Washington State Auditor's Office

Troy Kelley

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Financial Statements Audit Report

Grant County Public Transportation Benefit Area (Grant Transit Authority)

For the period January 1, 2012 through December 31, 2013

Published November 3, 2014

Report No. 1012859

Washington State Auditor
Troy Kelley

November 3, 2014

Board of Directors
Grant Transit Authority
Moses Lake, Washington

Report on Financial Statements

Please find attached our report on the Grant Transit Authority's financial statements.

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

Sincerely,

TROY KELLEY

STATE AUDITOR

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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*

Grant Transit Authority
Grant County
January 1, 2012 through December 31, 2013

Board of Directors
Grant Transit Authority
Moses Lake, 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 Grant Transit Authority, Grant 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 Transit Authority's basic financial statements, and have issued our report thereon dated September 25, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Transit 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 Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit 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 Transit 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 Transit Authority's financial statements are free from material misstatement, we performed tests of the Transit 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 Transit 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 Transit 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 X. Kelley

TROY KELLEY
STATE AUDITOR

September 25, 2014

Independent Auditor's Report on Financial Statements

Grant Transit Authority
Grant County
January 1, 2012 through December 31, 2013

Board of Directors
Grant Transit Authority
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Grant Transit Authority, Grant 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 Transit Authority's basic financial statements as listed on page 9.

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 Transit 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 Transit 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 Grant Transit 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 10 through 13 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 on our consideration of the Transit 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 Transit Authority's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 25, 2014

Financial Section

Grant Transit Authority
Grant County
January 1, 2012 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the agency for the years ended December 31, 2013 and 2012. The MD&A is designed to assist readers of the financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

Grant County Public Transportation Benefit Area dba Grant Transit Authority (GTA) operates under the laws of the state of Washington applicable to a Public Transportation Benefit Area (PTBA). GTA provides public transportation services within the transportation benefit area of Grant County, Washington.

Financial Position Summary

The statements of net position present the financial position of GTA at the close of calendar year 2013. The statement includes all GTA's assets and liabilities. Net position serves as an indicator of GTA's financial position. A summarized comparison of GTA's assets, liabilities, and net position at December 31, 2013, 2012 and 2011, follows:

Statements of Net Position

	2013	2012	2011
Current Assets	$ 4,172,740	$ 3,145,698	$ 2,945,990
Noncurrent Assets	8,371,089	8,361,726	8,448,536
Total Assets	12,543,829	11,507,424	11,394,526
Current Liabilities	348,597	371,459	612,000
Total Liabilities	348,597	371,459	612,000
Net Position:			
Investment in Capital Assets	8,371,089	8,361,726	8,448,536
Restricted	-	-	73,537
Unrestricted	3,824,143	2,774,239	2,260,453
Total Net Position	$ 12,195,232	$ 11,135,965	$ 10,782,526

Statements of Revenues, Expenses, and Changes in Fund Net Position

	2013	2012	2011
Operating Revenues	$ 283,161	$ 273,621	$ 274,175
Operating Expenses	(3,885,692)	(3,916,797)	(4,100,799)
Operating Loss	(3,602,531)	(3,643,176)	(3,826,624)
Nonoperating Revenues:			
Sales Tax	3,960,221	3,625,596	3,092,678
Interest	58,874	48,047	53,697
Grants	505,886	331,970	1,758,037
Other Nonoperating Revenues	136,817	76,344	111,516
Loss on Sale of Assets	-	(85,342)	-
Total Nonoperating Revenues	4,661,798	3,996,615	5,015,928
Increase in Net Position	1,059,267	353,439	1,189,304
Net Position - Beginning of Year	11,135,965	10,782,526	9,593,222
Net Position - End of Year	$ 12,195,232	$ 11,135,965	$ 10,782,526

OVERVIEW OF THE FINANCIAL STATEMENTS

GTA's financial statements are prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The 2013 and 2012 financial statements are presented using the accrual basis of accounting. As GTA comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of GTA are included in the statements of net position, and depreciation of capital assets is recognized in the statements of revenues, expenses, and changes in fund net position.

The financial statements provide both long-term and short-term information about GTA's overall financial status as well as GTA's net position, segregated by investment in capital assets, restricted, and unrestricted. Net position is the difference between GTA's assets and liabilities and over time serves as a useful indicator of GTA's financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

Financial Analysis

Net position: For the year ended December 31, 2013, assets exceeded liabilities by approximately $12,195,000. Transit operations are a capital-intensive enterprise, and 69 percent of GTA's net position is invested in capital assets.

