Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Thurston County Public Transportation Benefit Area (Intercity Transit)

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

Published September 17, 2020

Report No. 1026964

Office of the Washington State Auditor
Pat McCarthy

September 17, 2020

Board of Directors
Intercity Transit
Olympia, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

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Intercity Transit
January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to each of its major federal programs.

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Intercity Transit
January 1, 2019 through December 31, 2019

Board of Directors
Intercity Transit
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Intercity Transit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 10, 2020.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

September 10, 2020

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

Intercity Transit
January 1, 2019 through December 31, 2019

Board of Directors
Intercity Transit
Olympia, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

September 10, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Intercity Transit
January 1, 2019 through December 31, 2019

Board of Directors
Intercity Transit
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Intercity Transit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Matters of Emphasis

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

September 10, 2020

FINANCIAL SECTION

Intercity Transit
January 1, 2019 through December 31, 2019

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Management's Discussion and Analysis – 2019

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INTERCITY TRANSIT

Management's Discussion and Analysis

This section of Intercity Transit's Annual Financial Report represents management's overview and analysis of Intercity Transit's financial performance for the fiscal year ended December 31, 2019. This section should be read in conjunction with the financial statements which follow.

Introduction

Intercity Transit (IT) is a public transportation benefit area corporation providing public transportation services to the Thurston County community.
Services include:

- Local and inter-county bus services.
- Paratransit services for the elderly and disabled.
- A vanpool program and ridematch services.

Highlights for 2019

- As of December 31, 2019, Intercity Transit's assets and deferred outflows exceeded its liabilities and deferred inflows by $131.0 million.
- Intercity Transit's total change in net position increased by $37.8 million primarily due to an increase in sales tax revenue and grant revenue.
- Capital grants were $12,291,474 in 2019.
- Intercity Transit's primary source of funding is from local sales taxes. Intercity Transit's sales tax revenue increased from $41.4 million in 2018 to $62.3 million in 2019.
- In November of 2018 voters approved a 50% increase in Intercity Transit's sales tax percentage, from 0.8 % to 1.2%. The additional sales taxes began April 1, 2019.
- Three service changes were implemented in 2019 (March, September, November) which increased annual fixed route revenue service hours approximately 16.5%.

Overview of the Financial Statements

This discussion and analysis section serves as an introduction to Intercity Transit's basic financial statements. Intercity Transit is a stand-alone enterprise fund, and the financial statements report information using accounting methods similar to those used by private-sector businesses.

The Statement of Net Position presents information about all of Intercity Transit's assets and deferred outflows and liabilities and deferred inflows. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. When net position is compared for several years, increases and decreases may serve as a useful indicator of whether Intercity Transit's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how Intercity Transit's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents information on Intercity Transit's cash receipts, cash payments, and changes in cash and cash equivalents during the fiscal year.

The basic financial statements can be found in this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found in this report.

Intercity Transit's Financial Position

Intercity Transit has historically had two major concerns. The first concern is a heavy reliance on sales tax revenue as the primary source of funding. Sales tax follows the general economic situation which results in cycles of boom and bust. The other concern is volatility in the cost of fuel. IT currently uses almost one million gallons of fuel each year, so a $1 increase in fuel costs is significant. For 2019, Intercity Transit experienced a rise in sales tax revenue and fuel costs increased slightly.

A third major concern has also emerged. The ability to tap into federal grant funding for capital projects has significantly diminished, with only a fraction of the previous funding levels offered for competitive projects. This change means that fleet and facilities "state of good repair" projects, which have historically been funded using 80% federal grant funds and 20% local funds, will increasingly be funded with a higher local share or funded exclusively with local dollars.

From the Statement of Net Position:

> Current assets net of current liabilities were $92.9 million for the year ended December 31, 2019 as compared to $78.3 million for 2018.
>
> Cash reserves available to meet current and future obligations increased from $65.8 million in 2018 to $79.8 million in 2019.
>
> As of December 31, 2019, Intercity Transit had no long-term public financing debt.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended December 31, 2019, Intercity Transit's assets and deferred outflows exceeded liabilities and deferred inflows by $131.0 million, which is an increase from $93.2 in 2018.

The following is a summary of Intercity Transit's net position:

	2019	2018	Net increase (decrease) 2019 vs. 2018
Assets:			
Current Assets	$96,482,769	$80,317,582	$16,165,187
Capital Assets	58,440,144	36,744,934	21,695,210
Total Assets	154,922,913	117,062,516	37,860,397
Deferred Outflows	3,899,217	3,126,840	772,377
Total Assets and Deferred Outflows	158,822,130	120,189,356	38,632,774
Liabilities:			
Current Liabilities	3,555,441	2,008,640	1,546,801
Long-Term Liabilities	19,194,912	20,470,019	(1,275,107)
Total Liabilities	22,750,353	22,478,659	271,694
Deferred Inflows	5,069,138	4,549,195	519,943
Net Position:			
Net Investment in Capital Assets	58,440,144	36,744,934	21,695,210
Unrestricted	72,562,495	56,416,568	16,145,927
Total Net Position	131,002,639	93,161,502	37,841,137
Total Liabilities, Deferred Inflows and Net Position	$158,822,130	$120,189,356	$38,632,774

Public transportation is a capital-intensive enterprise. Consequently, 44.61 percent of Intercity Transit's net position was invested in capital assets. Because these assets are used to provide services to citizens, they are not available for future spending.

