Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Jefferson County Public Transportation Benefit Area (Jefferson Transit Authority)

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017573

Washington State Auditor's Office

September 29, 2016

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 District's financial condition.

Sincerely,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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Jefferson Transit Authority
Jefferson County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Jefferson Transit Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

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 District's compliance with requirements applicable to its major federal program.

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
20.500	Federal Transit Capital Investment Grants

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

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Jefferson Transit Authority
Jefferson County
January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 21, 2016. As discussed in Note 7 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements are free from material misstatement, we performed tests of the District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 21, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Jefferson Transit Authority
Jefferson County
January 1, 2015 through December 31, 2015

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) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the District 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, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

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

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 21, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Jefferson Transit Authority
Jefferson County
January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District'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, 2015, 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.

Matters of Emphasis

As discussed in Note 7 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 21 and pension plan information on pages 39 through 43 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 District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 September 21, 2016 on our consideration of the District'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 District's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 21, 2016

FINANCIAL SECTION

Jefferson Transit Authority
Jefferson County
January 1, 2015 through December 31, 2015

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JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/Jefferson Transit Authority

MANAGEMENT DISCUSSION & ANALYSIS
For The Year Ended December 31, 2015

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, 2015. 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 outside Port Townsend at 63 4 Corners Road, with a transit hub located at the Haines Place Park and Ride and a second satellite base located on the west side of the county in Forks known as Jefferson Transit – Olympic Connection. Jefferson Transit's new Administration and Maintenance Facility was functionally complete in May 2015 and operations transferred from 1615 W. Sims Way to 63 4 Corners Road in June 2015.

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. 2015 versus 2014 changes and highlights include the following:

- During the year ending December 31, 2015, two new accounting standards (Statement No. 68 and 71 related to accounting and financial reporting for pensions) issued by the Government Accounting Standards Board (GASB) became effective and were implemented by the Transit where necessary or applicable. These requirements revise existing requirements and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The statements have had a material impact on the Transit's financial statements.
- Operating revenue decreased 5% to $205,945 from $216,782; lower ridership, the 2013 decision to cancel advertising on the bus, and the loss of vanpool revenue are primary drivers for the decrease. Passenger Fares decreased 4% to $205,164 from $211,569.
- Operating expenses (excluding depreciation) decreased .1% to $3,895,934 from $3,900,371. The implementation of GASB 68 resulted in a reduction of 2015 expenses, however, there would have been a 2% increase to expenses without the GASB 68 reduction. There were increases in salaries and wages, however, expenses were also offset by significant fuel expenses savings due to lower fuel costs.
- Sales tax revenue increased 10% to $4,042,958 from $3,650,601. This increase is attributed to continued economic recovery and construction projects in Jefferson County.
- Operating subsidies decreased 11% to $1,112,564 from $1,245,354, this funding can fluctuate depending on grant awards.
- Beginning Net position had a prior period adjustment as a result of implementing GASB 68 reporting requirements. Net position increased 2% to $11,333,408 from $11,116,668.

Jefferson Transit began construction of an Administration and Maintenance Facility in 2014. The facility was ready for occupation in June of 2015, but there were several items on the punch list that were not completed until early 2016. The project was fully complete in April 2016.

Jefferson Transit's primary expense, as with any service industry, is Labor and Benefits. Jefferson Transit's 2015 expenses included a contractual increase to represented labor of 1%, wage increases were also granted to non-represented staff. Labor expenses increased $52,528 over 2014. Benefits decreased by $2,676 over 2014. GASB 68 decreased the pension expense by $58,651.28.

Another major expense for the Jefferson Transit budget is fuel. For a second year in a row fuel expense decreased dramatically. The expense for fuel was $234,436, a decrease of $110,953 (or 32%) from 2014.

Overall, Jefferson Transit's management has a high degree of control over expenses. Budget versus actual expenses are reviewed by staff and reported to the Authority Board monthly.

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, 2015 and 2014.

