Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Ben Franklin Transit

For the period January 1, 2018 through December 31, 2019

Published April 30, 2020

Report No. 1026160

Office of the Washington State Auditor
Pat McCarthy

April 30, 2020

Board of Directors
Ben Franklin Transit
Richland, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (564) 999-0950 • Pat.McCarthy@sao.wa.gov

TABLE OF CONTENTS

Ben Franklin Transit
January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Ben Franklin 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 Transit.

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 Transit's compliance with requirements applicable to its major federal program.

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

Identification of Major Federal Programs

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

CFDA No.	Program or Cluster Title
20.507	Federal Transit Cluster – Federal Transit Formula Grants

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

The Transit 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*

Ben Franklin Transit
January 1, 2018 through December 31, 2019

Board of Directors
Ben Franklin Transit
Richland, 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 Ben Franklin Transit, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements, and have issued our report thereon dated April 29, 2020.

As discussed in Note 13 to the financial statements, in February 2020, a state of emergency was declared that could have a negative effect on the Transit.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Transit'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit'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 Transit'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.

In addition, we noted certain matters that we have reported to the management of the Transit in a separate letter dated April 29, 2020.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Transit's financial statements are free from material misstatement, we performed tests of the Transit'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*. However, we noted certain matters that we have reported to the management of the Transit in a separate letter dated April 29, 2020.

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 Transit'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 Transit'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

April 29, 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

Ben Franklin Transit
January 1, 2019 through December 31, 2019

Board of Directors
Ben Franklin Transit
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Ben Franklin 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 Transit's major federal programs for the year ended December 31, 2019. The Transit'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 Transit'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 Transit'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 Transit's compliance.

Opinion on Each Major Federal Program

In our opinion, the Transit 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

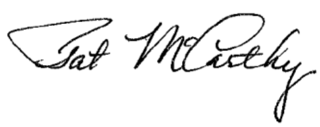
Management of the Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Transit's internal control over compliance with the types 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 Transit'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

April 29, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Ben Franklin Transit
January 1, 2018 through December 31, 2019

Board of Directors
Ben Franklin Transit
Richland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Ben Franklin Transit, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Transit'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 opinions on these financial statements based on our audits. We conducted our audits 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 Transit'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 Transit'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ben Franklin Transit, as of December 31, 2019 and 2018, 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 13 to the financial statements, in February 2020, a state of emergency was declared that could have a negative effect on the Transit. 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transit'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 April 29, 2020 on our consideration of the Transit'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 Transit's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 29, 2020

FINANCIAL SECTION

Ben Franklin Transit
January 1, 2018 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019 and 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019 and 2018
Statement of Revenues, Expenses and Changes in Net Position – 2019 and 2018
Statement of Cash Flows – 2019 and 2018
Notes to Financial Statements – 2019 and 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2019
Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2019
Schedule of Employer Contributions – PERS 1– 2019
Schedule of Employer Contributions – PERS 2/3 – 2019
Schedule of Changes in the Employer's Total OPEB Liability – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2019

Management's Discussion and Analysis

The Management's Discussion and Analysis of BFT's Comprehensive Annual Financial Report provides a narrative overview and analysis of BFT's financial performance for the fiscal years ended December 31, 2019 and 2018. To obtain a complete understanding of BFT's financial condition, this document should be read in conjunction with the financial statements and accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of BFT exceeded its liabilities and deferred inflows of resources (net position) at December 31, 2019 by $79.6 million compared to $72.3 million in 2018. Of this amount, $36.4 million and $37.1 million were invested in capital assets and $43.2 million and $35.1 million in unrestricted net position in 2019 and 2018 respectively. Unrestricted net position will be used to support ongoing operations and capital investments per BFT's six-year Transit Development Plan (TDP).

- BFT's total net position increased for the year ended December 31, 2019, by 10.1 percent or $7.3 million compared to the year ended December 31, 2018, due to an increase in sales tax and use of operating grants.

- BFT's total liabilities decreased for the year ended December 31, 2019, by $1.1 million compared to the year ended December 31, 2018 mainly due to the decrease in pension liability.

- BFT's total assets and liabilities increased for the year ended December 31, 2019 by $0.4 million with the implementation of GASB Statement No. 87.

- BFT saw a decrease of $0.4 million or 10.5 percent in fare revenue to $3.2 million in 2019 over 2018 due primarily to a business closure. BFT's contracted service provider for general public paratransit, night (taxi), fixed route-feeder and Sunday services closed its business at the end of October 2018 resulting in a loss of revenues.

- BFT experienced an increase of $2.7 million in sales tax revenue to $39.3 million or 7.4 percent over 2018 due to growth in the local economy and increases in construction projects in 2019.

- Operating expenses for 2019, excluding depreciation and employer contributions to the state pension, totaled $38.3 million, an increase of $1.4 million or 3.7 percent over 2018. This increase in expense is mainly due to extended service hours as implemented by BFT in September 2018 and continued in 2019.

- Federal and State Operating Grants increased by $1.0 million in 2019 as compared to 2018. Federal, State and Local Capital Contributions decreased by $8.6 million over the same period. Fluctuations are due to the timing of grant availability and the years in which they are budgeted.

Overview of the Financial Statements

The financial statements provide information about BFT's use of accounting methods similar to those used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received.

The Statement of Net Position presents information on all BFT assets and deferred outflows of resources as well as its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of BFT is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how BFT's net position changed during the current year. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., sales tax collected by merchants but not yet remitted to BFT and earned, and unused vacation leave).

The Statement of Cash Flows presents information on BFT's cash receipts, cash payments, and net changes in cash and cash equivalents for the year. Generally accepted accounting principles require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided within the financial statements.

The Required Supplementary Information contains other information the Governmental Accounting Standards Board deems necessary. BFT's RSI contains additional information related to GASB 68, Accounting and Financial Reporting for Pensions, and GASB 75, Defined Benefit Other Postemployment Benefit (OPEB) Plans.

Financial Statement Analysis

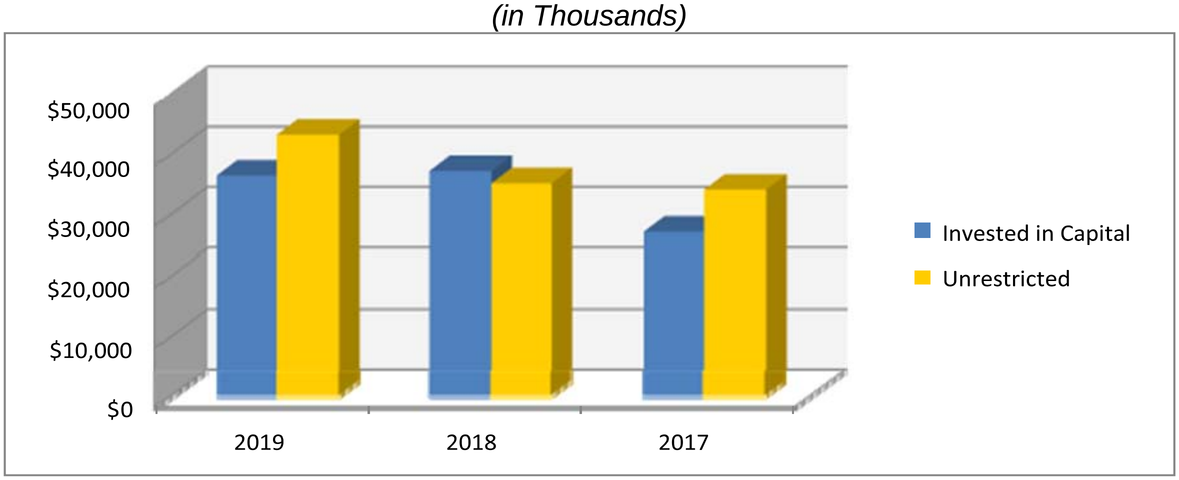
<u>Net Position</u>

BFT's total net position reflects $36.4 million investment in capital assets such as revenue vehicles, passenger facilities, and shop equipment. BFT uses these capital assets to provide transportation service to the community. Therefore, this portion of the net position balance is not available for future spending. The remaining portion of total net position, $43.2 million, is unrestricted and available to support future obligations for transportation operations.