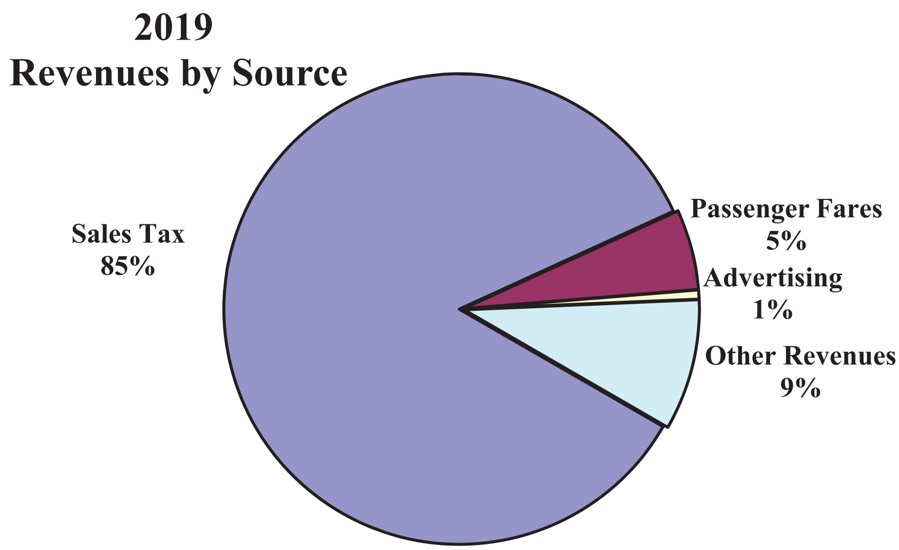
There are no external restrictions on assets. However, Intercity Transit's Authority has designated an operating reserve equal to one fourth of the current operating budget (a ninety-day reserve). For 2019 the designated reserve was $13.9 million.

Intercity Transit's net position increased by $37.8 million during the current fiscal year. Key elements of this increase are shown below:

	2019	2018	Net increase (decrease) 2019 vs. 2018
Operating Revenues:			
Passenger Fares	$4,054,067	$4,214,479	($160,412)
Advertising	453,554	401,176	52,378
Subtotal - Operating Income	4,507,621	4,615,655	(108,034)
Non-Operating Revenues:			
Sales Tax	62,253,935	41,385,029	20,868,906
Other revenues	6,485,092	10,316,123	(3,831,031)
Gain (Loss) on Capital Assets	127,951	61,515	66,436
Subtotal - Non-Operating Revenue	68,866,977	51,762,667	17,104,310
Total Revenues	73,374,598	56,378,322	16,996,276
Expenses:			
Operations and Maintenance	33,223,600	28,133,581	5,090,019
General and Administration	10,394,633	10,051,499	343,134
Depreciation	4,206,702	3,689,151	517,551
Total Expenses	47,824,935	41,874,231	5,950,704
Net Income Before Contributions	25,549,663	14,504,091	11,045,572
Capital Grants/Contributions	12,291,474	3,072,139	9,219,335
Total Change in Net Position	37,841,137	17,576,230	20,264,907
Net Position–Beginning of Year	93,161,502	81,843,838	11,317,664
Cumulative Effect of Change in Accounting Principle	-	(6,258,566)	6,258,566
Net Position – End of Year	$131,002,639	$93,161,502	$37,841,137

Revenues

During 2019, revenues increased by $17.0 million, and capital contributions increased by $9.2 million. Revenues from major sources are illustrated below:

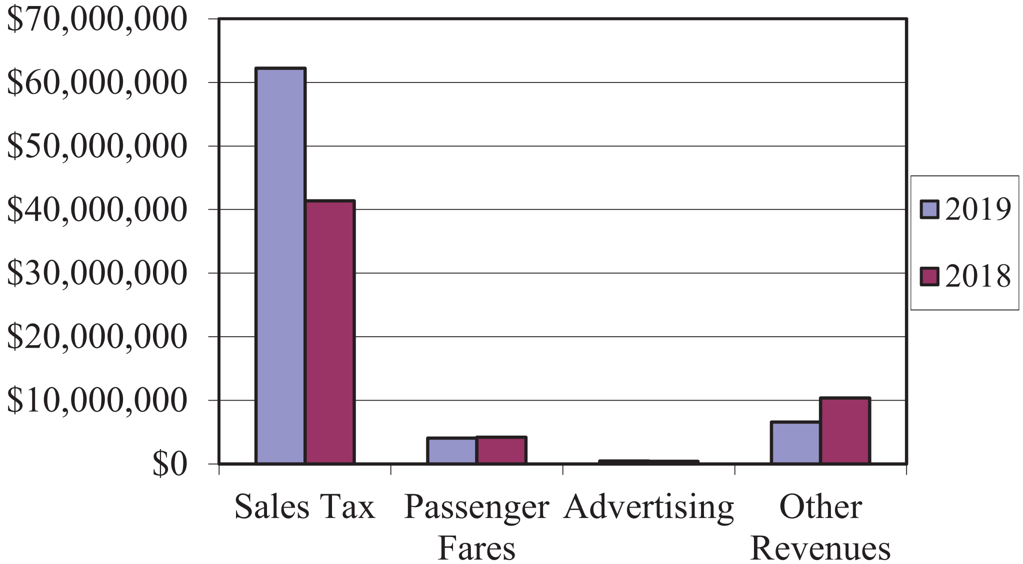


Total operating revenue sources (passenger fares and advertising) decreased between 2019 and 2018 by $108,034. Sales tax revenues increased by $20.9 million from 2018 (50.4 % increase). Other revenue sources (operating grants, interest income, miscellaneous revenues and gain/loss on disposal of assets) decreased by $3.8 million.

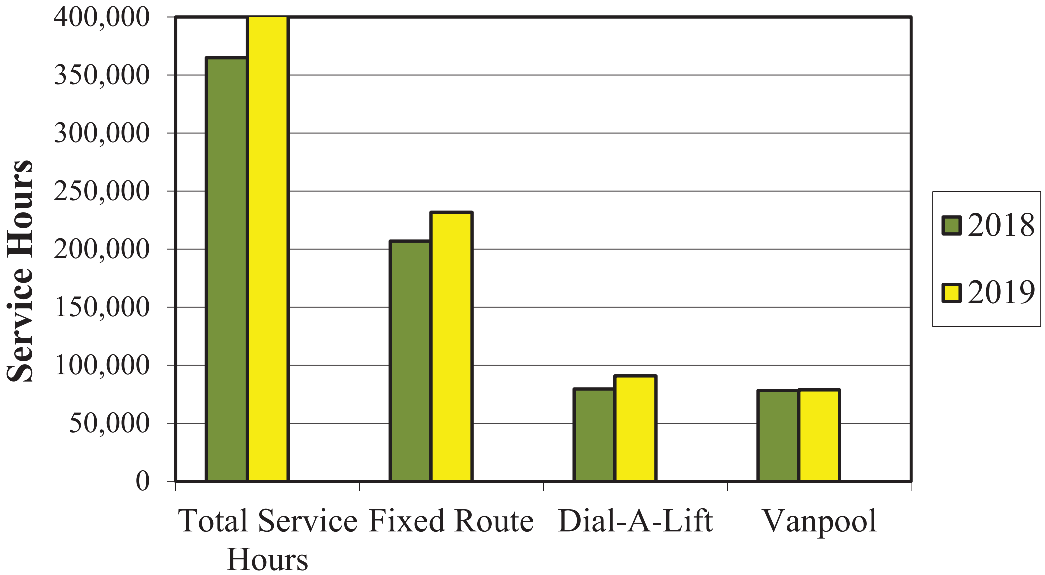
Passenger fares decreased slightly in 2019. Total ridership increased from 4.5 million in 2018 to 4.7 million in 2019, a 5.8% increase.