In 2015, total assets were $14,624,263, an increase of $1,876,154 (or 14.7%) from 2014. In 2015 current and other assets were $4,747,106, a decrease of $712,062 (or 13.1%) from 2014. At December 31, 2015 Jefferson Transit had total liabilities of $3,219,191, an increase of $1,587,750 (or 97.3%) from 2014 year-end. The increase in total liabilities is due to the implementation of GASB 68/71, however, Jefferson Transit did see a decrease in Accounts Payable due to the timing of payments at year end compared to 2014.

Jefferson Transit's assets exceeded liabilities at December 31, 2014 by 11,333,408 (total net position). Invested in capital assets is $9,877,157. Unrestricted net assets are $1,371,001, a decrease of $2,372,016 (or 63.4%) from year-end 2014. This decrease is attributable to the JTA funded portion of the facility construction project. 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 2015.

Statement of Net Position (Summary)
December 31, 2015 and 2014

	2015	2014	2015 Increase (Decrease) Over 2014
Assets:			
Current and Other Assets	$ 4,747,106	$ 5,459,708	$ (712,602)
Capital Assets, Net	9,877,157	7,288,401	2,588,756
Total Assets	$ 14,624,263	$ 12,748,109	$ 1,876,154
Deferred Outflow - Pension	$ 215,342		
Total Assets & Deferred Outflows	14,839,605		
Liabilities:			
Current Liabilities	$ 142,679	$ 330,300	$ (187,620)
Long-Term Liabilities	3,076,511	1,301,141	1,775,370
Total Liabilities	$ 3,219,191	$ 1,631,441	$ 1,587,750
Deferred Inflow - Pension	$ 287,006		
Invested in Capital Assets	$ 9,877,157	$ 7,288,401	$ 2,588,756
Restricted	$ 85,250	$ 85,250	$ -
Unrestricted	1,371,001	3,743,017	(2,372,016)
Total Net Position	$ 11,333,408	$ 11,116,668	$ 216,740
Total NP-Liabilities-Deferred IF	$ 14,839,605	$ 12,748,109	$ 2,091,496

Statement of Revenues, Expenses and Changes in Fund Net Position

As of December 31, 2015 total net position was $11,333,408, an increase of $216,740 (or 1.9%) from 2014 year-end. The pension liability created by GASB 68/71 reporting requirements resulted in a lower net position for Jefferson Transit had only the increased assets due to construction been reported. 2015 capital contributions were $1,259,776, a decrease of $947,822 from 2014. The Administration and Maintenance Facility fully utilized all remaining grant funding in 2015, resulting in lower grant funded capital contributions.

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, 2015 and 2014

	2015	2014	2015 Change Over 2014
Operating Revenues	$ 205,945	$ 216,782	$ (10,836)
Operating Expense	(4,456,458)	(4,436,012)	(20,446)
Operating Income (Loss)	$ (4,250,513)	$ (4,219,230)	$ (31,282)
Nonoperating Revenues (Expenses)	5,175,817	4,936,330	239,487
Capital Contributions	1,259,776	2,207,598	(947,822)
Increases (Decreases) in Net Assets	$ 2,185,081	$ 2,924,698	$ (739,617)
Net Position - Beginning (January 1)	$ 11,116,668	$ 8,191,970	$ 2,924,698
Prior Period Adjustment	(1,968,341)	0	(1,968,341)
Net Position - Ending (December 31)	$ 11,333,408	$ 11,116,668	$ 216,740

Operating Revenues

Operating revenues are revenues tied directly to transit and transit related services. 2015 operating revenues for Jefferson Transit were $205,945. This is a decrease of $10,837 (-5%) over the 2014 figures.

Operating revenues by category:

> Passenger Fares for Transit Services – Includes fares for fixed route, Dial-a-Ride and, vanpool programs. The decline in operational revenues can be attributed to a decline in Fixed route and Dial-a-Ride ridership.
>
> Auxiliary Transportation Services – Includes services provided that are closely associated with but not directly related to transit services. This includes advertising and bookmobile cleaning for the Jefferson County Library. 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. Advertising revenues in 2014 were from residual advertising agreements that were signed prior to the moratorium. There was no advertising revenue in 2015.

