



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

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

# **Whatcom Transportation Authority**

**Whatcom County**

**For the period January 1, 2015 through December 31, 2016**

**Published September 28, 2017**

**Report No. 1019980**





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

September 28, 2017

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

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

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Whatcom Transportation Authority**  
**Whatcom County**  
**January 1, 2016 through December 31, 2016**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Whatcom Transportation 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.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.507	Federal Transit Formula 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 did not qualify 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**

**Whatcom Transportation Authority  
Whatcom County  
January 1, 2015 through December 31, 2016**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Whatcom Transportation Authority, Whatcom County, Washington, as of and for the years ended December 31, 2016 and 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 22, 2017.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits 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.



Pat McCarthy

State Auditor

Olympia, WA

September 22, 2017

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

**Whatcom Transportation Authority  
Whatcom County  
January 1, 2016 through December 31, 2016**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Whatcom Transportation Authority, Whatcom County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2016. 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, 2016.

## **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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 22, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Whatcom Transportation Authority Whatcom County January 1, 2015 through December 31, 2016**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Whatcom Transportation Authority, Whatcom County, Washington, as of and for the years ended December 31, 2016 and 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

relevant to the 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 opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Whatcom Transportation Authority, as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 21 and pension plan information on pages 45 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

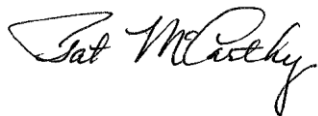
### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming opinions 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 22, 2017 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.



Pat McCarthy

State Auditor

Olympia, WA

September 22, 2017

## **FINANCIAL SECTION**

### **Whatcom Transportation Authority Whatcom County January 1, 2015 through December 31, 2016**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2016 and 2015

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2016 and 2015

Statement of Revenues, Expenses and Changes in Net Position – 2016 and 2015

Statement of Cash Flows – 2016 and 2015

Notes to Financial Statements – 2016 and 2015

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability PERS 1 and PERS 2/3 – 2016

Schedule of Employer Contributions PERS 1 and PERS 2/3 – 2016

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards - 2016

Notes to the Schedule of Expenditures of Federal Awards - 2016

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2016**

## **Overview**

The management of Whatcom Transportation Authority (WTA) provides the readers of WTA's Financial Statements this narrative as an overview and analysis of the financial activities for the year ended December 31, 2016.

Management is responsible for the completeness, reliability, and objectivity of these financial statements. Estimates and judgments used in the financial statements have been made on a prudent and reasonable basis.

Whatcom Transportation Authority was established in 1983 to provide public transit services within the Public Benefit Transportation Area. Current services include:

- Fixed Route – Provides standard bus service on fixed, regularly scheduled routes.
- Paratransit Service – Provides scheduled transportation service to passengers unable to utilize fixed route service.
- Vanpool - A program that makes a vehicle available to groups of 5-15 people for commuting to work.

## **Financial Highlights**

WTA's financial position continued to improve during 2016 due to strong gains in sales tax revenue, reimbursements from the FTA for vehicle purchases and technology improvements, and higher earnings on investments as a result of our large cash and cash equivalents balance.

Fixed route ridership declined 4.7% from 2015. Similarly, many transit agencies throughout the country are experiencing declining ridership. Paratransit ridership increased approximately 4.8% over 2015 as the population of Whatcom County continues to age and more disabled residents use WTA services. Vanpool ridership continues to decrease due to lower gas prices during the year.

Capital grant revenue increased \$4.7 million compared to 2015 due to a number of capital projects that were completed, billed and reimbursed by the FTA during 2016.

Operating expenses for 2016 were \$1.5 million, or 5.2% higher than 2015 expenses primarily due to increased employee wages and benefits. Fuel expense was \$191 thousand, or 19.1% less than 2015 resulting from lower oil prices.

2015 operating expenses were \$1.3 million, or 4.7% higher than 2014 expenses primarily due to employee benefits, progress on the strategic plan, along with parts and supplies related to nine engine rebuilds and the purchase and installation of two remanufactured

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2016**

engines. Fuel expense was \$578 thousand or 36.6% less than 2014 resulting from lower oil prices in the market.

## **Financial Statements**

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

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

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing WTA's net asset changes during the fiscal year. All changes in net assets 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 periods.

The Statement of Cash Flows presents actual 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 serve as a useful indicator of the financial stability of WTA.

## **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information essential to fully understand the data provided in WTA's financial statements and are located following the Statement of Cash Flows and should be read in conjunction with the Financial Statements.

## **Statement of Net Position**

The Condensed Statement of Net Position represents the financial condition of WTA at the end of the last three calendar years and reports all assets, deferred outflows or resources, liabilities, deferred inflows of resources and net position.