The following graph compares revenues by function for 2019 and 2018.

2019 & 2018 Comparative Revenues



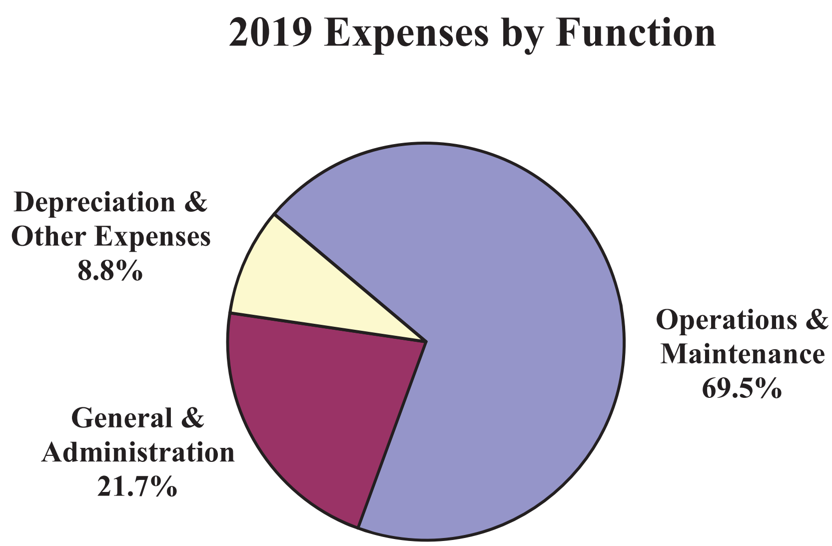
2019 & 2018 Comparative Service Hours



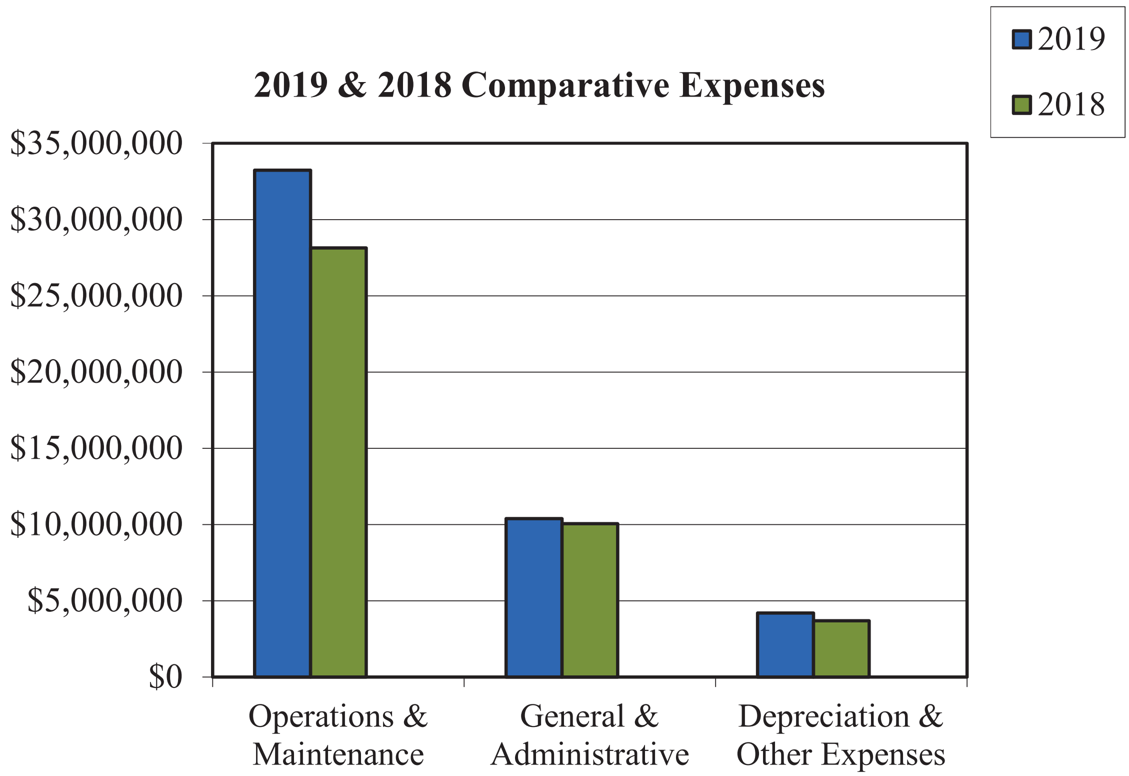
Expenses

Total expenses in 2019 increased by $6.0 million, or 14.2 percent increase compared to 2018. Total operating expenses, excluding depreciation, is significantly impacted by the number of hours of service that Intercity Transit provides. Total service hours for motor bus and dial-a-lift modes increased in 2019, vanpool increased slightly in 2019.

Expenses by major function are shown below:



The graph on the following page compares expenses by function for 2019 & 2018.



Operations and maintenance expenses increased by $5.1 million or 18.1 percent.

General and administrative expenses increased by $343 thousand or 3.4 percent.

Depreciation expense increased $518 thousand or 14.0%.

