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, 2022 through December 31, 2022

Published September 14, 2023

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Office of the Washington State Auditor
Pat McCarthy

September 14, 2023

Board of Commissioners
Jefferson Transit Authority
Port Townsend, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on 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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Jefferson Transit Authority
January 1, 2022 through December 31, 2022

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The results of our audit of 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.

ALN	Program or Cluster Title
20.509	COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program
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

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, 2022 through December 31, 2022

Board of Commissioners
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 Jefferson Transit Authority, as of and for the year ended December 31, 2022, 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 6, 2023.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

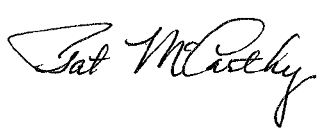
REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

September 6, 2023

INDEPENDENT AUDITOR'S REPORT

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

Jefferson Transit Authority
January 1, 2022 through December 31, 2022

Board of Commissioners
Jefferson Transit Authority
Port Townsend, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Jefferson Transit Authority, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2022. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the

Authority's internal control over compliance. Accordingly, no such opinion is expressed; and

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy, State Auditor

Olympia, WA

September 6, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Jefferson Transit Authority
January 1, 2022 through December 31, 2022

Board of Commissioners
Jefferson Transit Authority
Port Townsend, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Transit Authority, as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

September 6, 2023

FINANCIAL SECTION

Jefferson Transit Authority
January 1, 2022 through December 31, 2022

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JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/Jefferson Transit Authority

MANAGEMENT DISCUSSION & ANALYSIS
For The Year Ended December 31, 2022

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, 2022. 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.
>
> Rideshare – A program that makes available to groups of 5-15 people a vehicle for commuting to work and other qualifying trips.

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: COVID-19 continuing financial impacts; 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.

- During the COVID-19 pandemic, in March 2020, the Jefferson Transit Authority Board implemented zero fare across all routes and services in order to reduce contact between the general public and transit personnel, decreasing operating revenue to $0.00 in 2020 and 2021. In April 2022, the Jefferson Transit Authority Board passed a Fare Policy resolution that made zero-fare on regular routes (excluding express and premium labeled routes) standard, as well as all passengers 18 years of age and younger regardless of the type of service provided. Jefferson Transit introduced a new express route commuter service in February 2022, the Kingston Express, between Port Townsend and Kingston, WA and started collecting fares on the express service in March 2022. Jefferson Transit collected $11,700 in operating revenue in 2022.
- Operating expenses (excluding depreciation) increased 38.3% to $4,798,274 from $3,468,885. Jefferson Transit saw significant increases in payroll related, fuel, maintenance and repair expenses over 2021 figures due to increased costs of supplies and materials, and service costs, and supply chain shortages.
- Sales tax revenue increased 13% to $7,337,593 from $6,493,043.
- Operating subsidies increased 148.8% to $4,570,324 from $1,837,076. In 2022, Jefferson Transit received operating expense reimbursement from no-match grants including CARES, CRRSAA, and ARPA. Grant funding varies from year to year.
- Net position increased 25.3% to $32,840,084 from $26,206,313.

Overall, Jefferson Transit's management exhibits a high degree of control over expenses. Budget versus actual expenses are reviewed by staff and reported to the Authority Board every other month. 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, 2022, and 2021.

In 2022, total assets and deferred outflows were $37,046,748, an increase of $5,543,264 (or 17.6%) from 2021. In 2022, current and other assets were $22,954,615, an increase of $6,500,974 (or 39.5%) from 2021. The increase in assets is due to increased sales tax and use of grant funding.

On December 31, 2022, Jefferson Transit had total liabilities of $3,311,921, an increase of $271,697 (or 8.9%) from 2021 year-end. The increase in total liabilities is primarily due to changes in the required GASB 68/71 and GASB 75 changes posted for 2022.

Jefferson Transit's assets exceeded liabilities at December 31, 2022 by $32,840,084 (total net position), an increase of $6,633,771 (or 25.3%). The financial position of Jefferson Transit remained strong in 2022.

