

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Whatcom Transportation Authority
Whatcom County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012334

Issue Date
August 7, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

August 7, 2014

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Whatcom County
January 1, 2013 through December 31, 2013**

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Federal Summary

Whatcom Transportation Authority Whatcom County January 1, 2013 through December 31, 2013

The results of our audit of the Whatcom Transportation Authority are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.526	Bus and Bus Facilities Formula Program
20.525	State of Good Repair Grants Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Authority qualified as a low-risk auditee under OMB Circular A-133.

**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***

**Whatcom Transportation Authority
Whatcom County
January 1, 2013 through December 31, 2013**

Board of Directors
Whatcom Transportation Authority
Bellingham, 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 Whatcom Transportation Authority, Whatcom County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 25, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

July 25, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Whatcom Transportation Authority Whatcom County January 1, 2013 through December 31, 2013

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Whatcom Transportation Authority, Whatcom County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

July 25, 2014

Independent Auditor's Report on Financial Statements

Whatcom Transportation Authority Whatcom County January 1, 2013 through December 31, 2013

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Whatcom Transportation Authority, Whatcom County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Whatcom Transportation Authority, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

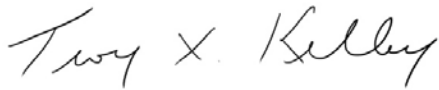
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 July 25, 2014 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.



TROY KELLEY
STATE AUDITOR

July 25, 2014

Financial Section

**Whatcom Transportation Authority
Whatcom County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013 and 2012

Statement of Revenues, Expenses and Changes in Fund Net Position – 2013 and 2012

Statement of Cash Flows – 2013 and 2012

Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2013

WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2013

WTA management offers this narrative overview and analysis of our financial activities for the year ended December 31, 2013. Our management is responsible for the completeness, reliability, and objectivity of these financial statements. Estimates and judgments used in the financial statements have been made on a prudent and reasonable basis.

Financial Highlights

- Local sales tax revenue increased 5.5% from 2012 to \$21,120,920 in 2013.
- Cash and cash equivalents remained stable from 2012 (\$24,983,075) to 2013 (\$25,927,583).
- Operating revenues for 2013 were up 9.3% over the previous year, primarily due to the increase in hours of service for contracted Sunday service and vanpool fees.

Overview of Financial Statements

This discussion and analysis is an introduction to WTA's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. WTA's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about WTA's activities. Over time, increases or decreases in net assets may serve as a useful indicator of whether WTA's financial position is improving or deteriorating.

The financial statements consist of a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and Statement of Cash Flows. The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Under GAAP, revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Most capital assets are depreciated over their useful lives. The notes to the financial statements provide a summary of WTA's significant accounting policies.

Condensed Statements

The largest portion of WTA's net position (60%) reflects its investment in capital assets (land, buildings, buses, equipment, technology, and other infrastructure). WTA uses these capital assets to provide public transportation services to the citizens and visitors of the Whatcom County Public Transportation Benefit District. The remaining unrestricted balance (40%) of WTA's net position represents resources that may be used to meet WTA's obligations to its citizens and creditors.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2013**

Condensed Statement of Net Position

	2013	2012	2011
Current Assets	\$32,595,149	\$30,300,326	\$27,714,820
Capital Assets	<u>44,958,768</u>	<u>47,278,778</u>	<u>44,848,922</u>
Total Assets	<u>\$77,553,917</u>	<u>\$77,579,104</u>	<u>\$72,563,742</u>
Current Liabilities	\$2,503,646	\$ 7,858,262	\$2,747,519
Noncurrent Liabilities	<u>85,539</u>	<u>88,727</u>	<u>95,101</u>
Total Liabilities	<u>\$2,589,185</u>	<u>\$7,946,989</u>	<u>\$2,842,620</u>
Net Assets:			
Invested in capital assets (net of debt)	\$44,958,768	\$47,278,778	\$44,848,922
Unrestricted	<u>30,005,964</u>	<u>22,353,337</u>	<u>24,872,200</u>
Total Net Position	<u>74,964,732</u>	<u>\$69,632,115</u>	<u>\$69,721,122</u>
Total Liabilities and Net Position	<u>\$77,553,917</u>	<u>\$77,579,104</u>	<u>\$72,563,742</u>

Net assets invested in capital assets consist of land, buildings, work in progress, buses, and other property and equipment, net of accumulated depreciation, less related liabilities.

