



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Grays Harbor Transportation Authority (Grays Harbor Transit)

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

Published September 30, 2020

Report No. 1027057





**Office of the Washington State Auditor
Pat McCarthy**

September 30, 2020

Board of Commissioners
Grays Harbor Transit
Hoquiam, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Grays Harbor Transit January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Grays Harbor 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 Authority’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

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

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

The Authority did not qualify 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**

**Grays Harbor Transit
January 1, 2019 through December 31, 2019**

Board of Commissioners
Grays Harbor Transit
Hoquiam, 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 Grays Harbor Transit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority’s financial statements, and have issued our report thereon dated September 29, 2020.

We issued an unmodified opinion on the fair presentation of the Authority’s financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Authority using accounting practices prescribed by state law and the State Auditor’s *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 6 to the financial statements, during the year ended December 31, 2019, the Authority adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

As discussed in Note 9 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 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**

**Grays Harbor Transit
January 1, 2019 through December 31, 2019**

Board of Commissioners
Grays Harbor Transit
Hoquiam, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 29, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Grays Harbor Transit January 1, 2019 through December 31, 2019

Board of Commissioners
Grays Harbor Transit
Hoquiam, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Grays Harbor Transit, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Grays Harbor Transit has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Grays Harbor Transit, and its changes in cash and investments, for the year ended December 31, 2019, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Authority used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Grays Harbor Transit, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 6 to the financial statements, in 2019, the Authority adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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). The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 29, 2020

FINANCIAL SECTION

Grays Harbor Transit January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019
Schedule of Expenditures of Federal Awards – 2019
Notes to the Schedule of Expenditures of Federal Awards – 2019

**Grays Harbor Transportation Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019**

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	8,869,300
388 / 588	Net Adjustments	-

Revenues

310	Taxes	8,951,958
320	Licenses and Permits	-
330	Intergovernmental Revenues	4,879,152
340	Charges for Goods and Services	581,385
360	Miscellaneous Revenues	226,229
Total Revenues:		14,638,724

Expenditures

540	Transportation	9,748,727
Total Expenditures:		9,748,727
Excess (Deficiency) Revenues over Expenditures:		4,889,997

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	24,878
Total Other Increases in Fund Resources:		24,878

Other Decreases in Fund Resources

594-595	Capital Expenditures	4,474,462
591-593, 599	Debt Service	2,330
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		4,476,792

Increase (Decrease) in Cash and Investments: 438,083

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	9,307,381
Total Ending Cash and Investments		9,307,381

The accompanying notes are an integral part of this statement.

**GRAYS HARBOR TRANSPORTATION AUTHORITY
D.B.A. GRAYS HARBOR TRANSIT
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grays Harbor Transportation Authority was incorporated in June 1974 and operates under the laws of the state of Washington applicable to a transportation authority entity. Grays Harbor Transportation Authority, as a public transit agency, provides accessible public transportation throughout Grays Harbor County, with regional connections to adjacent counties.

The Grays Harbor Transportation Authority reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are being reported on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as Supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classification defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenses are recognized when paid.

C. Budget Compliance

See Note 2 – Budget Compliance

D. Cash and Investments

See Note 3, Deposits and Investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when paid.

F. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The authority records unpaid leave for compensated absences as an expense and liability when incurred.

All employees who work at least 80 hours per month accumulate sick leave at a rate of 8 hours per month. Employees are not permitted to accumulate in excess 1,296 hours. Sick leave is expensed as it is used.

Upon separation of employment, under non-disciplinary circumstances and with at least five (5) years of employment with employer; each employee shall be paid for all accumulated sick leave at the following rates.

Accrued Sick Leave	Cash out rate
0 to 900	1 to 3 for hours 1 to 900
901 to 1296	1 to 2 for hours 1 to 1296

The following is a recap of the vacation policies covering union and non-union employees:

UNION		NON-UNION	
Years of Service	Annual Vacation Hours	Years of Service	Annual Vacation Hours
1	40	1	96
2	80	2	104
3-6	120	3	112
7-9	144	4-9	120
10-14	160	10-14	144
15+	240	15-19	192
20		20-24	240
		25	280

Employees are not permitted to carry past their anniversary date (hire date) more than one-half of the current years' accrual. Total accrued vacation leave is limited to a maximum of 33 days (264 hours). Vacation leave is paid at a rate equal to the rate of pay at the time the leave is taken, not the rate of pay at the time the vacation is accrued.

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Risk Management

See Note 7, Risk Management

NOTE 2- BUDGET COMPLIANCE

Grays Harbor Transit adopts an annual appropriated budget. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at the level. Annual appropriations for this fund lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriation and actual expenditures for the year ended December 31, 2019 are as follows:

	<u>Appropriation</u>		<u>Expenditures</u>		<u>Variance</u>
\$	17,390,242	\$	14,225,520	\$	3,164,722

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Grays Harbor Transportation Authority Board.