Statement of Net Position (Summary)
December 31, 2022 and 2021

	2022	2021	2022 Increase (Decrease) Over 2021
Assets:			
Current and Other Assets	$ 22,954,615	$ 16,453,641	$ 6,500,974
Capital Assets, Net	12,382,628	12,599,549	(216,921)
Other Non-Current Assets	846,864	2,161,570	(1,314,706)
Total Assets	$ 36,184,106	$ 31,214,760	$ 4,969,347
Deferred Outflow - Pension	$ 850,211	$ 279,955	570,256
Deferred Outflow - OPEB	$ 12,430	$ 8,769	3,661
Total Deferred Outflows	$ 862,641	$ 288,724	$ 573,917
Total Assets & Deferred Outflows	37,046,748	31,503,484	5,543,264
Liabilities:			
Current Liabilities	$ 334,344	$ 151,631	$ 182,713
Long-Term Liabilities	2,977,576	2,888,593	88,983
Total Liabilities	$ 3,311,921	$ 3,040,224	$ 271,697
Deferred Inflow - Pension	$ 894,743	$ 2,256,947	(1,362,204)
Invested in Capital Assets	$ 12,382,628	$ 12,599,549	$ (216,921)
Restricted	$ 829,706	$ 361,768	$ 467,938
Unrestricted	$ 19,627,751	$ 13,244,997	6,382,754
Total Net Position	$ 32,840,084	$ 26,206,313	$ 6,633,771
Total NP-Liabilities-Deferred IF	$ 37,046,748	$ 31,503,484	$ 5,543,264

Statement of Revenues, Expenses and Changes in Fund Net Position

As of December 31, 2022, total net position was $32,840,084, an increase of $6,633,771 (or 25.3%) from 2021 year-end. 2022 Capital contributions included $419,301 for the purchase of a Gillig Trolley Style Fixed-Route Bus. The favorable net position is due in part to no-match required operational grants.

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, 2022 and 2021

	2022	2021	2022 Change Over 2021
Operating Revenues	$ 11,700	$ -	$ 11,700
Operating Expenses	(5,912,640)	(4,574,015)	(1,338,625)
Operating Income (Loss)	$ (5,900,940)	$ (4,574,015)	$ (1,326,925)
Nonoperating Revenues (Expenses)	12,117,470	8,335,777	3,781,693
Capital Contributions	419,301	0	419,301
Increases (Decreases) in Net Assets	$ 6,635,831	$ 3,761,762	$ 2,874,069
Net Position - Beginning (January 1)	$ 26,206,313	$ 22,444,897	$ 3,761,416
Prior Period Adjustment	(2,060)	(346)	(1,714)
Net Position - Ending (December 31)	$ 32,840,084	$ 26,206,313	$ 6,633,771

Operating Revenues

Operating revenues are revenues tied directly to transit and transit related services. 2022 operating revenues for Jefferson Transit were $11,700. Jefferson Transit collects passenger fare for the Kingston Express Route service and collects zero fare on all other fixed-route and paratransit (Dial-A-Ride) services. Jefferson Transit did not actively recruit Rideshare groups in 2022. The Jefferson Transit Authority Board passed a zero-fare policy in April 2022 on regular Fixed Route and Dial-a-Ride passenger trips, and zero fare for all youths 18 and under on all transit services.

Operating Revenues
For The Years Ended December 31, 2022 and 2021

	2022	2021	2022 Increase (Decrease) Over 2021
Passenger Fares for Transit Services	$ 11,700	$ -	$ 11,700
Operating Revenues	$ 11,700	$ -	$ 11,700

Operating Expenses

Operating expenses are all expenses tied to operations and providing transit related services. Operating expense categories include operations, operational expenses for the Kingston Express service, maintenance, administration, and depreciation.

Operating Expenses
For The Years Ended December 31, 2022 and 2021

	2022	2021	2022 Increase (Decrease) Over 2021
Operations	$ 2,134,732	$ 1,642,538	$ 492,194
Haines Place Transit Center	38,556	17,484	$ 21,071
Kingston (Ops)	120,640	0	$ 120,640
Maintenance	1,711,670	1,004,288	707,382
Administrative Expenses	792,676	804,574	(11,898)
Depreciation	1,114,366	1,105,130	9,236
	$ 5,912,640	$ 4,574,015	$ 1,338,626

2022 operating expenses were $5,912,640, an increase of 1,338,626 (or 29.27%) from 2021.

The primary reason for the increase in expenses is attributed to labor and benefits and materials and supplies consumed, operational changes are listed below.

Operating expenses by category:

- All represented employees received a 6% wage increase in 2022. Jefferson Transit experienced significant staffing shortages in 2022 in the operations department resulting in increased overtime hours.

- Operations – Responsible for all on-street services including transit operators and dispatchers. 2022 expenses related to operations (including Kingston Express expenses) were $2,255,372, an increase of $612,834 (37%) from 2021. Jefferson Transit operated full-service levels in 2022 (except Rideshare) and added a new express commuter route between Port Townsend and the Kingston Ferry terminal, adding 45 service hours per week.

- Haines Place Transit Center (HPTC) – HPTC is responsible for all customer service and passenger interactions. HPTC staffing budgets including the Mobility Coordinator, Service and Training Supervisor, Field Supervisor and Customer Support Specialist position were moved back to the Operations department at the end of 2020 with an end of year payroll accrual reducing the overall expenses in 2021. In 2022, HPTC operating expenses were $38,556.