Operating Revenues
For The Years Ended December 31, 2015 and 2014

	2015	2014	2015 Increase (Decrease) Over 2014
Passenger Fares for Transit Services	$ 205,165	$ 211,569	$ (6,404)
Auxiliary Transportation Revenues	780	5,213	(4,433)
Operating Revenues	$ 205,945	$ 216,782	$ (10,837)

Operating Expenses

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

2015 operating expenses were $4,456,458, an increase of $20,446 (or .46%) from 2014.

Operating expenses by category:

> Operations – Responsible for all on-street services including transit operators and dispatchers. 2015 expenses related to operations were $1,887,295, a decrease of $236,901 (11.2%) from 2014. In May 2015 JTA created a new department, the Haines Place Transit Center (HPTC). While 2015 included an increase in wages to all represented staff of 1% and step increases (generally 3%) granted to management staff, a majority of the budget reduction for Operations is because budget was transferred to the HPTC. A decrease for pension expense due to the GASB 68 entries is also reflected in the reduced amount.
>
> Haines Place Transit Center (HPTC) – From May 2015 through December 2015 the Mobility and Outreach Manager, Customer Service and Road Supervisor positions were assigned to the HPTC budget. Expenses for this department were $246,209, no comparative figures are available for 2014. In 2016 the dispatchers will be transferred to the HPTC budget.
>
> Maintenance – Responsible for all vehicles including fuel, parts, cleaning, servicing, and facility upkeep. Expenses related to maintenance were $1,010,619 in 2015. This is a decrease of $79,902 (or -7.3%) from 2014. Besides the decrease for pension expense due to the GASB 68 entries the primary driver for the decrease in 2015 is attributed to a reduction in fuel expense.

Administration – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, and human resources. 2015 expenses related to administration were $778,711, an increase of $93,057 (or 13.6%) from 2014. Staff step increases (approximately 3%) as well adding a part-time IT position as well as making another position full time with additional duties are primarily responsible for the increases. Making one position full time resulted in an increased benefits cost as well. Professional Services increased over 2014 due to moving expenses, an accountability audit, and Phase I and II Environmental Reviews for the old facility property. Additional increases in Administrative expenses include an increase in office supplies (due to move) and an increase in liability insurance costs.

Depreciation – This is the estimated pro-ration of the cost of capital assets over the useful life of the asset. 2015 expenses related to depreciation were $533,624, a decrease of $2,018 (or -.4%) from 2014. No major vehicle purchases were made and some assets were retired.

Operating Expenses
For The Years Ended December 31, 2015 and 2014

	2015	2014	2015 Increase (Decrease) Over 2014
Operations	$ 1,887,295	$ 2,124,196	$ (236,901)
Haines Place Transit Center	246,209	0	$ 246,209
Maintenance	1,010,619	1,090,521	(79,902)
Administrative Expenses	778,711	685,654	93,057
Depreciation	533,624	535,642	(2,018)
Operating Expenses	$ 4,456,458	$ 4,436,012	$ 20,446

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.

2015 non-operating revenue was $5,175,817, an increase of $239,487 (or 4.9%) over 2014.

Non-operating Revenues by category:

Sales Tax – Consists of revenue received from local sales tax at the rate of 0.9%. 2015 sales tax was $4,042,958, an increase of $392,357 (or 10.7%) from 2014. The increase is due to an improving economy and construction projects in Jefferson County.

Operating Subsidies – Consist mainly of state and federal grants. 2015 operating subsidies were $1,112,564, a decrease of $132,789 (or -10.7%) from 2014. A lower rural mobility transit formula grant is the primary driver for the decrease.

Investment Income – Consists of revenue generated from investment interest. 2015 investment income was $3,896, an increase of $1,872 (or 92.5%) from 2014. 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 2015 Non-operating Revenues largely consist of reimbursement for union related activities. 2015 other non-operating revenues (expenses) were $16,398, a decrease of $21,953 (or 57.2%) from 2014.