Significant 2013 transactions that impact the Statement of Net Position:

- Total revenues for the fiscal year ended December 31, 2013 were \$31,988,103 compared to \$25,569,867 in 2012.
- Yearend inventory is \$905,225, a decrease of \$5,470 compared to 2012.
- Receivables at year end were \$5,236,718, an increase of \$888,996 from 2012.
- The total 2013 cost of operations, including depreciation, is \$26,655,488. This is a \$1,042,816 increase over 2012 costs of \$25,612,672.

**Condensed Statement of
Revenues, Expenses and Changes in Fund Net Position**

(including depreciation)

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Operating Revenues	\$4,403,393	\$4,029,302	\$3,206,287
Operating Expenses	<u>26,655,488</u>	<u>25,612,672</u>	<u>25,075,332</u>
Operating Income (Loss)	<u>-22,252,095</u>	<u>-21,583,370</u>	<u>-21,869,045</u>
Non-operating Revenue	27,569,447	21,939,277	22,726,891
Special Item – see Note 10	-	-46,202	-
Gain (Loss) on Disposal of Assets	<u>15,263</u>	<u>-398,712</u>	<u>25,559</u>
Increase (Decrease) in Net Position	<u>5,332,616</u>	<u>-89,007</u>	<u>883,404</u>
Net Position (Beginning of Period)	<u>69,632,115</u>	<u>69,721,122</u>	<u>68,837,718</u>
Net Position (End of Period)	<u>\$74,964,731</u>	<u>\$69,632,115</u>	<u>\$69,721,122</u>

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2013**

Revenue Analysis

Revenues	2013	2012	2011	2013 % of Total	2013 vs. Prev Yr
Operating	\$4,403,393	\$4,029,302	\$3,206,287	13.76%	\$374,091
Invest. Income	113,921	117,481	193,903	0.36%	-3,560
Sales Tax	21,120,920	20,022,608	18,827,426	66.03%	1,098,312
Operating Grants	846,708	634,333	510,244	2.65%	212,375
Capital Grants	5,292,847	1,073,931	3,098,770	16.54%	4,218,916
Other Revenue	195,050	90,924	96,547	0.61%	104,126
Gain (Loss)	15,263	-398,712	25,559	0.05%	413,975
Total Revenue	\$31,988,103	\$25,569,867	\$25,958,736	100%	\$6,418,236

Operating Revenue includes passenger fares, contracted service, and vanpool fees.

WTA received funds totaling \$839,040 through the State of Washington's Department of Transportation for various capital and operations projects. These projects include the "County Connector" project linking Whatcom County to Skagit Transit and Island County Transit, and operating assistance for paratransit operations. WTA also received a Public Transportation Grant providing operating assistance to the State's public transit agencies.

Additionally, WTA received a Risk Management Grant award for \$2,500 from the Washington State Transit Insurance Pool for enhancement of the WTA Emergency Operations Center as well as a conservation grant for lighting from Puget Sound Energy for \$5,168.

QUESTIONS

Questions regarding this report should be directed to:

Patricia Dunn, CPA, CGMA
Director of Finance
Whatcom Transportation Authority
4111 Bakerview Spur
Bellingham, WA 98226-8056

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
December 31, 2013 and 2012**