- 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 $1,711,670 in 2022. This is a increase of $707,382 (70%) from 2021. Maintenance saw increases in parts and maintenance expenses in 2022 due to increased supply costs and supply chain issues. Fuel expense doubled compared to 2021 due to both rising costs and increased operations from the addition of the Kingston Express service.

- Administration – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, and human resources. 2022 expenses related to administration were $792,676, a decrease of $11,898 (or 1.5%) from 2021. The administration department had a significant change in staff, four management positions were vacated, resulting in three interim management positions (covered by other management staff) for a portion of the year, and one vacant management position reducing administrative salaries, wages, and benefits.

- Depreciation – This is the estimated pro-ration of the cost of capital assets over the useful life of the asset. 2022 expenses related to depreciation were $1,114,367, an increase of $9,236 (0.8%) from 2021. New vehicle purchases in recent years are responsible for the increase.

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.

2022 non-operating revenue was $12,117,470, an increase of $3,781,693 (or 45.4%) over 2021.

Non-operating Revenues by category:

- Sales Tax – Consists of revenue received from local sales tax at the rate of 0.9%. 2022 sales tax was $7,337,593, an increase of $844,550 (or 13%) from 2021.

- Operating Subsidies – Consist mainly of state and federal grants. 2022 operating subsidies were $4,570,324, an increase of $2,733,248 (or 148.8%) from 2021. Grant funding fluctuates from year to year; during 2022, ARRPA, CARES, CRRSA grant funding was utilized for operations for all four fiscal quarters, and Jefferson Transit consolidated formula grant funding for a portion of the last quarter.

- Investment Income – Consists of revenue generated from investment interest. 2022 investment income was $205,581, an increase of $194,299 (or 1722%) from 2022. This increase is attributed to rising interest rates in 2022.

- 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 2022, Non-operating Revenues consist of the sale of surplus vehicles/equipment not fully depreciated and non-transportation revenues. 2022 other non-operating revenues were $3,972, an increase of $9,596 (or 170.6%) from 2021.

Nonoperating Revenues (Expenses)
Fort the Years Ended December 31, 2022 and 2021

	2022	2021	2022 Increase (Decrease) Over 2021
Sales Tax	$ 7,337,593	$ 6,493,043	$ 844,550
Operating Subsidies	4,570,324	1,837,076	2,733,248
Investment Income	205,581	11,282	194,299
Interest on Debt	0	0	0
Other Non-operating Revenues (Expenses)	3,972	(5,624)	9,596
Nonoperating Revenues (Expenses)	$ 12,117,470	$ 8,335,777	$ 3,781,693

Statement of Cash Flows

2022 year-end cash balance was $20,402,717, an increase of $5,544,694 (or 37%) from 2021 year-end. 2022 cash used by operating activities was $5,549,750, an increase in expenditures of $613,691 (or 12%) from 2021. 2022 cash provided from noncapital financing activities was $11,786,252, an increase of $3,544,731 (or 43%) from 2021. 2022 cash used by capital and related financing activities was $897,387, an increase in expenditures of $508,445 (or 13.1%) from 2021. Cash provided by investing activities (interest earned) was $205,581, an increase of $194,299 (or 17.2%) from 2021. 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, 2022 and 2021

	2022	2021	2022 Increase (Decrease) Over 2021
Net Cash Provided (Used) by:			
Operating Activities	$ (5,549,750)	$ (4,936,059)	(613,691)
Noncapital Financing Activities	11,786,252	8,241,521	3,544,731
Capital and Related Financing Activities	(897,387)	(388,943)	(508,445)
Investing Activities	205,581	11,282	194,299
Net Increase (Decrease) in Cash and Equivalents	$ 5,544,695	$ 2,927,801	$ 2,616,894
Cash Balances - Beginning of Year	$ 14,858,022	$ 11,930,222	$ 2,927,801
Prior Year Adjustment			0
Cash Balances - End of Year	$ 20,402,717	$ 14,858,023	$ 5,544,694

Capital Assets
Jefferson Transit's investment in capital assets as of year-end 2022 was $12,382,628, a decrease of $216,921.13 (or 1.7%) from year-end 2021. Jefferson Transit's investment in capital assets includes land, buildings, shelters, vehicles & equipment and construction in progress. Depreciation expense was $1,114,366. Jefferson Transit capital purchases consisted of a revenue vehicle purchase (one (1) full size fixed-route Gillig trolley bus), Major component replacements (four (4) Cummins replacement engines for fixed-route buses), two service vehicles (two (2) Electric Ford AWD Mach-e supervisor vehicles,) and several design projects/studies. Jefferson Transit retired several pieces of office equipment in 2022.