Nonoperating Revenues (Expenses) For The Years Ended December 31, 2015 and 2014	2015	2014	2015 Increase (Decrease) Over 2014
Sales Tax	$ 4,042,958	$ 3,650,601	$ 392,357
Operating Subsidies	1,112,564	1,245,354	(132,789)
Investment Income	3,896	2,024	1,872
Other Nonoperating Revenues (Expenses)	16,398	38,351	(21,953)
Nonoperating Revenues (Expenses)	$ 5,175,817	$ 4,936,330	$ 239,487

Statement of Cash Flows

2015 year-end cash balance was $3,576,937 a decrease of $382,593 (or 9.7%) from 2014 year-end. 2015 cash used by operating activities was $4,032,399, a decrease of $421,669 (or 11.7%) from 2014. 2015 cash provided from noncapital financing activities was $5,086,263, an increase of $263,175 (or 5.5%) from 2014. 2015 cash used by capital and related financing activities was $1,440,354, an increase of $1,720,069 (or 614.9%) from 2015. Cash provided by investing activities (interest earned) was $3,896, an increase of $1,872 (or 92.5%) from 2014. Jefferson Transit is focused on controlling costs, building reserves for future capital purchases and expanding service options, and sustaining current operations.

Statement of Cash Flows (Summary) For The Years Ended December 31, 2015 and 2014	2015	2014	2015 Change 2014
Net Cash Provided (Used) by:			
Operating Activities	$ (4,032,399)	$ (3,610,730)	$ (421,669)
Noncapital Financing Activities	5,086,263	4,823,088	263,175
Capital and Related Financing Activities	(1,440,354)	279,715	(1,720,069)
Investing Activities	3,896	2,024	1,872
Net Increase (Decrease) in Cash and Equivalents	$ (382,593)	$ 1,494,098	$ (1,876,691)
Cash Balances - Beginning of Year	$ 3,959,530	$ 2,465,432	$ 1,494,098
Prior Year Adjustment		0	0
Cash Balances - End of Year	$ 3,576,937	$ 3,959,530	$ (382,593)

Capital Assets

Jefferson Transit’s investment in capital assets as of year-end 2015 was $9,877,157 (net of accumulated depreciation), an increase of $2,588,756 (or 35.5%) from year-end 2014. Jefferson Transit’s investment in capital assets includes land, buildings, shelters, vehicles & equipment and construction in progress. Depreciation expense was $533,624; and $148,468 in fully depreciated assets were retired. Jefferson Transit’s asset increase was due to the ongoing construction of the Administration and Maintenance Facility. Construction of the Administration and Maintenance Facility was completed in April 2016. Jefferson Transit did not purchase new vehicles in 2015. Capital Equipment purchases in the form of new computer hardware and bus shelters were purchased in 2015.

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, 2015

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 3,576,937
Taxes Receivable	729,836
Accounts Receivable (Net)	6,709
Due To (From) Other Governments	272,331
Inventory	148,133
Prepaid Expenses	13,160
TOTAL CURRENT ASSETS	$ 4,747,106
NONCURRENT ASSETS	
Capital Assets Not Being Depreciated:	
Land	$ 1,203,423
Construction in Progress	6,530,648
Capital Assets Being Depreciated:	
Facility	694,265
Other Buildings & Structures	1,782,397
Revenue Vehicles	5,379,035
Service Vehicles	446,475
Service Equipment	390,015
Office Furniture & Equipment	276,287
Less: Accumulated Depreciation	(6,825,388)
TOTAL NONCURRENT ASSETS	$ 9,877,157
TOTAL ASSETS	$ 14,624,263
DEFERRED OUTFLOW OF RESOURCES	
Pension	215,342
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 14,839,605
LIABILITIES	
Accounts Payable	$ 93,091
Accrued Expenses	49,588
TOTAL CURRENT LIABILITIES	$ 142,679
NONCURRENT LIABILITIES	
Deposits and Other Payables	$ 285
GO Bonds Payable	1,060,000
Unamortized Premium on Bonds Sold	27,610
Employee Leave Benefits	184,674
Pension Liability	1,803,943
TOTAL NONCURRENT LIABILITIES	$ 3,076,512
TOTAL LIABILITIES	$ 3,219,191
DEFERRED INFLOW OF RESOURCES	
Pension	$ 287,006
NET POSITION	
Invested in Capital Assets, Net of Related Debt	$ 9,877,157
Restricted for Bond Covenant	85,250
Unrestricted	1,371,001
TOTAL NET POSITION	$ 11,333,408
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 14,839,605