A summarized comparison as of December 31, 2016, 2015 and 2014, follows:



**WHATCOM TRANSPORTATION AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)**  
**For the Year Ended December 31, 2016**

**Condensed Statement of Net Position**

	2016	2015	2014
Current Assets	\$ 39,080,498	\$ 37,226,671	\$ 35,376,779
Capital Assets	44,215,043	42,213,829	44,240,513
<b>Total Assets</b>	<b>\$ 83,295,541</b>	<b>\$ 79,440,500</b>	<b>\$ 79,617,292</b>
 <b>Total Deferred Outflows of Resources</b>	 <b>\$ 2,297,078</b>	 <b>\$ 1,309,919</b>	 <b>\$ -</b>
 Current Liabilities	 \$ 2,836,070	 \$ 2,594,858	 \$ 2,431,232
Noncurrent Liabilities	13,346,665	11,212,746	68,367
<b>Total Liabilities</b>	<b>\$ 16,182,735</b>	<b>\$ 13,807,604</b>	<b>\$ 2,499,599</b>
 <b>Total Deferred Inflows of Resources</b>	 <b>\$ 263,351</b>	 <b>\$ 1,693,724</b>	 <b>\$ -</b>
 Invested in capital assets (net of debt)	 \$ 44,215,043	 \$ 42,213,829	 \$ 44,240,513
Unrestricted	24,931,490	23,035,262	32,877,180
<b>Total Net Position</b>	<b>\$ 69,146,533</b>	<b>\$ 65,249,091</b>	<b>\$ 77,117,693</b>

**Assets**

Current assets in 2016 and 2015 increased \$1.85 million each year, or 5.0% and 5.2% respectively, primarily due to increases in cash and cash equivalents resulting from a higher net income than projected coupled with lower receivable balances and inventory.

Capital assets increased \$2 million, or 4.7% in 2016 due to the purchase of seven fixed route and thirteen paratransit buses. In 2015, capital assets declined \$2 million, or 4.6% from 2014 as completed projects began to be depreciated.

**Deferred Outflows of Resources**

Total deferred outflows of resources related to pensions increased \$987 thousand, or 75.4% over 2015 primarily due to the difference between the plans' projected and actual investment earnings. There were no deferred outflows in 2014 as the new Governmental Accounting Standards Board (GASB) Statement 68 requirements did not take effect until 2015.

**Liabilities**

Current liabilities increased \$241 thousand, or 9.3% over 2015 due to higher accrued wages and compensated absence balances at year end. Current liabilities in 2015 increased \$163

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2016**

thousand, or 6.7% over 2014 due to higher outstanding invoices at year end partially offset by a small reduction in accrued compensated absences.

In 2016, noncurrent liabilities increased \$2.1 million, or 19.0% primarily due to the increase in long term pension obligations resulting from the adjustment required by GASB 68. During 2015, noncurrent liabilities increased \$11.1 million over 2014 which was also due to the change in accounting principle related to GASB 68 that went into effect in 2015.

#### Deferred Inflows of Resources

In 2016, deferred inflows related to pensions decreased \$1.4 million, or 84.5% due to the difference between the plans' projected and actual investment earnings. There were no deferred inflows in 2014 as the new GASB 68 requirements did not take effect until 2015.

#### Net Position

The difference between total assets, deferred outflows and inflows, and total liabilities is net position. The change in net position measures whether the overall financial condition of the agency has improved or deteriorated during the year.

Net position in 2016 increased \$3.9 million or 6.0% due to a combination of net investment in assets and increased cash position due to strong operating income. Net position in 2015 decreased \$11.9 million, or 15.4% over 2014 due to the recording of the net pension obligation required by Washington State's Public Employees' Retirement System (PERS) participants.

Net position is reported in the following two categories:

**Net Investment in Capital Assets:** WTA's total investments in land, buildings, buses, equipment, technology, and other infrastructure net of accumulated depreciation. WTA uses these capital assets to provide public transportation services to the citizens and visitors of the Whatcom County Public Transportation Benefit District.

**Unrestricted:** WTA funds available to the agency to meet obligations to its citizens and creditors.

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

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents WTA's results of operating and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

A summarized comparison of WTA's revenues, expenses, and changes in net position for the years ended December 31, 2016, 2015 and 2014, follows:

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2016**

**Condensed Statement of  
Revenues, Expenses and Changes in Fund Net Position**  
(including depreciation)

	<u><b>12/31/2016</b></u>	<u><b>12/31/2015</b></u>	<u><b>12/31/2014</b></u>
Operating Revenues	\$ 4,012,588	\$ 4,381,699	\$ 4,389,228
Operating Expenses	<u>29,980,526</u>	<u>28,494,176</u>	<u>27,209,938</u>
Operating (Loss)	(25,967,938)	(24,112,477)	(22,820,710)
Non-operating revenue	29,849,329	24,071,589	24,931,277
Special Item - see Note 9	-	-	46,202
Gain (Loss) on Disposal of Assets	<u>16,051</u>	<u>(50,224)</u>	<u>(3,807)</u>
<b>Increase (Decrease) in Net Position</b>	3,897,442	(91,112)	2,152,962
Net Position - Beginning of Period	65,249,091	77,117,693	74,964,731
Changes in Accounting Principles-GASB 68	<u>-</u>	<u>(11,777,490)</u>	<u>-</u>
<b>Net Position - End of Period</b>	<u><u>\$ 69,146,533</u></u>	<u><u>\$ 65,249,091</u></u>	<u><u>\$ 77,117,693</u></u>

### Revenues

WTA's operations are funded primarily with local sales tax revenue, passenger fares, and service agreements with other agencies. Capital projects, which are primarily expenditures for procuring or improving fleet and facilities, are largely funded with federal and state grants. Local funds, such as sales tax revenue and passenger fares, are required to supplement the capital project budget in order to meet grant-match requirements or fund projects that do not have grant funding.