NOTE 3- DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Deposits and investments by type at December 31, 2019 are as follows:

<u>Type of Deposit or Investment</u>	
Bank deposits	\$ 138,275
County Treasurer deposits	1,362,263
Local Government Investment Pool	7,806,343
	<u>\$ 9,306,881</u>

It is Grays Harbor Transit's policy to invest all temporary cash surpluses.

Investments in the State Local Government Investment Pool (LGIP)

Grays Harbor Transit is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, Grays Harbor Transit would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. Grays Harbor Transit's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the Grays Harbor County Treasurer or its agent in the Grays Harbor Transit's name.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities for the transit and summarizes the transits debt transactions for the year ended December 31, 2019.

The debt service requirements for the no interest leased copier are as follows:

Sharp MX-4141N Digital Copier	\$	4,272
Less Current Year Lease Payments		2,330
Total	\$	<u>1,942</u>

Year Ending December 31

	2020	<u>1,942</u>
Total	\$	<u>1,942</u>

NOTE 5- PENSION PLANS

Substantially all full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans, PERS 1, and PERS 2/3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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
PO Box 48380
Olympia, WA 98540-8380

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

At June 30, 2019 the Transit's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Employer Contributions	Allocation Percentage	Liability (Asset)
PERS 1	\$ 231,369	0.032267%	\$ 1,240,781
PERS 2/3	340,441	0.041683%	404,884
	<u>\$ 571,810</u>		<u>\$ 1,645,664</u>

NOTE 6 – OPEB PLANS

During the year ended December 31, 2019 Grays Harbor Transit adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

Grays Harbor Transportation Authority is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. Grays Harbor Transportation Authority had 85 active plan members and 30 retired plan members as of December 31, 2019. As of December 31, 2019, Grays Harbor Transportation Authority's total OPEB liability was \$5,310,602 calculated using the alternative measurement method tool provided by SAO. Grays Harbor Transportation Authority contributed \$1,292,924 to the plan for the year ended December 31, 2019.

NOTE 7 - RISK MANAGEMENT

Grays Harbor Transportation Authority 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 Grays Harbor Transportation Authority auto liability, general liability, public official's liability

coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage.

At the end of 2019, Grays Harbor Transportation Authority retained a \$5,000 deductible for its all-risk property coverage which includes auto physical damage. Grays Harbor Transportation Authority 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.

Grays Harbor Transportation Authority has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

NOTE 8 – CONTINGENCIES AND LITIGATION

In the opinion of management, the Grays Harbor Transportation Authority's insurance policies are adequate to pay all known or pending claims.

NOTE 9 – OTHER DISCLOSURES

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

The national COVID-19 Pandemic emerged subsequent to the end of Grays Harbor Transportation Authority's 2019 fiscal year. Management expects a material financial impact in 2020.

The national COVID-19 Pandemic as of the report date:

Grays Harbor Transportation Authority continues to respond to the COVID-19 pandemic as an essential service to our community. We have taken the following actions as part of our response:

- Reduced service was implemented effective March 19, 2020
- Rear door entry to promote social distancing from our drivers
- Hand sanitizer dispensers were purchased and installed in all the buses
- Encouraged rider to make only essential trips on the bus
- Encouraged riders to practice safe social distancing on the bus and at all facilities
- Suspended the collection of fares
- Engaged many staff to work remotely when possible
- Supplemental Leave Authorization for those impacted directly by COVID-19

Potential future actions / consequences subsequent to the report date:

- Put several employees on Stand-By Status
- Face a dramatic decrease in sales tax revenue commencing with May 2020 receipts
- Utilize federal CARES funds for operations

Grays Harbor Transportation Authority is making these changes and taking these actions to maintain service at sustainable levels to our community and the region.

**Grays Harbor Transportation Authority
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Sharp Copier	10/30/2020	4,272	-	2,330	1,942
Total General Obligation Debt/Liabilities:			4,272	-	2,330	1,942
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Net Pension		2,093,338	-	447,674	1,645,664
259.12	Compensated Absences		788,506	-	209,980	578,526
264.40	OPEB		-	5,310,602	-	5,310,602
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,881,844	5,310,602	657,654	7,534,792
Total Liabilities:			2,886,116	5,310,602	659,984	7,536,734

Grays Harbor Transportation Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0031	252,000	-	252,000	-	1,2 & 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	GCB-2599	2,085,120	-	2,085,120	-	1,2 & 3
		Total CFDA 20.509:		2,337,120	-	2,337,120	-	
		Total Federal Awards Expended:		2,337,120	-	2,337,120	-	

GRAYS HARBOR TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JANUARY 1, 2019 THRU DECEMBER 31, 2019

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the transit's financial statements. The transit uses the cash basis of accounting.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$0 claimed as an indirect cost.
Grays Harbor Transportation Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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