Summary Statement of Net Position
As of December 31, 2019, 2018 and 2017
(in Thousands)

	2019	2018	2017
Assets:			
Current Assets	$ 58,672	$ 51,558	$ 48,043
Capital Assets (net)	36,380	37,143	27,109
Total Assets	95,052	88,701	75,152
Deferred Outflows of Resources:			
Deferred Outflows	2,224	2,021	1,800
Total Deferred Outflows	2,224	2,021	1,800
Total Assets and Deferred Outflows of Resources	97,276	90,722	76,952
Liabilities:			
Current Liabilities	3,209	2,388	3,109
Noncurrent Liabilities	10,879	12,763	10,607
Total Liabilities	14,088	15,151	13,716
Deferred Inflows of Resources:			
Deferred Inflows	3,633	3,300	2,061
Total Deferred Inflows	3,633	3,300	2,061
Net Position:			
Investment in Capital Assets	36,380	37,143	27,109
Unrestricted Net Position	43,175	35,128	34,066
Total Net Position	$ 79,555	$ 72,271	$ 61,175

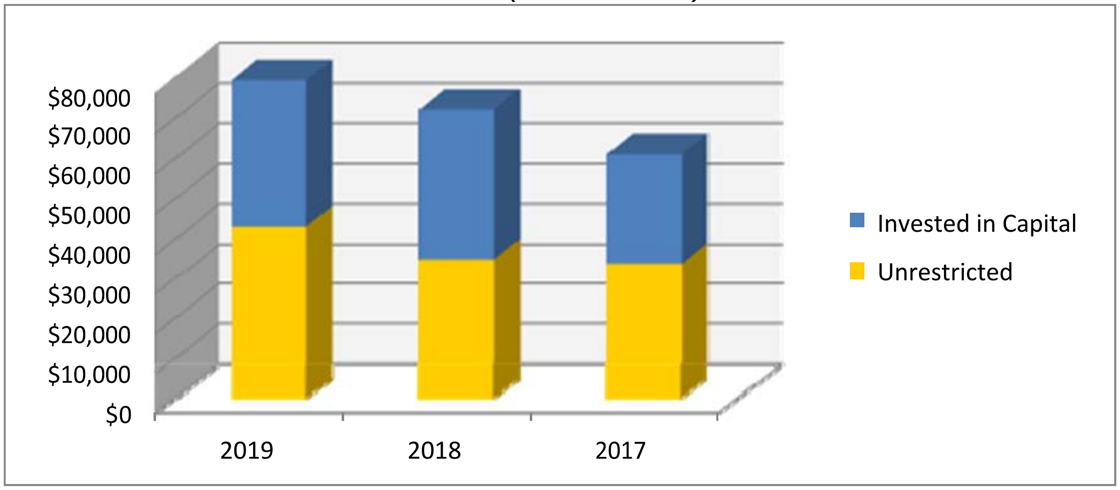
Net Position by Type
(in Thousands)



Net position may serve as a useful indicator of BFT's financial position over time. Total net position exceeded liabilities by $65.5 million and $57.1 million at December 31, 2019, and 2018 respectively.

The chart on the next page reflects an improvement in BFT's financial condition over 2018. The main contributors to this improved condition are increases in sales tax revenue and efficient operations.

2019 – 2017 Trend of Net Position
(in Thousands)



Summary of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2019, 2018 and 2017
(in Thousands)

	2019	2018	2017
Operating Revenues	$ 3,595	$ 3,894	$ 4,434
Operating Subsidies	44,382	40,715	36,214
Nonoperating Revenues	738	696	689
Total Revenues	48,715	45,305	41,337
Operating Expenses	(38,310)	(36,918)	(34,976)
Depreciation Expenses	(4,665)	(3,787)	(3,360)
Total Expenses	(42,975)	(40,705)	(38,336)
Excess (Deficiency) Before Contributions	5,740	4,600	3,002
Capital Contributions	1,544	10,178	2,279
Total Contributions	1,544	10,178	2,279
Change in Net Position	7,284	14,778	5,281
Total Net Position - Beginning	72,271	61,175	58,076
Prior Period Adjustment	-	(3,682)	(2,182)
Total Net Position - Ending	$ 79,555	$ 72,271	$ 61,175

Revenues

BFT's passenger fares consist of revenue from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Passenger fares also include fares paid by vanpool customers. BFT customers can purchase fare media and make vanpool payments via the BFT website. Fare media can also be purchased at many of the local sales outlet stores or in person at BFT customer service locations.

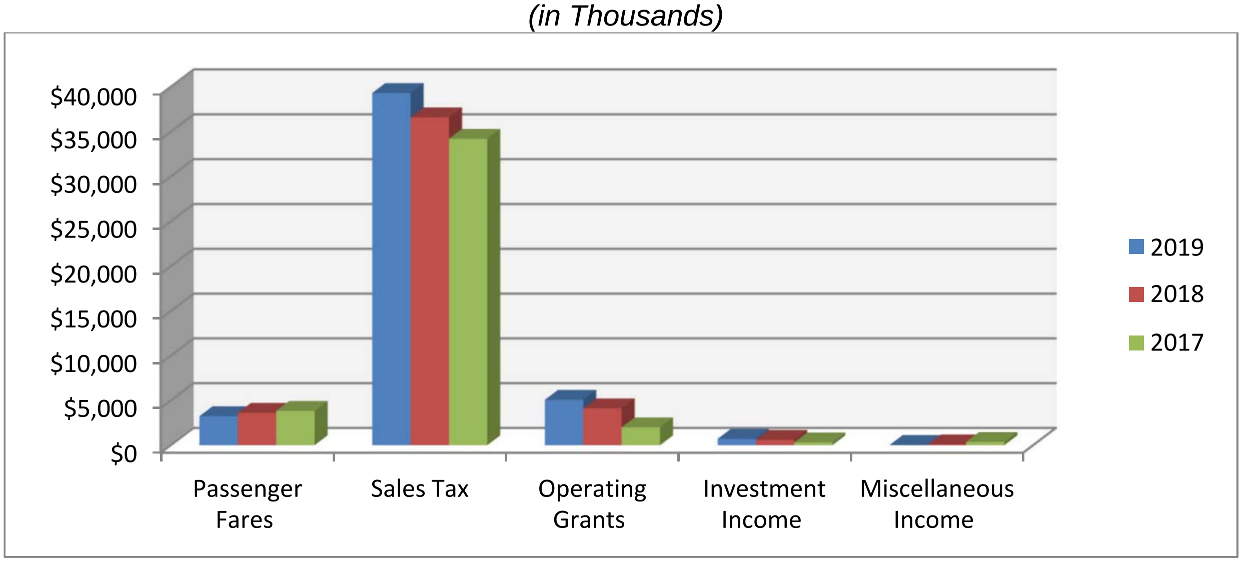
Sales tax revenue is received at the end of each month and is based on the business conducted two months prior. These funds come directly from the State Treasurer and are deposited into BFT's bank account.

State and Federal grants are remitted to BFT on an application basis and are also deposited directly into BFT's bank account.

Operating Revenues
(in Thousands)

	2019	2018	2017
Operating Revenues			
Passenger Fares	$ 3,239	$ 3,621	$ 3,841
Other Operating Revenues	356	273	593
Total Operating Revenues	3,595	3,894	4,434
Nonoperating Revenues			
Operating Subsidies			
Sales Tax	39,312	36,600	34,214
Operating Grants	5,070	4,115	2,000
Other Nonoperating Revenues			
Investment Income	707	600	316
Miscellaneous Income	31	96	373
Total Nonoperating Revenues	45,120	41,411	36,903
Total Revenues	$ 48,715	$ 45,305	$ 41,337

Revenues by Type
(in Thousands)



Expenses

Wages and benefits for 2019 of $26.7 million make up 62.1 percent of operating expenses and increased by 5.8 percent over 2018 due to staffing increases associated with an extension of service hours as implemented by BFT in September 2018 and continued in 2019. Extended service hours result in additional service mile related costs. Fuel and lubricants decrease by 3.8 percent over 2018 due to a decrease in fuel prices; whereas supplies and materials, which include repair and maintenance costs, increased by 26.2 percent over 2018.

