Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

# Okanogan County Transit Authority

**For the period January 1, 2017 through December 31, 2018**

**Published February 13, 2020**

**Report No. 1025641**

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

February 13, 2020

Board of Directors
Okanogan County Transit Authority
Okanogan, Washington

## Report on Financial Statements

Please find attached our report on the Okanogan County Transit Authority’s financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

# TABLE OF CONTENTS

T. 509.557.6177
F. 509.315.2548
okanogantransit.com

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Okanogan County Transit Authority
### January 1, 2017 through December 31, 2018

This schedule presents the status of findings reported in prior audit periods.

| **Audit Period:**<br>January 1, 2015 through December 31, 2016 | **Report Ref. No.:**<br>1020948 | **Finding Ref. No.:**<br>2016-001 |
|---|---|---|
| **Finding Caption:**<br>The Transit Authority had inadequate internal controls over the accuracy of its financial statements. | | |

**Background:**

Because of limited staff and the complexity of governmental accounting, the Transit Authority relies on a certified public accountant to prepare the financial statements, related notes and supplemental schedules accurately and following the *Budgeting, Accounting and Reporting System* (BARS) Manual. The Transit Authority lacked an effective review of the financial statements prepared by the contracted firm.

The Transit Authority has limited administrative staff and has not provided sufficient training to those responsible for reviewing the financial statements.

We found the Transit Authority:

- Overstated 2015 sales tax revenue by one month and understated 2016 sales tax revenue by one month, each by about $200,000
- Incorrectly classified its $383,000 net investment in capital assets as part of its unrestricted net position
- Understated net capital assets by $28,907 and $80,940 in 2015 and 2016, respectively, and similarly overstated depreciation expense by $28,907 and $52,033
- Did not report an accounts payable liability for 2015 and understated its accounts payable liability for 2016 by as much as $25,000

We also identified several other less significant errors.

| Status of Corrective Action: | | | |
|---|---|---|---|
| ☒ Fully Corrected | ☐ Partially Corrected | ☐ Not Corrected | ☐ Finding is considered no longer valid |

**Corrective Action Taken:**

*The General Manager conducted preliminary review of the 2017 and 2018 financial statements. Based on that review, it was determined that the best course of action was to conduct an RFQ for a CPA firm to review the financial statements developed by the District's primary CPA firm.*

*A secondary CPA Firm was engaged to provide a financial review of the 2017 and 2018 financial statements and provide recommendations about corrections or clarifications that should be added to those statements. The review was conducted between June 1 and August 30, 2019.*

*The Board of the Okanogan County Transit Authority was briefed on the corrections recommended by the secondary CPA firm at their September regular meeting. The Board recommended that the District's primary CPA firm correct the 2017 and 2018 financial statements.*

# 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*

**Okanogan County Transit Authority**
**January 1, 2017 through December 31, 2018**

Board of Directors
Okanogan County Transit Authority
Okanogan, 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 Okanogan County Transit Authority, as of and for the years ended December 31, 2018 and 2017, 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 January 27, 2020.

## 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 opinions 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.

Pat McCarthy

State Auditor

Olympia, WA

January 27, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

**Okanogan County Transit Authority**
**January 1, 2017 through December 31, 2018**

Board of Directors
Okanogan County Transit Authority
Okanogan, Washington

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Okanogan County Transit Authority, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Transit 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Transit 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 opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Okanogan County Transit Authority, as of December 31, 2018 and 2017, 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 and required supplementary information listed on page 11 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 January 27, 2020 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

January 27, 2020

# FINANCIAL SECTION

**Okanogan County Transit Authority**
**January 1, 2017 through December 31, 2018**

## REQUIRED SUPPLEMENTARY INFORMATION



## BASIC FINANCIAL STATEMENTS



## REQUIRED SUPPLEMENTARY INFORMATION

## INTRODUCTION

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the agency for the year ended December 31, 2018. 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 notes as a whole.

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

## FINANCIAL POSITION SUMMARY

The statement of net position presents the financial position of OCTA at the close of calendar year 2018. The statement includes all OCTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the totals reported as net position. Condensed statements of net position at December 31, 2018, and 2017, are as follows:

### Statements of Net Position

| | 2018 | 2017 |
|---|---|---|
| Current Assets | $ 3,996,726 | $ 2,913,911 |
| Net Capital Assets | 867,603 | 1,246,947 |
| Noncurrent Assets | 1,975,885 | 1,912,866 |
| Total Assets | 6,840,214 | 6,073,724 |
| | | |
| Deferred Outflows of Resources | 189,306 | 219,625 |
| | | |
| Current Liabilities | 157,401 | 124,530 |
| Noncurrent Liabilities | 333,648 | 421,851 |
| Total Liabilities | 491,049 | 546,381 |
| | | |
| Deferred Inflows of Resources | 124,013 | 68,296 |
| | | |
| Net Position: | | |
| Net Investment in Capital Assets | 867,603 | 1,246,947 |
| Unrestricted | 5,546,855 | 4,431,725 |
| Total Net Position | $ 6,414,458 | $ 5,678,672 |

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

The statement of revenues, expenses, and changes in fund net position presents the results of the OCTA's activities over the course of the year. The statement includes all OCTA's revenues and expenses during the year. Condensed statements of revenues, expenses, and changes in fund net position for the years ended December 31, 2018, and 2017, are as follows:

| | 2018 | 2017 |
|---|---|---|
| Revenues: | | |
| Operating Revenues | $ 128,332 | $ 86,712 |
| Nonoperating Revenues | 2,812,515 | 2,585,646 |
| Capital Grant Contributions | 119,602 | 231,431 |
| Total Revenues | 3,060,449 | 2,903,789 |
| Operating Expenses | 2,324,663 | 2,175,178 |
| Changes in Net Position | $ 735,786 | $ 728,611 |

## OVERVIEW OF THE FINANCIAL STATEMENTS

OCTA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The financial statements are presented using the accrual basis of accounting. As OCTA 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of OCTA 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 OCTA's overall financial status as well as OCTA's net position, segregated by investment in capital assets, restricted, and unrestricted. Net position is the difference between OCTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time increases or decreases in net position may serve as a useful indicator of whether OCTA's financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents the results OCTA's activities over the course of the year. This information can be used to determine whether OCTA has successfully recovered all its costs.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

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, 2018, assets and deferred outflows exceeded liabilities and deferred inflows by approximately $6,410,000. Transit operations are a capital-intensive enterprise, but OCTA was newly formed in 2014 and therefore approximately 14% of OCTA's net position is invested in capital assets.