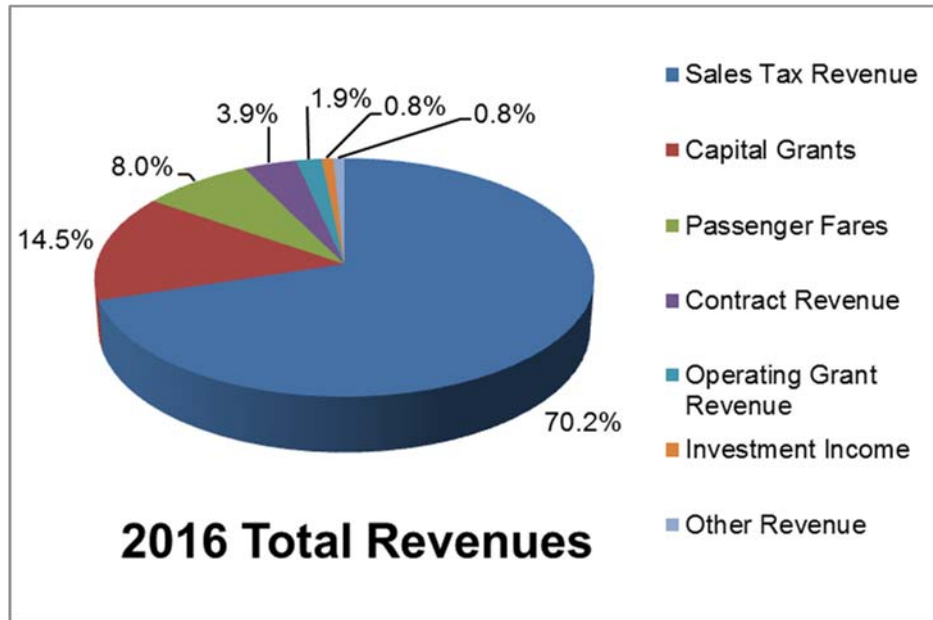
Operating revenues consist primarily of transit and transit related services such as passenger fares, special transit agreements, and vanpool charges. During 2016, operating revenues decreased \$369 thousand, or 8.4% primarily due to a reduction in the contract with the City of Bellingham Transportation Benefit District and a small decrease in passenger fares as ridership continues to decline. In 2015, operating revenues decreased \$8 thousand, or 0.2% versus 2014 due to a slight decline in passenger fares.

Non-operating revenues consist primarily of sales tax revenue, operating grants, advertising revenue, tenant lease income, and interest income. WTA currently receives six-tenths of one percent of Whatcom County sales and use tax. Sales tax revenue increased \$1.1 million, or 4.8% over 2015. In 2015, sales tax revenue increased \$889 thousand, or 4.1% over 2014.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2016**

WTA received operating grant funds totaling \$580 thousand in 2016 through the State of Washington's Department of Transportation for operating assistance for paratransit operations. In 2015, WTA received \$712 thousand.

Additionally, WTA received a Risk Management Grant award for \$2,500 from the Washington State Transit Insurance Pool (WSTIP) in 2016, 2015, and 2014. These funds were allocated to the enhancement of WTA's Emergency Operations and Safety Program.



### Revenue Analysis

Revenues	2016	2015	2014	2016 % of Total	2016 vs. Prev Yr
Operating	\$ 4,012,588	\$ 4,381,699	\$ 4,389,228	11.84%	\$ (369,111)
Invest. Income	286,683	217,812	153,036	0.85%	68,871
Sales Tax	23,781,618	22,696,321	21,807,594	70.20%	1,085,297
Operating Grants	627,672	714,708	847,370	1.85%	(87,036)
Capital Grants	4,897,739	217,944	1,872,633	14.46%	4,679,795
Other Revenue	255,617	224,804	250,644	0.75%	30,813
Special Item	-	-	46,202	0.00%	-
Gain/(Loss)	16,051	(50,224)	(3,807)	0.05%	66,275
<b>Total Revenue</b>	<b>\$ 33,877,968</b>	<b>\$ 28,403,064</b>	<b>\$ 29,362,900</b>	<b>100.00%</b>	<b>\$ 5,474,904</b>