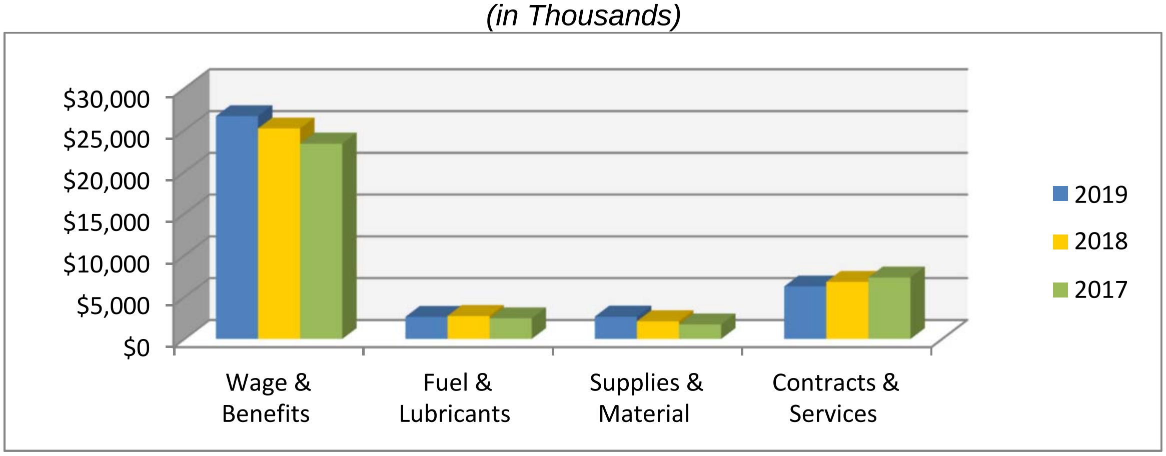
Contracts and services for 2019 of $6.3 million decreased 8.0 percent due to a business closure when BFT's contracted service provider for general public paratransit, night (taxi), fixed route-feeder and Sunday services closed its business at the end of October 2018. These services were suspended pending a solicitation for a new service provider which took place in 2019. BFT and the new contracted services provider are in the process of outlining the new services to begin in 2020.

A prior period adjustment was recorded in 2018 as BFT implemented of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which now requires BFT to include their proportionate share of the net OPEB liability for the single-employer defined benefit plan in which the transit participates.

Operating Expenses
(in Thousands)

Operating Expenses	**2019**	**2018**	**2017**
Wage & Benefits	$ 26,676	$ 25,205	$ 23,392
Fuel & Lubricants	2,650	2,754	2,476
Supplies & Material	2,678	2,122	1,742
Contracts & Services	6,293	6,837	7,366
Lease Interest	13		
Depreciation & Amortization	4,665	3,787	3,360
Total Operating Expenses	42,975	40,705	38,336
Nonoperating Expenses			
Prior Period Adjustments	-	(3,682)	(2,182)
Total Non-Operating Expenses	-	(3,682)	(2,182)

Operating Expenses by Type
(in Thousands)



Operating Grants

In 2019, BFT received $5.1 million in Federal and State operating grants. BFT uses these operating grants to pay for a portion of the wages of its fixed route coach and dial-a-ride operators. For 2020, BFT has budgeted to receive $4.5 million in Federal operating grant assistance. Operating grant funds fluctuate based on need and BFT's choice to use funding for capital or operating needs.

Operating Grants
(in Thousands)

2019	2018	2017
$ 5,070	$ 4,115	$ 2,000

Capital Grants

BFT received Federal and State capital grants to assist with the procurement of revenue vehicles and other capital projects. Investments in capital assets have decreased in recent years. In 2019, BFT received $1.5 million in capital contributions as focus has shifted to normal fleet replacement. Additionally, BFT is gearing up for transit center technological updates and site improvements and has budgeted for $1.6 million in federal and state capital grant contributions in 2020.

For more detailed information, please see Note 8 of the Notes to the Financial Statements.

Capital Assets

BFT's capital assets consist of land, vehicles, passenger facilities, shop equipment, and projects in progress with an acquisition value of more than $5,000 and a useful life of more than one year. BFT's investment in capital assets net of depreciation as of December 31, 2019, totaled $36.4 million compared to $37.1 million in 2018. Capital assets, net of depreciation, decreased in 2019 by 2.1 percent or $764 thousand. Major capital acquisitions in 2019 and 2018 included the following:

- 2019 major vehicle acquisitions included 8 vans for the van pool program ($213k), 3 paratransit vehicles ($286k), maintenance equipment replacement ($75k), facility improvements ($133k) and technology upgrades/retrofits ($493k).

- 2018 major vehicle acquisitions included 19 Gillig fixed route buses ($9.2 million), 35 paratransit vehicles ($3.2 million), 21 vans for the van pool program ($657k) and integrated technology for fixed route buses ($1.4 million).

For more detailed information, please see Note 4 of the Notes to the Financial Statements.

Financial Outlook

BFT recognizes that its heavy reliance on sales tax revenues makes it susceptible to economic fluctuations. To prepare, BFT has in place a reserve policy to insulate it from short-term revenue downturns and unanticipated expenditures. The BFT Board requested operating reserve is set at a minimum level equal to three months' budgeted operating expenses. In 2017 the BFT Board expanded the reserve policy establishing three additional reserve funds: Fuel Reserves, Fleet Replacement Reserves, and Non-Fleet Capital Reserves. BFT is in compliance with Board policy as all reserve funds are established and fully funded as noted in the following:

Operating Reserves	10,505,000
Fuel Reserves	1,000,000
Fleet Replacement Reserves	6,296,000
Non-Fleet Capital Reserves	5,495,000
Total Reserves	23,296,000

Sales tax revenues for 2019 totaled $39.3 million exceeding the budgeted amount of $37.0 million. Through the 2020 Budget process, BFT budgeted $38.0 million in sales tax revenues. Increases in sales tax revenues in recent years continue to contribute to the overall improved financial position of BFT and help the agency meet operating, fleet, fuel, and non-fleet capital reserve needs as well as future service, restoration of prior services and expansion.

BFT closely monitors revenues when determining service levels and capital expansion as stated in its six-year TDP. Capital investments will focus on modest vehicle replacements as funds allow and maintaining a state of good repair of existing assets for safe and reliable transit operations. With current reserves and a conservative approach in uncertain economic conditions, BFT has a positive financial outlook.

Request for Information

This financial report is designed to provide a general overview of BFT's finances. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Ben Franklin Transit, Attention: Director of Financial Services, 1000 Columbia Park Trail, Richland, WA 99352 or by calling (509) 735-4131.