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:

- Increased costs in supplies and materials, including vehicle maintenance parts and equipment, increased fuel costs, and supply chain issues.
- 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 completed the Long-Range Plan in early 2022, this plan will help guide service expansion.
- Jefferson Transit's transition towards a zero emissions fleet will require capital investment in electric vehicle charging infrastructure and possible other zero emission alternatives in the future and adjusting capital vehicle reserves to accommodate the higher cost of battery electric buses and vehicles.
- Jefferson Transit projects for the design of a Maintenance Bay Expansion and construction of a Facilities Maintenance Building continued in 2022. The HPTC Bus Loop Reconfigure project has been put on hold in the near term. Jefferson Transit will continue to actively search construction grants for these projects.

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, 2022

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	20,402,717
Taxes Receivable	$	1,219,648
Accounts Receivable (Net)	$	35,745
Due To (From) Other Governments	$	1,121,964
Inventory	$	157,240
Prepaid Expenses	$	17,301
TOTAL CURRENT ASSETS	$	22,954,615
NONCURRENT ASSETS		
Capital Assets Not Being Depreciated:		
Land	$	1,183,315
Construction in Progress	$	544,321
Capital Assets Being Depreciated:		
Facility	$	7,402,907
Other Buildings & Structures	$	1,985,728
Revenue Vehicles	$	8,926,637
Service Vehicles	$	556,282
Service Equipment	$	705,363
Office Furniture & Equipment	$	522,151
Less: Accumulated Depreciation	$	(9,444,076)
Other Non-Current Assets		
Net Pension Asset	$	846,864
TOTAL NONCURRENT ASSETS	$	13,229,492
TOTAL ASSETS	$	36,184,106
DEFERRED OUTFLOW OF RESOURCES		
Pension	$	850,211
OPEB	$	12,430
TOTAL DEFERRED OUTFLOWS	$	862,641
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	37,046,748
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	114,611
Accrued Expenses	$	138,237
Current Employee Leave Benefits	$	56,635
Current OPEB	$	24,861
TOTAL CURRENT LIABILITIES	$	334,344.14
NONCURRENT LIABILITIES		
Deposits and Other Payables	$	510
Employee Leave Benefits	$	176,349
Net Pension Liability	$	487,041
OPEB Liability	$	2,313,676
TOTAL NONCURRENT LIABILITIES	$	2,977,576.45
TOTAL LIABILITIES	$	3,311,921
DEFERRED INFLOW OF RESOURCES		
Pension	$	894,743
NET POSITION		
Net Investment in Capital Assets	$	12,382,628
Restricted for Pension Asset	$	829,706
Unrestricted	$	19,627,751
TOTAL NET POSITION	$	32,840,084
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	37,046,748

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, 2022

OPERATING REVENUES	
Passenger Fares	11,700
Other Operating Revenue	0
Total Operating Revenues	11,700
OPERATING EXPENSES	
Operations	2,134,732
HPTC	38,556
Kingston	120,640
Maintenance	1,711,670
Administrative Expenses	792,676
Depreciation	1,114,366
Total Operating Expenses	5,912,640
Operating Income (Loss)	(5,900,940)
NONOPERATING REVENUES (EXPENSES)	
Sales Tax	7,337,593
External Operating Subsidies	4,570,324
Investment Income	205,581
Other Nonoperating Revenues (Expenses)	3,972
Total Nonoperating Revenues (Expenses)	12,117,470
Income (Loss) Before Capital Contributions, Extraordinary and Special Items	6,216,530
Capital Contributions	419,301
Increase (Decrease) In Net Position	6,635,831
Net Position - Beginning of Period	26,206,313
Prior Period Adjustment	(2,060)
Net Position - End of Period	32,840,084

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	(324,802)
Payments to Suppliers	(1,092,333)
Payments to Employees	(3,584,669)
Change in Deferred (Inflow) Outflow for GASB 68	(337,040)
Change in Deferred (Inflow) Outflow for GASB 75	(210,905)
Net Cash Provided (Used) by Operating Activities	(5,549,750)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales Tax Receipts	7,212,014
Other Nonoperating Receipts	3,914
Operating Grant Receipts	4,555,324
Local Government Assistance Fund Receipts	15,000
Net Cash Provided (Used) by Noncapital Financing Activities	11,786,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	0
Purchases of Capital Assets	(897,445)
Sale of Capital Assets	58
Net Cash Provided (Used) by Capital and Related Financing Activities	(897,387)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	205,581
Net Cash Provided by Investing Activities	205,581
Net Increase (Decrease) in Cash and Cash Equivalents	5,544,695
Balances - Beginning of the Year	14,858,022
Prior Period Adjustment	
Balances - End of the Year	20,402,717

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	(5,900,940)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,114,366
Change in Deferred (Inflow) Outflow for GASB 68	(337,040)
Change in Deferred (Inflow) Outflow for GASB 75	(210,905)
Change in Assets and Liabilities:	
Receivables, Net	(336,652)
Inventories	(30,826)
Prepaid Expenses	(43,919)
Prepaid Revenue	150
Accounts and Other Payables	164,067
Accrued Payroll and Benefit Expenses	31,949
Net Cash Provided by Operating Activities	(5,549,750)

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

JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/JEFFERSON TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 Rideshare (formerly known as 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 Rideshare 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 Rideshare 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, 2022, the treasurer was holding $20,402,717 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.