ASSETS		<u>2013</u>	<u>2012</u>
Current assets:			
Cash and cash equivalents	\$	25,927,583	\$ 24,983,075
Taxes receivable		3,861,901	3,812,352
Accounts receivable (net of allowance for uncollectibles)		177,785	163,144
Interest receivable		8,869	7,757
Grants receivable		1,056,320	141,177
Due from other governmental units		131,843	223,292
Inventory		905,225	910,695
Prepays		525,623	58,834
Total current assets		<u>32,595,149</u>	<u>30,300,326</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land		6,130,578	6,130,578
Construction in progress		1,058,035	5,256,258
Capital assets being depreciated:			
Buildings		23,880,804	23,880,804
Other equipment		4,173,330	4,225,881
Vehicles		31,502,513	27,917,595
Improvements		2,397,408	2,397,408
Communications		975,925	896,341
Shop Equipment		1,505,262	1,475,272
Less: Accumulated depreciation		(26,665,087)	(24,901,359)
Total noncurrent assets		<u>44,958,768</u>	<u>47,278,778</u>
Total assets	\$	<u>77,553,917</u>	\$ <u>77,579,104</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
December 31, 2013 and 2012**

LIABILITIES		<u>2013</u>	<u>2012</u>
Current liabilities:			
Accounts payable	\$	132,395	\$ 5,340,125
Accrued wages		476,358	484,283
Other accrued expenses		408,145	328,331
Accrued vacation, sick leave and related benefits		1,096,793	976,643
Medical fund payable - IBNR		343,753	682,678
Due to other governmental agencies		46,202	46,202
Total current liabilities		<u>2,503,646</u>	<u>7,858,262</u>
Noncurrent liabilities:			
Long-term vacation liability		63,322	66,748
Related vacation benefits		16,791	16,553
Claims/lawsuits other payables		5,426	5,426
Total noncurrent liabilities		<u>85,539</u>	<u>88,727</u>
Total liabilities		<u>2,589,185</u>	<u>7,946,989</u>
NET POSITION:			
Net investment in capital assets		44,958,768	47,278,778
Unrestricted		30,005,964	22,353,337
TOTAL NET POSITION	\$	<u>74,964,731</u>	\$ <u>69,632,115</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Passenger fares	\$ 1,935,893	\$ 1,934,415
Special transit fares	2,145,961	1,837,277
Supplementary transportation	301,397	240,365
Other operating revenue	20,142	17,245
Total Operating Revenues	4,403,393	4,029,302
OPERATING EXPENSES:		
Operations	12,718,170	12,108,484
Maintenance	5,741,173	5,684,574
Administrative expenses	4,343,318	4,090,739
Depreciation/Amortization/Depletion	3,852,827	3,728,875
Total Operating Expenses	26,655,488	25,612,672
Operating Income (Loss)	(22,252,095)	(21,583,370)
NONOPERATING REVENUES (EXPENSES):		
Sales Tax	21,120,920	20,022,608
External operating subsidies (grant revenue)	6,139,555	1,708,264
Investment income	113,923	117,481
Other non operating revenues (expenses)	195,050	90,924
Total Nonoperating Revenues (Expenses)	27,569,447	21,939,277
Income (loss) before contributions, gains, losses, other revenues and expenses	5,317,352	355,907
Special item	-	(46,202)
Gain (loss) on asset disposal	15,263	(398,712)
Increase (decrease) in net position	5,332,616	(89,007)
Net Position - beginning of period	69,632,115	69,721,122
Net Position - end of period	\$ 74,964,731	\$ 69,632,115

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2013 and 2012

CASH FLOWS FROM OPERATING ACTIVITIES	2013	2012
Receipts from customers	\$ 4,480,201	\$ 3,902,014
Payments to suppliers	(10,135,400)	(5,200,551)
Payments to employees	(17,765,954)	(16,812,746)
Other receipts (payments)	(1,686,234)	2,542,605
Net cash provided (used) by operating activities	(25,107,387)	(15,568,678)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax receipts	21,120,920	20,022,608
Other noncapital financing activities	195,049	90,924
	<u>21,315,968</u>	<u>20,113,532</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	-
Capital contributions (grants)	6,139,555	1,708,264
Purchase of capital assets	(1,532,815)	(1,016,279)
Other receipts (payments)	15,263	(398,712)
Net cash provided (used) by capital and related financial activities	4,622,004	293,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends (on investments)	113,923	117,481
Net cash provided by investing activities	113,923	117,481
Net increase (decrease) in cash and cash equivalents	944,508	4,955,608
Balances - beginning of the year	24,983,075	20,027,467
Balances - end of the year	\$ <u>25,927,583</u>	\$ <u>24,983,075</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (22,252,095)	\$ (21,583,370)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	3,852,827	3,728,875
Change in assets and liabilities:		
Receivables, net	(888,996)	2,387,263
Inventories and other miscellaneous current assets	(461,319)	(17,161)
Accounts and other payables	(5,354,616)	(77,911)
Accrued expenses	(3,188)	(6,374)
Net cash provided by operating activities	\$ <u>(25,107,387)</u>	\$ <u>(15,568,678)</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Whatcom Transportation Authority
January 1, 2013 through December 31, 2013
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Whatcom Transportation Authority was incorporated in August 1983 and operates under the laws of the State of Washington applicable to a municipality. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