Cash and cash equivalents increased by approximately $853,000 in 2018. The increase in cash is due to the income earned during the year.

*Operating revenues:* Total operating revenues from fares were approximately $82,000 in 2018, an increase of approximately 21%, as OCTA added more routes and vanpools as opposed to prior year.

*Nonoperating revenues:* Revenues from the transit portion of the sales tax were approximately $2,771,000 in 2018, a slight increase of approximately 8% from the prior year.

*Operating expenses:* Operating expenses were approximately $2,325,000 in 2018, an increase of approximately 7%. The majority of the increase is attributed to increased operations activity and depreciation expense.

### Economic Factors and Future Outlook

OCTA's main source of revenue is 4/10 of 1% of the sales tax collected in Okanogan County.

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

### Capital Assets

OCTA's investment in capital assets as of December 31, 2018 amounted to approximately $868,000 net of accumulated depreciation and amortization. Capital assets consist of transit coaches and other vehicles, equipment, software, and park and ride improvements. In addition, depreciation and amortization expense of approximately $389,000 was recorded.

During the year ended December 31, 2018, additions placed into service amounted to approximately $34,000.

Please refer to Note 4 of the financial statements for more information.

### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of OCTA'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 CEO, Kelly Scalf, P.O. Box 507, Okanogan, WA 98840, telephone 509-557-6177.

## INTRODUCTION

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the agency for the year ended December 31, 2017. 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 notes as a whole.

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

## FINANCIAL POSITION SUMMARY

The statements of net position present the financial position of OCTA at the close of calendar year 2017. The statement includes all OCTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the totals reported as net position. Condensed statements of net position at December 31, 2017 and 2016 are as follows:

### Statements of Net Position

| | 2017 | 2016* |
|---|---|---|
| Current Assets | $ 2,913,911 | $ 1,833,897 |
| Net Capital Assets | 1,246,947 | 1,390,065 |
| Noncurrent Assets | 1,912,866 | 2,000,000 |
| Total Assets | 6,073,724 | 5,223,962 |
| Deferred Outflows of Resources | 219,625 | 132,876 |
| Current Liabilities | 124,530 | 108,756 |
| Noncurrent Liabilities | 421,851 | 284,806 |
| Total Liabilities | 546,381 | 393,562 |
| Deferred Inflows of Resources | 68,296 | 13,215 |
| Net Position: | | |
| Net Investment in Capital Assets | 1,246,947 | 1,390,065 |
| Unrestricted | 4,431,725 | 3,559,996 |
| Total Net Position | $ 5,678,672 | $ 4,950,061 |

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

The statement of revenues, expenses, and changes in fund net position presents the results of the OCTA's activities over the course of the year. The statement includes all OCTA's revenues and expenses during the year. Condensed statements of revenues, expenses, and changes in fund net position for the years ended December 31, 2017 and 2016 are as follows:

| | 2017 | 2016* |
|---|---|---|
| Revenues: | | |
| Operating Revenues | $ 86,712 | $ 59,914 |
| Nonoperating Revenues | 2,585,646 | 2,469,856 |
| Capital Grant Contributions | 231,431 | 395,220 |
| Total Revenues | 2,903,789 | 2,924,990 |
| Operating Expenses | 2,175,178 | 1,699,552 |
| Changes in Net Position | $ 728,611 | $ 1,225,438 |

*OCTA's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position have been restated for a correction of an error related to 2016. Refer to Note 6 for further details.

## OVERVIEW OF THE FINANCIAL STATEMENTS

OCTA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The financial statements are presented using the accrual basis of accounting. As OCTA 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of OCTA 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 OCTA's overall financial status as well as OCTA's net position, segregated by investment in capital assets, restricted, and unrestricted. Net position is the difference between OCTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time increases or decreases in net position may serve as a useful indicator of whether OCTA's financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents the results OCTA's activities over the course of the year. This information can be used to determine whether OCTA has successfully recovered all its costs.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

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, 2017, assets and deferred outflows exceeded liabilities and deferred inflows by approximately $5,600,000. Transit operations are a capital-intensive enterprise, but OCTA was newly formed in 2014 and therefore approximately 20% of OCTA's net position is invested in capital assets.

Cash and cash equivalents increased by approximately $892,000 in 2017. The increase in cash is due to the income earned during the year.

*Operating revenues:* Total operating revenues from fares were approximately $87,000 in 2017, an increase of approximately 45%, as OCTA added more routes and vanpools as opposed to prior year.

*Nonoperating revenues:* Revenues from the transit portion of the sales tax were approximately $2,560,000 in 2017, a slight increase of approximately 4% from the prior year.

Federal, state, and local contributions to OCTA during 2017 were approximately $231,000, a decrease of approximately 41%.

*Operating expenses:* Operating expenses were approximately $2,200,000 in 2017, an increase of approximately 28% as OCTA added more routes and vanpools as opposed to prior year.

### Economic Factors and Future Outlook

OCTA's main source of revenue is 4/10 of 1% of the sales tax collected in Okanogan County.

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

### Capital Assets

OCTA's investment in capital assets as of December 31, 2017 amounted to approximately $1,250,000 net of accumulated depreciation and amortization. Capital assets consist of transit coaches and other vehicles, equipment, and park and ride improvements. In addition, depreciation and amortization expense of approximately $280,000 was recorded.

During the year ended December 31, 2017, additions placed into service amounted to approximately $129,000. OCTA had one addition amounting to $5,700 that had not been placed into service as of December 31, 2017. The asset was placed into service in February 2018.

Please refer to Note 4 of the financial statements for more information.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of OCTA'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 CEO, Kelly Scalf, P.O. Box 507, Okanogan, WA 98840, telephone 509-557-6177.