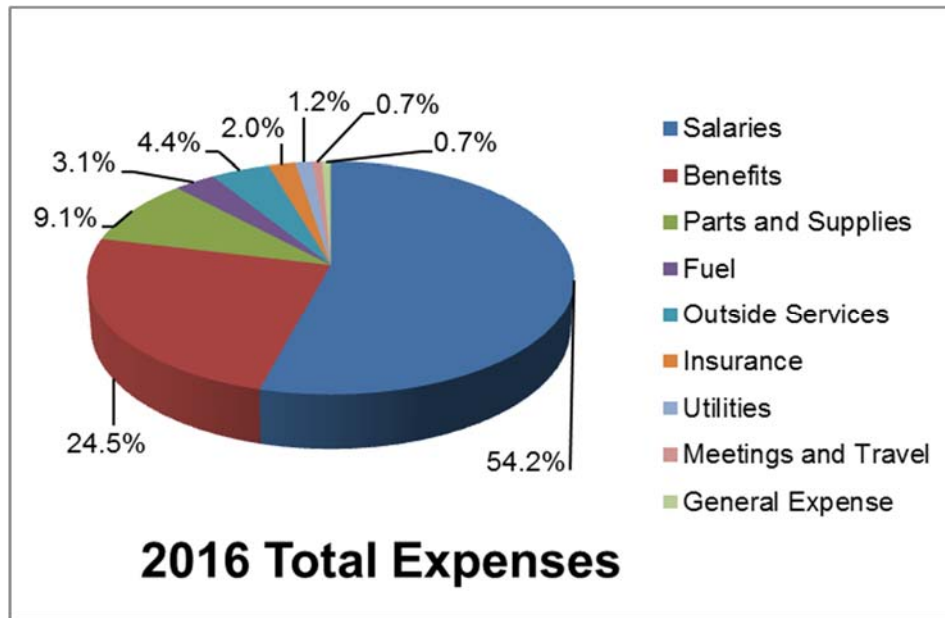
### Expenses

Operating expenses consist of expenses related to transit operations, maintenance, administration, customer service, marketing, depreciation and amortization. During 2016, operating expenses increased \$1.5 million, or 5.2% primarily due to increased employee

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2016**

wages and benefits. This overall increase was tempered by a decrease in fuel expense of \$191 thousand resulting from lower oil prices.

In 2015, operating expenses increased \$1.3 million, or 4.7% over 2014 due to increased benefit costs along with higher maintenance expenses related to engine rebuilds and tire purchases. This increase was partially offset by lower fuel costs.



### Requests for Information

This financial report is designed to provide a general overview of Whatcom Transportation Authority's financial position. Questions regarding this report or requests for additional information should be directed to:

Shonda L. Shipman, CPA, CGMA  
Director of Finance  
Whatcom Transportation Authority  
4111 Bakerview Spur  
Bellingham, WA 98226-8056  
(360) 788-9331

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET POSITION**

**December 31, 2016 and 2015**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents	\$ 33,071,616	\$ 30,881,534
Taxes Receivable	4,383,548	4,130,209
Accounts Receivable (Net)	117,233	145,589
Interest Receivable	26,539	20,305
Grants Receivable	226,709	274,708
Due from Other Governments	76,163	416,545
Inventories	979,281	1,161,880
Prepayments	199,409	195,901
Total current assets	<u>39,080,498</u>	<u>37,226,671</u>
Noncurrent assets:		
Capital Assets not Being Depreciated:		
Land	6,130,578	6,130,578
Construction in Progress	1,456,965	695,068
Capital Assets Being Depreciated:		
Buildings	23,880,804	23,880,804
Improvements	3,141,036	3,141,035
Transportation Equipment	35,285,508	32,030,857
Other Equipment	5,441,447	5,430,718
Maintenance/shop equipment	1,892,988	1,879,955
Communications equipment	2,525,663	1,531,245
Less: Accumulated depreciation	<u>(35,539,946)</u>	<u>(32,506,431)</u>
Total Noncurrent Assets	44,215,043	42,213,829
 TOTAL ASSETS	 <u>\$ 83,295,541</u>	 <u>\$ 79,440,500</u>
 <b>DEFERRED OUTFLOWS of RESOURCES</b>		
Deferred Outflows Related to Pensions	\$ 2,297,078	\$ 1,309,919
 TOTAL DEFERRED OUTFLOWS of RESOURCES	 <u>\$ 2,297,078</u>	 <u>\$ 1,309,919</u>

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

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET POSITION**

**December 31, 2016 and 2015**

<b>LIABILITIES</b>	<u>2016</u>	<u>2015</u>
Current liabilities:		
Accounts Payable	\$ 457,148	\$ 462,695
Accrued Wages	503,455	472,491
Unearned Revenue	72,033	-
Accrued Compensated Absences	1,512,070	1,379,513
Other Accrued Expenses	291,364	280,159
Total Current Liabilities	<u>2,836,070</u>	<u>2,594,858</u>
Noncurrent Liabilities:		
Accrued Long-Term Compensated Absences	97,224	85,364
Other Noncurrent Liabilities	5,426	5,426
Pension Obligations (Net)	13,244,015	11,121,956
Total noncurrent liabilities	<u>13,346,665</u>	<u>11,212,746</u>
 TOTAL LIABILITIES	 <u>\$ 16,182,735</u>	 <u>\$ 13,807,604</u>
 <b>DEFERRED INFLOWS of RESOURCES</b>		
Deferred Inflows Related to Pensions	\$ 263,351	\$ 1,693,724
 TOTAL DEFERRED INFLOWS of RESOURCES	 <u>\$ 263,351</u>	 <u>\$ 1,693,724</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	44,215,043	42,213,829
Unrestricted	24,931,490	23,035,262
<b>TOTAL NET POSITION</b>	<u>\$ 69,146,533</u>	<u>\$ 65,249,091</u>

