflows of resources	$238,764
Deferred inflows of resources	($508,581)
Pension expense	$43,036

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**
PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.83%**	**7.41%**
PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
September – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.86%**	**7.90%**

Jefferson Transit's actual contributions to PERS Plan 1 were $124,107; Jefferson Transit's actual contributions to the PERS Plan 2/3 were $193,389 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study and* the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.
-

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability (Asset)

The table below presents Jefferson Transit's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what Jefferson Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$820,339	$655,056	$511,652
PERS 2/3	$1,638,135	$213,588	$(955,347)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2019, Jefferson Transit reported a total pension liability of $868,644 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$655,056
PERS 2/3	$213,588

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	.017520%	.017035%	.000485%
PERS 2/3	.022134%	.021989%	.000145%

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

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, Jefferson Transit recognized pension expense as follows:

	Pension Expense
PERS 1	$7,425
PERS 2/3	$35,612
TOTAL	$43,036

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, Jefferson Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Net difference between projected and actual investment earnings on pension plan investments	$ 0	($43,763)
Changes of assumptions	$ 0	$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	$ 0	$ 0
Contributions subsequent to the measurement date	$65,145	$ 0
TOTAL	$65,145	($43,763)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$61,193	($45,920)
Net difference between projected and actual investment earnings on pension plan investments	$ 0	($310,897)
Changes of assumptions	$ 5,469	($89,614)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 0	($18,386)
Contributions subsequent to the measurement date	$106,956	$ 0
TOTAL	$173,619	($464,818)

Deferred outflows of resources related to pensions resulting from the Jefferson Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2020	(9,661)
2021	(22,884)
2022	(8,166)
2023	(3,052)
2024	
Total	**(43,763)**

Year ended December 31:	PERS 2/3
2020	(99,791)
2021	(163,168)
2022	(74,370)
2023	(41,478)
2023	(19,844)
Thereafter	496
TOTAL	**(398,155)**

NOTE 9 - PRIOR PERIOD ADJUSTMENTS-CHANGE IN ACCOUNTING PRINCIPLE

In 2019 Jefferson Transit received a check for a 2011 credit. This check was posted as a recovery for health care expenses.

NOTE 10 – RISK MANANGEMENT

A. Public Entity Risk Pool

Jefferson Transit Authority (JTA) is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member self-insurance program located in Olympia, Washington. WSTIP supplies JTA auto liability, general liability, public official's liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage.

At the end of 2019, JTA retained a $5,000 deductible for its all-risk property coverage which includes auto physical damage. JTA has a $5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

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

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

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

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

Here is a summary of coverage provided in 2019:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY: Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	$25 million	Per occurrence	$0
Personal Injury and Advertising Injury	$25 million	Per offense	$0
Contractual liability			$0
Vanpool Driver Medical Expense Protection	$35,000	Per occurrence	$0

Underinsured Motorist Coverage (by mode)	$60,000	Per occurrence	$0[1]
PUBLIC OFFICIALS LIABILITY	$25 million	Per occurrence and aggregate	$5,000
PROPERTY COVERAGE All perils subject to the following sublimits:	$500 million	Per occurrence, all perils and insureds/ members combined	$5,000
Flood zones A & V – annual aggregate	$10 million	Per occurrence, annual aggregate	$500,000
All flood zones except A & V – annual aggregate	$50 million	Per occurrence, annual aggregate	$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	$25 million	Per occurrence, annual aggregate	5% subject to $500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below $250,000 in value)	Fair market value	Limited to $1,350,000 any one vehicle	$5,000
Auto Physical Damage for all vehicles with a model year of 2008 or later and valued over $250,000	Replacement Cost	Limited to $1,350,000 any one vehicle	$5,000
BOILER AND MACHINERY	$100 million		$250,000 or $350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	$1 million	Per occurrence	$10,000
Employee theft	$1 million	Per occurrence	$10,000
Forgery or alteration	$1 million	Per occurrence	$10,000
Theft, disappearance and destruction (inside premises)	$1 million	Per occurrence	$10,000
Robbery and safe burglary (inside premises)	$1 million	Per occurrence	$10,000
Robbery and safe burglary (outside premises)	$1 million	Per occurrence	$10,000
Computer fraud	$1 million	Per occurrence	$10,000
Funds Transfer Fraud	$1 million	Per occurrence	$10,000
Money orders and counterfeit money	$1 million	Per occurrence	$10,000
CYBER LIABILITY			
Third Party Liability	$2 million	Maximum limit	$100,000*
Breach Response Costs	$500,000	Limit increases to $1 million if carrier's nominated service	

[1] Each member selects the modes which uninsured motorist coverage is applied to. To review your selection of UIM, please refer to Exhibit attached.

		providers are utilized	
FIRST PARTY LOSS Business Interruption *Resulting from Security Breach* *Resulting from System Failure*	 $2 million $500,000	 Limit of Liability Limit of Liability	
Dependent Business Loss *Resulting from Security Breach* *Resulting from System Failure*	 $750,000 $100,000	 Limit of Liability Limit of Liability	
Cyber Extortion Loss	$2 million	Limit of Liability	
Data Recovery Costs	$2 million	Limit of Liability	
LIABILITY Data & Network Liability	 $2 million	 Limit of Liability	
Regulatory defense and penalties	$2 million	Limit of Liability	
Payment Card Liabilities & Costs	$2 million	Limit of Liability	
Media Liability	$2 million	Limit of Liability	
eCRIME Fraudulent Instruction	 $75,000	 Limit of Liability	
Funds Transfer Fraud	$75,000	Limit of Liability	
Telephone Fraud	$75,000	Limit of Liability	
CRIMINAL REWARD	$25,000	Limit	
*However, if covered loss exists, WSTIP's general liability policy also includes a $50,000 limit of coverage with no deductible. As of July 1, 2019, the deductible was lowered to $5,000.			