# OKANOGAN COUNTY TRANSIT AUTHORITY
# STATEMENT OF NET POSITION
# DECEMBER 31, 2018

## ASSETS

| | |
|---|---|
| **CASH** | |
| Cash Equivalents | $ 2,295,199 |
| Cash Reserve | 518,766 |
| Total Cash and Cash Equivalents | 2,813,965 |
| **OTHER CURRENT ASSETS** | |
| Sales Tax Receivable | 471,556 |
| Accounts Receivable | 5,281 |
| Interest Receivable | 31,019 |
| Grants Receivable | 119,602 |
| Investments | 483,551 |
| Prepaid Expenses | 71,752 |
| Total Other Current Assets | 1,182,761 |
| Total Current Assets | 3,996,726 |
| **NONCURRENT ASSETS** | |
| Capital Assets Being Depreciated: | |
| Furnishings and Equipment | 47,390 |
| Improvements Other Than Buildings | 326,033 |
| Vehicles | 1,296,960 |
| Intangible Assets | 235,395 |
| Less: Accumulated Depreciation | (919,837) |
| Less: Accumulated Amortization | (118,338) |
| Total Net Capital Assets | 867,603 |
| **OTHER NONCURRENT ASSETS** | |
| Investments | 1,975,885 |
| Total Other Noncurrent Assets | 1,975,885 |
| Total Noncurrent Assets | 2,843,488 |
| Total Assets | $ 6,840,214 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Outflows of Resources Related to Pensions | $ 189,306 |

*See accompanying Notes to Financial Statements.*

## LIABILITIES AND NET POSITION

| | |
|---|---|
| **CURRENT LIABILITIES** | |
| Accounts Payable | $ 77,449 |
| Compensated Absence Balances | 25,546 |
| Payroll Taxes Payable | 54,406 |
| Total Current Liabilities | 157,401 |
| | |
| **NONCURRENT LIABILITIES** | |
| Net Pension Liability | 326,060 |
| Long-Term Compensated Absence Balance | 7,588 |
| Total Noncurrent Liabilities | 333,648 |
| | |
| Total Liabilities | $ 491,049 |
| | |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred Inflows of Resources Related to Pensions | $ 124,013 |
| | |
| **NET POSITION** | |
| Net Investment in Capital Assets | $ 867,603 |
| Unrestricted | 5,546,855 |
| | |
| Total Net Position | $ 6,414,458 |

*See accompanying Notes to Financial Statements.*

# OKANOGAN COUNTY TRANSIT AUTHORITY
## STATEMENT OF NET POSITION
## DECEMBER 31, 2017

| ASSETS | |
|---|---|
| **CASH** | |
| Cash Equivalents | $ 1,442,276 |
| Cash Reserve | 518,558 |
| Total Cash and Cash Equivalents | 1,960,834 |
| | |
| **OTHER CURRENT ASSETS** | |
| Sales Tax Receivable | 429,515 |
| Accounts Receivable | 2,157 |
| Interest Receivable | 33,422 |
| Investments | 484,466 |
| Prepaid Expenses | 3,517 |
| Total Other Current Assets | 953,077 |
| | |
| Total Current Assets | 2,913,911 |
| | |
| **NONCURRENT ASSETS** | |
| Capital Assets Not Being Depreciated: | |
| Construction in Progress | 5,664 |
| Capital Assets Being Depreciated: | |
| Furnishings and Equipment | 61,058 |
| Improvements other than Buildings | 297,164 |
| Vehicles | 1,296,960 |
| Intangible Assets | 235,395 |
| Less: Accumulated Depreciation | (578,035) |
| Less: Accumulated Amortization | (71,259) |
| Total Net Capital Assets | 1,246,947 |
| | |
| **OTHER NONCURRENT ASSET** | |
| Investments | 1,912,866 |
| | |
| Total Other Noncurrent Assets | 1,912,866 |
| | |
| Total Noncurrent Assets | 3,159,813 |
| | |
| Total Assets | $ 6,073,724 |
| | |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Outflow of Resources Related to Pensions | $ 219,625 |

*See accompanying Notes to Financial Statements.*

**LIABILITIES AND NET POSITION**

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ | 67,000 |
| Current Compensated Absence Balances | | 22,061 |
| Accrued Payroll Liabilities | | 35,469 |
| Total Current Liabilities | | 124,530 |
| | | |
| **NONCURRENT LIABILITIES** | | |
| Net Pension Liability | | 415,231 |
| Long Term Compensated Absence Balances | | 6,620 |
| Total Noncurrent Liabilities | | 421,851 |
| | | |
| Total Liabilities | $ | 546,381 |
| | | |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflow of Resources Related to Pensions | $ | 68,296 |
| | | |
| **NET POSITION** | | |
| Net Investment in Capital Assets | $ | 1,246,947 |
| Unrestricted | | 4,431,725 |
| | | |
| Total Net Position | $ | 5,678,672 |

*See accompanying Notes to Financial Statements.*

**OKANOGAN COUNTY TRANSIT AUTHORITY**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
**YEAR ENDED DECEMBER 31, 2018**

| | |
|---|---|
| **OPERATING REVENUES** | |
| Passenger Fares | $ 81,873 |
| Revenues | 46,459 |
| Total Operating Revenues | 128,332 |
| **OPERATING EXPENSES** | |
| Operations | 1,499,110 |
| Administrative | 436,671 |
| Depreciation and Amortization | 388,882 |
| Total Operating Expenses | 2,324,663 |
| **OPERATING LOSS** | (2,196,331) |
| **NONOPERATING REVENUES** | |
| Sales Tax | 2,770,917 |
| Net Investment Earnings | 41,598 |
| Intergovernmental Revenues | |
| Total Nonoperating Revenues | 2,812,515 |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS** | 616,184 |
| Capital Grant Contribution | 119,602 |
| **INCREASE IN NET POSITION** | 735,786 |
| Net Position – Beginning of Year | 5,678,672 |
| **NET POSITION – END OF YEAR** | $ 6,414,458 |

*See accompanying Notes to Financial Statements.*

# OKANOGAN COUNTY TRANSIT AUTHORITY
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
## YEAR ENDED DECEMBER 31, 2017

| | |
|---|---|
| **OPERATING REVENUES** | |
| Passenger Fares | $ 67,602 |
| Revenues | 19,110 |
| Total Operating Revenues | 86,712 |
| **OPERATING EXPENSES** | |
| Operations | 1,405,784 |
| Administrative | 491,968 |
| Depreciation and Amortization | 277,426 |
| Total Operating Expenses | 2,175,178 |
| **OPERATING LOSS** | (2,088,466) |
| **NONOPERATING REVENUES** | |
| Sales Tax | 2,560,308 |
| Net Investment Earnings | 25,338 |
| Total Nonoperating Revenues | 2,585,646 |
| **INCOME BEFORE CAPITAL CONTRIBUTIONS** | 497,180 |
| Capital Grant Contribution | 231,431 |
| **INCREASE IN NET POSITION** | 728,611 |
| Net Position – Beginning of Year | 4,814,936 |
| Restatement – Correction of an Error | 135,125 |
| Net Position – Beginning of Year, as Restated | 4,950,061 |
| **NET POSITION – END OF YEAR** | $ 5,678,672 |