GTA ended 2013 with approximately $8,371,000 in capital assets. See Note 3 for further information.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents increased by approximately $959,000 in 2013.

Operating revenues: Total operating revenues from fares were approximately $283,000 for 2013, an increase of 3.5 percent from the prior year.

Nonoperating revenues: Revenues from the transit portion of the sales tax were approximately $3,960,000 in 2013, an increase of 9.2 percent from the prior year.

Federal, state, and local contributions to GTA during 2013 were approximately $506,000, an increase of 52.4 percent from the prior year.

GTA's revenue from investments increased 22.5 percent in 2013.

Total nonoperating revenues for 2013 were approximately $4,662,000.

Operating expenses: Operating expenses decreased during 2013 by approximately $31,000 or 1 percent.

Total operating expenses were approximately $3,886,000.

Economic Factors and Future Outlook

Grant County has seen a number of large construction projects in the past few years in the Quincy and Moses Lake communities. As a result of some of these long-term construction projects, the employment levels for the county have been very good. The new jobs have created an increase in demand for services that has led to hundreds of additional jobs.

GTA's main source of revenue is 2/10 of one percent of the sales tax collected in the county. GTA's sales tax revenue increased 9.2 percent in 2013.

As the state of economy continues to improve, it is expected that consumer spending will increase, which will directly affect the sales tax revenue collected by GTA.

Capital Assets

GTA's investment in capital assets as of December 31, 2013 amounted to approximately $8,371,000, net of accumulated depreciation. Capital assets consist of transit coaches and other vehicles, equipment, park and ride improvements, real estate, and an operation and maintenance facility. There was no significant increase to capital assets during the year. In addition, depreciation expense of approximately $468,000 was recorded.

Please refer to Note 3 of the financial statements for more information.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of GTA's finances for all those who have an interest in this agency's services. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Finance Officer, 8392 Westover Blvd NE, Moses Lake, WA 98837, telephone 888-482-2877.

GRANT TRANSIT AUTHORITY
MCAG NO. 1137
STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash in Checking Account	$ 297,605	$ 327,814
Cash Equivalents	3,526,324	2,537,085
Total	3,823,929	2,864,899
Grant Receivable	113,367	33,264
Passenger Fare Receivable	24,019	10,056
Insurance Proceeds Receivable	-	15,196
Retainage Receivable	-	3,325
Social Security Taxes Receivable	31,112	44,221
Other Receivables	-	656
Inventory	44,952	47,496
Prepaid Insurance	130,772	122,027
Other Prepaids	4,589	4,558
Total	348,811	280,799
Total Current Assets	4,172,740	3,145,698
NONCURRENT ASSETS		
Capital Assets:		
Property, Plant, and Equipment	12,267,514	11,789,961
Less: Accumulated Depreciation	3,896,425	3,428,235
Total Noncurrent Assets	8,371,089	8,361,726
Total Assets	12,543,829	11,507,424
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable, Operating Expenses	323,838	349,060
Compensated Absence Balances	24,759	19,074
Retainage Payable	-	3,325
Total Current Liabilities	348,597	371,459
Total Liabilities	348,597	371,459
NET POSITION		
Invested in Capital Assets	8,371,089	8,361,726
Unrestricted	3,824,143	2,774,239
Total Net Position	$ 12,195,232	$ 11,135,965

The accompanying notes are an integral part of this financial statement.

GRANT TRANSIT AUTHORITY
MCAG NO. 1137
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Passenger Fares	$ 283,161	$ 273,621
OPERATING EXPENSES		
Operations	2,963,496	3,132,345
Administrative	454,006	345,180
Depreciation	468,190	439,272
Total Operating Expenses	3,885,692	3,916,797
OPERATING LOSS	(3,602,531)	(3,643,176)
NONOPERATING REVENUES (EXPENSES)		
Sales Tax	3,960,221	3,625,596
Interest	58,874	48,047
Grants	505,886	331,970
Other Nonoperating Revenues	136,817	76,344
Loss on Sale of Assets	-	(85,342)
Total Nonoperating Revenues	4,661,798	3,996,615
INCREASE IN NET POSITION	1,059,267	353,439
Net Position - Beginning of Year	11,135,965	10,782,526
NET POSITION - END OF YEAR	$ 12,195,232	$ 11,135,965

The accompanying notes are an integral part of this financial statement.