B. Unemployment Insurance

Jefferson Transit maintains insurance against most normal hazards except for unemployment insurance, where it has elected to become self-insured as a "reimbursable employer" as allowed by the State of Washington Employment Security Department.

Claims are processed by the Employment Security Department and billed to Jefferson Transit quarterly. Jefferson Transit had $-0- in claims during 2019.

NOTE 11 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the week following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.
Due to a drop in ridership and the necessity to reduce exposure to employees, Jefferson Transit:

- reduced revenue service by approximately 60%;
- eliminated fares to reduce interactions with operators/customer service;
- closed all public facilities; and
- requested administration employees work from home.

The length of time these measure will be in place, and the full extent of the financial impact on Jefferson Transit is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2019
Last 6 Fiscal Years*

		2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.017035%	0.017520%	0.018283%	0.018440%	0.018736%	0.019155%
Employer's proportionate share of the net pension liability	$	655,056	782,449	867,543	990,315	980,067	964,942
TOTAL	$						
Employer's covered employee payroll	$	2,389,973	2,304,191	2,238,457	2,156,613	2,011,382	2,056,075
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	27.41%	33.96%	38.76%	45.92%	48.73%	46.93%
Plan fiduciary net position as a percentage of the total pension liability	%	67.12%	66.52%	61.24%	57.03%	59.10%	61.19%

See Notes to Required Supplementary Information

Jefferson Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2019
Last 6 Fiscal Years*

		2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.021989%	0.022134%	0.022309%	0.022636%	0.023058%	0.023476%
Employer's proportionate share of the net pension liability	$	213,588	377,918	775,131	1,139,705	823,875	474,535
Employer's covered employee payroll	$	2,389,973	2,286,604	2,187,136	2,116,447	1,968,342	2,010,524
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	8.94%	16.53%	35.44%	53.85%	41.86%	23.60%
Plan fiduciary net position as a percentage of the total pension liability	%	97.77%	96.88%	90.97%	85.82%	89.20%	93.29%

See Notes to Required Supplementary Information

Jefferson Transit Authority
Schedule of Employer Contributions
PERS 1
As of December 31, 2019
Last 6 Fiscal Years*

		2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	122,148	117,111	109,972	104,571	95,725	85,530
Contributions in relation to the statutorily or contractually required contributions	$	(122,148)	(117,111)	(109,972)	(104,571)	(95,725)	(85,530)
Contribution deficiency (excess)	$	0	0	0	0	0	0
Covered employer payroll	$	2,506,965	2,315,060	2,234,465	2,137,742	2,128,866	2,065,248
Contributions as a percentage of covered employee payroll	%	4.87%	5.06%	4.92%	4.89%	4.50%	4.14%

See Notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit Authority
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2019
Last 6 Fiscal Years*

		2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	179,589	170,789	136,258	130,677	117,530	100,962
Contributions in relation to the statutorily or contractually required contributions	$	(179,589)	(170,789)	(136,258)	(130,677)	(117,530)	(100,962)
Contribution deficiency (excess)	$	0	0	0	0	0	0
Covered employer payroll	$	2,506,965	2,315,060	2,190,916	2,092,895	2,086,425	2,021,431
Contributions as a percentage of covered employee payroll	%	7.16%	7.38%	6.22%	6.24%	5.63%	4.99%

See Notes to Required Supplementary Information

Notes to Required Supplementary Information – Pensions
Year Ended December 31, 2019

Note 1 – Information Provided

Jefferson Transit implemented GASB Nos. 68/71 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014. PERS 1 employer contributions include the PERS 1 employer contributions of PERS 2 and PERS 3, which are required to fund the unfunded actuarially accrued liability pursuant to RCW 41.45.060.

Note 2 – Significant Errors

There were no changes in benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3 – Employer Contribution Rate Changes

The employer contribution rates for both the PERS 1 and PERS 2/3 plans increased from 12.83% to 12.86% for pay periods beginning July 2019. The employee contribution rates for PERS 2/3 plans increase from 7.41% to 7.9% for pay periods beginning July 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit Authority
Schedule of Changes in Total OPEB Liability and Related Ratios
Washington State Public Employees Benefit Board (PEBB)
For the year ended December 31, 2019
Last 10 Fiscal Year(s)*

	2019	2018
Total OPEB liability - beginning	$2,358,269	$2,299,515
Service cost	96,578	113,169
Interest	94,960	86,374
Changes in benefit terms	0	0
Differences between expected and actual experience	(222,767)	(140,789)
Changes of assumptions	0	0
Benefit payments	(2205)	0
Other changes		
Total OPEB liability - ending	$2,324,835	$2,358,269
Covered-employee payroll**	$2,150,629	$2,085,300
Total OPEB liability as a % of covered payroll	108.1%	113.09%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Jefferson County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	GCB 2604	423,148	-	423,148	-	1,2,7
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0037	632,001	-	632,001	-	1,2,7
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	RTAP	2,932	-	2,932	-	1,2,7
			Total CFDA 20.509:	**1,058,081**	**-**	**1,058,081**	**-**	
			Total Federal Awards Expended:	**1,058,081**	**-**	**1,058,081**	**-**	

The accompanying notes are an integral part of this schedule.

Jefferson Transit Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as Jefferson Transit Authority's financial statements. The financial statements of Jefferson Transit Authority are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

Note 2 – Program Costs

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

Note 7 – Indirect Cost Rate

Jefferson Transit Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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