Ben Franklin Transit
Comparative Statement of Net Position
As of December 31, 2019 and 2018
(in Thousands)

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 41,493	$ 35,954
Accounts Receivables	8,898	8,460
Sales Tax Receivables	7,498	6,468
Inventories	505	470
Prepayments	277	205
Total Current Assets	58,672	51,558
Noncurrent Assets		
Capital Assets Not Being Depreciated/Amortized		
Land	2,209	2,209
Construction in Progress	2,623	429
Capital Assets Being Depreciated/Amortized		
Buildings & Structures	20,450	20,315
Vehicles	45,475	45,781
Equipment & Furnishings	4,631	4,068
Leases - Buildings & Structures	386	-
Leases - Equipment	120	-
Less: Accumulated Depreciation & Amortization	(39,514)	(35,658)
Total Capital Assets (Net)	36,380	37,143
Total Noncurrent Assets	36,380	37,143
Total Assets	$ 95,052	$ 88,701
Deferred Outflows of Resources		
Deferred Outflows - PERS Pension	$ 2,201	$ 1,997
Deferred Outflows - OPEB	23	24
Total Deferred Outflows	$ 2,224	$ 2,021
Total Assets and Deferred Outflows of Resources	$ 97,276	$ 90,722
Liabilities		
Current Liabilities		
Accounts Payable	$ 1,587	$ 1,381
Accrued Expenses	1,167	667
Contracts Payable	2	-
Compensated Absences	313	291
OPEB Liability	47	49
Lease Liability	93	-
Total Current Liabilities	3,209	2,388
Noncurrent Liabilities		
Net Pension Liability	6,460	8,280
OPEB Liability	3,329	3,726
Compensated Absences	767	757
Lease Liability	323	-
Total Noncurrent Liabilities	10,879	12,763
Total Liabilities	$ 14,088	$ 15,151
Deferred Inflows of Resources		
Deferred Inflows - PERS Pension	$ 3,633	$ 3,300
Total Deferred Inflows of Resources	$ 3,633	$ 3,300
Net Position		
Investment in Capital Assets	$ 36,380	$ 37,143
Unrestricted	43,175	35,128
Total Net Position	$ 79,555	$ 72,271

The accompanying notes are an integral part of this statement.

Ben Franklin Transit
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2019 and 2018
(in Thousands)

	2019	2018
Operating Revenues		
Passenger Fares	$ 3,239	$ 3,621
Other Operating Revenues	356	273
Total Operating Revenues	3,595	3,894
Operating Expenses		
Operations	23,814	22,890
Maintenance	6,849	6,917
Administrative Expenses	7,634	7,111
Depreciation & Amortization	4,665	3,787
Total Operating Expenses	42,962	40,705
Operating Income (Loss)	(39,367)	(36,811)
Nonoperating Revenues (Expenses)		
Sales Tax	39,312	36,600
Investment Income	707	600
Lease Interest	(13)	-
Operating Grants	5,070	4,115
Gains/(Losses) on Capital Asset Disposition	31	96
Total Nonoperating Revenues (Expenses)	45,107	41,411
Income (Loss) Before Contributions	5,740	4,600
Capital Contributions	1,544	10,178
Change in Net Position	7,284	14,778
Total Net Position - Beginning of Period	72,271	61,175
Prior Period Adjustment	-	(3,682)
Total Net Position - End of Period	$ 79,555	$ 72,271

The accompanying notes are an integral part of this statement.

Ben Franklin Transit
Comparative Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018
(In Thousands)

	2019	2018
Cash Flows from Operating Activities		
Receipts From Customers	$ 3,075	$ 3,530
Other Receipts	426	287
Payments to Employees	(12,462)	(11,280)
Payments to Suppliers	(27,287)	(26,989)
Net Cash Provided (Used) by Operating Activities	(36,248)	(34,452)
Cash Flows from Noncapital Financing Activities		
Sales Tax Received	38,282	36,235
Operating Grants Received	3,170	1,314
Net Cash Provided (Used) by Noncapital Financing Activities	41,452	37,549
Cash Flows from Capital and Related Financing Activities		
Capital Contributions	3,095	6,399
Net proceeds from the Disposition of Capital Assets	31	96
Debt Service Leases	(103)	-
Acquisition and Construction of Capital Assets	(3,396)	(13,821)
Net Cash Used in Capital and Related Financing Activities	(373)	(7,326)
Cash Flows from Investing Activities		
Interest and Dividends	707	600
Net Cash Provided by Investing Activities	707	600
Net Increase (Decrease) in Cash and Cash Equivalents	5,539	(3,629)
Balances - Beginning of the Year	35,954	39,583
Balances - End of the Year	$ 41,493	$ 35,954
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	$ (39,367)	$ (36,811)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation & Amortization Expense	4,665	3,787
PERS Pension Expense / (Credit)	(1,692)	(1,285)
OPEB Expense / (Credit)	(398)	69
Change in Assets and Liabilities:		
Receivables, Net	(89)	(68)
Inventories	(35)	(57)
Prepaid Expense	(72)	(72)
Payables	708	(156)
Vacation Accrual	32	143
Net Cash (Used) by Operating Activities	$ (36,248)	$ (34,452)

NON-CASH TRANSACTIONS:

Non-cash investing, capital, or financing activities includes net capital contributions accruals of $3.6 million in 2019 and $5.2 million in 2018.

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ben Franklin Transit (BFT) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity – The transit was incorporated on May 11, 1981 and operates under the laws of the State of Washington applicable to municipal corporations. BFT was formed under the authority of Chapter 36.57A of the Revised Code of Washington State.

As required by GAAP, the financial statements present BFT as the primary government. Management has considered all potential component units in defining the reporting entity. The transit has no component units. BFT is a separate entity and is fiscally independent of other state and local government entities. Per criteria of GASB 14, BFT is a primary government for reporting and there are no additional entities or funds for which BFT has reporting responsibilities.

BFT is a special purpose government and provides Fixed Route, Para-transit, Vanpool, and General Demand services to the public in portions of Benton and Franklin Counties and is supported primarily through user charges and locally generated sales tax.

BFT is governed by a nine-member Board of Directors comprised of two Franklin County Commissioners, one Benton County Commissioner and one City Council member from Benton City, City of Kennewick, City of Pasco, City of Prosser, City of Richland, and the City of West Richland. In 2010 a non-voting board member was added to represent the labor unions of BFT.

B. Measurement Focus, Basis of Accounting – BFT's accounting records are maintained in accordance with methods prescribed by the Federal Transit Administration (FTA) per Section 15 of the Federal Transit Act of 1992, as amended and the Washington State Auditor under the authority of 43.09 Revised Code of Washington. The transit uses the Budgeting, Accounting and Reporting System (BARS) for GAAP for Transit Districts in the State of Washington.

The transit's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The transit distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the transit are charges to customers for passenger fares. Operating expenses for the transit include all costs related to providing transit service. These costs include labor, fringe benefits, materials, supplies, services, utilities,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

rentals, leases, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents – It is BFT's policy to invest all temporary cash surpluses. At December 31, 2019, the treasurer was holding $41.5 million 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, the transit considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – State statutes permit BFT to invest in obligations of the United States, certificates of deposits issued by banks that are designated as public depositories by the Washington Public Deposit Protection Commission (PDPC), and the Local Government Investment Pool (LGIP). Investments are reported at fair value measured by quoted market price. The reported value of the LGIP is the same as the fair value of the pool shares. For more details see Note 2, Deposits and Investments.

3. Receivables – Taxes receivable consists of uncollected sales tax revenue from the state and related interest and penalties.

   Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Inventories – Inventory consists of fuel, tires, repair parts, and supplies. Purchases are recorded as increases to inventory and valued by the First In, First Out (FIFO) method (which approximates the market value).

5. Prepayments - Prepaid expenses are amounts paid to secure the use of assets or the receipt of services, software licensing and insurance, with an initial cost of more than $5,000 or an estimated useful life in excess of one year. Such assets are recorded at cost and amortized over estimated economic useful life of the asset.

6. Restricted Assets – Restricted assets are temporary restricted cash and cash equivalents resulting from the sale of property in which the FTA restricts the use of proceeds to the investment of approved capital assets.

7. Capital Assets – Capital assets, which include property, facilities, and equipment, are defined by BFT as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs of normal maintenance and repairs are not capitalized. No depreciation is provided on works in progress until work is completed and the asset is placed in service.

BFT 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 these assets. However, BFT has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Asset	Years
Vehicles	4 - 14
Buildings and Structures	10 - 40
Equipment and Furnishings	2 - 20
Land Improvements	5 - 40

(Also, see Note 4 – Capital Assets)

8. Compensated Absences – Compensated absences are absences for which employees will be paid, such as general leave. General leave banks are split between Regular and Sick leave (I-1433).

   Sick leave accrues and may be used beginning with the first day of employment. Employees accrue one hour of sick leave for every 40 hours worked.

   Regular leave is calculated and added to the employee's leave bank upon completion of probation. Rates for regular leave are accrue per the employee's CBA for represented employees and per the Comprehensive Benefits Policy for non-represented employees.