*See accompanying Notes to Financial Statements.*

# OKANOGAN COUNTY TRANSIT AUTHORITY
## STATEMENT OF CASH FLOWS
## YEAR ENDED DECEMBER 31, 2018

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from Customers | $ 128,332 |
| Payments to Suppliers | (1,556,896) |
| Payments to Employees | (416,416) |
| Other Payments | (721) |
| Net Cash Used by Operating Activities | (1,845,701) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Sales Tax Received | 2,728,876 |
| Net Cash Provided by Noncapital Financing Activities | 2,728,876 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Capital Grant Contribution | - |
| Acquisition of Capital Assets | (9,538) |
| Net Cash Used by Capital and Related Financing Activities | (9,538) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchase of Investments | (138,265) |
| Interest Received on Investments | 117,759 |
| Net Cash Used by Investing Activities | (20,506) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 853,131 |
| Cash and Cash Equivalents - Beginning of Year | 1,960,834 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 2,813,965 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | |
| Operating Loss | $ (2,196,331) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation and Amortization | 388,882 |
| Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows: | |
| Increase in Accounts Receivable | (3,124) |
| Decrease in Interest Receivable | 2,403 |
| Decrease in Deferred Outflows | 30,319 |
| Increase in Accounts Payable | 10,449 |
| Increase in Compensated Absence Balances | 4,453 |
| Increase in Payroll Taxes Payable | 18,937 |
| Increase in Deferred Inflows | 55,717 |
| Decrease in Net Pension Liability | (89,171) |
| Net Cash Used by Operating Activities | $ (1,845,701) |

*See accompanying Notes to Financial Statements.*

# OKANOGAN COUNTY TRANSIT AUTHORITY
## STATEMENT OF CASH FLOWS
## YEAR ENDED DECEMBER 31, 2017

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from Customers | $ | 86,712 |
| Payments to Suppliers | | (1,376,322) |
| Payments to Employees | | (400,279) |
| Other Payments | | 90 |
| Net Cash Used by Operating Activities | | (1,689,799) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Sales Tax Received | | 2,755,034 |
| Net Cash Provided by Noncapital Financing Activities | | 2,755,034 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Capital Grant Contribution | | 310,889 |
| Acquisition of Capital Assets | | (78,641) |
| Net Cash Provided by Capital and Related Financing Activities | | 232,248 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Investments | | (489,423) |
| Interest Received on Investments | | 84,007 |
| Net Cash Used by Investing Activities | | (405,416) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 892,067 |
| Cash and Cash Equivalents - Beginning of Year | | 1,068,767 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ | 1,960,834 |
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating Loss | $ | (2,088,466) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation and Amortization | | 277,426 |
| Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows: | | |
| Decrease in Accounts Receivable | | 90 |
| Increase in Deferred Outflows | | (86,749) |
| Increase in Accounts Payable | | 29,462 |
| Decrease in Compensated Absence Balances | | (8,764) |
| Increase in Payroll Taxes Payable | | 1,696 |
| Increase in Deferred Inflows | | 55,081 |
| Increase in Net Pension Liability | | 130,425 |
| Net Cash Used by Operating Activities | $ | (1,689,799) |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES** | | |
| Donated Buses | $ | 55,667 |

*See accompanying Notes to Financial Statements.*

## 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 Okanogan County Public Transportation Benefit Area dba: Okanogan County Transit Authority (OCTA) was authorized in November 2013 and operates under the laws of the state of Washington applicable to a Public Transportation Benefit Area (PBTA). OCTA provides public transportation services within the transportation benefit area of Okanogan County, Washington.

### Reporting Entity

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

OCTA is governed by a nine-member board appointed from the 13 incorporated towns and cities within Okanogan 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, OCTA is considered a primary government and does not have any component unit relationships. Conversely, OCTA is not considered a component unit of any primary government.

### Basis of Accounting and Reporting

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

The financial statements are prepared utilizing the economic resources measurement focus and full 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 0.4% of the sales tax collected. These taxes are collected on OCTA's behalf by the Department of Revenue and are recorded in the period when the underlying transaction on which the tax is imposed occurs. 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Accounting and Reporting (Continued)

OCTA distinguishes operating revenues 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 OCTA's principal ongoing operations. The principal operating revenues are passenger fares. OCTA's operating expenses include contracted services, labor, and other expenses related to the delivery of passenger transportation within the Okanogan 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 consists of cash in the checking account and cash equivalents with the Okanogan County Treasurers Office.

### 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.

### Pensions

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to pension plans subsequent to the June 30 measurement date and OCTA's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of OCTA's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

### Receivables

OCTA's receivables consist primarily of sales tax receivable and do not require an allowance for doubtful accounts.

### Compensated Absences Benefits

Compensated absences are absences for which employees will be paid, such as paid time off (PTO). OCTA accrues accumulated unpaid compensated benefit amounts as earned.

### 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.

## NOTE 2 DEPOSITS AND INVESTMENTS

**Deposits**

The carrying amount of OCTA's deposits, including certificates of deposit, was $2,813,965 at December 31, 2018.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Authority's deposits and certificates of deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Investments**

Investments are subject to the following risks:

**Interest Rate Risk*:*** Interest rate risk is the risk OCTA may face should interest rate variances affect the fair value of investments. OCTA does not have a formal policy that addresses interest rate risk.

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| Investment Type | | | | | |
| Debt Securities: | | | | | |
| Municipal Bonds | $ 2,459,436 | $ 483,551 | $ 1,975,885 | $ - | $ - |
| Total Debt Securities | | $ 483,551 | $ 1,975,885 | $ - | $ - |
| Total Investments | $ 2,459,436 | | | | |

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

**Credit Risk:** Credit risk is the risk that an issue or other counter party to an investment will not fulfill its obligation. OCTA does not have a formal policy that addresses credit risk.

At December 31, 2018, OCTA's investments had the following credit quality distribution for securities with credit exposure:

| Rating Agency: S&P | Fair Value | AAA Aaa | AA Aa | A | BBB Baa | and Below | Unrated |
|---|---|---|---|---|---|---|---|
| Municipal Bonds | $ 2,459,436 | $ 325,929 | $ 1,599,806 | $ 324,751 | $ - | $ - | $ 208,950 |
| Total | $ 2,459,436 | $ 325,929 | $ 1,599,806 | $ 324,751 | $ - | $ - | $ 208,950 |

**Investments Measured at Fair Value**

OCTA measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities;

*Level 2* – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

*Level 3* – Unobservable inputs for an asset or liability

**Investments Measured at Fair Value (Continued)**

At December 31, 2018, OCTA had the following investments measured at fair value:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| Investments by Fair Value Level | December 31, 2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Municipal Bonds | $ - | $ - | $ 2,459,436 | $ - |
| Total Investments Measured at Fair Value | $ - | $ - | $ 2,459,436 | $ - |

## NOTE 3 RISK MANAGEMENT

OCTA is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk 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 was made pursuant to the provision of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington jointed together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2018, there are 207 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.
The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. Members are responsible for a $1,000 to $10,000 deductible for each claim, while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $1,922,394.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a $10,000 member deductible and $40,000 self-insured retention for systems using encryption and $50,000 member deductible and $50,000 self-insured retention for those without encryption.

## NOTE 3 RISK MANAGEMENT (CONTINUED)

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW. Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2018, were $2,809,430.

## NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 was as follows:

| | Balance January 1, 2018 | Increases | Decreases | Balance December 31, 2018 |
|---|---|---|---|---|
| Capital Assets not Being Depreciated or Amortized: | | | | |
| Construction in Progress | $ 5,664 | $ - | $ (5,664) | $ - |
| Total Capital Assets not Being Depreciated or Amortized | $ 5,664 | $ - | $ (5,664) | - |
| Capital Assets Being Depreciated or Amortized: | | | | |
| Furnishings and Equipment | $ 61,058 | $ 5,487 | $ (19,155) | $ 47,390 |
| Improvements Other Than Buildings | 297,164 | 28,869 | | 326,033 |
| Vehicles | 1,296,960 | - | - | 1,296,960 |
| Dispatch Software | 227,008 | - | - | 227,008 |
| Software | 8,387 | - | - | 8,387 |
| Total Capital Assets Being Depreciated or Amortized | 1,890,577 | 34,356 | (19,155) | 1,905,778 |
| Accumulated Depreciation and Amortization: | | | | |
| Furnishings and Equipment | 12,672 | 8,558 | - | 21,230 |
| Improvements Other Than Buildings | 84,918 | 73,850 | - | 158,768 |
| Vehicles | 480,445 | 259,394 | - | 739,839 |
| Dispatch Software | 67,711 | 45,402 | - | 113,113 |
| Software | 3,548 | 1,677 | | 5,225 |
| Total Accumulated Depreciation and Amortization: | 649,294 | 388,881 | - | 1,038,175 |
| Total Capital Assets Being Depreciated and Amortized, Net | $ 1,241,283 | $ (354,525) | $ (19,155) | $ 867,603 |

## NOTE 5 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year ended December 31, 2018:

| Aggregate Pension Amounts – All Plans | | |
|---|---|---|
| Pension Liabilities | $ | 326,060 |
| Deferred Outflows of Resources | | 189,306 |
| Deferred Inflows of Resources | | 124,013 |
| Pension Expense | | 84,250 |

### State Sponsored Pension Plans

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

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

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

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

### Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plans 1 and 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

## NOTE 5 PENSION PLANS (CONTINUED)

### Public Employees' Retirement System (PERS) (Continued)

**PERS Plan 1** provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The **PERS Plan 1** member contribution rate is established by state statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

| PERS Plan 1 | Employer | Employee* |
|---|---|---|
| January - August 2018: | | |
| PERS Plan 1 | 7.49 % | 6.00 % |
| PERS Plan 1 UAAL | 5.03 | - |
| Administrative Fee | 0.18 | - |
| Total | 12.70 % | 6.00 % |
| September - December 2018: | | |
| PERS Plan 1 | 7.52 % | 6.00 % |
| PERS Plan 1 UAAL | 5.13 | - |
| Administrative Fee | 0.18 | - |
| Total | 12.83 % | 6.00 % |

## NOTE 5 PENSION PLANS (CONTINUED)

### Public Employees' Retirement System (PERS) (Continued)

### Contributions

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

- With a benefit that is reduced by 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 2/3 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

## NOTE 5 PENSION PLANS (CONTINUED)

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

| PERS Plan 2/3 | Employer | Employee* |
|---|---|---|
| January - August 2018: | | |
| PERS Plan 2/3 | 7.49 % | 7.38 % |
| PERS Plan 1 UAAL | 5.03 | - |
| Administrative Fee | 0.18 | - |
| Employee PERS Plan 3 | - | Varies |
| Total | 12.70 % | 7.38 % |
| September - December 2018: | | |
| PERS Plan 2/3 | 7.52 % | 7.41 % |
| PERS Plan 1 UAAL | 5.13 | - |
| Administrative Fee | 0.18 | - |
| Employee PERS Plan 3 | - | Varies |
| Total | 12.83 % | 7.41 % |

OCTA's actual PERS plan contributions were $35,207 to PERS Plan 1 and $52,181 to PERS Plan 2/3 for the year ended December 31, 2018.

### Actuarial Assumptions

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

## NOTE 5 PENSION PLANS (CONTINUED)

**Actuarial Assumptions (Continued)**

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

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

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

- Lowered the valuation interest rate from 7.70% to 7.50%.
- Lowered the assumed general salary growth from 3.75% to 3.50%.
- Lowered assumed inflation from 3.00% to 2.75%.
- Lowered assumed investment rate of return from 7.50% to 7.40% for all plans.

**Discount Rate**

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

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

## NOTE 5 PENSION PLANS (CONTINUED)

### Long-Term Expected Rate of Return

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

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

### Sensitivity of the Net Pension Liability/(Asset)

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

| Plan | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
|---|---|---|---|
| PERS 1 | $ 268,661 | $ 218,612 | $ 175,260 |
| PERS 2/3 | 491,467 | 107,448 | (207,406) |

## NOTE 5 PENSION PLANS (CONTINUED)

### Pension Plan Fiduciary Net Position

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

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

At December 31, 2018, OCTA reported a total pension liability of $326,060 for its proportionate share of the net pension liabilities as follows:

| Plan | Liability |
|---|---|
| PERS 1 | $ 218,612 |
| PERS 2/3 | 107,448 |
| Total | $ 326,060 |

At June 30, 2018, OCTA's proportionate share of the collective net pension liabilities was as follows:

| Plan | Proportionate Share - June 30, 2017 | Proportionate Share - June 30, 2018 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.004506% | 0.004895% | 0.000389% |
| PERS 2/3 | 0.005797% | 0.006293% | 0.000496% |

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

The collective net pension liability was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

## NOTE 5 PENSION PLANS (CONTINUED)

### Pension Expense

For the year ended December 31, 2018, OCTA recognized pension expense as follows:

| Plan | Pension Expense |
|---|---|
| PERS 1 | $ 38,226 |
| PERS 2/3 | 46,024 |
| Total | $ 84,250 |

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, OCTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual investment earnings on pension plan investments | - | (8,687) |
| Changes of assumptions | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 17,614 | - |
| Total | $ 17,614 | $ (8,687) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 13,170 | $ (18,812) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (65,935) |
| Changes of assumptions | 1,257 | (30,579) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 131,280 | - |
| Contributions subsequent to the measurement date | 25,985 | - |
| Total | $ 171,692 | $ (115,326) |

## NOTE 5 PENSION PLANS (CONTINUED)

### Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

| All Plans | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 13,170 | $ (18,812) |
| Net difference between projected and actual investment earnings on pension plan investments | | |
| Investment earnings on pension plan investments | - | (74,622) |
| Changes of assumptions | 1,257 | (30,579) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 131,280 | - |
| Contributions subsequent to the measurement date | 43,599 | - |
| Total | $ 189,306 | $ (124,013) |

Deferred outflows of resources related to pensions resulting from OCTA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | PERS 1 |
|---|---|
| 2019 | $ 380 |
| 2020 | (1,899) |
| 2021 | (5,699) |
| 2022 | (1,469) |
| 2023 | - |
| Thereafter | - |
| Total | $ (8,687) |

| Year Ending December 31, | PERS 2/3 |
|---|---|
| 2019 | $ 33,433 |
| 2020 | 1,285 |
| 2021 | (21,510) |
| 2022 | 3,903 |
| 2023 | 13,317 |
| Thereafter | (47) |
| Total | $ 30,381 |

## NOTE 6 HEALTH AND WELFARE

The Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and noncity entities of the AWC Employee Benefit Trust in the state of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2018, 257 cities/towns/noncity entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental, and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Noncity Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the board of trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Life Map, and Kaiser ISL at $1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

## NOTE 6 HEALTH AND WELFARE (CONTINUED)

Participating employers' contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of six months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the board of trustees or its delegates. The board of trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options, and benefits in compliance with Chapter 48.62 RCW. The board of trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## NOTE 7 CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of OCTA for the year ended December 31, 2018:

| | 12/31/2017 | Additions | Reductions | 12/31/2018 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 28,681 | $ 50,085 | $ (45,632) | $ 33,134 | $ 25,546 |
| Pension Liability | 415,231 | - | (89,171) | 326,060 | |
| Total | $ 443,912 | $ 50,085 | $ (134,803) | $ 359,194 | $ 25,546 |

## 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 Okanogan County Public Transportation Benefit Area dba: Okanogan County Transit Authority (OCTA) was authorized in November 2013 and operates under the laws of the state of Washington applicable to a Public Transportation Benefit Area (PBTA). OCTA provides public transportation services within the transportation benefit area of Okanogan County, Washington.

### Reporting Entity

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

OCTA is governed by a nine-member board appointed from the 13 incorporated towns and cities within Okanogan 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, OCTA is considered a primary government and does not have any component unit relationships. Conversely, OCTA is not considered a component unit of any primary government.

### Basis of Accounting and Reporting

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

The financial statements are prepared utilizing the economic resources measurement focus and full 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 0.4% of the sales tax collected. These taxes are collected on OCTA's behalf by the Department of Revenue and are recorded in the period when the underlying transaction on which the tax is imposed occurs. 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting and Reporting (Continued)**

OCTA distinguishes operating revenues 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 OCTA's principal ongoing operations. The principal operating revenues are passenger fares. OCTA's operating expenses include contracted services, labor, and other expenses related to the delivery of passenger transportation within the Okanogan 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 consists of cash in the checking account and cash equivalents with the Okanogan County Treasurers Office.

**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.

**Pensions**

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to pension plans subsequent to the June 30 measurement date and OCTA's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of OCTA's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

### Receivables

OCTA's receivables consist primarily of sales tax receivable and do not require an allowance for doubtful accounts.

### Compensated Absences Benefits

Compensated absences are absences for which employees will be paid, such as paid time off (PTO). OCTA accrues accumulated unpaid compensated benefit amounts as earned.

### 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.

## NOTE 2 DEPOSITS AND INVESTMENTS

**Deposits**

The carrying amount of OCTA's deposits, including certificates of deposit, was $1,960,834 at December 31, 2017.

**Custodial Credit Risk**

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

**Investments**

Investments are subject to the following risks:

**Interest Rate Risk:** Interest rate risk is the risk OCTA may face should interest rate variances affect the fair value of investments. OCTA does not have a formal policy that addresses interest rate risk. The

| | | Investment Maturities ( in Years) | | | |
|---|---|---|---|---|---|
| | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| **Investment Type** | | | | | |
| Debt Securities: | | | | | |
| Municipal Bonds | $ 2,397,332 | $ 484,466 | $ 1,912,867 | $ - | $ - |
| **Total Debt Securities** | | $ 484,466 | $ 1,912,867 | $ - | $ - |
| **Total Investments** | $ 2,397,332 | | | | |

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

**Credit Risk**: Credit risk is the risk that an issue or other counter party to an investment will not fulfill its obligation. OCTA does not have a formal policy that addresses credit risk.