GRANT TRANSIT AUTHORITY
MCAG NO. 1137
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	$ 269,198	$ 265,300
Cash Payments to Suppliers for Goods and Services	(2,853,742)	(3,427,476)
Cash Payment to Employees	(560,568)	(318,167)
Net Cash (Used) by Operating Activities	(3,145,112)	(3,480,343)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Sales Tax Received	3,960,221	3,625,596
State Grants Received	97,193	123,927
Other Cash Receipts	136,817	76,344
Net Cash Provided by Noncapital Financing Activities	4,194,231	3,825,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	10,000
FTA Grant Funding Received	328,590	332,836
Acquisition of Capital Assets	(477,553)	(447,804)
Net Cash (Used) by Capital and Related Financing Activities	(148,963)	(104,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	58,874	48,047
NET INCREASE IN CASH AND CASH EQUIVALENTS	959,030	288,603
Cash and Cash Equivalents - Beginning of Year	2,864,899	2,576,296
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,823,929	$ 2,864,899
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (3,602,531)	$ (3,643,176)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	468,190	439,272
Change in Assets and Liabilities:		
Increase in Passenger Fare Receivable	(13,963)	(8,321)
Decrease (Increase) in Insurance Proceeds Receivable	15,196	(15,196)
Decrease (Increase) in Retainage Receivable	3,325	(3,325)
Decrease in Social Security Taxes Receivable	13,109	10,878
Decrease in Other Receivables	656	171
Decrease in Inventory	2,544	420
Increase in Prepaid Insurance	(8,745)	(21,238)
(Increase) Decrease in Other Prepaids	(31)	713
Decrease in Accounts Payable, Operating Expenses	(25,222)	(19,484)
Decrease in Employee Payable	-	(25,502)
Increase in Compensated Absence Balances	5,685	820
Decrease in Retainage Payable	(3,325)	(196,375)
Net Cash (Used) by Operating Activities	$ (3,145,112)	$ (3,480,343)

The accompanying notes are an integral part of this financial statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided under the Revised Code of Washington (RCW) 36.57 applicable to a regional transit authority, the Grant County Public Transportation Benefit Area dba Grant Transit Authority (GTA) was authorized in November 1996 and operates under the laws of the state of Washington applicable to a Public Transportation Benefit Area (PBTA). GTA provides public transportation services within the transportation benefit area of Grant County, Washington.

Reporting Entity

GTA is a special purpose government supported primarily through local sales tax revenue. In addition, GTA receives capital funding from federal, state, and local agencies.

GTA is governed by a nine-member board appointed from the 14 incorporated towns and cities within Grant County.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, GTA is considered a primary government and does not have any component unit relationships. Conversely, GTA is not considered a component unit of any primary government.

Basis of Accounting and Reporting

The accounting records of GTA are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. GTA uses the *Budgeting, Accounting,* and *Reporting System* for GAAP *Transits* in the state of Washington.

The funds are accounted for using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and methods prescribed by the State Auditor under the authority of RCW Chapter 43.09 for proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Sales tax revenues include taxes on retail sales of goods and services. This tax is levied within the benefit area at a rate of 2/10 of one percent of the sales tax collected. These taxes are collected on GTA’s behalf by the Department of Revenue and are recorded in the period when the underlying transaction occurs on which the tax is imposed. Operating revenues consist primarily of passenger fares, which are recognized in the period in which services are provided and are earned, and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of GTA are included in the statements of net position. Depreciation of capital assets is recognized in the statements of revenues, expenses, and changes in fund net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Reporting (Continued)

GTA distinguishes operating revenue and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with GTA's principal ongoing operations. The principal operating revenues are passenger fares. GTA's operating expenses include contracted services, labor, and other expenses related to the delivery of passenger transportation within the Grant County benefit area. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and investments in the Grant County Investment Pool, which is managed by the Grant County Finance Division. For purposes of the statements of cash flows, GTA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory is valued at first-in, first-out (FIFO) cost, which is lower than market.

Capital Assets and Depreciation

Major expenses for capital assets, including major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost. Expenditures for additions and improvements with a value in excess of $2,500 and a useful life of more than one year are capitalized.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method with useful lives of 5 to 40 years.

Compensated Absences/Employee Leave Benefits

Compensated absences are absences for which employees will be paid, such as paid time off (PTO).

PTO, which may be accumulated, is payable upon separation from employment. Maximum PTO accrual shall be limited to 200 hours for one to five years of service and 250 hours for six or more years of service.