Capital Assets

Capital assets include revenue vehicles, support vehicles, land and buildings, equipment, and passenger facilities.

Intercity Transit's investment in capital assets as of December 31, 2019 amounted to $58.4 million, net of accumulated depreciation. Capital assets increased $21.7 million or 59.0% during 2019.

Major acquisitions during 2019 included: Olympia Transit Center new building work in progress, Pattison operations/administration new building work in progress, and 24 new buses.

For additional information on Intercity Transit's capital assets see Note 4 in the notes to the financial statements included with this report.

Economic Factors and Future Outlook

Thurston County's March unemployment rates for 2018 to 2020 compared to Washington State and the nation as a whole are as follows:

	February 2020	February 2019	March 2018
Thurston County	4.7%	5.5%	5.3%
Washington State	3.8%	4.5%	4.8%
United States	3.5%	3.8%	4.1%

The 2020 budget is summarized as follows:
Total Budgeted Operating and Capital Expenditures $178,926,387.

The COVID19 pandemic caused a reduction in Intercity Transit's delivery of service starting in March 2020. The pandemic is also expected to affect sales tax revenue, which is Intercity Transit's primary source of revenue. New federal grant revenue under the CARES Act may be available to assist in funding operating expenses.

Requests for Information

This financial report is designed to provide a general overview of Intercity Transit finances for anyone who has an interest. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Suzanne Coit
Intercity Transit
P.O. Box 659
Olympia, WA 98507-0659

INTERCITY TRANSIT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current Assets	
Cash & Cash Equivalents	$ 79,779,111
Receivables	12,565,949
Due From Government Units	2,769,339
Prepaid Expenses	258,616
Inventories	1,109,754
Total Current Assets	96,482,769
Noncurrent Assets	
Capital Assets Not Being Depreciated:	
Land	5,331,565
Work In Process	14,820,406
Capital Assets Being Depreciated:	
Facilities	30,188,463
Revenue Equipment	57,501,844
Communication Equipment	5,726,299
Administrative Vehicles	1,035,862
Shop Equipment	2,473,747
Office/IS Equipment	1,194,370
Miscellaneous Equipment	72,359
(Less) Total Accumulated Depreciation	(59,904,771)
Total Noncurrent Assets	58,440,144
Total Assets	154,922,913
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows on Pensions	2,730,546
Deferred Outflows on OPEB	903,671
Deferred Outflows on ARO	265,000
Total Deferred Outflows of Resources	3,899,217
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 158,822,130
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 1,881,471
Accrued Wages & Benefits	1,174,044
Accrued Vacation	131,109
Other Current Liabilities	143,514
Current portion of OPEB Liability	225,303
Total Current Liabilities	3,555,441
Noncurrent Liabilities	
Accrued Vacation/Sick Leave	1,915,097
ARO Liability	265,000
Net Pension Liability	8,283,822
OPEB Liability	8,730,993
Total Noncurrent Liabilities	19,194,912
Total Liabilities	22,750,353
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows on Pensions	5,069,138
Total Deferred Inflows of Resources	5,069,138

NET POSITION	
Investment in Capital Assets	58,440,144
Unrestricted	72,562,495
Total Net Position	131,002,639
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 158,822,130

The notes to the financial statements are an integral part of this statement.

INTERCITY TRANSIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDING DECEMBER 31, 2019

OPERATING REVENUES	
Fares	$ 2,664,924
Vanpool	1,389,143
Advertising	453,554
TOTAL OPERATING REVENUE	4,507,621
OPERATING EXPENSES	
Operations	23,359,651
Vehicle Maintenance	7,828,939
Non-Vehicle Maintenance/Facilities	2,035,010
General & Administration	10,394,633
Depreciation	4,206,702
TOTAL OPERATING EXPENSES	47,824,935
OPERATING INCOME (LOSS)	(43,317,314)
NON-OPERATING REVENUES (EXPENSES)	
Sales Tax	62,253,935
Federal/State Operating Assistance	4,120,785
Interest Income	2,203,000
Miscellaneous	161,306
Gain (Loss) on Disposal of Assets	127,951
TOTAL NONOPERATING REVENUES (EXPENSES)	68,866,977
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	25,549,663
Capital Contributions	12,291,474
CHANGE IN NET POSITION	37,841,137
NET POSITION, January 1	93,161,502
NET POSITION, December 31	$ 131,002,639

The notes to the financial statements are an integral part of this statement.

INTERCITY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Customers	$ 4,224,103
Payments for Wages & Benefits	(32,813,441)
Payments for Operating Expenses	(11,263,508)
Cash Received From Advertising Income	328,554
NET CASH USED BY OPERATING ACTIVITIES	(39,524,292)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received From Sales Tax	57,587,772
Cash Received From Operating Grants	5,988,892
NET CASH PROVIDED BY NONCAPITAL ACTIVITIES	63,576,664
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributed by Federal & State Agencies	12,826,108
Cash Received From Sale of Capital Assets	590,315
Acquisition of Capital Assets	(25,703,240)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,286,817)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash Received from Interest on Investments	2,208,723
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,208,723
NET INCREASE IN CASH & CASH EQUIVALENTS	13,974,278
CASH & CASH EQUIVALENTS - January 1	65,804,833
CASH & CASH EQUIVALENTS - December 31	$ 79,779,111
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	$ (43,317,314)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	4,206,702
Miscellaneous Nonoperating Income	161,306
Pension Expense	(1,985,845)
OPEB Expense	662,177
CHANGE IN ASSETS AND LIABILITIES:	
Decrease in Miscellaneous Accounts Receivable	1,374
Increase in Inventories	13,926
Increase in Prepaid Expenses	51,487
Increase in Accrued Vacation Payable	140,904
Increase in Accrued Sick Leave Payable	34,221
Increase in Accounts Payable	262,543
Increase in Wages and Benefits Payable	361,870
Decrease in Advance Payments	(117,643)
TOTAL ADJUSTMENTS	3,793,022
NET CASH USED BY OPERATING ACTIVITIES	$ (39,524,292)

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

Intercity Transit was incorporated in 1981 and operates under the laws of the state of Washington applicable to a public transportation benefit area. The financial statements of Intercity Transit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

The following summary of the significant accounting policies is presented to assist the reader. These notes should be viewed as an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity:

Intercity Transit is a special purpose government which provides fixed route, demand response and vanpool services to the general public. It is governed by a nine member board consisting of elected officials, citizen representatives and a labor representative. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Intercity Transit has no component units.