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.

2. Receivables

As of December 31, 2022, Jefferson Transit had $1,219,648 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, 2022, Jefferson Transit had the following sales tax amounts accrued:

November 2022 Sales Tax Received January 2023		$607,850
December 2022 Sales Tax Received February 2023		611,798
TOTAL	$	1,219,648

As of December 31, 2022, Jefferson Transit had $35,745 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, 2022, Jefferson Transit had the following receivables:

Accounts Receivable	$	35,462
Accounts Receivable - Other		283
TOTAL	$	35,745

3. Due to (From) Other Governments

As of December 31, 2022, Jefferson Transit had a net $1,121,964 Due from Other Governments.

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

As of December 31, 2022, Jefferson Transit had the Due from Other Governments:

Federal and State Governments - Operating		$ 1,121,964
	TOTAL	$ 1,121,964

4. Inventory

As of December 31, 2022, Jefferson Transit had $157,240 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, 2022, Jefferson Transit had the following inventories:

Maintenance Parts Inventory		$ 117,829.82
Fuel Inventory		$ 39,410.51
	TOTAL	$ 157,240.33

5. Other Assets and Debits

As of December 31, 2022, Jefferson Transit had $17,301 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, 2022, Jefferson Transit had the following prepaid expenses:

Other Prepaids		$ (17,301)
Pre-paid: Employee Travel Advances		$ -
	TOTAL	$ (17,301)

6. Capital Assets and Depreciation - See Note 2.

7. <u>Compensated Absences</u>

As of December 31, 2022, Jefferson Transit had $232,984 in Employee Leave Benefits. This represents an increase of $16,998 from 2021.

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, 2022, 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. <u>Other Accrued Liabilities</u>

As of December 31, 2022, Jefferson Transit had $114,611 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. Jefferson Transit had no pending payables at the end of 2022 but did have an insurance credit and small vendor credits.

As of December 31, 2022, Jefferson Transit had the following accounts payable:

Accounts Payable		$ 114,611
	TOTAL	$ 114,611

As of December 31, 2022, Jefferson Transit had $138,237 in Accrued Expenses.

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

As of December 31, 2022, Jefferson Transit had the following accrued expenses:

Accrued Employee Payroll & Related Liabilities		138,237
	TOTAL	$ 138,237

As of December 31, 2022, Jefferson Transit had $510 in Deposits and Other Payables.

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

9. <u>Pensions</u>

Detailed pension calculations are explained in Note 7. 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.

For purposes of calculating the restricted net position related to the net pension asset, the restricted net position is equal to the net pension asset, minus the deferred inflows, plus the deferred outflows and only includes the deferred inflows and deferred outflows for the pension plans that have a net pension asset.

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 and 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 2022, Jefferson Transit purchased service vehicles, equipment and continued with several projects including:

- Completed the Long-Range Plan Project (Construction in Progress);
- Continued the 3rd Maintenance Bay project (Construction in Progress)
- Started the Facilities Maintenance Building/Training Area project (Construction in Progress);
- Started the electric vehicle charging infrastructure project (Construction in Progress)

- Completed the Maynard Mountain radio repeater project.
- Purchased one (1) Full size Fixed-Route Gillig Trolley Bus.
- Purchased two (2) Electric Ford AWD Mach-E supervisor vehicles.
- Purchased four (4) Cummins replacement engines for fixed-route buses.

One (1) barcode printer and two (2) desktop computers were retired. These items were either sold at auction, discarded or sent to metal recycling.