The Authority has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, *Basic Financial Statements and Management Discussion and Analysis-for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to the financial statements.) The following summary of significant accounting policies are described below.

A. Reporting Entity

The Authority is a special purpose government and provides transportation services to the general public within Whatcom County and is supported primarily through user charges and local sales tax collections.

Whatcom Transportation Authority is a municipal corporation governed by an appointed nine-member board of elected officials that are representative of the districts served by the WTA. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The Authority has no component units.)

B. Basis of Accounting and Reporting

The accounting records of the Authority are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Authority complies with the *Budgeting, Accounting and Reporting System for Transit Districts* in the State of Washington.

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

The Authority uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and liabilities, current and non-current, are appropriately recorded.

The Authority distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering services in connection with the Authority's principal ongoing operations. The principal operating

revenues of the Authority come from fare box collections and bus media sales. The Authority also recognizes as operating revenue vanpool income, special transit fare agreements with Western Washington University and the Bellingham Transportation Benefit District, and advertising commissions. Operating expenses for the Authority include, but are not limited to, wages and benefits, vehicle maintenance and operations costs, administrative expenses and depreciation of capital assets. Revenues and expenses not meeting this definition are reporting as non-operating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the Authority's policy to invest all temporary cash surpluses. At December 31, 2013, Whatcom Transportation Authority was holding \$25,927,583 in short-term residual investments of surplus cash. Of this, \$25,867,472 was held in the Whatcom County Investment Pool with the balance of \$60,111 in bank accounts. This amount is classified on the balance sheet as cash and cash equivalents. The 2012 yearend amount was \$24,983,075.

WTA's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Public Deposit Protection Commission (PDPC).

For purposes of the Statements of Cash Flows, the Authority considers all highly-liquid investments (with a maturity of three months or less when purchased) to be cash equivalents.

2. Receivables

Taxes receivable for 2013 consist of \$3,861,901: \$3,842,841 in state sales tax receivable for the months of November 2013 and December 2013, and \$19,060 due from the Washington State Department of Licensing representing the State gas and diesel taxes paid on fuel purchases to be refunded by the State of Washington. The WTA is required to pay this fuel tax upon purchase of the fuel from the vendor and then applies for refunds with the State based upon monthly usage of fuels for revenue vehicles. The tax amounts receivable at December 31, 2012 totaled \$3,812,352: \$3,791,999 and \$20,353 respectively.

Customer accounts receivable of \$177,785 consist of amounts owed from private individuals or organizations for services rendered. This amount is considered fully collectible by WTA. Customer accounts receivable at yearend 2012 was \$163,144.

Interest receivable at December 31, 2013 was \$8,869. This is interest earned on investments and tax revenues through the end of the year but not paid at yearend. Interest receivable at yearend 2012 was \$7,757.

Grants receivable as of December 31, 2013 totaled \$1,056,320; \$138,664 due from the Washington State Department of Transportation and \$917,656 due from the Federal Transit Administration. At yearend 2012 grants receivable was \$141,777 due from WSDOT.

3. Due From Other Governments: \$131,843 is due from Bellingham Transportation Benefit District for contracted bus service. There was no Bellingham Transportation Benefit District receivable in 2012.