B. Basis of Accounting and Reporting:

Intercity Transit's accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW.

Funds are accounted for on an economic resources measurement focus. This means that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on the statement of net position. The reported total net position is segregated into net investment in capital assets; and restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. Intercity Transit discloses changes in cash flows by a separate statement that presents its operating, noncapital financing, capital and related financing, and investing activities.

Intercity Transit consists of a single enterprise fund and uses the full-accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and become measurable; and expenses are recognized in the period incurred, if measurable.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operation. Intercity Transit's principal operating revenues are charges to customers in the form of bus and vanpool fares. Operating expenses include the cost of providing transit service, administration expenses, depreciation on capital assets, and gain/loss on sale of assets. Tax revenue, grants used to finance operations, interest, and expenses not related to the provision of transit service are reported as non-operating revenues and expenses. Accrued revenues include sales tax, state and federal subsidies, and interest earnings. Capital grant revenues are accrued in the amount of reimbursable liabilities incurred as of yearend.

C. Cash and Cash Equivalents:

Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less. Cash consists of cash on hand; petty cash; and demand deposits.

D. Investments:

See Note 2.

E. Inventories:

Inventories consist of vehicle maintenance supplies, tires, fuel, lubricants, and oils. They are valued using the average cost method. A physical inventory was taken on November 1, 2019 with appropriate adjustments made to recorded inventories.

F. Capital Assets:

Property, plant and equipment with individual values of at least $5,000 and a useful life of three years are stated at cost where historical records are available, and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date of donation. Improvements, which add to the value of or extend the life of the asset, are capitalized. Repairs and maintenance are expensed as incurred. Labor and other expenses incurred in the acquisition and construction of capital assets are capitalized. See Note 4 for further details.

G. Restricted Assets:

As of December 31, 2019, there were no restricted assets designated for specific purposes.

H. Accumulated Unpaid Vacation and Sick Leave:

Transit operators accumulate vacation benefits under the agreement between Intercity Transit and Amalgamated Transit Union (ATU), Local Division 1765. Maintenance employees accumulate vacation benefits under the agreement between Intercity Transit and International Association of Machinists and Aerospace Workers (IAM), Lodge No. 160. All other employees accumulate vacation benefits under Intercity Transit Policy HR-3503. Based upon the provisions of these documents, vacation benefits are accumulated per the following schedules:

Transit Operators	
Years of Service	Vacation Hours
1	112
2	120
3-4	128
5	136
6-7	144
8-10	152
11-12	160
13-16	168
17-18	176
19	184
20-25	192
26+	200

Maintenance Workers	
Years of Service	Vacation Hours
1	112
2	120
3-4	128
5	136
6-7	144
8-9	152
10	152
11-12	160
13-16	168
17-18	176
19	184
20-25	192
26+	200

Other Employees	
Years of Service	Vacation Hours
1	112
2	120
3-4	128
5	136
6-7	144
8-10	152
11-12	160
13-16	168
17-18	176
19	184
20-25	192
26+	200

Non-represented employees may accumulate 360 hours of vacation; members of IAM may accumulate 360 hours of vacation; and members of ATU may accumulate 360 hours of vacation. All employees may accumulate 960 hours of sick leave. At termination employees receive cash for accrued vacation, and may receive partial pay for sick leave based on their years of service and the number of hours accrued. Intercity Transit records unpaid leave for compensated absences as an expense and liability when incurred.

I. Pensions

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Composition of cash and cash equivalents are shown below:

Cash on Hand	$7,800
Demand Deposits	2,000
Investments in the TCIP (Thurston County Investment Pool)	79,769,311
Total Cash and Cash Equivalents	**$79,779,111**

A. Deposits

There is no custodial credit risk for demand deposits because they are entirely covered either by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Thurston County Investment Pool (TCIP)

Intercity Transit is a participant in the Thurston County Investment Pool (TCIP), an external investment pool. As of December 31, 2019 all of Intercity Transit's investments are in the TCIP. In accordance with State law, Intercity Transit has entered into a formal agreement with Intercity Transit's ex officio treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the TCIP. The TCIP was established under RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The responsibility for managing the pool resides with the County Treasurer. The County's investment policy is established by County Finance Committee consisting of the County Treasurer, the County Auditor, and the Chairman of the Board of the County Commissioners. All TCIP investment instruments are those allowed by statute including: U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, municipal bonds, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP). Thurston County investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. Well Fargo bank acts as safekeeping agent for the Thurston County Treasurer. The TCIP does not have a credit rating and had a weighted average maturity of 1.46 years as of December 31, 2019.

The TCIP operates on an amortized cost-book value basis and reports on a fair value basis. All funds deposited in the TCIP are available to the participants at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are distributed monthly, calculated on the average daily balance of the participant's cash balances. Intercity Transit reports its investment in the TCIP at the fair value amount, which is the same as the value of the Pool per share.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit this risk, state law does not allow general governments to invest in corporate equities. Thurston County policy further limits risk to investments in securities that have one of the three highest ratings of a national rating agency at the time of investment. The risk ranges from minimal to none, based on the investment instruments held.

Interest rate risk – The adopted Thurston County investment policy limits investment maturities to a maximum of five years, with the exception of preapproval by the County Treasurer. Thus, all investments are considered to have a low interest rate risk.

Thurston County issues a publicly available annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Thurston County Auditor, 2000 Lakeridge DR SW, Olympia, WA 98502

NOTE 3 – RECEIVABLES

At December 31, 2019, Intercity Transit had the following receivables:

Receivables	
Sales Tax receivable	$12,081,966
Other Receivables	252,095
Interest Receivable	231,888
Total Receivables	**$12,565,949**
Due from Other Government Units	**$2,769,339**

NOTE 4 - CAPITAL ASSETS AND RELATED DEPRECIATION

Major expenses for capital assets, including capital leases and major repairs that increase the useful life of an asset, 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), or estimated acquisition value for donated assets.