Accounts Payable, Operating Expenses

This account consists of accounts payable, accrued wages, and accrued payroll taxes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain amounts in 2012 have been reclassified for comparative purposes to conform with the presentation in 2013. The reclassifications have no effect on the previously reported net income or equity.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

GTA's bank deposits are entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

All investments for GTA are reported at fair value. The Grant County Treasurer's Office acts as GTA's Treasurer and operates in accordance with appropriate state laws and regulations. As of December 31, 2013, GTA has the following investments:

Grant County Investment Pool	$3,526,324

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, GTA would not be able to recover the value of the investment or collateral securities. Of GTA's total position, no amount is exposed to custodial risk because the investments are held by the Grant County Treasurer.

NOTE 3 CAPITAL ASSETS AND DEPRECIATION

Capital assets activity is summarized as follows:

	December 31, 2011	Increases	Decreases	December 31, 2012	Increases	Decreases	December 31, 2013
Capital Assets Not Being Depreciated:							
Land	$ 830,824	$ -	$ -	$ 830,824	$ -	$ -	$ 830,824
Total Capital Assets Not Being Depreciated	830,824	-	-	830,824	-	-	830,824
Capital Assets Being Depreciated:							
Furniture and Equipment	426,589	39,425	-	466,014	33,089	-	499,103
Buses	5,560,265	261,911	(502,747)	5,319,429	381,589	-	5,701,018
Administrative Vehicles	24,662	-	-	24,662	22,299	-	46,961
Building	5,002,564	62,539	-	5,065,103	3,141	-	5,068,244
Improvements	-	83,929	-	83,929	37,435	-	121,364
Total Capital Assets Being Depreciated	11,014,080	447,804	(502,747)	10,959,137	477,553	-	11,436,690
Less Accumulated Depreciation for:							
Furniture and Equipment	299,841	31,827	-	331,668	32,285	-	363,953
Buses	3,046,020	274,094	(407,405)	2,912,709	300,903	-	3,213,612
Administrative Vehicles	19,317	4,932	-	24,249	2,532	-	26,781
Building	31,190	125,194	-	156,384	126,667	-	283,051
Improvements	-	3,225	-	3,225	5,803	-	9,028
Total Accumulated Depreciation	3,396,368	439,272	(407,405)	3,428,235	468,190	-	3,896,425
Total Capital Assets Being Depreciated, Net	$ 7,617,712	$ 8,532	$ (95,342)	$ 7,530,902	$ 9,363	$ -	$ 7,540,265

NOTE 4 PENSION PLANS

Substantially all of GTA'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. The following disclosures are made pursuant to GASB Statement 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 (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. 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 a 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 exercised an option to transfer their membership to Plan 3. PERS members 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

NOTE 4 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. 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 percent 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 payable to the age of 60. The allowance 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. A member with five years of covered employment is eligible for nonduty disability retirement. Prior to the age of 55, the allowance amount is 2 percent the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. 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 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

NOTE 4 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

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:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, 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 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS 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, they have the choice of a benefit that is reduced by 3 percent 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.

NOTE 4 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

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 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent 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 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

NOTE 4 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service 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, if found eligible by the Department of Labor and Industries.

There are 2,304 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 Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent 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. All employers are required to contribute at the level established by the Legislature. 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 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

NOTE 4 PENSION PLANS (CONTINUED)

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

Funding Policy (Continued)

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 *	7.21%	7.21%	7.21% **
Employee	6.00%	4.64%	***

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

** Plan 3 defined benefit portion only.

*** Variable from 5 percent to 15 percent based on rate selected by the PERS Plan 3 member.

Both GTA and the employees made the required contributions. GTA's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 1,317	$ 36,310	$ 933
2012	-	29,818	2,104
2011	-	20,214	1,022

NOTE 5 RISK MANAGEMENT

GTA is insured with the Washington State Transit Insurance Pool (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 systems 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. Transit authorities joining the Pool must remain members for a minimum of 36 months; a member may withdraw from the pool after that time by giving 12 months' notice. The Pool is governed by a board of directors consisting of a representative of each member system. The Pool underwriting and rate-setting policies have been established after consultation with actuaries. The Pool members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited yearly by the Washington State Auditor. GTA has not presented any claims to WSTIP in the last three years that exceeded its current coverage limits through WSTIP. As of December 31, 2013, GTA's Property Collision Damage coverage was $100,000 per occurrence, Bodily Injury and Property Damage Liability coverage of $12,000,000, Personal Injury and Advertising Liability of $12,000,000, Vanpool Driver Medical Expense Protection of $10,000 per occurrence, and Uninsured Motorist coverage of $60,000 per occurrence.

NOTE 6 CONTINGENCIES

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

GTA participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors and representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances described above, GTA's management believes that such disallowances, if any, will be immaterial.

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.

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