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

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital assets, not being depreciated				
Land	$ 1,183,315		$ -	$ 1,183,315
Construction in Progress	375,426	168,895		544,321
Total capital assets not being depreciated	$ 1,558,741	$ 168,895	$ -	$ 1,727,635
Capital assets, being depreciated:				
Facility	$7,402,907			$7,402,907
Other Buildings & Structures	$1,985,728			$1,985,728
Revenue Vehicles	$8,303,719	$643,471		$8,926,637
Service Vehicles	$450,649	$105,633		$556,282
Service Equipment	$705,363			$705,363
Office Furniture & Equipment	$524,822		$2,671	$522,151
Total capital assets being depreciated	$19,373,189	$749,104	$2,671	$20,099,069
Less accumulated depreciation for:				
Facility	$ (1,312,769)	$ 20,720	$ 269,364	$ (1,561,413)
Other Buildings & Structures	$ (1,599,536)	8,310	102,753	$ (1,693,979)
Revenue Vehicles	$ (4,284,630)	51,386	679,212	$ (4,912,456)
Service Vehicles	$ (358,237)	3,739	56,643	$ (411,141)
Service Equipment	$ (470,912)	3,904	39,484	$ (506,492)
Office Furniture & Equipment	$ (306,296)	11,612	63,909	$ (358,593)
Total accumulated depreciation	$ (8,332,381)	$ 99,671	$ 1,211,365	$ (9,444,075)
Total capital assets, being depreciated, net	$ 11,040,808	$ 848,775	$ 1,214,036	$ 10,654,994
Total capital assets	**$ 12,599,549**	**$ 1,017,669**	**$ 1,214,036**	**$ 12,382,629**

NOTE 3 – CHANGES LONG TERM LIABILITIES

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

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Liability					
Compensated Absences	$215,987	$16,988		$232,984	$56,635
Pension obligations	$206,327	$280,714		$ 487,041	$0
OPEB obligations	$2,545,781		$207,244	$2,338,537	$24,861

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, 2022, is as follows:

Description/Purpose	**Held By/On Deposit With**	**Balance: 12/31/2022**
Depository (Operating) Fund	Jefferson County Treasurer	$7,631,058
Unemployment Reserve	Jefferson County Treasurer	18,750
Depository (Capital) Fund	Jefferson County Treasurer	460,710
WA State Investment Pool	Jefferson County Treasurer	12,163,843
Cash on Hand	JTA	75
Payroll ACH Account	First Security Bank	126,781
Advance Travel Fund	First Security Bank	1,500
Subtotal (Current Assets)		$20,402,717
Total Cash		$20,402,717

Investments Measured at Amortized Cost

As of December 31, 2022, Jefferson Transit held $12,163,843 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 – 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 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$2,338,537
OPEB assets	$0
Deferred outflows of resources	$12,430
Deferred inflows of resources	$0
OPEB expense/expenditures	$187,735

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	50
Total	55

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 2.16% for the beginning of the measurement year and 3.54% 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 2-11%, trending down to about 4.3% in 2075. Mortality rates were calculated using the PubG.H-2010 (General) base mortality table with an age setback of 0 years, mortality improvements of MP-2017 Long-Term Rates 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 most recent 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 7.4 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Healthcare Cost Trend Rate (7.4%)	1% Increase (8.4%)
Total OPEB Liability	$1,970,156	$2,338,537	$2,803,478

b. The following presents the total OPEB liability of Jefferson Transit calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	$2,759,354	$2,338,537	$2,000,172

Changes in the Total OPEB Liability (TOL)

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 1/1/2022	$2,545,781
Service cost	107,939
Interest	57,111
Changes of benefit terms	0
Changes in Experience Data and Assumptions	(352,785)
Benefit payments	(19,509)
Other changes	0
Total OPEB Liability at 12/31/2022	$2,338,537

a. The Alternative Measurement Method (AMM) was performed with a valuation date of June 30, 2022. 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, 2022. 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 ($187,735)

g. At December 31, 2022, 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	12,430	0
TOTAL	$12,430	$0

Deferred outflows of resources of $12,430 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, 2022.

Year Ended December 31:	
2023	$ 12,430
2024	0
2025	0
2026	0
2027	0
Thereafter	$0

NOTE 7 - 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 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	($487,041)
Pension assets	$846,863
Deferred outflows of resources	$850,211
Deferred inflows of resources	($894,743)
Pension expense	($43,751)

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 annual comprehensive financial report (CACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

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

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January – 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**

September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

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 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2/3**
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies

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

Jefferson Transit's actual contributions to PERS Plan 1 were $108,784; Jefferson Transit's actual contributions to the PERS Plan 2/3 were $184,505 for the year ended December 31, 2022.

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	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 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 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$650,681	$487,041	$344,223
PERS 2/3	$997,292	$(846,863)	$(2,361,953)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, Jefferson Transit reported a total pension asset of $846,863 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$487,041
PERS 2/3	$(846,863)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.016895%	.017492%	.000597%
PERS 2/3	.021699%	.022834%	.001135%

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 Non-employer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

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

	Pension Expense
PERS 1	$239,681
PERS 2/3	$(283,433)
TOTAL	$(43,752)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, 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	($80,717)
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	$53,343	0
TOTAL	$53,343	($80,717)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$209,833	($19,171)
Net difference between projected and actual investment earnings on pension plan investments	0	(626,092)
Changes of assumptions	472,009	(123,589)
Changes in proportion and differences between contributions and proportionate share of contributions	25,563	(45,174)
Contributions subsequent to the measurement date	89,463	0
TOTAL	$796,869	($814,026)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2022	(34,158)
2023	(31,024)
2024	(38,919)
2025	23,384
2026	
Thereafter	
Total	**($80,717)**

Year ended December 31:	PERS 2/3
2022	(197,886)
2023	(175,472)
2024	(210,936)
2025	285,291
2026	95,383
Thereafter	96,999
TOTAL	($106,621)

NOTE 8 - PRIOR PERIOD ADJUSTMENTS-CHANGE IN ACCOUNTING PRINCIPLE

In 2021 Jefferson Transit had One (1) prior period adjustment totaling ($2060). Jefferson Transit paid a delayed invoice from 2021.