4. Inventories are valued using the weighted average method. Inventories were valued at \$905,225 at December 31, 2013 and \$910,695 at December 31, 2012.
5. Capital Assets and Depreciation - See Note 5
6. Compensated Absences
Most non-exempt employees of the Whatcom Transportation Authority are covered by a bargaining agreement with the Amalgamated Transit Union #843. Under provisions of this contract, employees accumulate vacation benefits at rates of 80 - 176 hours per year, based upon years of service, and sick leave benefits at the rate of 104 hours per year. Exempt employees accrue vacation benefits at rates of 120 - 248 hours per year, depend upon years of service and job classification, and sick leave benefits at the rate of 104 hours per year. The maximum amount of vacation accrual is 24 months and sick leave is 1,000 hours.

At separation, an employee in good standing with an accrued sick leave balance of 500 hours or greater can cash out 60% of the sick leave balance. Those with an accrued sick leave balance of 300 to 499 hours at time of separation can cash out 30% of that balance. As of December 31, 2013, a liability of \$1,096,793 has been accrued for vacation, sick leave and related benefits liability. Of this amount, \$429,322 is sick leave for those employees eligible for retirement within three years. The liability at year end 2012 was \$976,643.
7. Other Accrued Liabilities - These accounts consist of accrued wages and accrued employee benefits.
8. Other Payables/Liabilities - Contingency/Lawsuits Payable - See Note 8 and Note 9

NOTE 2 - TAXES RECEIVABLE/RECOGNITION METHODOLOGY

Taxes receivable are Whatcom Transportation Authority's portion of State sales and use tax for 2013. Six-tenths of one percent of sales and use tax collected on retail sales within the Public Transportation Benefit Area (PTBA) of Whatcom County are returned to the Authority. Taxes are recorded on the accrual basis.

NOTE 3 - INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedule 16 of State/Local Financial Assistance provides detail of all state assistance programs in which the Authority participated.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

All capital assets are stated at historical cost. Donated capital assets are valued at fair market value when received. Major expenses for capital assets are capitalized when they increase useful lives. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

The Authority 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. The Authority has sufficient legal interest to include these assets in WTA's records.

When a capital asset is sold, the original cost is removed from the Authority's asset accounts, accumulated depreciation is reduced by the accumulated depreciation related to the property sold, and the net gain or loss on disposition is attributed to income.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives. Depreciation is computed using the straight-line method with useful lives of 5 to 30 years. The statement of revenues and expenses includes depreciation of all depreciable capital assets and total gains and losses upon disposal.

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital assets, not being depreciated:				
Land	6,130,578			6,130,578
Work in progress	5,256,258		4,198,223	1,058,035
Total capital assets, not being depreciated	\$11,386,836			\$7,188,613
Capital assets, being depreciated:				
Buildings	23,880,804			23,880,804
Improvements	2,397,408			2,397,408
Transportation equipment	27,917,595	5,723,125	2,138,207	31,502,513
Communications equipment	896,341	84,384	4,800	975,925
Maintenance/shop equipment	1,475,272	29,990		1,505,262
Other equipment	4,225,881		52,552	4,173,329
Total capital assets being depreciated	\$60,793,301			\$64,435,241
Less accumulated depreciation for:				
Buildings	8,098,711	819,621		8,918,332
Improvements	1,546,246	125,282		1,671,528
Transportation equipment	10,752,009	2,236,403	2,031,747	10,956,665
Communications equipment	761,936	31,190	4,800	788,326
Maintenance/shop equipment	690,349	88,367		778,716
Other equipment	3,052,109	551,963	52,552	3,551,520
Total accumulated depreciation	\$24,901,359			\$26,665,087
Total capital assets, net	\$47,278,778			\$44,958,767

Capital assets activity for the year ended December 31, 2012 was as follows:

	Beginning Balance 01/01/2012	Increases	Decreases	Ending Balance 12/31/2012
Capital assets, not being depreciated:				
Land	6,130,578			6,130,578
Work in progress	3,727,484	5,256,258	3,727,484	5,256,258
Total capital assets, not being depreciated	\$9,858,062			\$11,386,836
Capital assets, being depreciated:				
Buildings	23,880,804			23,880,804
Improvements	2,397,408			2,397,408
Transportation equipment	26,822,042	4,911,908	3,816,355	27,917,595
Communications equipment	866,525	29,816		896,341
Maintenance/shop equipment	1,338,058	137,214		1,475,272
Other equipment	4,147,328	78,553		4,225,881
Total capital assets being depreciated	\$59,452,166			\$60,793,301
Less accumulated depreciation for:				
Buildings	7,279,089	819,622		8,098,711
Improvements	1,413,609	132,637		1,546,246
Transportation equipment	12,002,335	2,038,495	3,288,822	10,752,009
Communications equipment	692,674	69,262		761,936
Maintenance/shop equipment	611,543	78,805		690,349
Other equipment	2,462,055	590,054		3,052,109
Total accumulated depreciation	\$24,461,306			\$24,901,359
Total capital assets, net	\$44,848,922			\$47,278,778

NOTE 6 - PENSION PLANS

Substantially all Whatcom Transportation Authority's 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 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after an employee completes five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at the age of 55 with 25 years of service, or at age 60 with at least five years of service, Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2% of the AFC per year of service. The AFC is the monthly average of the average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3% for each year before age 65; or,
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirements benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5% for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3% annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, of found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5% for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00 %****	4.92%****	*****

*The employer rates include the employer administrative expense fee currently set at 0.16%.

**The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

***Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Whatcom Transportation Authority and the employees made the required contributions. WTA's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$28,853	\$1,129,246	\$410,626
2012	\$29,199	\$1,042,075	\$370,955
2011	\$28,640	\$856,505	\$315,988

NOTE 7 - WASHINGTON STATE TRANSIT INSURANCE POOL

Whatcom Transportation Authority is a member of the Washington State Transit Insurance Pool (WSTIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. To date, 25 transit agencies are members of the Pool.

The Pool allows members programs of joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. The coverage provided by the Pool are property and liability insurance protecting the member systems assets and personal property and from claims arising from the negligent or other tortuous conduct of the member transit System, their officers, employees, or agents.

NOTE 8 - CONTINGENCIES AND LITIGATION

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

The Authority 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. Authority management believes that any such disallowed amounts will be immaterial.

NOTE 9 – WTA SELF-INSURED MEDICAL BENEFIT PLAN

WTA implemented a self-insured medical plan on April 1, 2004 under the guidance of RCW 48.62. This plan covered the medical and prescription claims of WTA employees and their covered dependents up to \$75,000 per covered individual. The WTA Self-Insured Medical Plan was funded by both WTA and employee contributions, based upon actuarial calculations and retained a third-party administrator to manage the processing and payment of all claims and to provide benefit coordination.

The WTA Self-Insured Medical Benefit Plan has been adequately funded to meet anticipated expenses. Based upon actuarial guidance, WTA accrued \$682,678 in 2012 for incurred but not reported claims (IBNR) that could be asserted after termination of the plan. Per additional actuarial guidance, the liability at December 31, 2013 was reduced to \$343,753.

After several years of ever-increasing claims charges and stop-loss coverage costs, WTA and Amalgamated Transit Union #843 reached a negotiated agreement to end the self-insured medical plan effective March 31, 2013. Effective April 1, 2013, WTA joined the Association of Washington Cities Employee Benefit Trust, providing medical coverage to all WTA employees.

After a run-out period of twelve months, this Plan will terminate effective March 31, 2014.

WHATCOM TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Transportation - Federal Transit Administration	Bus and Bus Facilities Formula	20.526	WA-90-X545		\$ 917,656	\$ 917,656	
U.S. Department of Transportation - Federal Transit Administration	State of Good Repair Grants	20.525	WA-04-0057		\$ 4,375,191	\$4,375,191	
Total Federal Awards Expended				\$ -	\$5,292,847	\$5,292,847	

The Accompanying Notes to The Schedule of Expenditures of Federal Awards are an integral part of this Schedule

NOTE 1 – BASIS OF ACCOUNTING

The schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – TRANSIT FORMULARY GRANTS

The amount reported for this award represents eligible expenditures made in 2013. WTA was given "pre-award authority" for its bus replacement costs.



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

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

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

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