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, 2015

OPERATING REVENUES		
Passenger Fares	$	205,165
Other Operating Revenue		780
Total Operating Revenues	$	205,945
OPERATING EXPENSES		
Operations	$	1,887,295
HPTC	$	246,209
Maintenance		1,010,619
Administrative Expenses		778,711
Depreciation		533,624
Total Operating Expenses	$	4,456,458
Operating Income (Loss)	$	(4,250,513)
NONOPERATING REVENUES (EXPENSES)		
Sales Tax	$	4,042,958
External Operating Subsidies		1,112,564
Investment Income		3,896
Other Nonoperating Revenues (Expenses)		16,398
Total Nonoperating Revenues (Expenses)	$	5,175,817
Income (Loss) Before Capital Contributions, Extraordinary and Special Items	$	925,304
Capital Contributions	$	1,259,775
Increase (Decrease) In Net Position	$	2,185,079
Net Position - Beginning of Period	$	11,116,668
Accounting Change for GASB 68/71		(1,968,340)
Net Position - End of Period	$	11,333,408

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	201,933
Payments to Suppliers		(1,103,001)
Payments to Employees		(3,038,598)
Change in accounting method for GASB 68		(92,733)
Net Cash Provided (Used) by Operating Activities	$	(4,032,399)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Sales Tax Receipts	$	3,970,668
Other Nonoperating Receipts		18,324
Operating Grant Receipts		1,078,271
Local Government Assistance Fund Receipts		19,000
Net Cash Provided (Used) by Noncapital Financing Activities	$	5,086,263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	$	1,681,854
Purchases of Capital Assets		(3,122,380)
Sale of Capital Assets		172
Net Cash Provided (Used) by Capital and Related Financing Activities	$	(1,440,354)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends	$	3,896
Net Cash Provided by Investing Activities	$	3,896
Net Increase (Decrease) in Cash and Cash Equivalents	$	(382,593)
Balances - Beginning of the Year	$	3,959,530
Balances - End of the Year	$	3,576,937
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(4,250,512)
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		533,624
Change in accounting method for GASB 68		(92,733)
Change in Assets and Liabilities:		
Receivables, Net		(2,475)
Inventories		(18,131)
Prepaid Expenses		(3,912)
Prepaid Revenue		225
Accounts and Other Payables		(191,055)
Accrued Payroll and Benefit Expenses		(7,431)
Net Cash Provided by Operating Activities	$	(4,032,399)

The Notes to the Financial Statements are an integral part of this statement.

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.

During the year ending December 31, 2015, two new accounting standards (Statement No. 68 and 71 related to accounting and financial reporting for pensions) issued by the GASB became effective and were implemented by the Transit where necessary or applicable. These requirements revise existing requirements and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The statements have had a material impact on the Transit's financial statements.

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)* 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, 2015 the treasurer was holding $3,576,937 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, 2015, Jefferson Transit had $729,836 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, 2015, Jefferson Transit had the following sales tax amounts accrued:

November 2015 Sales Tax Received January 2016	$	300,909
December 2015 Sales Tax Received February 2016		428,927
TOTAL	$	729,836

As of December 31, 2015, Jefferson Transit had $6,709 in Accounts Receivable (Net).

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, 2015, Jefferson Transit had the following receivables:

Accounts Receivable	$	5,240
Accounts Receivable - Other		1,469
TOTAL	$	6,709

3. Due to (From) Other Governments

As of December 31, 2015, Jefferson Transit had a net $272,330 Due From Other Governments.