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

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Passenger Fares	\$ 2,706,733	\$ 2,776,591
Special Transit Fares	1,305,855	1,605,108
Total Operating Revenues	<u>4,012,588</u>	<u>4,381,699</u>
OPERATING EXPENSES:		
Operations	16,250,662	14,509,808
Maintenance	5,104,954	4,745,815
Administrative Expenses	4,557,246	5,423,383
Depreciation	4,067,664	3,815,170
Total Operating Expenses	<u>29,980,526</u>	<u>28,494,176</u>
Operating Loss	<u>(25,967,938)</u>	<u>(24,112,477)</u>
NONOPERATING REVENUES:		
Sales Tax	23,781,618	22,696,321
External subsidies - grant revenue	5,525,411	932,652
Investment income	286,683	217,812
Other non operating revenues	255,617	224,804
Total Nonoperating Revenues	<u>29,849,329</u>	<u>24,071,589</u>
Income / (Loss) before contributions, gains, losses, other revenues and expenses	3,881,391	(40,888)
Special item	-	-
Gain/(Loss) on asset disposal	16,051	(50,224)
Increase / (decrease) in net position	<u>3,897,442</u>	<u>(91,112)</u>
Net Position - beginning of period	65,249,091	77,117,693
Changes in Accounting Principles-GASB 68	-	(11,777,490)
Net Position - end of period	<u>\$ 69,146,533</u>	<u>\$ 65,249,091</u>

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



**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF CASH FLOWS**

**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 4,381,327	\$ 4,474,717
Payments to employees	(20,528,522)	(19,297,906)
Payments to suppliers	(5,509,978)	(5,482,300)
Other receipts (payments)	50,755	(295,741)
Net cash (used) by operating activities	<u>(21,606,418)</u>	<u>(20,601,230)</u>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>		
Tax receipts	23,781,618	22,696,321
Operating contributions - grants	627,672	714,708
Other noncapital financing activities	255,617	224,804
Net cash provided by noncapital financing activities	<u>24,664,907</u>	<u>23,635,833</u>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Capital contributions - grants	4,897,739	217,944
Purchases of capital assets	(6,068,880)	(1,788,485)
Other receipts (payments)	16,051	(50,224)
Net cash (used) by capital and related financial activities	<u>(1,155,090)</u>	<u>(1,620,765)</u>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Interest and dividends	286,683	217,812
Net cash provided by investing activities	<u>286,683</u>	<u>217,812</u>
Net increase in cash and cash equivalents	2,190,082	1,631,650
Balances - beginning of the year	30,881,534	29,249,884
Balances - end of the year	<u>\$ 33,071,616</u>	<u>\$ 30,881,534</u>

**Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities**

Operating (loss)	\$ (25,967,938)	\$ (24,112,477)
Adjustments to reconcile operating income to net cash provided:		
Depreciation expense	4,067,664	3,815,170
Change in assets and liabilities:		
Receivables, net	157,165	(24,749)
Inventories and other current assets	179,091	(193,493)
Accounts and other payables	241,212	163,626
Accrued expenses	(283,612)	(249,307)
Net cash (used) by operating activities	<u>\$ (21,606,418)</u>	<u>\$ (20,601,230)</u>

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

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

(These notes are an integral part of these financial statements)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Whatcom Transportation Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. Reporting Entity**

Whatcom Transportation Authority was incorporated in August 1983 and operates under the laws of the state of Washington applicable to a municipality.

The Authority is a special purpose government and provides transportation services to the general public within Whatcom County and is supported primarily through local sales tax collections and user charges. It is governed by an appointed nine-member board of elected officials that are representative of the districts served by WTA. As required by the generally accepted accounting principles, management has considered all potential component units in defining the reporting entity and has determined that the Authority has no component units.

**B. Measurement Focus, Basis of Accounting**

Statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority come from fare box collections and bus pass media sales. The Authority also recognizes vanpool income and special transit fare agreements with other governmental agencies as operating revenue. Operating expenses for the Authority include, but are not limited to, wages and benefits, vehicle maintenance and operations costs, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**C. Assets, Liabilities and Net Position****1. Cash and Cash Equivalents**

It is the Authority's policy to invest all temporary cash surpluses. At December 31, 2016, Whatcom Transportation Authority was holding \$33,071,616 in short-term residual investments of surplus cash, of which \$32,911,563 was held in the Whatcom

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

**(These notes are an integral part of these financial statements)**

County Investment Pool. This amount is classified on the balance sheet as cash and cash equivalents. The 2015 year-end balance was \$30,881,534.

For purposes of the statement of cash flows, the Authority considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**2. Receivables**

Taxes receivable at December 31, 2016 consist of \$4,344,339 in state sales tax receivable for the months of November 2016 and December 2016, and \$39,209 due from the Washington State Department of Licensing representing the State gas and diesel taxes paid on fuel purchases to be refunded. WTA is required to pay this fuel tax on purchases of fuel from its vendor and then applies for a refund based upon monthly revenue vehicle usage. Taxes receivable at December 31, 2015 were \$4,072,549 and \$57,660 respectively.