   Employees may accumulate up to 480 hours of general leave. General leave hours do not expire. Accrued compensated absences are payable upon request, termination, resignation, retirement and death.

9. 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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Federal, State, and Local Grant Funds – Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, building, and equipment are recorded as capital contributions as the related grant conditions are met. Approved grants for operating assistance are recorded as revenues in the year in which the related grant conditions are met. Advances on grants are recorded as a liability until related grant conditions are met.
11. Leases - BFT implemented GASB 87 Leases in 2019. BFT's leases of Buildings & Structures and Equipment (or grouping of similar leases) must have a term of 12 months or greater and a Net Present Value (NPV) equal to or greater than $5,000 to be accounted for per GASB 87 guidelines. For more details see Note 10 Leases – (Lessees).

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2019 and 2018 respectfully as follows:

Composition of Cash and Cash Equivalents

	(in Thousands) 2019	2018
Demand Deposits	$ 41,493	$ 35,954
Investments having original maturities of less than 3 months	-	-
Total Cash and Cash Equivalents	$ 41,493	$ 35,954

BFT's bank deposits and certificates of deposit are entirely insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Currently BFT does not have a policy for custodial credit risk as that risk does not currently exist.

NOTE 3 – RECEIVABLE AND PAYABLE BALANCES

Receivables and Payables as of December 31, 2019 and 2018 consist of the following:

	(in Thousands) 2019	2018
Operating Grants Receivable	$ 4,701	$ 2,801
Customer Payments Receivable	492	328
Employee Payments Receivable	18	23
Capital Grants and Contributions Receivable	3,618	5,170
Other Cash Receivable	68	139
Sales Tax Receivable	7,498	6,468
Total Receivables	$ 16,396	$ 14,928
Accounts Payable	$ 1,587	$ 1,381
Contracts Payable	2	-
Total Payables	$ 1,589	$ 1,381

NOTE 4 – CAPITAL ASSETS

Activity for the year ended December 31, 2019 was as follows (*in Thousands*):

Description	Balance Jan 1, 2019	Increases	Decreases	Adjustments	Balance Dec 31, 2019
Capital Assets, Not Being Depreciated:					
Land	$ 2,209	$ -	$ -	$ -	$ 2,209
Work in Progress	429	2,291	97	-	2,623
Total Capital Assets, Not Being Depreciated	2,638	2,291	97	-	4,832
Capital Assets, Being Depreciated:					
Vehicles	45,780	499	724	(81)	45,475
Building and Structures	20,315	136	-	-	20,450
Equipment and Furnishing	4,068	568	5	-	4,631
Leases-Buildings & Structures	386	-	-	-	386
Leases-Equipment	120	-	-	-	120
Total Capital Assets, Being Depreciated	70,669	1,203	729	(81)	71,062
Less Accumulated Depreciation/Amortization For:					
Vehicles	22,423	3,455	724	(81)	25,073
Building and Structures	11,812	446	-	-	12,258
Equipment and Furnishing	1,423	666	5	-	2,084
Leases-Buildings & Structures	-	61	-	-	61
Leases-Equipment	-	37	-	-	37
Total Accumulated Depreciation/Amortization	35,658	4,665	729	(81)	39,514
Total Capital Assets, Being Depreciated, Net	35,011	(3,462)	-	-	31,548
Governmental Activities Capital Assets, Net	$ 37,649	$ (1,171)	$ 97	$ -	$ 36,380

Activity for the year ended December 31, 2018 was as follows (*in Thousands*):

Description	Balance Jan 1, 2018	Increases	Decreases	Adjustments	Balance Dec 31, 2018
Capital Assets, Not Being Depreciated:					
Land	$ 2,209	$ -	$ -	$ -	$ 2,209
Work in Progress	2,099	429	2,099	-	429
Total Capital Assets, Not Being Depreciated	4,308	429	2,099	-	2,638
Capital Assets, Being Depreciated:					
Vehicles	34,264	13,080	1,564	-	45,780
Building and Structures	19,665	651	-	-	20,315
Equipment and Furnishing	2,308	1,760	-	-	4,068
Total Capital Assets, Being Depreciated	56,237	15,491	1,564	-	70,163
Less Accumulated Depreciation For:					
Vehicles	20,965	3,022	1,564	-	22,423
Building and Structures	11,359	453	-	-	11,812
Equipment and Furnishing	1,111	312	-	-	1,423
Total Accumulated Depreciation	33,435	3,787	1,564	-	35,658
Total Capital Assets, Being Depreciated, Net	22,802	11,704	-	-	34,505
Governmental Activities Capital Assets, Net	$ 27,109	$ 12,133	$ 2,099	$ -	$ 37,143

<u>Construction Commitments</u>

At December 31, 2019 the renovations at Knight Street Transit Center were still on going with an estimated completion date of March 31, 2020. At December 31, 2018 BFT had no outstanding construction commitments.

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the years 2019 and 2018 (*in Thousands*):

Aggregate Pension Amounts – All Plans		
	2019	**2018**
Pension liabilities	$ 6,460	$ 8,280
Pension assets	$ -	$ -
Deferred outflows of resources	$ 2,201	$ 1,997
Deferred inflows of resources	$ 3,633	$ 3,300
Pension expense/expenditures	$ 629	$ 857

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

NOTE 5 – PENSION PLANS (continued)

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 and 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**
September – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**

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

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

NOTE 5 – PENSION PLANS (continued)

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 and 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January 2018 – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.70%**	**7.38%**
September – 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%**

NOTE 5 – PENSION PLANS (continued)

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
July – 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%**

BFT's actual PERS plan contributions to plans for the fiscal years 2019 and 2018 ending December 31, were as follows (*in Thousands*):

BFT's Actual Contributions		
	2019	**2018**
PERS Plan 1	$ 916	$ 873
PERS Plan 2/3	$ 1,405	$ 1,270

Actuarial Assumptions - 2019

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

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

NOTE 5 – PENSION PLANS (continued)

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.

Actuarial Assumptions – 2018

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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 *2015 Economic Experience Study*.

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

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

NOTE 5 – PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the 2019 total pension liability for all DRS plans was 7.4 percent and the discount rate used to measure the 2018 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 for 2019 and an assumed 7.5 percent long-term discount rate for 2018 to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for 2019 for the test and a 7.4 percent future investment rate of return on invested assets was assumed for 2018 for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 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 for 2019 and the long-term expected rate of return of 7.4 percent was used to determine the total liability for 2018.

Long-Term Expected Rate of Return

The 2019 long-term expected rate of return on the DRS pension plan investments of 7.4 percent and the 2018 long-term expected rate of return on the DRS pension plan investments of 7.4 percent were 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, and June 30, 2018, 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.

NOTE 5 – PENSION PLANS (continued)

Asset Class	2019 Target Allocation	2019 % Long-Term Expected Real Rate of Return Arithmetic	2018 Target Allocation	2018 % Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%	20%	1.70%
Tangible Assets	7%	5.10%	7%	4.90%
Real Estate	18%	5.80%	18%	5.80%
Global Equity	32%	6.30%	32%	6.30%
Private Equity	23%	9.30%	23%	9.30%
	100%		**100%**	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents BFT's 2019 proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what BFT'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.

As of June 30, 2019 (*in Thousands*):

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 6,128	$ 4,893	$ 3,822
PERS 2/3	$ 12,020	$ 1,567	$ (7,010)

The table below presents BFT's 2018 proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what BFT'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.

As of June 30, 2018 (*in Thousands*):

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 6,855	$ 5,578	$ 4,472
PERS 2/3	$ 12,359	$ 2,702	$ (5,216)

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.