At December 31, 2017, OCTA's investments had the following credit quality distribution for securities with credit exposure:

| | Fair Value | AAA Aaa | AA Aa | A | BBB Baa | BB/Ba and Below | Unrated |
|---|---|---|---|---|---|---|---|
| Municipal Bonds | $ 2,397,332 | $ 749,184 | $ 1,317,819 | $ 164,626 | $ - | $ - | $ 165,703 |
| Totals | $ 2,397,332 | $ 749,184 | $ 1,317,819 | $ 164,626 | $ - | $ - | $ 165,703 |

Rating Agency: S&P

### Investments Measured at Fair Value

OCTA measures and reports investments at fair value using the valuation input hierarchy established by accounting principles generally accepted in the United States of America (U.S. GAAP), as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities;

*Level 2* – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

*Level 3* – Unobservable inputs for an asset or liability

At December 31, 2017, OCTA had the following investments measured at fair value:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | 12/31/2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Investments by Fair Value Level** | | | | |
| Municipal Bonds | $ - | $ - | $ 2,397,332 | $ - |
| Total Investments Measured at Fair Value | $ - | $ - | $ 2,397,332 | $ - |

## NOTE 3 RISK MANAGEMENT

OCTA is insured with the Cities Insurance Association of Washington (CIAW). CIAW is a public entity risk program founded in 1988. OCTA has joined the Public Entity Risk Pool. A member may withdraw from the pool 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. CIAW is regulated by the Washington State Risk Manager and audited yearly by the Washington State Auditor. OCTA is current in its coverage limits through CIAW. As of December 31, 2017, OCTA's, Property Collision Damage coverage was $100,000,000 per occurrence, Bodily Injury and Property Damage Liability coverage of $1,000,000, Personal Injury and Advertising Liability of $1,000,000, Employee Liability of $5,000,000 per occurrence, and Uninsured Motorist coverage of $1,000,000 per occurrence.

## NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

| | Balance January 1, 2017 | Increases | Decreases | Balance December 31, 2017 |
|---|---|---|---|---|
| Capital Assets not Being Depreciated: or Amortized: | | | | |
| Construction in Progress | $ - | $ 5,664 | $ - | $ 5,664 |
| Total Capital Assets not Being Depreciated or Amortized | $ - | $ 5,664 | $ - | $ 5,664 |
| Capital Assets Being Depreciated or Amortized: | | | | |
| Furnishings and Equipment | $ 61,058 | $ - | $ - | $ 61,058 |
| Improvements other than Buildings | 227,394 | 69,770 | - | 297,164 |
| Vehicles | 1,238,086 | 58,874 | - | 1,296,960 |
| Dispatch Software | 227,008 | - | - | 227,008 |
| Software | 8,387 | - | - | 8,387 |
| Total Capital Assets Being Depreciated or Amortized | 1,761,933 | 128,644 | - | 1,890,577 |
| Accumulated Depreciation and Amortization: | | | | |
| Furnishings and Equipment | 29,740 | 7,248 | (24,316) | 12,672 |
| Improvements other than Buildings | 22,645 | 67,811 | (5,538) | 84,918 |
| Vehicles | 315,302 | 248,703 | (83,560) | 480,445 |
| Dispatch Software | - | 67,711 | - | 67,711 |
| Software | 4,181 | 1,677 | (2,310) | 3,548 |
| Total Accumulated Depreciation and Amortization | 371,868 | 393,150 | (115,724) | 649,294 |
| Total Capital Assets Being Depreciated and Amortized, Net | $ 1,390,065 | $ (264,506) | $ 115,724 | $ 1,241,283 |

## NOTE 5 PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions*.

| Aggregate Pension Amounts – All Plans | |
|---|---|
| Pension Liabilities | $ 415,231 |
| Deferred Outflows of Resources | 219,625 |
| Deferred Inflows of Resources | 68,296 |
| Pension Expense | 196,021 |

## NOTE 5 PENSION PLANS (CONTINUED)

### State Sponsored Pension Plans

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

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

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

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

### Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries (DOL). PERS 1 members were vested after the completion of five years of eligible service. The Plan was closed to new entrants on September 30, 1977.

## NOTE 5 PENSION PLANS (CONTINUED)

**Public Employees' Retirement System (PERS) (Continued)**

Contributions – The PERS Plan 1 member contribution rate is established by state statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| PERS Plan 1 | Employer | Employee* |
|---|---|---|
| January - June 2017: | | |
| PERS Plan 1 | 6.23% | 6.00% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Total | 11.18% | 6.00% |
| July - December 2017: | | |
| PERS Plan 1 | 7.49% | 6.00% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Total | 12.70% | 6.00% |

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

- With a benefit that is reduced by 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.

## NOTE 5 PENSION PLANS (CONTINUED)

### Public Employees' Retirement System (PERS) (Continued)

PERS Plan 2/3 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the DOL. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| PERS Plan 2/3 | Employer | Employee* |
|---|---|---|
| January - June 2017: | | |
| PERS Plan 2/3 | 6.23% | 6.12% |
| PERS Plan 1 UAAL | 4.77% | - |
| Administrative Fee | 0.18% | - |
| Employee PERS Plan 3 | | Varies |
| Total | 11.18% | 6.12% |
| July - December 2017: | | |
| PERS Plan 2/3 | 7.49% | 7.38% |
| PERS Plan 1 UAAL | 5.03% | - |
| Administrative Fee | 0.18% | - |
| Employee PERS Plan 3 | | Varies |
| Total | 12.70% | 7.38% |

## NOTE 5 PENSION PLANS (CONTINUED)

### Public Employees' Retirement System (PERS) (Continued)

OCTA's actual PERS plan contributions were $29,218 to PERS Plan 1 and $40,767 to PERS Plan 2/3 for the year ended December 31, 2017.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study, and the 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

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

## NOTE 5 PENSION PLANS (CONTINUED)

### Discount Rate

The discount rate used to measure the total pension liability was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1, plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience date, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|---|---|---|
| Fixed Income | 20 % | 1.70% |
| Tangible Assets | 5 | 4.40% |
| Real Estate | 15 | 5.80% |
| Global Equity | 37 | 6.30% |
| Private Equity | 23 | 9.30% |
| Total Allocation | 100 % | |

## NOTE 5 PENSION PLANS (CONTINUED)

### Sensitivity of NPL

The table below presents OCTA's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what OCTA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

| Plan | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| PERS 1 | $ 260,465 | $ 213,813 | $ 173,402 |
| PERS 2/3 | 542,641 | 201,418 | (78,164) |

### Pension Plan Fiduciary Net Position

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

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

At December 31, 2017, OCTA reported a total pension liability of $415,231 for its proportionate share of the net pension liabilities as follows:

| Plan | Liability (Asset) |
|---|---|
| PERS 1 | $ 213,813 |
| PERS 2/3 | 201,418 |
| Total | $ 415,231 |

At June 30, 2017, OCTA's proportionate share of the collective net pension liabilities was as follows:

| Plan | Proportionate Share 12/31/2016 | Proportionate Share 12/31/2017 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.002410% | 0.004506% | 0.002096% |
| PERS 2/3 | 0.003086% | 0.005797% | 0.002711% |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the schedules of employer and nonemployer allocations.

## NOTE 5 PENSION PLANS (CONTINUED)

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

The collective net pension liability was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2017, OCTA recognized pension expense as follows:

| Plan | Pension Expense |
|---|---|
| PERS 1 | $ 122,730 |
| PERS 2/3 | 73,291 |
| Total | $ 196,021 |

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, OCTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ - | $ - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | (7,979) |
| Changes of Assumptions | - | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | - | - |
| Contributions Subsequent to the Measurement Date | 15,125 | - |
| Total | $ 15,125 | $ (7,979) |

## NOTE 5 PENSION PLANS (CONTINUED)

### Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 20,408 | $ (6,624) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | (53,693) |
| Changes of Assumptions | 2,140 | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 159,591 | - |
| Contributions Subsequent to the Measurement Date | 22,361 | - |
| Total | $ 204,500 | $ (60,317) |

| All Plans | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 20,408 | $ (6,624) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | (61,672) |
| Changes of Assumptions | 2,140 | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 159,591 | - |
| Contributions Subsequent to the Measurement Date | 37,486 | - |
| Total | $ 219,625 | $ (68,296) |

## NOTE 5 PENSION PLANS (CONTINUED)

**Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

Deferred outflows of resources related to pensions resulting from OCTA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | PERS 1 |
|---|---|
| 2018 | $ (5,393) |
| 2019 | 1,703 |
| 2020 | (395) |
| 2021 | (3,894) |
| 2022 | - |
| Thereafter | - |
| Total | $ (7,979) |

| Year Ending December 31, | PERS 2/3 |
|---|---|
| 2018 | $ 24,538 |
| 2019 | 46,848 |
| 2020 | 15,589 |
| 2021 | (5,757) |
| 2022 | 17,653 |
| Thereafter | 22,951 |
| Total | $ 121,822 |

## NOTE 6 RESTATEMENT

**Correction of and Error**

OCTA determined that capital contribution revenue in the amount of $135,125 earned in 2016 had not been recorded until 2017. As a result, net position as of January 1, 2017 has been increased to account for a correction of an error.

## NOTE 7 CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of OCTA for the year ended December 31, 2017:

| | 12/31/2016 | Additions | Reductions | 12/31/2017 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 37,445 | $ 25,156 | $ (33,920) | $ 28,681 | $ 22,061 |
| Pension Liability | 284,806 | 130,425 | - | 415,231 | - |
| Total | $ 322,251 | $ 155,581 | $ (33,920) | $ 443,912 | $ 22,061 |

## NOTE 8 HEALTH AND WELFARE

OCTA is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

## NOTE 8 HEALTH AND WELFARE (CONTINUED)

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Life Map, and Kaiser ISL at $1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options, and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW, and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

**OKANOGAN COUNTY TRANSIT AUTHORITY**
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**PENSION PLANS, PERS 1, AND PERS 2/3**
**AS OF JUNE 30 (MEASUREMENT DATE)**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **PERS Plan 1** | | | | |
| Employer's Proportion of the Net Pension Liability (Asset) | 0.004895% | 0.004506% | 0.002410% | 0.000651% |
| Employer's Proportionate Share of the Net Pension Liability | $ 218,612 | $ 213,813 | $ 129,428 | $ 34,053 |
| Employer's Covered Payroll | $ 651,415 | $ 554,636 | $ 291,469 | $ 86,594 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 33.56% | 38.55% | 44.41% | 39.33% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 63.22% | 61.24% | 59.10% | 59.10% |
| **PERS Plan 2/3** | | | | |
| Employer's Proportion of the Net Pension Liability (Asset) | 0.006293% | 0.005797% | 0.003086% | 0.000845% |
| Employer's Proportionate Share of the Net Pension Liability | $ 107,448 | $ 201,418 | $ 155,378 | $ 30,192 |
| Employer's Covered Payroll | $ 651,415 | $ 554,636 | $ 291,469 | $ 86,594 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 16.49% | 36.32% | 53.31% | 34.87% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 95.77% | 90.97% | 89.20% | 89.20% |

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, OCTA will present information for only those years for which information is available.

**OKANOGAN COUNTY TRANSIT AUTHORITY**
**MCAG NO. 3112**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**PENSION PLANS, PERS 1, AND PERS 2/3**
**AS OF DECEMBER 31 (EMPLOYER REPORTING DATE)**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **PERS Plan 1** | | | | |
| Statutorily or Contractually Required Contributions | $ 35,207 | $ 29,218 | $ 19,805 | $ 9,872 |
| Contributions in Relation to the Statutorily or Contractually Required | (35,207) | (29,218) | (19,805) | (9,872) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 695,860 | $ 597,105 | $ 415,167 | $ 222,090 |
| Contributions as a Percentage of Covered Payroll | 5.06% | 4.89% | 4.77% | 4.45% |
| **PERS Plan 2/3** | | | | |
| Statutorily or Contractually Required Contributions | $ 52,181 | $ 40,767 | $ 25,864 | $ 12,712 |
| Contributions in Relation to the Statutorily or Contractually Required | (52,181) | (40,767) | (25,864) | (12,712) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 695,860 | $ 597,105 | $ 415,167 | $ 222,090 |
| Contributions as a Percentage of Covered Payroll | 7.50% | 6.83% | 6.23% | 5.72% |

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, OCTA will present information for only those years for which information is available.

# ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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


| Contact information for the State Auditor's Office | |
|---|---|
| **Public Records requests** | PublicRecords@sao.wa.gov |
| **Main telephone** | (360) 902-0370 |
| **Toll-free Citizen Hotline** | (866) 902-3900 |
| **Website** | www.sao.wa.gov |