Customer accounts receivable at December 31, 2016 of \$117,233 consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. This amount is considered fully collectible by WTA. Customer accounts receivable at December 31, 2015 was \$145,589.

Grants receivable at December 31, 2016 consist of \$144,887 due from the Washington State Department of Transportation and \$81,822 due from the Federal Transit Administration. Grants receivable at December 31, 2015 were \$144,887 and \$129,821 respectively.

Interest receivable at December 31, 2016 totaled \$26,539. This is interest earned on investments and tax revenues through the end of the year but not received by year end. Interest receivable at December 31, 2015 was \$20,305.

3. Amounts Due from Other Governments at December 31, 2016 consist of \$83,598 from Bellingham Transportation Benefit District #1 for contracted bus service and (\$7,435) due to the Nooksack Indian Tribe for fixed route service. Amounts due at year-end 2015 were \$387,155 from Bellingham Transportation Benefit District #1, and \$29,390 from the Nooksack Indian Tribe.

4. Inventories are valued by the weighted average method. Inventories were valued at \$979,281 at December 31, 2016 and \$1,161,880 at December 31, 2015. This decrease was due to the surplus of nearly \$170,000 in obsolete spare parts that were no longer needed subsequent to the disposal of our Orion fixed route fleet.

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

**(These notes are an integral part of these financial statements)**

5. Capital Assets See Note 3, *Capital Assets*.

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

The Authority has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Authority has sufficient legal interest to include these assets in WTA's records.

Property, plant, and equipment of the Authority are depreciated using the straight-line method with useful lives of 3 to 30 years.

6. Deferred Outflows/Inflows of Resources See Note 6, *Pensions*

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Most non-exempt employees of the Whatcom Transportation Authority are covered by a bargaining agreement with the Amalgamated Transit Union #843. Under provisions of this contract, employees accrue vacation benefits at rates of 104 - 200 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. Exempt employees accrue vacation benefits at rates of 144 - 248 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. The maximum amount of vacation accrual is 24 months and sick leave is 1,000 hours.

At separation, an employee in good standing with an accrued sick leave balance of 500 hours or greater can cash out 60% of the sick leave balance. Those with an accrued sick leave balance of 300 to 499 hours at time of separation can cash out 30% of that balance. As of December 31, 2016, a liability of \$1,609,294 has been accrued for vacation, sick leave and related benefits liability. The liability at year end 2015 was \$1,464,877.

8. Pensions See Note 6, *Pension Plans*

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

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

**(These notes are an integral part of these financial statements)**

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Unearned Revenues

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met. \$72,033 was recognized for 2017 passes delivered to Western Washington University in 2016.

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

WTA implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* in 2015. The Statement took effect for governments in fiscal years beginning after June 15, 2014. The statement revises and established new financial reporting requirements for most state and local governments that provide their employees with pension benefits.

The implementation required a restatement of the 2014 unrestricted net position in the amount of \$11,777,490 to properly reflect the agency's deferred outflows and inflows of resources related to pensions, the net pension obligation and pension expense for activity prior to 2015.

WTA will continue to update these balances annually based on information received from the Washington State Department of Retirement Systems.

See Note 6 *Pension Plans* for additional information.

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

(These notes are an integral part of these financial statements)

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<b>Beginning Balance 1/1/2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2016</b>
Capital assets, not being depreciated:				
Land	\$ 6,130,578	\$ -	\$ -	\$ 6,130,578
Work in progress	695,068	1,456,965	695,068	1,456,965
<b>Total capital assets, not being depreciated</b>	<b>6,825,646</b>	<b>1,456,965</b>	<b>695,068</b>	<b>7,587,543</b>
Capital assets, being depreciated:				
Buildings	23,880,804	-	-	23,880,804
Improvements other than buildings	3,141,035	5,400	5,399	3,141,036
Transportation equipment	32,030,857	4,258,211	1,003,560	35,285,508
Communications equipment	1,531,245	1,006,469	12,051	2,525,663
Maintenance/shop equipment	1,879,955	13,033	-	1,892,988
Other equipment	5,430,718	28,935	18,206	5,441,447
<b>Total capital assets being depreciated</b>	<b>67,894,614</b>	<b>5,312,048</b>	<b>1,039,216</b>	<b>72,167,446</b>
Less accumulated depreciation for:				
Buildings	10,557,576	819,621	-	11,377,197
Improvements other than buildings	1,944,652	169,255	31,527	2,082,380
Transportation equipment	14,163,778	2,871,913	1,414,877	15,620,814
Communications equipment	828,112	279,370	12,051	1,095,431
Maintenance/shop equipment	990,364	116,694	1,305	1,105,753
Other equipment	4,021,949	254,628	18,206	4,258,371
<b>Total accumulated depreciation</b>	<b>32,506,431</b>	<b>4,511,481</b>	<b>1,477,966</b>	<b>35,539,946</b>
<b>Total capital assets, net</b>	<b>\$42,213,829</b>	<b>\$2,257,532</b>	<b>\$ 256,318</b>	<b>\$44,215,043</b>

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

(These notes are an integral part of these financial statements)