Intercity Transit has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in those assets. Intercity Transit, however, has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

Upon retirement of a capital asset, the cost and the related allowance for depreciation is removed from the property accounts. The gain or loss is reflected in non-operating income.

Costs incurred in the planning and design of projects are deferred until programs are approved or abandoned. At that time, the related costs are transferred to the asset accounts or charged to expense as appropriate. Items of plant and equipment which are incomplete, unclassified or otherwise not in service, and therefore not subject to depreciation, are deferred until they are placed in service.

Depreciation expense is charged to operating expenses to allocate the cost of capital assets over their estimated useful lives, using the straight-line method. Individual useful lives are assigned to new assets as follows:

Land	Not depreciated
Buildings, Facilities	10 to 30 years
Revenue Vehicles	4 to 12 years
Other Vehicles	3 to 5 years
Equipment, Furniture	3 to 5 years

Summary of changes in plant, property and equipment for 2019:

	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital Assets, not being depreciated				
Land	5,331,565	-	-	5,331,565
Work in Process	5,277,832	10,604,089	(1,061,515)	14,820,406
Total Capital Assets, not being depreciated	**10,609,397**	**10,604,089**	**(1,061,515)**	**20,151,971**
Capital Assets, being depreciated				
Administrative Vehicles	764,351	296,774	(25,263)	1,035,862
Shop Equipment	2,324,986	165,421	(16,660)	2,473,747
Office Equipment/Furniture	24,934	-	-	24,934
IS Equipment	942,886	226,550	-	1,169,436
Miscellaneous Equipment	660,139	-	(587,780)	72,359
Facilities	30,175,983	12,480	-	30,188,463
Revenue Equipment	43,744,494	16,002,411	(2,245,061)	57,501,844
Communication Equipment	5,726,299	-	-	5,726,299
Total Capital Assets, being depreciated	**84,364,072**	**16,703,636**	**(2,874,764)**	**98,192,944**
Less Accumulated Depreciation for:		**Increases**	**Decreases**	
Administrative Vehicles	605,070	186,164	(25,263)	765,971
Shop Equipment	1,767,367	141,583	(16,660)	1,892,290
Office Equipment	13,407	1,343	-	14,750
IS Equipment	534,802	111,956	-	646,758
Miscellaneous Equipment	660,139	-	(587,780)	72,359
Facilities	16,308,827	978,672	-	17,287,499
Revenue Equipment	32,612,623	2,786,984	(1,900,763)	33,498,844
Communication Equipment	5,726,300	-	-	5,726,300
Total Accumulated Depreciation	**58,228,535**	**4,206,702**	**(2,530,466)**	**59,904,771**
Total Capital Assets, being depreciated, net	**36,744,934**	**23,101,023**	**(1,405,813)**	**58,440,144**

Work in progress as of 12/31/2019 consists of the following projects:

Facilities	14,748,159
Equipment	72,247
Total	**$14,820,406**

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Intercity Transit has active construction projects as of December 31, 2019.

Project	Spent to Date	Remaining Commitment
OTC building	$9,076,872	$2,507,507
Pattison improvements	$3,086,093	$3,236,039

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	($8,283,822)
Pension assets	$0
Deferred outflows of resources	$2,730,546
Deferred inflows of resources	($5,069,138)
Pension expense/expenditures	$1,060,635

State Sponsored Pension Plans

All Intercity Transit employees, except for personnel working less than 70 hours per month in five months in a calendar year, participate in the Public Employees' Retirement Systems (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

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 2019 were as follows:

PERS Plan 1		
Actual contribution Rates:	**Employer**	**Employee**
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	

Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**
June – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**

Intercity Transit's actual contributions to the plan were $1,190,796 for the year ended December 31, 2019.

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.

Contributions

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

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

Total	**12.86%**	**7.90%**

Intercity Transit's actual contributions to the plan were $1,855,681 for the year ended December 31, 2019.

Actuarial Assumptions

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

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

- **Inflation**: 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases**: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return**: 7.4%

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	7,823,246	6,247,010	4,879,418
PERS 2/3	15,621,543	2,036,813	(9,110,357)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2019, Intercity Transit reported a total pension liability of $8,283,822 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$6,247,010
PERS 2/3	$2,036,812

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

	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.155064%	0.162456%	0.00739%
PERS 2/3	0.198296%	0.209691%	0.01139%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

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

Pension Expense

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

	Pension Expense
PERS 1	$628,823
PERS 2/3	431,812
Total	$1,060,635

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, Intercity 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	(417,353)
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	581,990	0
Total	$581,990	($417,353)
PERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	583,552	(437,903)
Net difference between projected and actual investment earnings on pension plan investments	0	(2,964,770)
Changes of assumptions	52,156	(854,579)
Changes in proportion and differences between contributions and proportionate share of contributions	549,617	(394,533)
Contributions subsequent to the measurement date	963,231	0
Total	$2,148,556	($4,651,785)
Combined Plans	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	583,552	(437,903)
Net difference between projected and actual investment earnings on pension plan investments	0	(3,382,123)
Changes of assumptions	52,156	(854,579)
Changes in proportion and differences between contributions and proportionate share of contributions	549,617	(394,533)
Contributions subsequent to the measurement date	1,545,221	0
Total	$2,730,546	($5,069,138)

Deferred outflows of resources related to pensions resulting from Intercity 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, 2019.

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

Year ended December 31:	PERS 1
2020	(92,133)
2021	(218,236)
2022	(77,879)
2023	(29,105)
2024	0
Thereafter	0
Total	(417,353)
Year ended December 31:	**PERS 2/3**
2020	(883,456)
2021	(1,491,189)
2022	(644,388)
2023	(330,726)
2024	(173,884)
Thereafter	57,182
Total	($3,466,461)

Deferred Compensation Plans

Intercity Transit offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 401k and 457. The plans are available to all employees on a voluntary basis and they permit employees to defer a portion of their salaries until future years. Plans are offered through Vanguard, ICMA Retirement Corporation and by the Washington State Department of Retirement Systems Deferred Compensation program. Intercity Transit will match 6.2% of the annual salary of all participating employees who also contribute at least 6.2%. In 2019 Intercity Transit contributed $1,296,518 and employees contributed $2,004,574 to the plans. The plan assets are not the legal property of Intercity Transit and are not subject to claims of the Intercity Transit's creditors. Therefore, these plan assets are not shown on the Statement of Net Position.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Intercity Transit implemented Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for calendar year 2018 financial reporting.