NOTE 5 – PENSION PLANS (continued)

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

At June 30, 2019, and June 30, 2018 BFT reported a total pension liability of $6.5 million and $8.3 million, respectively, for its proportionate share of the net pension liabilities as follows (*in Thousands*):

Plan	2019 Liability (or Asset)	2018 Liability (or Asset)
PERS 1	$ 4,893	$ 5,578
PERS 2/3	$ 1,567	$ 2,702

At June 30, 2019, June 30, 2018, and June 30, 2017 BFT's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/19	Proportionate Share 6/30/18	Proportionate Share 6/30/17	Change in Proportion	
				2018 to 2019	2017 to 2018
PERS 1	0.127247%	0.124894%	0.116013%	0.002353%	0.008881%
PERS 2/3	0.161352%	0.158252%	0.146848%	0.003100%	0.011404%

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.*

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, and December 31, 2018 BFT recognized pension expense as follows (*in Thousands*):

Plan	2019 Pension Expense	2018 Pension Expense
PERS 1	$ 336	$ 938
PERS 2/3	293	(81)
TOTAL	$ 629	$ 857

NOTE 5 – PENSION PLANS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, and December 31, 2018, BFT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*in Thousands*):

	2019		2018	
PERS 1	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(327)	-	(222)
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	452	-	451	-
TOTAL	$ 452	$ (327)	$ 451	$ (222)

	2019		2018	
PERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 449	$ (337)	$ 331	$ (473)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,281)	-	(1,658)
Changes of assumptions	40	(658)	32	(769)
Changes in proportion and differences between contributions and proportionate share of contributions	523	(30)	530	(179)
Contributions subsequent to the measurement date	737	-	653	-
TOTAL	$ 1,749	$ (3,306)	$ 1,546	$ (3,079)

NOTE 5 – PENSION PLANS (continued)

	2019		2018	
PERS 1 & 2/3 COMBINED	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 449	$ (337)	$ 331	$ (473)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,608)	-	(1,880)
Changes of assumptions	40	(658)	32	(769)
Changes in proportion and differences between contributions and proportionate share of contributions	523	(30)	530	(179)
Contributions subsequent to the measurement date	1,189	-	1,104	-
TOTAL	$ 2,201	$ (3,633)	$ 1,997	$ (3,301)

2019 deferred outflows of resources related to pensions resulting from BFT's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 2018 deferred outflows of resources related to pensions resulting from BFT's contributions subsequent to the measurement date were 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 (*in Thousands*):

As of December 31, 2019 (*in Thousands*):

Year ended December 31	PERS 1	PERS 2/3
2020	$ (72)	$ (628)
2021	$ (171)	$ (1,069)
2022	$ (61)	$ (417)
2023	$ (23)	$ (176)
2024	$ -	$ (43)
Thereafter	$ -	$ 40

As of December 31, 2018 (*in Thousands*):

Year ended December 31	PERS 1	PERS 2/3
2019	$ 10	$ (319)
2020	$ (48)	$ (491)
2021	$ 145	$ (923)
2022	$ (37)	$ (284)
2023	$ -	$ (47)
Thereafter	$ -	$ (121)

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance Jan 1, 2019	Additions	Reductions	Balance Dec 31, 2019	Due Within One Year
Compensated Absences	$ 1,048	$ 2,002	$ 1,970	$ 1,080	$ 313
Pension Liability - PERS 1	5,578	-	685	4,893	-
Pension Liability - PERS 2/3	2,702	-	1,135	1,567	-
OPEB Liability	3,775	334	733	3,376	47
Lease Liability	506	-	90	416	93
Total Long-Term Liabilities:	$ 13,609	$ 2,336	$ 4,613	$ 11,332	$ 453

During the year ended December 31, 2018, the following changes occurred in long-term liabilities (*in Thousands*):

Description	Balance Jan 1, 2018	Additions	Reductions	Balance Dec 31, 2018	Due Within One Year
Compensated Absences	$ 905	$ 1,858	$ 1,715	$ 1,048	$ 291
Pension Liability - PERS 1	5,505	73	-	5,578	-
Pension Liability - PERS 2/3	5,102	-	2,400	2,702	-
OPEB Liability	3,703	331	259	3,775	49
Total Long-Term Liabilities:	$ 15,215	$ 2,262	$ 4,374	$ 13,103	$ 340

(Also, see Note 1 item 8 – Compensated Absences)

NOTE 7 – CONTINGENCIES & LITIGATIONS

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

BFT 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. BFT management believes that such disallowances, if any, will be immaterial.

NOTE 8 – CAPITAL CONTRIBUTIONS

Capital Contributions
(in Thousands)

2019	2018
$ 1,407	$ 8,445
137	1,733
$ 1,544	$ 10,178

Capital contributions include accruals of $1.4 million in 2019 and $4.1 million in 2018. BFT received $2.9 million of 2018 accruals in 2019 leaving $1.2 million of 2018 accruals outstanding.

NOTE 9 – RISK MANAGEMENT

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

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

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

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

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the Pool.

BFT has not presented any claims to WSTIP in either 2019 or 2018 that exceeded its coverage limits through WSTIP.

NOTE 9 – RISK MANAGEMENT (continued)

Below is a summary of coverage provided in 2019:

RISK / EXPOSURE	COVERAGE		DEDUCTIBLE
GENERAL LIABILITY			
Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	$ 25,000,000	Per occurrence	$ -
Personal Injury and Advertising Injury	$ 25,000,000	Per offense	$ -
Contractual liability			$ -
Vanpool Driver Medical Expense Protection	$ 35,000	Per occurrence	$ -
Underinsured Motorist Coverage	$ 60,000	Per occurrence	$ -
PUBLIC OFFICIALS LIABILITY	$ 25,000,000	Per occurrence and aggregate	$ 5,000
PROPERTY COVERAGE			
All perils subject to the following sublimits:	$ 500,000,000	Per occurrence, all perils and insureds/ members combined	$ 5,000
Flood zones A & V – annual aggregate	$ 10,000,000	Per occurrence, annual aggregate	$ 500,000
All flood zones except A & V – annual aggregate	$ 50,000,000	Per occurrence, annual aggregate	$ 500,000
Earthquake, volcanic eruption, landslide, and mine subsidence -	$ 25,000,000	Per occurrence, annual aggregate	5% subject to $500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE			
Auto Physical Damage (below $250,000 in value)	Fair market value	Limited to $1,350,000 any one vehicle	$ 5,000
Auto Physical Damage for all vehicles with a model year of 2008 or later and valued over $250,000	Replacement Cost	Limited to $1,350,000 any one vehicle	$ 5,000
BOILER AND MACHINERY	$ 100,000,000		$250,000 or $350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY			
Including faithful performance. (Also includes:)	$ 1,000,000	Per occurrence	$ 10,000
Employee theft	$ 1,000,000	Per occurrence	$ 10,000
Forgery or alteration	$ 1,000,000	Per occurrence	$ 10,000
Theft, disappearance and destruction (inside premises)	$ 1,000,000	Per occurrence	$ 10,000
Robbery and safe burglary (inside premises)	$ 1,000,000	Per occurrence	$ 10,000
Robbery and safe burglary (outside premises)	$ 1,000,000	Per occurrence	$ 10,000
Computer fraud	$ 1,000,000	Per occurrence	$ 10,000
Funds Transfer Fraud	$ 1,000,000	Per occurrence	$ 10,000
Money orders and counterfeit money	$ 1,000,000	Per occurrence	$ 10,000
CYBER LIABILITY			
Third Party Liability	$ 2,000,000	Maximum limit	$ 100,000 *
Breach Response Costs	$ 500,000	Limit increases to $1,000,000 if carrier's nominated service providers are utilized	
First Party Loss Business Interruption			
Resulting from Security Breach	$ 2,000,000	Limit to Liability	
Resulting from System Failure	$ 500,000	Limit to Liability	
Dependent Business Loss			
Resulting from Security Breach	$ 750,000	Limit to Liability	
Resulting from System Failure	$ 100,000	Limit to Liability	
Cyber Extortion Loss	$ 2,000,000	Limit to Liability	
Data Recovery Costs	$ 2,000,000	Limit to Liability	
LIABILITY			
Data & Network Lability	$ 2,000,000	Limit to Liability	
Regulatory defense and penalties	$ 2,000,000	Limit to Liability	
Payment Card liabilities & Costs	$ 2,000,000	Limit to Liability	
Media Liability	$ 2,000,000	Limit to Liability	