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

	<b>Beginning Balance 1/1/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2015</b>
Capital assets, not being depreciated:				
Land	\$ 6,130,578	\$ -	\$ -	\$ 6,130,578
Work in progress	1,741,957	695,068	1,741,957	695,068
<b>Total capital assets, not being depreciated</b>	<b>7,872,535</b>	<b>695,068</b>	<b>1,741,957</b>	<b>6,825,646</b>
Capital assets, being depreciated:				
Buildings	23,880,804	-	-	23,880,804
Improvements other than buildings	2,812,639	328,396	-	3,141,035
Transportation equipment	32,025,177	657,655	651,975	32,030,857
Communications equipment	1,247,603	433,153	149,511	1,531,245
Maintenance/shop equipment	1,658,610	221,345	-	1,879,955
Other equipment	4,173,330	1,264,149	6,761	5,430,718
<b>Total capital assets being depreciated</b>	<b>65,798,163</b>	<b>2,904,698</b>	<b>808,247</b>	<b>67,894,614</b>
Less accumulated depreciation for:				
Buildings	9,737,954	819,622	-	10,557,576
Improvements other than buildings	1,799,254	145,398	-	1,944,652
Transportation equipment	12,388,566	2,514,198	738,986	14,163,778
Communications equipment	852,675	495,089	519,652	828,112
Maintenance/shop equipment	876,668	113,696	-	990,364
Other equipment	3,775,068	253,642	6,761	4,021,949
<b>Total accumulated depreciation</b>	<b>29,430,185</b>	<b>4,341,645</b>	<b>1,265,399</b>	<b>32,506,431</b>
<b>Total capital assets, net</b>	<b>\$44,240,513</b>	<b>\$ (741,879)</b>	<b>\$ 1,284,805</b>	<b>\$42,213,829</b>

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

(These notes are an integral part of these financial statements)

**NOTE 4 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 1/1/2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2016</b>	<b>Due Within One Year</b>
Pension obligations	\$ 11,121,956	\$ 2,122,059	\$ -	\$ 13,244,015	\$ -
Compensated absences	85,364	11,860	-	97,224	-
Other noncurrent liabilities	5,426	-	-	5,426	-
<b>Total Long-Term Liabilities</b>	<b>\$ 11,212,746</b>	<b>\$ 2,133,919</b>	<b>\$ -</b>	<b>\$ 13,346,665</b>	<b>\$ -</b>

**NOTE 5 - CONTINGENCIES AND LITIGATIONS**

The Authority has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on the available information, management believes it is probable that the Authority will have to make payment.

WTA has twelve (12) unresolved claims against it as of December 31, 2016. Financial Accounting Standards Statement 5 requires an accrual of potential losses if:

- a) There is significant information to indicate a loss is likely to occur, and
- b) The amount of the loss can be reasonably estimated.

None of the claims or suites requires a loss accrual under these criteria.

In the opinion of management, such claims will be immaterial and will not have any significant effect on the financial position of WTA. The Washington State Transit Insurance Pool (WSTIP) covers all current claims under the pool's coverage limits.

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



**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

(These notes are an integral part of these financial statements)

## 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 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(13,244,015)
Deferred outflows of resources	\$2,297,077
Deferred inflows of resources	\$(263,351)
Pension expense/expenditures	\$1,237,136

### State Sponsored Pension Plans

Substantially all Whatcom Transportation Authority 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](http://www.drs.wa.gov).

### Public Employees' Retirement System (PERS)

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

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2016**

**(These notes are an integral part of these financial statements)**

**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 2016 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>

\* For employees participating in JBM, the contribution rate was 12.26%.

**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:

**WHATCOM TRANSPORTATION AUTHORITY  
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- 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 2016 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>

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\* For employees participating in JBM, the contribution rate was 15.30%.

The Authority's actual PERS plan contributions were \$671,074 to PERS Plan 1 and \$861,536 to PERS Plan 2/3 for the year ended December 31, 2016.

### **Actuarial Assumptions**

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

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

### **Discount Rate**

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

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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, 2016, 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
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%
	<b>100%</b>	

**WHATCOM TRANSPORTATION AUTHORITY**  
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**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the Authority's proportionate share\* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority'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.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$7,334,027	\$6,081,790	\$5,004,163
PERS 2/3	13,186,945	7,162,225	(3,728,352)

**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, 2016, the Authority reported a total pension liability of \$13,244,015 for its proportionate share of the net pension liabilities as follows:

	<b>Liability</b>
PERS 1	\$6,081,790
PERS 2/3	\$7,162,225

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

	<b>Proportionate Share 6/30/15</b>	<b>Proportionate Share 6/30/16</b>	<b>Change in Proportion</b>
PERS 1	0.114870%	0.113245%	-0.001625%

**WHATCOM TRANSPORTATION AUTHORITY**  
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PERS 2/3	0.143104%	0.142251%	-0.000853%
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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*.