NOTE 9 – RESTRICTED COMPONENT OF NET POSITION

The Jefferson Transit Statement of Net Position reports $829,706 of restricted for the pension asset resulting from PERS 2/3 becoming fully funded during 2022.

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 2022, 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, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley Cyber Services for the cyber liability policy. The excess property carrier for all risk property and boiler and machinery is Alliant Property Insurance Program provided by Alliant Insurance Services.

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 2022:

RISK / EXPOSURE		**COVERAGE**	**DEDUCTIBLE**
GENERAL LIABILITY: Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	$25 million	Per occurrence	$0

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
Personal Injury and Advertising Injury	$25 million	Per offense	$0
Contractual liability	$25 million	Per occurrence	$0
Vanpool Driver Medical Expense Protection	$35,000	Per occurrence	$0
Underinsured Motorist Coverage (by mode)	$60,000	Per occurrence	$0[1]
Permissive Use of a Member-Owned Motor Vehicle	$100,000 for property damage and $300,000 for bodily injury	Per occurrence	$0
Endorsement 1: **COMMUNICABLE DISEASE LIABILITY**:	$500,000	Per occurrence	$0
Annual aggregate for all Members or Additional Covered Parties	$2 million		
PUBLIC OFFICIALS LIABILITY	$25 million	Per occurrence and aggregate	$5,000
Endorsement 1: **VIOLATIONS OF WAGE & HOUR LAWS**	$250,000	Per occurrence	$25,000
Annual aggregate per Member	$250,000		
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		$5,000
Auto Physical Damage for all vehicles with a model year of 2011 or later and valued over $250,000	Replacement Cost	Limited to $1.5 million any one vehicle	$5,000

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
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
Inside the premises – theft of money and securities	$1 million	Per occurrence	$10,000
Inside the premises – robbery or safe burglary of other property	$1 million	Per occurrence	$10,000
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 INSURANCE		**Coverage**	**Deductible**
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	$40 million		
Insured/Member Annual Aggregate Limit of Liability	$2 million		$5,000
BREACH RESPONSE COSTS	$500,000	Aggregate for each insured/member (limit is increased to $1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS Business Interruption *Resulting from Security Breach* *Resulting from System Failure*	 $750,000 $500,000	 Aggregate limit Aggregate limit	
Dependent Business Loss *Resulting from Security Breach* *Resulting from System Failure*	 $750,000 $100,000	 Aggregate limit Aggregate limit	
Cyber Extortion Loss	$750,000	Aggregate limit	
Data Recovery Costs	$750,000	Aggregate limit	
LIABILITY Data & Network Liability	 $2 million	 Aggregate limit	
Regulatory defense and penalties	$2 million	Aggregate limit	

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
Payment Card Liabilities & Costs	$2 million	Aggregate limit	
Media Liability	$2 million	Aggregate limit	
eCRIME Fraudulent Instruction	$75,000	Aggregate limit	
Funds Transfer Fraud	$75,000	Aggregate limit	
Telephone Fraud	$75,000	Aggregate limit	
CRIMINAL REWARD	$25,000	Limit	
COVERAGE ENDORSEMENTS Reputation Loss	$100,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	$50,000	Limit of Liability	
Computer Hardware Replacement Costs	$100,000	Limit of Liability	
Invoice Manipulation	$100,000	Limit of Liability	
Cryptojacking	$25,000	Limit of Liability	

Jefferson Transit purchases a Covered Locations Pollution Liability Insurance policy. The policy term is from April 4, 2021 to April 4, 2024. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollutions conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is $5 million each pollution condition - includes claims expenses with a $5 million aggregate including claims expenses. Jefferson Transit has a $100,000 deductible per pollution condition.

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 $10,020 in claims during 2022.

NOTE 11 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. Precautionary measures to slow the spread of the virus continued throughout 2021 and 2022. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

To reduce exposure to employees, Jefferson Transit eliminated fares to reduce interactions with operators/customer service; closed all public facilities; and requested administration employees work from home when possible. Jefferson Transit returned to full-service levels in November 2020 for East County services and in January 2021 for West County services but maintained precautionary measures and restrictions. In 2022, Jefferson Transit re-opened customer service offices to the public. The full extent of the financial impact on Jefferson Transit is unknown at this time. Jefferson Transit has remained economically stable and continues to adapt to changing conditions.