NOTE 9 – RISK MANAGEMENT (continued)

Summary of coverage provided in 2019: (continued)

RISK / EXPOSURE	COVERAGE		DEDUCTIBLE
eCRIME			
Fraudulent Instruction	$ 75,000	Limit to Liability	
Funds Transfer Fraud	$ 75,000	Limit to Liability	
Telephone Fraud	$ 75,000	Limit to Liability	
CRIMINAL REWARD	$ 25,000	Limit	

* However, if covered loss exists, WSTIP general liability policy also includes a $50,000 limit of coverage with no deductible. As of July 1, 2019, the deductible was lowered to $5,000

NOTE 9 – RISK MANAGEMENT (continued)

Below is a summary of coverage provided in 2018:

RISK / EXPOSURE	COVERAGE		DEDUCTIBLE	
GENERAL LIABILITY				
Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	$ 25,000,000	Per occurrence	$ -	
Personal Injury and Advertising Injury	$ 25,000,000	Per offense	$ -	
Contractual liability			$ -	
Vanpool Driver Medical Expense Protection	$ 35,000	Per occurrence	$ -	
Underinsured Motorist Coverage	$ 60,000	Per occurrence	$ -	
PUBLIC OFFICIALS LIABILITY	$ 25,000,000	Per occurrence and aggregate	$ 5,000	
PROPERTY COVERAGE				
All perils subject to the following sublimits:	$ 500,000,000	Per occurrence, all perils and insureds/ members combined	$ 5,000	
Flood zones A & V – annual aggregate	$ 10,000,000	Per occurrence, annual aggregate	$ 500,000	
All flood zones except A & V – annual aggregate	$ 50,000,000	Per occurrence, annual aggregate	$ 500,000	
Earthquake, volcanic eruption, landslide, and mine subsidence -	$ 25,000,000	Per occurrence, annual aggregate	5% subject to $500,000 minimum per occurrence per unit	
AUTO PHYSICAL DAMAGE				
Auto Physical Damage (below $250,000 in value)	Fair market value	Limited to $1,350,000 any one vehicle	$ 5,000	
Auto Physical Damage for all vehicles with a model year of 2005 or later and valued over $250,000	Replacement Cost	Limited to $1,250,000 any one vehicle	$ 5,000	
BOILER AND MACHINERY	$ 100,000,000		$250,000 or $350,000 depending on size of boiler	
CRIME / PUBLIC EMPLOYEE DISHONESTY				
Including faithful performance. (Also includes:)	$ 1,000,000	Per occurrence	$ 10,000	
Employee theft	$ 1,000,000	Per occurrence	$ 10,000	
Forgery or alteration	$ 1,000,000	Per occurrence	$ 10,000	
Theft, disappearance and destruction (inside premises)	$ 1,000,000	Per occurrence	$ 10,000	
Robbery and safe burglary (inside premises)	$ 1,000,000	Per occurrence	$ 10,000	
Robbery and safe burglary (outside premises)	$ 1,000,000	Per occurrence	$ 10,000	
Computer fraud	$ 1,000,000	Per occurrence	$ 10,000	
Funds Transfer Fraud	$ 1,000,000	Per occurrence	$ 10,000	
Money orders and counterfeit money	$ 1,000,000	Per occurrence	$ 10,000	
CYBER LIABILITY				
Third Party Liability	$ 25,000,000	Annual policy and program aggregate of liability for all insured's combined	$ 100,000	*
Information Security and Privacy Liability	$ 2,000,000	Limit of Liability and annual aggregate	$ 100,000	*
Privacy Notification costs	$ 500,000	Annual aggregate – limit increases to $1 million if carrier's vendors utilized	$ 100,000	*
Penalties for Regulatory Defense and Penalties	$ 2,000,000	Limit of Liability and annual aggregate	$ 100,000	*
Including a sub-limit for PCI Fines and Penalties	$ 100,000	(Sub-limit)		
Website Media Content Liability	$ 2,000,000	Limit of Liability and annual aggregate	$ 100,000	*
First Party Computer Security				
Cyber Extortion Loss	$ 2,000,000	Limit of Liability and annual aggregate	$ 100,000	*
Data Protection Loss and Business Interruption Loss	$ 2,000,000	Limit of Liability and annual aggregate	$ 100,000	*
Including a sub-limit for Forensic expense	$ 100,000			
And Dependent business interruption	$ 500,000			
Fraudulent Instruction	$ 50,000			
Telecommunications Fraud	$ 50,000			
Consequential reputational loss	$ 50,000			

* However, if covered loss exists, WSTIP general liability policy also includes a $50,000 limit of coverage with no deductible.

NOTE 10 – LEASES- (LESSEES)

In 2019, BFT implemented GASB 87, Leases. BFT is committed under various leases for space and equipment. The major categories of leases are Park & Ride Lots (4 leases), Buildings (3 leases), Potable Water Coolers, Photocopy & Fax Equipment (9 leases) and Mail Equipment (2 leases). BFT does not acquire any interest in the property. Unless excluded, GASB 87 requires all leases over 12 months in duration are to be accounted for as Intangible Assets with corresponding Liabilities. The initial value of the asset and liability, as determined by calculating the present value of the lease payments, were $506.3 thousand each. Equipment values were calculated using a discount rate of 2.85% and Structure values were calculated using a discount rate of 2.75%. The rates used in the calculations were provided by BFT's bank, U.S. Bank, as the rates that U.S. Bank would charge BFT for financing purchases of similar assets.

As of December 31, 2019, the outstanding balances of the Lease Assets (net of amortization) & Liabilities by category are (*in Thousands*):

Leases - December 31, 2019		
Category	**Net Asset Balance**	**Liability Balance**
Park & Ride Lots	$111	$114
Buildings	215	220
Sub-total Structures	325	334
Potable Water Coolers	7	7
Photocopy & Fax Equip.	65	66
Mail Equipment	11	8
Sub-total Equipment	83	82
Total	**$408**	**$416**

As of December 31, 2019, the principal and interest requirements to maturity on the leases are as follows (*in Thousands*):

Leases - 2019			
Year Ended December 31	**Debt Service**	**Interest**	**Total**
2020	$ 93	$10	$103
2021	86	8	94
2022	70	6	75
2023	40	4	44
2024	25	3	28
2025-2029	83	8	91
2030-2034	19	0	19
Total	**$416**	**$39**	**$455**

NOTE 11 – 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 years 2019 and 2018 (*in Thousands*):

Aggregate OPEB Amounts – All Plans		
	2019	**2018**
OPEB liabilities	$3,376	$3,775
OPEB assets	$-0-	$-0-
Deferred outflows of resources	$23	$24
Deferred inflows of resources	$-0-	$-0-
OPEB expense	$ (343)	$ 114

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

b. The plan is available to non-bargaining 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 BFT. There are no COLAs associated with the plan.

c. At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	**2018**
Inactive employees or beneficiaries currently receiving benefits	11	15
Inactive employees entitled to but not yet receiving benefits	4	6
Active employees	79	75
Total	94	96

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

Assumptions and Other Inputs

The discount rate used in the online tool developed by the Office of the State Actuary was 3.87% for the beginning of the measurement year and 3.50% for the end of the measurement year. Projected salary changes were 3.5% plus service-based increases. Healthcare Trend rates used an initial rate of approximately 7%, trending down to about 5% in 2020. Mortality rates were calculated using the Healthy RP-2000 base mortality table with an age setback of 1 year, mortality improvements of 100% scale BB and a generational projection period. An inflation rate of 2.75% was used. Post-retirement participation percentage was 65% and the percentage with spousal coverage was 45%.

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

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (cont.)

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

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
2019 Total OPEB Liability	$2,754	$3,776	$4,197
2018 Total OPEB Liability	$3,091	$3,775	$4,669

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

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
2019 Total OPEB Liability	$4,077	$3,776	$2,826
2018 Total OPEB Liability	$4,572	$3,775	$3,149

Changes in the Total OPEB Liability

The schedule of changes in the total OPEB liability follows (*in Thousands*):

PEBB Plan	2019	2018
Total OPEB Liability on January 1st	$3,775	$3,703
Service cost	182	193
Interest	152	139
Changes of benefit terms	0	0
Changes in Experience Data and Assumptions	(677)	(217)
Benefit payments	(56)	(42)
Other changes	0	0
Total OPEB Liability on December 31st	$3,376	$3,775

a. The Alternative Measurement Method (AMM) was performed with a valuation date of June 30, 2019. In order to estimate the Total OPEB Liability (TOL) as of the beginning of the measurement period, the TOL was projected backwards to the measurement date of June 30, 2018. The AMM was used to measure the TOL in place of an actuarial valuation.

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

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (cont.)

c. There were no changes of benefit terms that affected measurement of the TOL 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 TOL and the employer's reporting date that are expected to have any effect on the TOL.

g. The total OPEB expense recognized by BFT in the reporting period was $(343.4) thousand.

h. At December 31, 2019, BFT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (*in Thousands*):

	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	23	-0-
TOTAL*	$23	$-0-

i. At December 31, 2018, BFT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (*in Thousands*):

	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	24	-0-
TOTAL*	$24	$-0-

Deferred outflows of resources of $23.3 thousand, 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, 2020.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

2019: BFT reported no prior period adjustments. **2018:** Effective for the fiscal year ended December 31, 2018, BFT implemented provisions of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). As a result, the Schedule of Long-Term Liabilities now includes the transit's proportionate share of the net OPEB liability for the single-employer defined benefit plan in which the transit participates. As a result of this implementation the January 1, 2018 beginning Net Position was directly decreased by $3.7 million.

NOTE 13 – SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, Governor Inslee 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 were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. On March 23, 2020, the Governor issued a Proclamation directing all residents to stay home, "except as needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as the State Public Health Officer may designate as critical….". Mass Transit was identified as an essential critical subsector and, therefore, BFT continued operations. BFT has made adjustments to routes and workforce to accommodate this directive and the public's response to COVID-19.

The length of time these measures will be in place, and the full extent of the financial impact on BFT, is unknown at this time. Also unknown is the effect the modification of behavioral and economic activity will have on the collection of Sales Taxes which constitute a significant portion of BFT's revenues.

On April 2, 2020, BFT received notification from the FTA that just under $19.0 million in additional Grant monies had been allocated to BFT to assist its continuing operations and service to the community during the pandemic.

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan1
As of June 30, 2019
Last 10 Fiscal Years*
(in Thousands)

	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	0.127247%	0.124894%	0.116013%	0.114841%	0.125862%					
Employer's proportionate share of the net pension liability	$ 4,893	$ 5,578	$ 5,505	$ 6,168	$ 6,584					
TOTAL	$ 4,893	$ 5,578	$ 5,505	$ 6,168	$ 6,584					
Covered payroll**	$ 17,701	$ 16,819	$ 14,554	$ 14,312	$ 14,216					
Employer's proportionate share of the net pension liability as a percentage of covered payroll	27.64%	33.16%	37.82%	43.10%	46.31%					
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:

**Until a full 10-year trend is compiled, only information for those years available is presented.*

GASB 68 was implemented for the 2015 financial statements so only five years of data is available. Up to ten years of history will be presented over time as the data is generated.

*** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).*

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan2/3
As of June 30, 2019
Last 10 Fiscal Years*
(in Thousands)

	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	0.161352%	0.158252%	0.146848%	0.143055%	0.158146%					
Employer's proportionate share of the net pension liability	$ 1,567	$ 2,702	$ 5,102	$ 7,203	$ 5,651					
TOTAL	$ 1,567	$ 2,702	$ 5,102	$ 7,203	$ 5,651					
Covered payroll**	$ 17,568	$ 16,765	$ 14,457	$ 14,138	$ 14,043					
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.92%	16.12%	35.29%	50.95%	40.24%					
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:

**Until a full 10-year trend is compiled, only information for those years available is presented.*

GASB 68 was implemented for the 2015 financial statements so only five years of data is available. Up to ten years of history will be presented over time as the data is generated.

*** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).*

Schedule of Employer Contributions
PERS Plan1
As of December 31, 2019
Last 10 Fiscal Years*
(in Thousands)

	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 916	$ 873	$ 776	$ 696	$ 576					
Contributions in relation to the statutorily or contractually required contributions***	(916)	(873)	(776)	(696)	(576)					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
Covered payroll**	$ 18,322	$ 17,084	$ 15,755	$ 14,396	$ 14,121					
Contributions as a percentage of covered payroll	5.00%	5.11%	4.93%	4.83%	4.08%					

Notes to Schedule:

**Until a full 10-year trend is compiled, only information for those years available is presented.*

GASB 68 was implemented for the 2015 financial statements so only five years of data is available. Up to ten years of history will be presented over time as the data is generated.

*** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).*

**** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)*

Schedule of Employer Contributions
PERS Plan2/3
As of December 31, 2019
Last 10 Fiscal Years*
(in Thousands)

	2019	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 1,405	$ 1,270	$ 1,086	$ 888	$ 840					
Contributions in relation to the statutorily or contractually required contributions**	(1,405)	(1,270)	(1,086)	(888)	(840)					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
Covered payroll*	$ 18,185	$ 16,975	$ 15,713	$ 14,250	$ 13,945					
Contributions as a percentage of covered payroll	7.73%	7.48%	6.91%	6.23%	6.02%					

Notes to Schedule:

**Until a full 10-year trend is compiled, only information for those years available is presented.*

GASB 68 was implemented for the 2015 financial statements so only five years of data is available. Up to ten years of history will be presented over time as the data is generated.

*** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).*

**** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)*

Schedule of Changes in the Employer's Total OPEB Liability OPEB
As of June 30, 2019
(in Thousands)

		2019	2018	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Total OPEB Liability											
Service Cost	$	182	193								
Interest		152	139								
Changes in Experience Data and Assumptions		(677)	(218)								
Changes in Benefit Terms		-	-								
Benefit Payments		(56)	(42)								
Other		-	-								
Net Changes in total OPEB Liability		(399)	72								
Total OPEB Liability - Beginning		3,775	3,703								
Total OPEB Liability - Ending		3,376	3,775								
Covered payroll*	$	5,184	4,567								
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	65.12%	82.66%								

Notes to Schedule:

** Covered payroll is the payroll of employees who are provided with OPEB through the OPEB plan.*

GASB 75 was implemented for the 2018 financial statements so only one year of data is available. Up to ten years of history will be presented over time as the data is generated.

The Alternative Measurement Method (AMM) tool, prepared by the Washington State Office of the State Actuary was used to generate the OPEB information for BFT, relying on inpts from BFT for eligible counts, average ages and covered payroll.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

BEN FRANKLIN TRANSIT

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								
Department of Transportation Federal Transit Administration (FTA)	Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	WA-90-X575-00		83,471	$ 83,471	$ -	1,2
Department of Transportation Federal Transit Administration (FTA)	Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	WA-2016-056-00		322,305	322,305	-	1,2
Department of Transportation Federal Transit Administration (FTA)	Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	Pending		2,940,117	2,940,117	-	1,2
						-	-	1,2
			Total Federal Transit Cluster:	**-**	**3,345,893**	**3,345,893**	**-**	
Transit Services Programs Cluster								
Department of Transportation Federal Transit Administration (FTA)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	WA-2018-072-00		259	259	-	1,2
						-	-	1,2
			Total Transit Services Programs Cluster:	**-**	**259**	**259**	**-**	
			Total Federal Awards Expended: $	**-**	**$ 3,346,152**	**$ 3,346,152**	**$ -**	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

BEN FRANKLIN TRANSIT

Notes to the Schedule of Expenditures of Federal Awards For the year ended December 31, 2019

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as Ben Franklin Transit's financial statements. Ben Franklin Transit uses the accrual method of accounting.

Note 2 - Program Costs

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

Note 3 – Indirect Cost Rate

Ben Franklin Transit has 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