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

Aggregate OPEB Amounts	
OPEB Liability	$8,956,296
OPEB Assets	$0
Deferred outflow of resources	$903,671
Deferred inflows of resources	$0
OPEB expense/expenditures	$887,480

Plan Description: Intercity Transit contributes to the state Public Employees Benefits Board (PEBB), a healthcare program administered by the Washington State Health Care Authority (HCA). The program provides medical, prescription drug, and dental coverage. No stand-alone financial statements are available for the PEBB program.

As a member of PEBB Intercity Transit offers employees who retire the option to continue medical coverage on a self-pay basis. The Intercity Transit plan is considered to be a single-employer defined benefit OPEB plan.

Under state law, active Intercity Transit employees who are covered by the state public employee retirement system are eligible upon retirement to obtain medical, prescription drug, and dental coverage through the state PEBB program at the retiree rate associated with the elected plan. Because the rate is based on a pool of both active employees and retirees, the rate paid by pre-Medicare retirees is less than the full cost of the benefits, based on their age and other demographic factors. This creates an implicit subsidy where the "underpayment" of retiree premiums is funded through the premiums paid by Intercity Transit for active employees. The explicit subsidy is funded through premiums paid by Intercity Transit for active employees. There are no COLAs associated with the plan.

At December 31, 2018, the following employees were covered by the benefit terms:

Active employees	323
Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	0
Total	383

Funding Policy: The HCA calculates the premium amounts each year that are sufficient to fund the program on a pay-as-you-go basis. These costs are passed through to all participating agencies based on active headcount. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Assumptions and Other Inputs:

a. Discount rate – As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 4.1% as of December 31, 2018.
b. Health care cost trend rate – 7.0% decreasing to an ultimate rate of 5.0%.
c. Mortality assumption – RP-2014 annuitant distinct table adjusted to 2006 with MP-2018 general projection of future mortality improvement
d. General inflation rate – 3.0% per year
e. Salary increases – 3.0% per year
f. Actuarial cost method – Entry age
g. Amortization method – The recognition period for the experience and assumption changes is 9.9 years. This is equal to the average expected remaining service lives of all active and inactive members.
h. Asset valuation method – n/a, no assets

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following table presents the total OPEB liability of Intercity Transit calculated using the current healthcare cost trend rate of 7 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%) or 1 percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Healthcare Cost Trend Rate (7%)	1% Increase (8%)
Total OPEB Liability	$7,626,770	$8,956,296	$10,642,121

Sensitivity of Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of Intercity Transit calculated using the discount rate of 4.1%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.1%) or 1 percentage point higher (4.1%) than the current rate.

	1% Decrease (3.1%)	Current Discount Rate (4.1%)	1% Increase (5.1%)
Total OPEB Liability	$10,450,062	$8,956,296	$7,756,284

Changes in the Total OPEB Liability

Total OPEB Liability at 1/1/2019	$8,408,507
Service cost	415,909
Interest	357,183
Changes in benefit terms	0

Differences between expected and actual experience	0
Change of assumptions	0
Benefit payments	(225,303)
Net Change in Total OPEB Liability	547,789
Total OPEB Liability at 12/31/2019	$8,956,296

The most recent actuarial valuation was completed March 6, 2019 with a valuation date of December 31, 2018. Update procedures were used to roll forward the Service Cost and total OPEB liability to the December 31, 2019 measurement date.

a. OPEB expense for the year 2019: $887,480.
b. The December 31, 2018 actuarial valuation reflected the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 4.5% to 4.1%. The health care cost trend rate was updated to 7.0% decreasing to an ultimate rate of 5.0%. The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2018 generational projection of future mortality improvement.
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.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At 12/31/2019 Intercity Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	0	$398,187
Changes of assumptions	0	505,484
Net difference between projected and actual earnings	0	0
Payments subsequent to the measurement date	0	0
Total	0	$903,671

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	114,388
2021	114,388
2022	114,388
2023	114,388
thereafter	$446,119

NOTE 8 - INSURANCE

A. Washington State Transit Insurance Pool
Intercity Transit 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 Intercity Transit auto liability, general liability, public official’s liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage.

At the end of 2019, Intercity Transit retained a $5,000 deductible for its all-risk property coverage which includes auto physical damage. Intercity Transit 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.

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

A complete annual report, including financial statements, may be obtained by writing to: WSTIP, 2629 12th Ct SW, Olympia, WA 98502

B. Other Insurance

Intercity Transit reimburses Washington State Employment Security for unemployment compensation claims. Intercity Transit also pays Washington State Labor and Industries a stipulated amount per employee per payroll period for a state mandated industrial insurance program for worker compensation claims.

NOTE 9 - SIGNIFICANT CONTINGENCIES

Intercity Transit has various unresolved claims and suits against it as of December 31, 2019. Management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of these actions will not have any significant effect on the Agency's financial position or result of operations.

Intercity Transit has received several federal grants for specific purposes that are subject to review and audit. Such audits could lead to requests for reimbursements for expenditures disallowed under the terms of the grants. In the opinion of management, such disallowances, if any, will be immaterial and will not have any significant effect on the financial position of Intercity Transit.

NOTE 10 – ASSET RETIREMENT OBLIGATION (ARO)

Intercity Transit implemented Governmental Accounting Standards Board (GASB) Statement No. *83 Certain Asset Retirement Obligations* for calendar year 2019 financial reporting.