Jefferson Transit Authority
Schedule of Employer Contributions
PERS 1
For the Year ended December 31, 2022
Last 9 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	107,205	125,846	132,039	122,148	117,111	109,972	104,571	95,725	85,530
Contributions in relation to the statutorily or contractually required contributions	$	(107,205)	(125,846)	(132,039)	(122,148)	(117,111)	(109,972)	(104,571)	(95,725)	(85,530)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0	0
Covered employer payroll	$	2,901,019	2,702,515	2,597,894	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	%	3.70%	4.66%	5.08%	4.87%	5.06%	4.92%	4.89%	4.50%	4.14%

See Notes to Required Supplementary Information

Jefferson Transit Authority
Schedule of Employer Contributions
PERS 2/3
For the Year ended December 31, 2022
Last 9 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	183,441	205,547	217,532	179,589	170,789	136,258	130,677	117,530	100,962
Contributions in relation to the statutorily or contractually required contributions	$	(183,441)	(205,547)	(217,532)	(179,589)	(170,789)	(136,258)	(130,677)	(117,530)	(100,962)
Contribution deficiency (excess)	$	-	0	0	0	0	0	0	0	0
Covered employer payroll	$	2,901,019	2,702,515	2,597,894	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	%	6.32%	7.61%	8.37%	7.16%	7.38%	6.22%	6.24%	5.63%	4.99%

See Notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
For the Year ended June 30, 2022
Last 9 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.017492%	0.016895%	0.018219%	0.017035%	0.017520%	0.018283%	0.018440%	0.018736%	0.019155%
Employer's proportionate share of the net pension liability	$	(487,041)	(206,327)	643,229	655,056	782,449	867,543	990,315	980,067	964,942
TOTAL	$									
Employer's covered employee payroll	$	2,864,811	2,595,289	2,757,718	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	%	-17.00%	-7.95%	23.32%	27.41%	33.96%	38.76%	45.92%	48.73%	46.93%
Plan fiduciary net position as a percentage of the total pension liability	%	76.56%	88.74%	68.64%	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
For the Year ended June 30, 2022
Last 9 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.022834%	0.021699%	0.023613%	0.021989%	0.022134%	0.022309%	0.022636%	0.023058%	0.023476%
Employer's proportionate share of the net pension liability	$	846,863	104,984	301,997	213,588	377,918	775,131	1,139,705	823,875	474,535
Employer's covered employee payroll	$	2,864,811	2,595,289	2,757,718	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	%	29.56%	4.05%	10.95%	8.94%	16.53%	35.44%	53.85%	41.86%	23.60%
Plan fiduciary net position as a percentage of the total pension liability	%	106.73%	91.42%	97.22%	97.77%	96.88%	90.97%	85.82%	89.20%	93.29%

See Notes to Required Supplementary Information

Notes to Required Supplementary Information – Pensions
Year Ended December 31, 2022

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 10.25% to 10.39% for pay periods beginning September 2022. The employee contribution rates for PERS 2/3 plans remained at 6.36% for pay periods beginning September 2022.

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, 2022
Last 5 Fiscal Year(s)*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$2,545,781	$3,121,178	$2,324,835	$2,358,269	$2,299,515
Service cost	107,939	153,674	90,367	96,578	113,169
Interest	57,111	72,159	84,392	94,960	86,374
Changes in benefit terms	0	0	0	0	0
Differences between expected and actual experience	-352,785	-781,634	629,685	-222,767	-140,789
Changes of assumptions				0	0
Benefit payments	-19,509	-19,596	-8,101	-2,205	0
Other changes	0	0	0	0	0
Total OPEB liability - ending	$2,338,537	$2,545,781	$3,121,178	$2,324,835	$2,358,269
Covered-employee payroll**	$2,522,409	$2,306,685	$2,597,894	$2,150,629	$2,085,300
Total OPEB liability as a % of covered payroll	92.71%	110.37%	120.14%	108.10%	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, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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	PTD0261	177,693	-	177,693	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0262	48,539	-	48,539	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	COVID 19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0191	176,481	-	176,481	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	COVID 19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0234	3,406,837	-	3,406,837	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	COVID 19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0540	745,774	-	745,774	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0217	419,301	-	419,301	-	
			Total ALN 20.509:	**4,974,625**	**-**	**4,974,625**	-	
			Total Federal Awards Expended:	**4,974,625**	**-**	**4,974,625**	**-**	

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, 2022

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 – Indirect Cost Rate

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

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including 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.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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