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

As of December 31, 2015, Jefferson Transit had the following due from other governments:

Federal and State Governments - Operating		$	264,304
State Grants - Operating			3,750
Federal and State Grants - Capital			4,276
	TOTAL	$	272,330

4. Inventory

As of December 31, 2015, Jefferson Transit had $148,133 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, 2015 Jefferson Transit had the following inventories:

Maintenance Parts Inventory		$	136,491
Fuel Inventory			11,641
	TOTAL	$	148,133

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 Debits

As of December 31, 2015, Jefferson Transit had $13,160 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, 2015, Jefferson Transit had the following prepaid expenses:

Prepaid Expenses		$	13,160
	TOTAL	$	13,160

7. Capital Assets and Depreciation - See Note 2.

8. Compensated Absences

As of December 31, 2015, Jefferson Transit had $184,674 in Employee Leave Benefits. This represents an increase of $1,203 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, 2015 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, 2015, Jefferson Transit had $93,091 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, 2015 Jefferson Transit had the following accounts payable:

Accounts Payable	$	93,091
TOTAL	$	93,091

As of December 31, 2015, Jefferson Transit had $43,588 in Accrued Expenses.

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

As of December 31, 2015, Jefferson Transit had the following accrued expenses:

Accrued Payroll	$	29,305
Accrued Employee Payroll Related Liabilities		20,283
TOTAL	$	49,588

As of December 31, 2015, Jefferson Transit had $285 in Deposits and Other Payables.

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

10. 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:

Purpose	Maturity Date	Interest Rate	Original Amount	Amount of Installment
Construct Administration and Maintenance Facility	12/1/2033	2.5468%	1,090,000	81,072

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2016	$45,000	$35,755
2017	$45,000	$35,350
2018	$50,000	$34,900
2019	$50,000	$34,250
2020-2024	$265,000	$150,550
2025-2029	$310,000	$102,125
2030-2033	$295,000	$33,625
TOTAL	**$1,060,000**	**$426,555**

At December 31, 2015, Jefferson Transit has $13,742 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 $1,486,555.

11. 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 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

In 2015 $148,468 in revenue vehicle capital assets were retired, and $133,944 were transferred from revenue vehicles to service vehicles.

Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance 1/1/2014	Increases	Decreases	Ending Balance 12/31/2014
Capital assets, not being depreciated				
Land	$ 1,203,423			$ 1,203,423
Construction in Progress	3,510,829	3,019,819		6,530,648
Total capital assets not being depreciated	$ 4,714,252	$ 3,019,819	$ -	$ 7,734,071
Capital assets, being depreciated:				
Facility	$ 687,452	$ 6,813		$ 694,265
Other Buildings & Structures	1,746,131	36,266		1,782,397
Revenue Vehicles	5,661,448		282,412	5,379,035
Service Vehicles	312,531	133,944		446,475
Service Equipment	379,721	10,294		390,015
Office Furniture & Equipment	227,098	49,189		276,287
Total capital assets being depreciated	$ 9,014,381	$ 236,505	$ 282,412	$ 8,968,474
Less accumulated depreciation for:				
Facility	$ 568,262	$ 24,469		$ 592,732
Other Buildings & Structures	1,109,518	60,610		1,170,128
Revenue Vehicles	3,986,509	370,042	282,412	4,074,139
Service Vehicles	276,908	150,441		427,349
Service Equipment	292,805	45,677		338,482
Office Furniture & Equipment	206,230	16,328		222,558
Total accumulated depreciation	$ 6,440,232	$ 667,568	$ 282,412	$ 6,825,388
Total capital assets, being depreciated, net	$ 2,574,149	$ (431,063)	$ -	$ 2,143,086
Total capital assets	**$ 7,288,401**	**$ 2,588,757**	**$ -**	**$ 9,877,158**

NOTE 3 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

Jefferson Transit has an active construction project as of December 31, 2015. 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:

Project	Spent to Date	Remaining Commitment
Admin/Maintenance Facility	$6,584,809	$322,196

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 – CHANGES LONG TERM LIABILITIES

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/2015	Due Within One Year
Liability					
2014 General Obligation Bonds	$1,090,000	$0.00	$30,000	$1,060,000	$45,000
Compensated Absences	$183,471	$1,203	$0.00	$184,674	
Pension obligations	$0.00	$1,803,943	$0.00	$1,803,943	

NOTE 6 - 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* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$1,803,943
Pension assets	$ -
Deferred outflows of resources	$215,343
Deferred inflows of resources	$287,006
Pension expense	$120,522

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.