An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Intercity Transit has recorded an ARO liability offset with a deferred outflow of resources for the future decommissioning and removal of 6 underground storage tanks (USTs) at the Pattison Street facility. The USTs were placed in service in 2018. Decommissioning and site assessment activities would be conducted consistent with the requirements of the Washington State Department of Ecology UST regulations (Chapter 173-360A of the Washington Administration Code (WAC)) and Ecology's Guidance for Site Checks and Site Assessments for Underground Storage Tanks. The ARO assumes that the appropriate decommissioning method is excavation and removal and that there are no suspected or actual releases to soil or groundwater from the USTs. The ARO liability includes the estimated cost of a UST site assessment, decommissioning oversight, and the decommissioning contract costs. The ARO is estimated to be $265,000. The USTs have an estimated useful life of 30 years.

Intercity Transit also has an Underground Storage Tank – Pollution Liability Insurance Policy with WSTIP. The insuring agreement has coverage for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is $1 million per environmental incident with a $1 million aggregate and a $500,000 limit on defense per environmental incident. Intercity Transit has a $25,000 deductible per environmental incident.

NOTE 11 – SUBSEQUENT EVENTS

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

Intercity Transit reduced service in response to the COVID19 pandemic. Beginning April 13th Intercity Transit temporarily transitioned from regularly scheduled bus service to providing essential trips for the public using an advance reservation system consistent with Gov. Inslee's "Stay Home – Stay Healthy" emergency order. Intercity Transit will restore scheduled public transportation services when it is safe for our customers and employees to do so. The pandemic is expected to affect sales tax revenue, which is Intercity Transit's primary source of revenue. New federal grant revenue under the CARES Act may be available to assist in funding operating expenses.

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

Required Supplementary Information

Intercity Transit

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability - beginning	$8,408,507	$6,805,477
Service cost	415,909	349,413
Interest	357,183	317,551
Changes in benefit terms	-	-
Differences between expected and actual experience	-	498,993
Changes of assumptions	-	633,454
Benefits payments	(225,303)	(196,381)
Total OPEB liability - ending	$8,956,296	$8,408,507
Covered employee payroll	$22,053,713	$21,411,372
Total OPEB liability as a % of covered payroll	40.61%	39.27%

Notes to Schedule:

*Until a full 10-year trend is complied, 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.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit
Schedule of Proportionate Share of the Net Pension Liability
WA State Public Employees' Retirement System (PERS) Plan 1
As of June 30
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.162456%	0.155064%	0.168321%	0.161476%	0.162002%
Employer's proportionate share of the net pension liability	$6,247,010	$6,925,211	$7,986,963	$8,672,022	$8,474,211
Covered payroll	$22,789,061	$20,542,136	$20,942,988	$19,097,789	$18,344,742
Employer's proportionate share of the net pension liability as a percentage of covered payroll	27.41%	33.71%	38.14%	45.41%	46.19%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:
** This schedule is to be built prospectively until it contains ten years of data*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit
Schedule of Proportionate Share of the Net Pension Liability
WA State Public Employees' Retirement System (PERS) Plan 2/3
As of June 30
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.209691%	0.198296%	0.211382%	0.202406%	0.204729%
Employer's proportionate share of the net pension liability	$2,036,813	$3,385,728	$7,344,514	$10,190,982	$7,315,084
Covered payroll	$22,789,061	$20,486,843	$20,724,852	$18,915,708	$18,165,812
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.94%	16.53%	35.44%	53.88%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:
** This schedule is to be built prospectively until it contains ten years of data*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit
Schedule of Employer Contributions
WA State Public Employees' Retirement System (PERS) Plan 1
For the year ended December 31
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions**	$1,190,796	$1,086,817	$1,009,378	$939,534	$863,558
Contributions in relation to the statutorily or contractually required contributions	$1,190,796	$1,086,817	$1,009,378	$939,534	$863,558
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Covered payroll	$24,055,192	$21,439,392	$20,430,237	$19,454,232	$19,528,028
Contributions as a percentage of covered payroll	4.95%	5.07%	4.94%	4.83%	4.42%

Notes to Schedule:

** This schedule is to be built prospectively until it contains ten years of data*

*** PERS Plan 1 contributions include the portion of PERS 2/3 contributions that fund the PERS 1 UAAL.*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Intercity Transit
Schedule of Employer Contributions
WA State Public Employees' Retirement System (PERS) Plan 2/3
For the year ended December 31
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$1,855,681	$1,606,282	$1,384,949	$1,200,295	$1,083,849
Contributions in relation to the statutorily or contractually required contributions	$1,855,681	$1,606,282	$1,384,949	$1,200,295	$1,083,849
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Covered payroll	$24,055,192	$21,416,818	$20,280,745	$19,267,354	$19,339,987
Contributions as a percentage of covered payroll	7.71%	7.50%	6.83%	6.23%	5.60%

Notes to Schedule:
** This schedule is to be built prospectively until it contains ten years of data*

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500	WA-04-0038	-	2,072,500	2,072,500	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-90-x573	-	342,883	342,883	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-90-x576	-	1,378,324	1,378,324	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2018-026	-	1,349,726	1,349,726	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2018-060	-	213,482	213,482	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2018-039	-	11,811	11,811	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2018-041	-	505,962	505,962	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-95-054	-	854,512	854,512	-	

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-95-071	-	63,840	63,840	-	
			Total CFDA 20.507:	**-**	**4,720,540**	**4,720,540**	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2018-038	-	477,721	477,721	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2018-019	-	599,146	599,146	-	
			Total CFDA 20.526:	**-**	**1,076,867**	**1,076,867**	-	
			Total Federal Transit Cluster:	**-**	**7,869,907**	**7,869,907**	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Public Transportation Research, Technical Assistance, and Training	20.514	WA-2017-061	-	63,775	63,775	-	
			Total Federal Awards Expended:	**-**	**7,933,682**	**7,933,682**	**-**	

The accompanying notes are an integral part of this schedule.

INTERCITY TRANSIT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditure of Federal Awards is prepared on the same basis of accounting as the transit's financial statements. Intercity Transit uses the accrual basis of accounting.

NOTE 2- PROGRAM COSTS

The amounts shown as current year expenses represent only the federal portion of the program costs. Actual program costs, including Intercity Transit's portion, may be more than shown.

NOTE 3 - INDIRECT COST RATE

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov