Financial Statements and Federal Single Audit Report

Jefferson County Public Transportation Benefit Area
(Jefferson Transit Authority)

For the period January 1, 2014 through December 31, 2014

Published July 20, 2015
Report No. 1014619
July 20, 2015

Board of Commissioners
Jefferson Transit Authority
Port Townsend, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Jefferson Transit Authority’s financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA
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FEDERAL SUMMARY

Jefferson Transit Authority
Jefferson County
January 1, 2014 through December 31, 2014

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

Financial Statements
An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

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

Federal Awards
Internal Control Over Major Programs:

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

- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

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

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

The following was a major program during the period under audit:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>Program Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.509</td>
<td>Formula Grants for Other Than Urban Areas</td>
</tr>
</tbody>
</table>

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

The Transit Authority qualified as a low-risk auditee under OMB Circular A-133.
Jefferson Transit Authority  
Jefferson County  
January 1, 2014 through December 31, 2014

Board of Commissioners  
Jefferson Transit Authority  
Port Townsend, 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 Jefferson Transit Authority, Jefferson County, Washington, as of and for the year ended December 31, 2014, 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 July 14, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Transit Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**COMPLIANCE AND OTHER MATTERS**

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

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

**PURPOSE OF THIS REPORT**

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

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

July 14, 2015
Jefferson Transit Authority
Jefferson County
January 1, 2014 through December 31, 2014

Board of Commissioners
Jefferson Transit Authority
Port Townsend, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Jefferson Transit Authority, Jefferson County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Transit Authority’s major federal programs are identified in the accompanying Federal Summary.

Management’s Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor’s Responsibility
Our responsibility is to express an opinion on compliance for each of the Transit Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program
occurred. An audit includes examining, on a test basis, evidence about the Transit Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Transit Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Transit Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Transit Authority's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

July 14, 2015
Jefferson Transit Authority
Jefferson County
January 1, 2014 through December 31, 2014

Board of Commissioners
Jefferson Transit Authority
Port Townsend, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Jefferson Transit Authority, Jefferson County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Transit Authority’s basic financial statements as listed on page 14.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Transit Authority, as of December 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 15 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.
Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transit Authority’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2015 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.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

July 14, 2015
REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Revenues, Expenses and Changes in Fund Net Position – 2014
Statement of Cash Flows – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2014
JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/Jefferson Transit Authority

MANAGEMENT DISCUSSION & ANALYSIS
For The Year Ended December 31, 2014

The management of Jefferson Transit Authority (Jefferson Transit) offers the readers of Jefferson Transit's financial statements this narrative as an overview and analysis of the financial activities for the fiscal year ended December 31, 2014. To more fully understand the financial position of Jefferson Transit, this narrative should be considered in conjunction with the information contained in Jefferson Transit's financial statements and accompanying notes.

Jefferson Transit was established in 1980 to provide public transit services.

Current services include:

- **Fixed Route** – Standard bus service on fixed, regularly scheduled routes.
- **Route Deviated** – Is a normal fixed route service that will deviate up to ¾ mile off-route to provide demand response services.
- **Demand Response (Dial-A-Ride)** – Is a shared-ride public transportation service for people with disabilities that prevent them from riding regular bus service.
- **Vanpool** – A program that makes available to groups of 5-15 people a vehicle for commuting to work.

The primary hub of operations is located in Port Townsend with a satellite base on the west side of the county in Forks. The satellite location is known as Jefferson Transit – Olympic Connection.

**FINANCIAL HIGHLIGHTS**

It is our opinion that Jefferson Transit’s overall future financial position is positive but we will continue to address existing fiscal challenges. 2014 versus 2013 changes and highlights include the following:

- Operating revenue decreased 11% to $216,782 from $241,383; lower ridership, the decision to cancel advertising on the bus, and the loss of vanpool revenue are primary factors for the decrease. Passenger Fares decreased 7% to $211,569 from $226,484.
- Operating expenses (excluding depreciation) increased 1% to $3,900,371 from $3,856,768. This increase is primarily due to increased salaries/wages and benefits.
- Sales tax revenue increased .8% to $3,650,601 from $3,621,116. This increase is attributed to economic recovery and construction projects in Jefferson County.
- Operating subsidies increased slightly to $1,245,354 from $1,242,736.
- Net position increased 36.8% to $11,116,668 from $8,124,879. This increase in attributed to a construction project, bond debt issue, and capital expenditures.

Jefferson Transit began construction of an Administration and Maintenance Facility in 2014.

Jefferson Transit’s primary expense, as with any service industry, is Labor and Benefits. Jefferson Transit’s 2014 expenses included a contractual increase to represented labor of 1%. Labor expenses increased $3,373 over 2013. Benefits decreased by $16,701 over 2013. Staff turnover resulted in a net decrease in benefits.

Another major expense for the Jefferson Transit budget is fuel. For a second year in a row fuel expense decreased. The expense for fuel was $345,389, a decrease of $30,118 (or 9%) from 2013. Fuel accounts for 8% of the overall expense budget for Jefferson Transit.

Overall, expenses show that Jefferson Transit’s management has a high degree of control reflected in a close alignment between actual and budget. Jefferson Transit's difficult decision to cut Sunday Service in July of
2013 has helped to control costs and maintain the core service necessary to keep Jefferson County transit passengers moving. Maintaining the premium week day service supports Jefferson Transit's service philosophy to provide safe, reliable transportation today and far into the future.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Jefferson Transit's financial statements include two components: 1) financial statements and 2) notes to the financial statements. This management discussion and analysis is intended to serve as an introduction to Jefferson Transit's basic financial statements.

**Financial Statements**

The *Statement of Net Position* presents information on all of Jefferson Transit's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Jefferson Transit is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how Jefferson Transit's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change actually occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused general leave).

The *Statement of Cash Flows* presents actual in and out cash activity during the fiscal period related to operating activities, noncapital financing activities, capital activities and investing activities. Additionally, a reconciliation of net cash provided (used) by operating activities to Operating Income (Loss) is included. Over time, increases or decreases in cash balances may serve as a useful indicator of the financial stability of Jefferson Transit.

**Notes to the Financial Statements**

The *Notes to the Financial Statements* provide additional information essential to fully understand the data provided in Jefferson Transit's financial statements and are located following the Statement of Cash Flows.

**FINANCIAL ANALYSIS**

**Statement of Net Position**

The following condensed financial information provides an overview of Jefferson Transit's financial position for the fiscal years ending December 31, 2014 and 2013.

In 2014, total assets were $12,748,109, an increase of $4,156,068 (or 48.4%) from 2013. In 2014 current and other assets were $5,459,708, an increase of $1,952,477 (or 55%) from 2013. At December 31, 2014 Jefferson Transit had total liabilities of $1,631,441, an increase of $1,164,279 (or 249%) from 2013 year-end. The increase in total liabilities is due to incurring debt in the form of a bond issue.

Jefferson Transit's assets exceeded liabilities at December 31, 2014 by 11,116,668 (total net position). Invested in capital assets is $6,948,854. Unrestricted net assets are $4,082,564, an increase of $1,042,495 (34.3%) from year-end 2013. Due to a bond covenant, Jefferson Transit now has a restricted component of assets, $85,250 is restricted in a Bond Reserve Fund.

The financial position of Jefferson Transit remains strong in 2014. The increase in net position is primarily due to construction in progress.
Statement of Net Position (Summary)  
December 31, 2014 and 2013

<table>
<thead>
<tr>
<th>Assets:</th>
<th>2014</th>
<th>2013</th>
<th>Increase (Decrease) Over 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and Other Assets</td>
<td>$ 5,459,708</td>
<td>$ 3,507,231</td>
<td>$ 1,952,477</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$ 7,288,401</td>
<td>$ 5,084,809</td>
<td>$ 2,203,592</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 12,748,109</td>
<td>$ 8,592,040</td>
<td>$ 4,156,069</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>$ 330,300</td>
<td>$ 287,580</td>
<td>$ 42,720</td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>1,301,141</td>
<td>175,582</td>
<td>1,125,559</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 1,631,441</td>
<td>$ 467,162</td>
<td>$ 1,164,279</td>
</tr>
</tbody>
</table>

| Invested in Capital Assets | $ 6,948,854 | $ 5,084,809 | $ 1,864,045                |
| Restricted               | $ 85,250    | -         | $ 85,250                   |
| Unrestricted             | 4,082,564   | 3,040,069  | 1,042,495                  |
| **Total Net Position**   | $ 11,116,668 | $ 8,124,378 | $ 2,992,290                |

| Total Net Position and Liabilities | $ 12,748,109 | $ 8,592,040 | $ 4,156,069 |

Statement of Revenues, Expenses and Changes in Fund Net Position

As of December 31, 2014 total net assets were $11,116,668, an increase of $2,991,789 (36.8%) from 2013 year-end. 2014 capital contributions were $2,207,598, an increase of $1,816,446 from 2013. This increase was primarily due to construction of the new Administration and Maintenance Facility and capital purchasing activity.

For Nonoperating Revenues, Sales tax revenues were stable with a very slight increase over 2013 receipts.

Operating revenue, operating expense and non-operating revenue variances are detailed in greater detail below.

| Revenues, Expenses and Changes in Fund Net Position (Summary)  
For The Years Ended December 31, 2014 and 2013 |
|-----------------------------------------------|

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2014 Change Over 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ 216,782</td>
<td>$ 241,383</td>
<td>(24,601)</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>(4,436,012)</td>
<td>(4,410,012)</td>
<td>(26,000)</td>
</tr>
<tr>
<td>Nonoperating Revenues (Expenses)</td>
<td>4,936,330</td>
<td>4,881,247</td>
<td>55,083</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>2,207,598</td>
<td>361,151</td>
<td>1,846,446</td>
</tr>
<tr>
<td>Increases (Decreases) in Net Assets</td>
<td>$ 2,924,698</td>
<td>$ 1,103,769</td>
<td>$ 1,820,929</td>
</tr>
<tr>
<td>Net Position - Beginning (January 1)</td>
<td>$ 8,191,970</td>
<td>$ 7,044,265</td>
<td>$ 1,147,705</td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>0</td>
<td>(23,155)</td>
<td>23,155</td>
</tr>
<tr>
<td>Net Position - Ending (December 31)</td>
<td>$ 11,116,668</td>
<td>$ 8,124,879</td>
<td>$ 2,991,789</td>
</tr>
</tbody>
</table>

**Operating Revenues**

Operating revenues are revenues tied directly to transit and transit related services. 2014 operating revenues for Jefferson Transit were $216,782. This is a decrease of $24,601 (-10.2%) over the 2013 figures.

Operating revenues by category:

- **Passenger Fares for Transit Services** – Includes fares for fixed route, Dial-a-Ride and, vanpool programs. Fixed route ridership decreased slightly, however, the main cause of the decrease is due to the loss of a vanpool group.
Auxiliary Transportation Services – Includes advertising services and other services provided that are closely associated with but not directly related to transit services. In late 2013 the Board placed a moratorium on all new advertising pending an in depth review of the policy for political or controversial advertising. The moratorium is still in place with no change predicted in the near future.

<table>
<thead>
<tr>
<th>Operating Revenues</th>
<th>For The Years Ended December 31, 2014 and 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Passenger Fares for Transit Services</td>
<td>$ 211,669</td>
</tr>
<tr>
<td>Auxiliary Transportation Revenues</td>
<td>5,213</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>$ 216,882</td>
</tr>
</tbody>
</table>

**Operating Expenses**

Operating expenses are all expenses tied to operations and providing transit related services. Operating expense categories include operations, maintenance, administration and depreciation.

2014 operating expenses were $4,436,012, an increase of $26,000 (or .6%) from 2013.

Operating expenses by category:

**Operations** – Responsible for all on-street services including operators, dispatchers, customer service and road supervisors. 2014 expenses related to operations were $2,124,196, a decrease of $35,629 (1.6%) from 2013. While 2013 saw an increase in wages to all represented staff of 1%, and other labor related costs increased, Operations saw a decrease in the number of dispatchers and operators. The dispatch position was not filled, and the transition time to hire new operators and the lower hourly rate for new operators allowed cost savings.

**Maintenance** – Responsible for all vehicles including fuel, parts, cleaning, servicing, and facility upkeep. 2014 expenses related to maintenance were $1,090,521, an increase of $45,525 (or 4.4%) from 2013. The Vehicle and Facility Maintenance Department works diligently to ensure that expenses are kept in control, the increase in 2014 is attributed to increased labor related expenses.

**Administration** – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, and human resources. 2014 expenses related to administration were $685,654, an increase of $33,707 (or 5.2%) from 2013. Staff wage increases as well as Administration being fully staffed for the first time in five years make up the majority of the increase. Liability insurance increases also account for a portion ($12K) of the increase.

**Depreciation** – This is the estimated pro-rataion of the cost of capital assets over the useful life of the asset. 2014 expenses related to depreciation were $535,642, a decrease of $17,602 (or 3.2%) from 2013. No major vehicle purchases were made and several vehicles were retired.

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>For The Years Ended December 31, 2014 and 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Operations</td>
<td>$ 2,124,196</td>
</tr>
<tr>
<td>Maintenance</td>
<td>1,090,521</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>685,654</td>
</tr>
<tr>
<td>Depreciation</td>
<td>535,642</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$ 4,436,012</td>
</tr>
</tbody>
</table>
Non-operating Revenues

Non-operating income consists mainly of sales tax revenue, investment income, and operating grants. Non-operating revenues are all revenues that are not tied directly to an operating category such as fixed route fares.

2014 non-operating revenue was $4,936,330, an increase of $55,083 (or 1.1%) from 2013.

Non-operating Revenues by category:

Sales Tax – Consists of revenue received from local sales tax at the rate of 0.90%. 2013 sales tax was $3,650,601 in 2014, an increase of $29,485 (or .8%) from 2013. The increase is due to an improving economy and construction projects in Jefferson County.

Operating Subsidies – Consist mainly of state and federal grants. 2014 operating subsidies were $1,245,354 in 2014, an increase of $2,617 (or .2%) from 2013. A lower rural mobility transit formula grant accounts for the majority of the decrease.

Investment Income – Consists of revenue generated from investment interest. 2014 investment income was $2,024, an increase of $335 (or 19.8%) from 2013. Stronger reserve fund balances account for the increase.

Other Non-operating Revenues (Expenses) – Consists of revenues not readily categorized to another revenue line. Other Non-operating Revenues consists of extraordinary items, special items, gain (loss) on sales disposition of capital items, public donations and other non-transportation revenues. For 2014 Non-operating Revenues largely consist of reimbursement for union related activities. 2014 saw the installation of an executive officer from Jefferson Transit employee pool. 2014 other non-operating revenues (expenses) were $38,351 in 2014, an increase of $22,646 (or 144.2%) from 2013.

<table>
<thead>
<tr>
<th>Nonoperating Revenues (Expenses)</th>
<th>For The Years Ended December 31, 2014 and 2013</th>
<th>2014 Increase (Decrease) Over 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>3,650,601</td>
<td>3,621,118</td>
</tr>
<tr>
<td>Operating Subsidies</td>
<td>1,245,354</td>
<td>1,242,737</td>
</tr>
<tr>
<td>Investment Income</td>
<td>2,024</td>
<td>1,689</td>
</tr>
<tr>
<td>Other Nonoperating Revenues (Expenses)</td>
<td>38,351</td>
<td>15,706</td>
</tr>
<tr>
<td>Nonoperating Revenues (Expenses)</td>
<td>4,936,330</td>
<td>4,881,247</td>
</tr>
</tbody>
</table>

Statement of Cash Flows

2014 year-end cash balance was $3,959,530, an increase of $1,494,098 (or 60.6%) from 2013 year-end. 2014 cash used by operating activities was $3,610,730, an increase of $133,862 (or 1.2%) from 2013. 2014 cash provided from noncapital financing activities was $4,823,088, a decrease of $60,811 (or 1.2%) from 2013. 2014 cash used by capital and related financing activities was $279,715, an increase of $769,871 (or 157.1%) from 2013. 2014 cash provided by investing activities was $2,024, an increase of $335 (or 19.9%) from 2013. Jefferson Transit is focused on controlling costs and building reserves for future capital expansion and sustainability of current operations. At the same time, Jefferson Transit is currently committed to completing the construction of a new Administration and Maintenance Facility. Jefferson Transit’s Board elected to issue general obligation bonds in 2014 in order to complete the construction of this new facility. Holding the line on operating costs, ensuring that the new Administration and Maintenance Facility is built soundly and economically, and continuing to contribute annually to reserve funds reflects this philosophy.
Capital Assets

Jefferson Transit’s investment in capital assets as of year-end 2014 was $7,288,401 (net of accumulated depreciation), an increase of $2,203,591 (or 43.3%) from year-end 2013. Jefferson Transit’s investment in capital assets includes land, buildings, shelters, vehicles & equipment and construction in progress. 2014 capital investments increased $2,203,591, depreciation expense was $535,642; and $364,595 in fully depreciated assets were retired. Jefferson Transit did not purchase new vehicles in 2014. Capital Equipment purchases in the form of new computer hardware and bus shelters were purchased in 2014. Construction began in June 2014 on the Administration and Maintenance Facility.

Additional information concerning capital assets may be obtained from Note 2 in the Notes to the Financial Statements.

ECONOMIC OUTLOOK

Jefferson Transit management has been and continues to be focused on controlling expenses. Jefferson Transit management has taken several measured steps to hold expenses in check and minimize the impact of inflationary pressures, but is keenly aware that the sales tax rate is at the maximum allowable by law. Any future actions taken by management will carefully consider the impact on safety service to the public and continued ability to comply with regulatory compliance expected of any government entity.

Given that costs increase in the long run, maintaining revenues coupled with the need to stabilize and bolster Operating and Capital reserves, management must continue to ensure sound fiscal operation of Jefferson Transit.

Major issues which could impact the future financial condition of Jefferson Transit include:

- Maintaining grant and sales tax revenue streams with a focus on sustaining existing and developing new ones in order to address cost increases due to inflationary pressures.
- Review of community growth patterns and adjustment of routes as needed to address various county population centers.

Requests for Information

This financial report is designed to provide a general overview of Jefferson Transit Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

General Manager
Jefferson Transit Authority
63 Four Corners Road
Port Townsend, WA 98368
Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF NET POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents $3,959,530
Taxes Receivable $636,153
Accounts Receivable (Net) 3,778
Due To (From) Other Governments 719,639
Inventory 130,002
Prepaid Expenses 10,607

TOTAL CURRENT ASSETS $5,459,708

NONCURRENT ASSETS

Capital Assets Not Being Depreciated:
Land $1,203,423
Construction in Progress 3,510,829

Capital Assets Being Depreciated:
Facility 687,452
Other Buildings & Structures 1,746,131
Revenue Vehicles 5,661,448
Service Vehicles 312,531
Service Equipment 379,721
Office Furniture & Equipment 227,098
Less: Accumulated Depreciation (6,440,232)

TOTAL NONCURRENT ASSETS $7,288,401

TOTAL ASSETS $12,748,109

LIABILITIES

Accounts Payable $279,446
Accrued Expenses 50,854

TOTAL CURRENT LIABILITIES $330,300

NONCURRENT LIABILITIES

Deposits and Other Payables $60
GO Bonds Payable 1,090,000
Unamortized Premium on Bonds Sold 27,610
Employee Leave Benefits 163,471

TOTAL NONCURRENT LIABILITIES $1,301,141

TOTAL LIABILITIES $1,631,441

NET POSITION

Invested in Capital Assets, Net of Related Debt $7,288,401
Restricted for Bond Covenant 85,250
Unrestricted 3,743,017

TOTAL NET POSITION $11,116,668

TOTAL NET ASSETS AND LIABILITIES $12,748,109

The Notes to the Financial Statements are an integral part of this statement.
Jefferson County Public Transportation Benefit Area  
DBA/Jefferson Transit Authority  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
For The Year Ended December 31, 2014

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Fares</td>
<td>$ 211,569</td>
<td></td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>$ 5,213</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>$ 216,782</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>$ 2,124,196</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>$ 1,090,521</td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>$ 685,654</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$ 535,842</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$ 4,436,012</strong></td>
<td></td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td><strong>$ (4,219,230)</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NONOPERATING REVENUES (EXPENSES)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$ 3,650,601</td>
<td></td>
</tr>
<tr>
<td>External Operating Subsidies</td>
<td>$ 1,245,354</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>$ 2,024</td>
<td></td>
</tr>
<tr>
<td>Other Nonoperating Revenues (Expenses)</td>
<td>$ 38,351</td>
<td></td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenues (Expenses)</strong></td>
<td><strong>$ 4,936,330</strong></td>
<td></td>
</tr>
<tr>
<td>Income (Loss) Before Capital Contributions, Extraordinary and Special Items</td>
<td>$ 717,100</td>
<td></td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>$ 2,207,598</td>
<td></td>
</tr>
<tr>
<td>Increase (Decrease) In Net Position</td>
<td>$ 2,924,698</td>
<td></td>
</tr>
<tr>
<td>Net Position - Beginning of Period</td>
<td>$ 8,191,970</td>
<td></td>
</tr>
<tr>
<td>Net Position - End of Period</td>
<td>$ 11,116,668</td>
<td></td>
</tr>
</tbody>
</table>

**The Notes to the Financial Statements are an integral part of this statement.**
Jefferson County Public Transportation Benefit Area  
DBA/Jefferson Transit Authority  
STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES
Receipts from Customers $ 219,023
Payments to Suppliers (820,729)
Payments to Employees (3,009,024)
Net Cash Provided (Used) by Operating Activities $(3,610,730)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
Sales Tax Receipts $ 3,663,463
Other Nonoperating Receipts 23,729
Operating Grant Receipts 1,118,396
Local Government Assistance Fund Receipts 17,500
Net Cash Provided (Used) by Noncapital Financing Activities $ 4,823,088

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
Capital Contributions $ 3,004,326
Purchases of Capital Assets (2,739,233)
Sale of Capital Assets 14,622
Net Cash Provided (Used) by Capital and Related Financing Activities $ 279,715

CASH FLOWS FROM INVESTING ACTIVITIES
Interest and Dividends $ 2,024
Net Cash Provided by Investing Activities $ 2,024
Net Increase (Decrease) in Cash and Cash Equivalents $ 1,494,098

Balances - Beginning of the Year $ 2,465,432

Balances - End of the Year $ 3,959,530

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
Operating Income (Loss) $(4,219,230)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:
Depreciation Expense 535,842
Change in Assets and Liabilities:
Receivables, Net 5,001
Inventories 20,896
Prepaid Expenses (2,163)
Prepaid Revenue (75)
Accounts and Other Payables 94,193
Accrued Payroll and Benefit Expenses (44,993)
Net Cash Provided by Operating Activities $(3,610,730)

The Notes to the Financial Statements are an integral part of this statement.
JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/JEFFERSON TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson County Public Transportation Benefit Area was incorporated on July 11, 1980 and operates under the laws of the State of Washington applicable to a transit district. The financial statements of the Jefferson County P.T.B.A., DBA/Jefferson Transit Authority (Jefferson Transit) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A. Reporting Entity

Jefferson Transit is a special purpose government entity and provides Fixed Route, Route Deviated, Demand Response (Dial-A-Ride) and Vanpool Programs to the general public. Jefferson Transit is supported through passenger and other transit charges, sales tax revenue and various local, state and federal contributions and grant programs.

Jefferson Transit is governed by an elected five-member board which consists of two City of Port Townsend councilors and the three Jefferson County commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Jefferson Transit has no component units.

B. Basis of Accounting and Reporting

The accounting records of Jefferson Transit are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. Jefferson Transit uses the Budgeting, Accounting, and Reporting System (BARS) for Transit Districts in the State of Washington.

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

Jefferson Transit uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

Jefferson Transit distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with Jefferson Transit’s principal ongoing operations. The principal operating revenues of Jefferson Transit are charges to customers for passenger fares and charges collected for the use of the Vanpool program. Operating expenses result from those expenses incurred to provide transit services such as fixed route, route deviated, demand response and other services such as the Vanpool program. Operating expenses consist of direct expenses including driver wages and fuel, and indirect expenses such as administration costs and depreciation of capital assets. All revenues and expenses not meeting the definition of operating are classified as non-operating revenues and expenses.
C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is Jefferson Transit’s policy to invest all temporary cash surpluses. As of December 31, 2014 the treasurer was holding $3,959,530 in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as cash and cash equivalents.

For purposes of the Statement of Cash Flows, Jefferson Transit considers all highly liquid investments (including restricted assets) with a maturity of less than three months when purchased, to be cash equivalents.

Jefferson Transit’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC) and thus not subject to custodial credit risk.

2. Receivables

As of December 31, 2014, Jefferson Transit had $636,153 in Taxes Receivable.

Taxes Receivable consists of sales tax receivable. Sales tax revenue is accrued in the period earned and received two months later.

As of December 31, 2014, Jefferson Transit had the following sales tax amounts accrued:

| November 2014 Sales Tax Received January 2015 | $ 261,866 |
| December 2014 Sales Tax Received February 2015 | $ 374,287 |
| **TOTAL** | **$ 636,153** |


Accounts receivable consists of amounts owed from employees, private individuals or organizations for goods and services.

Due to the type and amount of receivables, no estimation is made for uncollectible accounts. When accounts are deemed uncollectible following all methods of collection efforts and, if necessary, reviewed by legal counsel, they are written off to appropriate categories.

As of December 31, 2014, Jefferson Transit had the following receivables:

| Accounts Receivable | $ 1,004 |
| Accounts Receivable - Other | $ 2,614 |
| Accounts Receivable - Employee | $ 160 |
| **TOTAL** | **$ 3,778** |

3. Due to (From) Other Governments

As of December 31, 2014, Jefferson Transit had a net $719,639 Due From Other Governments.

Amounts included in Due to (From) Other Governments consist primarily of state and federal grant funds.

As of December 31, 2014, Jefferson Transit had the following due from other governments:
Federal and State Governments - Operating $ 270,404
State Grants - Operating 3,750
Federal and State Grants - Capital 445,484
TOTAL $ 719,639

4. Inventory

As of December 31, 2014, Jefferson Transit had $130,002 in Inventory.

Inventories consist of fuel on hand and vehicle maintenance parts and supplies and are valued using the first-in/first-out (FIFO) method. Jefferson Transit Authority values Maintenance Parts Inventory on a cost basis monthly, while fuel is valued on the lower of cost or market. Fuel value is determined utilizing the Washington State Department of Enterprise Services Fuel Price Update website.

As of December 31, 2014 Jefferson Transit had the following inventories:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Parts Inventory</td>
<td>$127,314</td>
</tr>
<tr>
<td>Fuel Inventory</td>
<td>2,688</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$130,002</td>
</tr>
</tbody>
</table>

5. Restricted Assets and Liabilities

See Note 5 for Long Term Debt explanation and Note 7 for Restricted Component of Net Position.

6. Other Assets and Debts

As of December 31, 2014, Jefferson Transit had $10,607 in Prepaid Expenses.

Prepaid expenses consist of services that will be provided in a future period but paid as of the close of current period.

As of December 31, 2014, Jefferson Transit had the following prepaid expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid Expenses</td>
<td>$9,248</td>
</tr>
<tr>
<td>Prepaid Expenses - Employee Benefits</td>
<td>1,358</td>
</tr>
<tr>
<td>Prepaid Expenses - Employee Travel Advance</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$10,606</td>
</tr>
</tbody>
</table>


8. Compensated Absences

As of December 31, 2014, Jefferson Transit had $183,471 in Employee Leave Benefits. This represents an increase of $3,994 from 2014.

Employee leave (general leave) benefits are for absences for which employees will be paid. Jefferson Transit records unpaid leave for compensated absences as an expense and liability when earned.

Jefferson Transit's employee general leave policy as of December 31, 2014 for both represented and non-represented staff allowed for the accumulation of general leave benefits at the rate of twenty-five days per year. Additional general leave benefits accrue after five and ten years continuous service at the rate of five additional days per year, respectively. The maximum
amount of general leave hours represented employees may carry over from year to year is 520 hours and non-represented is 280 hours. Employees' general leave balances as of December 31st in excess of allowed balances are cashed-out and the funds are placed into employee HRA VEBA accounts.

9. **Other Accrued Liabilities**

As of December 31, 2014, Jefferson Transit had $279,446 in Accounts Payable.

Accounts payable are expenses unrelated to wages and employee-related liabilities recognized in the current period and paid in a future period.

As of December 31, 2014 Jefferson Transit had the following accounts payable:

<table>
<thead>
<tr>
<th>Accounts Payable</th>
<th>$    248,539</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable - Employee</td>
<td>$    30,907</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 279,446</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2014, Jefferson Transit had $50,854 in Accrued Expenses.

Accrued expenses consist mainly of accrued wages and employee-related liabilities.

As of December 31, 2014, Jefferson Transit had the following accrued expenses:

<table>
<thead>
<tr>
<th>Accrued Payroll</th>
<th>$    28,356</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Employee Payroll Related Liabilities</td>
<td>$        22,498</td>
</tr>
<tr>
<td>Accounts Payable - Public Utility and Use Taxes</td>
<td>$        0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 50,854</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2014, Jefferson Transit had $60 in Deposits and Other Payables.

Deposits and Other Payables consist of liabilities for deposits made by passengers for bike lockers.

10. **Long Term Debt**

See Note 5, Long Term Debt.

**NOTE 2 – CAPITAL ASSETS AND DEPRECIATION**

A. **Capital Assets**

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred. The capital asset threshold is $5,000.

All capital assets are valued at historical cost or estimated historical cost where historical cost is not known.

Jefferson Transit has acquired certain assets with funding provided by Washington State Department of Transportation (WSDOT) and federal financial assistance programs. Depending on the terms of the agreements involved, WSDOT and the federal government could retain an equity interest in these assets. However, Jefferson Transit has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.
The original cost of capital property retired or otherwise disposed of, and the cost of installation less salvage, is charged to accumulated depreciation. However, in the case of the sale of an asset, the original cost is removed from Jefferson Transit asset accounts. Accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income via Other Non-operating Revenue on the Statement of Revenues, Expenses and Changes in Net Position.

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 three to thirty years. WSDOT provides guidance on the depreciation of all vehicles due to grant funding and financial reporting requirements.

Facilities
- Administration Building – 30 years,
- Building Improvements – 5 to 10 years (based on type of improvement)

Buildings and Structures
- Park and Ride Structures – 30 years
- Bus Stops and Shelters – 10 years
- Improvements – 5 to 10 (based on type of improvement)

Revenue Vehicles, Service Vehicles
- Heavy Duty Small Buses 28ft-35ft – 10 years
- Medium Duty Bus/Cutaway – 7 years
- Light Duty Bus – 5 years
- Light Duty Small Van – 4 years

Service Equipment
- 2 – 12 years dependent upon type of equipment
- Office Furniture & Equipment
- 3 – 12 years dependent upon furniture or equipment

B. Capital Asset Schedule

Capital assets activity for the year ended December 31, 2014 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance 1/1/2014</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance 12/31/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, not being depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 1,203,423</td>
<td></td>
<td></td>
<td>$ 1,203,423</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>922,308</td>
<td>2,922,428</td>
<td>333,907</td>
<td>3,510,829</td>
</tr>
<tr>
<td><strong>Total capital assets not being depreciated</strong></td>
<td>$ 2,125,731</td>
<td>$ 2,922,428</td>
<td>$ 333,907</td>
<td>$ 4,714,252</td>
</tr>
<tr>
<td>Capital assets, being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility</td>
<td>$ 687,452</td>
<td></td>
<td></td>
<td>$ 687,452</td>
</tr>
<tr>
<td>Other Buildings &amp; Structures</td>
<td>1,612,441</td>
<td>134,290</td>
<td>600</td>
<td>1,746,131</td>
</tr>
<tr>
<td>Revenue Vehicles</td>
<td>5,978,299</td>
<td>6,875</td>
<td>323,727</td>
<td>5,661,448</td>
</tr>
<tr>
<td>Service Vehicles</td>
<td>360,274</td>
<td>0</td>
<td>47,743</td>
<td>312,531</td>
</tr>
<tr>
<td>Service Equipment</td>
<td>379,721</td>
<td></td>
<td></td>
<td>379,721</td>
</tr>
<tr>
<td>Office Furniture &amp; Equipment</td>
<td>210,076</td>
<td>17,533</td>
<td>511</td>
<td>227,098</td>
</tr>
<tr>
<td><strong>Total capital assets being depreciated</strong></td>
<td>$ 9,228,263</td>
<td>$ 158,988</td>
<td>$ 372,581</td>
<td>$ 9,014,391</td>
</tr>
</tbody>
</table>

Less accumulated depreciation for:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance 1/1/2014</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance 12/31/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility</td>
<td>$ 543,763</td>
<td>24,469</td>
<td></td>
<td>$ 568,262</td>
</tr>
<tr>
<td>Other Buildings &amp; Structures</td>
<td>1,055,443</td>
<td>54,076</td>
<td></td>
<td>1,109,518</td>
</tr>
<tr>
<td>Revenue Vehicles</td>
<td>3,917,807</td>
<td>392,428</td>
<td>323,727</td>
<td>3,886,509</td>
</tr>
<tr>
<td>Service Vehicles</td>
<td>308,154</td>
<td>16,497</td>
<td>47,743</td>
<td>276,908</td>
</tr>
<tr>
<td>Service Equipment</td>
<td>247,773</td>
<td>45,032</td>
<td></td>
<td>292,805</td>
</tr>
<tr>
<td>Office Furniture &amp; Equipment</td>
<td>196,216</td>
<td>10,014</td>
<td></td>
<td>206,230</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>$ 6,269,185</td>
<td>$ 542,517</td>
<td>$ 371,470</td>
<td>$ 6,440,232</td>
</tr>
</tbody>
</table>

**Total capital assets, being depreciated, net**

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance 1/1/2014</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance 12/31/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Vehicles</td>
<td>3,917,807</td>
<td>392,428</td>
<td></td>
<td>3,886,509</td>
</tr>
<tr>
<td>Service Vehicles</td>
<td>308,154</td>
<td>16,497</td>
<td></td>
<td>276,908</td>
</tr>
<tr>
<td>Office Furniture &amp; Equipment</td>
<td>196,216</td>
<td>10,014</td>
<td></td>
<td>206,230</td>
</tr>
<tr>
<td><strong>Total capital assets, being depreciated, net</strong></td>
<td>$ 2,959,078</td>
<td>$ (383,818)</td>
<td>$ 1,111</td>
<td>$ 2,574,149</td>
</tr>
</tbody>
</table>

**Total capital assets**

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance 1/1/2014</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance 12/31/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Vehicles</td>
<td>3,917,807</td>
<td>392,428</td>
<td></td>
<td>3,886,509</td>
</tr>
<tr>
<td>Service Vehicles</td>
<td>308,154</td>
<td>16,497</td>
<td></td>
<td>276,908</td>
</tr>
<tr>
<td>Office Furniture &amp; Equipment</td>
<td>196,216</td>
<td>10,014</td>
<td></td>
<td>206,230</td>
</tr>
<tr>
<td><strong>Total capital assets</strong></td>
<td>$ 5,084,809</td>
<td>$ 2,538,609</td>
<td>$ 335,018</td>
<td>$ 7,286,401</td>
</tr>
</tbody>
</table>
NOTE 3 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

Jefferson Transit has an active construction project as of December 31, 2014. The project is the construction of the Administration and Maintenance Facility at 63 Four Corners Road.

At year-end Jefferson Transit's commitments with contractors were as follows:

<table>
<thead>
<tr>
<th>Project</th>
<th>Spent to Date</th>
<th>Remaining Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin/Maintenance Facility</td>
<td>$3,566,670</td>
<td>$3,305,043</td>
</tr>
</tbody>
</table>

Jefferson Transit has obtained grant and bond funding for this project. Capital reserves are also committed to this project. No further financing is required to complete this project.

NOTE 4 - CONTINGENCIES AND LITIGATION

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

Jefferson Transit participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Jefferson Transit's management believes that such disallowance, if any, will be immaterial.

NOTE 5 – LONG TERM DEBT

Long-Term Debt

Jefferson Transit issued general obligation bonds to finance the construction of a new Administration and Maintenance Facility at 63 Four Corners Road, Port Townsend. General obligation bonds have been issued for general government activities and are being repaid through sales tax revenue.

General obligation bonds currently outstanding are as follows:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Original Amount</th>
<th>Amount of Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Administration and Maintenance Facility</td>
<td>12/1/2033</td>
<td>2.5468%</td>
<td>1,090,000</td>
<td>81,072</td>
</tr>
</tbody>
</table>

The Annual debt service requirements to maturity for general obligation bonds are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>2015</td>
<td>$30,000</td>
</tr>
<tr>
<td>2016</td>
<td>$45,000</td>
</tr>
<tr>
<td>2017</td>
<td>$45,000</td>
</tr>
<tr>
<td>2018</td>
<td>$50,000</td>
</tr>
<tr>
<td>2019</td>
<td>$50,000</td>
</tr>
<tr>
<td>2020-2024</td>
<td>$265,000</td>
</tr>
<tr>
<td>2025-2029</td>
<td>$310,000</td>
</tr>
<tr>
<td>2030-2033</td>
<td>$295,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,090,000</td>
</tr>
</tbody>
</table>
In proprietary funds, unamortized debt issue costs for insurance are recorded as deferred inflow and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount. Jefferson Transit’s bonds were sold at a premium.

At December 31, 2014, Jefferson Transit has $14,167 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain $85,250 in sinking funds and reserves as required by bond indentures.

Jefferson Transit has pledged future sales tax revenue, net of operating expenses and reserve obligations, to repay $1,090,000 in general obligation bonds issued in June 2014. Proceeds from the bonds provided financing for the construction of an Administration and Maintenance Facility. The bonds are payable solely from sales tax revenue and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 2.2 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,567,627. The first principal and interest payment is due in December 2015 and total sales tax revenue funds will be $30,000 and $51,072, respectively.

**NOTE 6 - PENSION PLANS**

Substantially, all Jefferson Transit’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee-defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

**Plan Description**

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

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

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

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

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

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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

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

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

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

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

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

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:
• With a benefit that is reduced by 3 percent for each year before age 65; or

• With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

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

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

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

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

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

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

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

• If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

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

• If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

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

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

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

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and Beneficiaries Receiving Benefits</td>
<td>85,328</td>
</tr>
<tr>
<td>Terminated Plan Members Entitled to but not yet Receiving Benefits</td>
<td>31,047</td>
</tr>
<tr>
<td>Active Plan Members Vested</td>
<td>150,706</td>
</tr>
<tr>
<td>Terminated Plan Members Nonvested</td>
<td>101,191</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>368,272</strong></td>
</tr>
</tbody>
</table>

**Funding Policy**

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:
<table>
<thead>
<tr>
<th>PERS Plan 1</th>
<th>PERS Plan 2</th>
<th>PERS Plan 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.21%**</td>
<td>9.21%**</td>
<td>9.21%***</td>
</tr>
<tr>
<td>6.00%****</td>
<td>4.92%****</td>
<td>*****</td>
</tr>
</tbody>
</table>

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member

Both Jefferson Transit and the employees made the required contributions. Jefferson Transit’s required contributions for the years ended December 31 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>PERS Plan 1</th>
<th>PERS Plan 2</th>
<th>PERS Plan 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$4,036</td>
<td>$178,328</td>
<td>$7,846</td>
</tr>
<tr>
<td>2013</td>
<td>$3,746</td>
<td>$157,840</td>
<td>$5,506</td>
</tr>
<tr>
<td>2012</td>
<td>$5,033</td>
<td>$125,039</td>
<td>$4,298</td>
</tr>
</tbody>
</table>

**NOTE 7 – RESTRICTED COMPONENT OF NET POSITION**

The Statement of Net Position reports $85,250 of restricted component of net position, of which $85,250 is restricted by enabling legislation. Resolution 14-13 enabled Jefferson Transit to enter into indebtedness in the form of the issuance of general obligation bonds to support the construction of an Administration and Maintenance Facility. The resolution also requires the set-up of Reserve Account. These restricted funds satisfy that requirement.

**NOTE 8 – RISK MANAGEMENT**

A. Public Entity Risk Pool

January 1, 1989, Jefferson Transit signed an inter-local government agreement per Chapters 48.61 and 39.34 RCW, with seven public Washington transit systems for the joint purchase of liability insurance, joint self-insurance, and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. The agreement created an agency known as the Washington State Transit Insurance Pool (WSTIP). Currently, there are 25 members in the transit insurance pool.

A board of Directors consisting of a representative of each member system governs WSTIP. Full member systems include: Asotin County Transit, Clarkston; Ben Franklin Transit, Richland; Clallam Transit System, Port Angeles; Columbia County Transit, Dayton; Community Transit, Everett; River Cities Transit, Longview; C-Tran, Vancouver; Everett Transit, Everett; Grant Transit, Ephrata; Grays Harbor Transportation Authority, Hoquiam; Intercity Transit, Olympia; Island Transit, Coupeville; **Jefferson Transit**, Port Townsend; Kitsap Transit, Bremerton; Link Transit, Wenatchee; Mason Transit, Shelton; Pacific Transit System, Raymond; Pierce Transit, Pierce County; Pullman Transit, Pullman; Skagit Transit, Burlington; Spokane Transit, Spokane; Twin Transit, Centralia; Valley Transit, Walla Walla; Whatcom Transit, Bellingham and Yakima Transit, Yakima.

The purpose of WSTIP is stabilization of present insurance costs and reduction of costs in the long term future. Transit authorities joining the Pool must remain members for a minimum of 36 months; a member may withdraw from the Pool after that time by giving 12 months notice. Any member who withdraws will not be allowed to rejoin the Pool for a period of 36 months. Transit authorities applying for membership in the Pool may do so on approval of a simple majority vote of the Board of the Pool. The Pool underwriting and rate-setting policies have been established after consultation with actuaries. The Pool underwriting and rate-setting policies have been established after consultation with actuaries. The Pool members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool’s liabilities. WSTIP is regulated by the Washington State Risk Manager. WSTIP’s accounting records are audited by the Washington State.
Auditor each year. Copies of the annual financial report that includes financial statements and required supplementary information of the financial statements may be obtained by writing to: WSTIP, Executive Director, 2629 – 12th Court S.W., Olympia, WA 98502.

WSTIP self-insures for the first $1,000,000 of each auto and general liability claim and provides excess insurance with private carriers for up to eleven million above the initial $1,000,000 on a per claim basis.

Jefferson Transit has not had a settlement that exceeded insurance coverage in the past three years.

B. Unemployment Insurance

Jefferson Transit maintains insurance against most normal hazards except for unemployment insurance, where it has elected to become self-insured as a "reimbursable employer" as allowed by the State of Washington Employment Security Department.

Claims are processed by the Employment Security Department and billed to Jefferson Transit quarterly. Jefferson Transit had claims totaling $464 during 2014.
# Jefferson County Public Transportation Benefit Area

**DBA/Jefferson Transit Authority**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended December 31, 2014

<table>
<thead>
<tr>
<th>Federal Agency Name/ Pass-Through Agency Name</th>
<th>Federal Program Name</th>
<th>CFDA Number</th>
<th>Other Identification Number</th>
<th>From Pass-Thru Awards</th>
<th>From Direct Awards</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dept of Transportation / pass through from WSDOT</td>
<td>Formula Grants for Rural Areas</td>
<td>20.509</td>
<td>GCB 1613</td>
<td>$816,608</td>
<td></td>
<td>$816,608</td>
</tr>
<tr>
<td>US Dept of Transportation / pass through from WSDOT</td>
<td>Formula Grants for Rural Areas</td>
<td>20.509</td>
<td>GCB 1614</td>
<td>$90,481</td>
<td></td>
<td>$90,481</td>
</tr>
<tr>
<td>US Dept of Transportation / pass through from WSDOT</td>
<td>Formula Grants for Rural Areas</td>
<td>20.509</td>
<td>GCB 1730</td>
<td>$20,364</td>
<td></td>
<td>$20,364</td>
</tr>
<tr>
<td><strong>Total CFDA 20.509</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$927,453</strong></td>
</tr>
<tr>
<td>US Dept of Transportation</td>
<td>Federal Transit - Capital Investment Grants</td>
<td>20.500</td>
<td>WA-0180</td>
<td>$2,036,752</td>
<td></td>
<td><strong>$2,036,752</strong></td>
</tr>
<tr>
<td><strong>TOTAL FEDERAL AWARDS EXPENDED</strong></td>
<td></td>
<td></td>
<td></td>
<td>$927,453</td>
<td>$2,036,752</td>
<td><strong>$2,964,205</strong></td>
</tr>
</tbody>
</table>

**NOTE 1 - BASIS OF ACCOUNTING**

The schedule of Financial Assistance is prepared on the same basis of accounting as the Transit's financial statements. The Transit uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

**NOTE 2 - PROGRAM COSTS**

The amounts shown as current year expenses represent only the Federal grant portion of the program costs. Entire program costs, including the Transit's portion, may be more then shown.
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.

<table>
<thead>
<tr>
<th>Contact information for the State Auditor’s Office</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deputy Director for Communications</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Public Records requests</strong></td>
</tr>
<tr>
<td><strong>Main telephone</strong></td>
</tr>
<tr>
<td><strong>Toll-free Citizen Hotline</strong></td>
</tr>
<tr>
<td><strong>Website</strong></td>
</tr>
</tbody>
</table>