The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government employers and No, 50, Pension Disclosures, an amendment of GASB Statements No. 25, No. 27, No.68 (an amendment of GASB No. 27), and No.71 (an amendment of GASB No. 68).

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

PERS was established in 1947, and its retirement benefits provisions are contained in chapter 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement systems composed of three separate pensions plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

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 two percent 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 non-duty 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.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. 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 percent. 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 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The Transit's actual contributions to the plan were $95,725 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent 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 three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 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 non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent 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 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 percent and escalate to 15 percent 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 percent. 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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The Transit's actual contributions to the plan were $117,530 for the year ended December 31, 2015.

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.

- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent 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, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 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 percent 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 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent 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%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the Transit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Transit'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 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$1,193,234	$980,067	$796,763
PERS 2/3	$2,409,055	$823,875	$(389,837)

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 June 30, 2015, the Transit reported a total pension liability of $1,803,943 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$980,067
PERS 2/3	$823,875
TOTAL	$1,803,943

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	.0191550%	.0187360%	.000419%
PERS 2/3	.0234760%	.0230580%	.000418%

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 (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the Transit recognized pension expense as follows:

	Pension Expense
PERS 1	$30,909
PERS 2/3	$89,613
TOTAL	$120,522

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the Transit 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	$ 0.00	$ 0.00
Net difference between projected and actual investment earnings on pension plan investments	$ 0.00	$53,620
Changes of assumptions	$ 0.00	$ 0.00
Changes in proportion and differences between contributions and proportionate share of contributions	$ 0.00	$ 0.00
Contributions subsequent to the measurement date	$56,173	$ 0.00
TOTAL	$56,173	$53,620
PERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$87,578	$ 0.00
Net difference between projected and actual investment earnings on pension plan investments		$219,936
Changes of assumptions	$1,327	$ 0.00
Changes in proportion and differences between contributions and proportionate share of contributions	$ 0.00	$13,450
Contributions subsequent to the measurement date	$70,264	$ 0.00
TOTAL	$159,170	$233,386

Deferred outflows of resources related to pensions resulting from the Jefferson Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2016	$(20,781)
2017	$(20,781)
2018	$(20,781)
2019	$ 8,724

Year ended December 31:	PERS 2/3
2016	$(63,670)
2017	$(63,670)
2018	$(63,670)
2019	$ 46,529

NOTE 7 – ACCOUNTING AND REPORTING CHANGES

In 2015, the Transit adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. In accordance with GASB Statement Nos. 68/71, The Transit has recorded it proportionate share of the net position liability along with the deferred inflows and outflows related to the pension plan administered by the Washington State Deportment of Retirement Systems. This Statement is a change in accounting method and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as detailed in Note – 6 – Pension Plans. The implementation of GASB Statement Nos. 68/71 resulted in a Prior Period Adjustment of the Statement of Revenue, Expenses and Changes in Fund Net Position. For details of the Prior Period Adjustment please see Note 8.

NOTE 8 - PRIOR PERIOD ADJUSTMENTS-CHANGE IN ACCOUNTING PRINCIPLE

As a result of implementing GASB Statement Nos. 68/71, which requires recognition of the Transit's share of the underfunded pension liability, the Transit reported a Prior Period Adjustment reducing the beginning Net Position for the year ended December 31, 2015. The adjustment represents pension costs for the prior periods of $1,968,340.

NOTE 9 – 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 10 – RISK MANANGEMENT

A. Public Entity Risk Pool

JTA is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25 member self insurance program located in Olympia, Washington. WSTIP supplies the Transit automobile liability, general liability, public official's liability coverage, auto physical damage coverage, 1st property coverage, boiler and machinery coverage and employee fidelity coverage. At the end of 2015, the Transit retained a $5,000 deductible for its auto physical damage coverage and a $5,000 deductible for its 1st party property coverage through WSTIP. The Transit has a $5,000 deductible for public official's liability coverage and maintains first dollar coverage for its auto and general liability risks covered by WSTIP.

The Washington State Transit Insurance Pool (WSTIP) was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member Transit Systems programs of joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. Transit authorities joining the Pool must remain members for a minimum of 36 months; a member may withdraw from the Pool after that time by giving 12 months notice. 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 members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited yearly by the Washington State Auditor.

The Transit has not presented any claims to WSTIP in the last three years that exceeded its current coverage limits through WSTIP.

A complete annual report, including financial statements, may be obtained by writing to:

WSTIP
2629 12th Ct SW
Olympia, WA 98502

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 zero claims during 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2015
Last 2 Fiscal Years*

		2014	2015
Employer's proportion of the net pension liability (asset)	%	0.019155%	0.018736%
Employer's proportionate share of the net pension liability	$	964,942	980,067
TOTAL	$		
Employer's covered employee payroll	$	45,551	43,040
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	2118.36%	2277.10%
Plan fiduciary net position as a percentage of the total pension liability	%	61.19%	59.10%

See Notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2015
Last 2 Fiscal Years*

		2014	2015
Employer's proportion of the net pension liability (asset)	%	0.023476%	0.023058%
Employer's proportionate share of the net pension liability	$	474,535	823,875
TOTAL	$		
Employer's covered employee payroll	$	2,010,524	1,968,342
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	23.60%	41.86%
Plan fiduciary net position as a percentage of the total pension liability	%	93.29%	89.20%

See Notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit Authority
Schedule of Employer Contributions
PERS 1
As of December 31, 2015
Last 2 Fiscal Years*

		2014	2015
Statutorily or contractually required contributions	$	85,530	95,725
Contributions in relation to the statutorily or contractually required contributions	$	(85,530)	(95,725)
Contribution deficiency (excess)	$	0	0
Covered employer payroll	$	43,817	42,441
Contributions as a percentage of covered employee payroll	%	195.20%	225.55%

See Notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Transit Authority
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2015
Last 2 Fiscal Years*

		2014	2015
Statutorily or contractually required contributions	$	100,962	117,530
Contributions in relation to the statutorily or contractually required contributions	$	(100,962)	(117,530)
Contribution deficiency (excess)	$	0	0
Covered employer payroll	$	2,021,431	2,086,425
Contributions as a percentage of covered employee payroll	%	4.99%	5.63%

See Notes to Required Supplementary Information

Notes to Required Supplementary Information – Pensions
Year Ended December 31, 2015

Note 1 – Information Provided
Jefferson Transit implemented GASB Nos. 68/71 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.
PERS 1 employer contributions include the PERS 1 employer contributions of PERS 2 and PERS 3, which are required to fund the unfunded actuarially accrued liability pursuant to RCW 41.45.060.

Note 2 – Significant Errors
There were no changes in benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3 – Employer Contribution Rate Changes
The employer contribution rates for both the PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

Jefferson County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed throug to Subrecipien	Note
Federal Transit Cluster								
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Capital Investment Grants	20.500	WA-0180	-	468,187	468,187		
			Total Federal Transit Cluster:	**-**	**468,187**	**468,187**		
Federal Transit Administration (fta), Department Of Transportation (via WSDOT)	Formula Grants for Rural Areas	20.509	GCB1613	219,500	-	219,500		
Federal Transit Administration (fta), Department Of Transportation (via WSDOT)	Formula Grants for Rural Areas	20.509	GCB2069	402,520	-	402,520		
Federal Transit Administration (fta), Department Of Transportation (via WSDOT)	Formula Grants for Rural Areas	20.509	GCB1614	26,239	-	26,239		
Federal Transit Administration (fta), Department Of Transportation (via WSDOT)	Formula Grants for Rural Areas	20.509	GCB1730	765,349	-	765,349		
Federal Transit Administration (fta), Department Of Transportation (via WSDOT)	Formula Grants for Rural Areas	20.509	RTAP	4,591	-	4,591		
			Total CFDA 20.509:	**1,418,199**	**-**	**1,418,199**		
			Total Federal Awards Expended:	**1,418,199**	**468,187**	**1,886,386**		

The accompanying notes are an integral part of this schedule.

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
Port Townsend, Jefferson County, Washington

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

This 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 expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Transit's portion, are more than 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.

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