The collective net pension liability was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2015, with updated procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2016, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$233,355
PERS 2/3	\$1,003,782
TOTAL	\$1,237,137

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

At December 31, 2016, the Authority 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
Net difference between projected and actual investment earnings on pension plan investments	\$153,130	\$ -

**WHATCOM TRANSPORTATION AUTHORITY**  
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Contributions subsequent to the measurement date	\$339,055	\$ -
<b>TOTAL</b>	<b>\$492,185</b>	<b>\$ -</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$381,383	\$(236,437)
Net difference between projected and actual investment earnings on pension plan investments	\$876,451	\$ -
Changes of assumptions	\$74,027	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$36,612	\$(26,915)
Contributions subsequent to the measurement date	\$436,420	\$ -
<b>TOTAL</b>	<b>\$1,804,892</b>	<b>\$(263,351)</b>

<b>Total of All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$381,383	\$(236,437)
Net difference between projected and actual investment earnings on pension plan investments	\$1,029,581	\$ -
Changes of assumptions	\$74,027	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$36,612	\$(26,915)



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Contributions subsequent to the measurement date	\$775,475	\$ -
TOTAL	\$2,297,078	\$(263,351)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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
2017	\$(37,704)
2018	\$(37,704)
2019	\$140,633
2020	\$87,904
2021	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2017	\$11,792
2018	\$11,792
2019	\$667,836
2020	\$413,702
2021	\$ -
Thereafter	\$ -

## NOTE 7 – RISK MANAGEMENT

Whatcom Transportation Authority is a member of the Washington State Transit Insurance Pool (The Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint management of services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 of the RCW, the Interlocal Cooperation Act. The Pool was formed on January 1, 1989. To date, 25 transit agencies are members of the Pool.

The Pool allows members programs of joint self-insurance; joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. The Pool is fully funded by its member participants. Members make an annual contribution to the pool. The pool acquires reinsurance from unrelated underwriters that are subject to a pool per occurrence self-insured retention. Members are responsible for the selected deductible amounts

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of each claim. Claims are filed by members and the Pool performs claims adjustments, loss prevention, and appraisal services.

WTA joined the Pool in December 1995, for coverage effective January 1, 1996. Current coverage includes:

<b>Risk</b>	<b>Coverage</b>	<b>Deductible</b>
Bodily Injury / Property Damage	\$20,000,000 per each occurrence	\$5,000
Personal Injury / Advertising Injury	\$20,000,000 per offense	\$5,000
Vanpool Driver Medical Expense Protection	\$35,000 per each occurrence	\$5,000
Underinsured Motorists Coverage	\$60,000 per each occurrence	\$5,000
Employee Theft	\$1,000,000 per loss	\$10,000
Forgery or Alteration	\$1,000,000 per loss	\$10,000
Theft of Money & Securities	\$1,000,000 per loss	\$10,000
Computer Fraud	\$1,000,000 per loss	\$10,000
Funds Transfer Fraud	\$1,000,000 per loss	\$10,000
Money Orders and Counterfeit Currency	\$1,000,000 per loss	\$10,000
Public Officials Liability	\$20,000,000 per occurrence	\$5,000
Pollution and Remediation	\$5,000,000 per condition	\$5,000

## **NOTE 8 – HEALTH & WELFARE**

Whatcom Transportation Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more

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local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

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

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or

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towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

**WHATCOM TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2016**

**Whatcom Transportation Authority  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30:**

	2016	2015	2014
Employer's proportion of the net pension liability	0.113245%	0.114870%	0.114069%
Employer's proportionate share of the net pension liability	\$ 6,081,790	\$ 6,008,769	\$ 5,746,279
Covered payroll	\$13,433,571	\$12,931,070	\$12,365,861
Employer's proportionate share of the net pension liability as a percentage of covered payroll	45.27%	46.47%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%

**Whatcom Transportation Authority  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3  
As of June 30:**

	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.142251%	0.143104%	0.141492%
Employer's proportionate share of the net pension liability	7,162,225	5,113,187	2,860,064
Covered payroll	13,317,631	12,728,953	12,158,934
Employer's proportionate share of the net pension liability as a percentage of covered payroll	53.78%	40.17%	23.52%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%

**WHATCOM TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
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**Whatcom Transportation Authority  
Schedule of Employer Contributions  
PERS 1  
For the year ended December 31:**

	2016	2015	2014
Statutorily or contractually required contributions	672,192	577,964	523,496
Contributions in relation to the statutorily or contractually required contributions	(672,192)	(577,964)	(523,496)
Contribution deficiency (excess)	0	0	0
Covered payroll	13,976,438	13,029,862	12,666,334
Contributions as a percentage of covered payroll	4.81%	4.44%	4.13%

**Whatcom Transportation Authority  
Schedule of Employer Contributions  
PERS 2/3  
For the year ended December 31:**

	2016	2015	2014
Statutorily or contractually required contributions	865,216	727,640	620,275
Contributions in relation to the statutorily or contractually required contributions	(865,216)	(727,640)	(620,275)
Contribution deficiency (excess)	0	0	0
Covered payroll	13,874,771	12,917,257	12,418,906
Contributions as a percentage of covered payroll	6.24%	5.63%	4.99%

**Whatcom Transportation Authority**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards		
Federal Transit Cluster								
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X547	-	205,966	-	205,966	1, 2
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X548	-	315,460	-	315,460	1, 2
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-2016-004	-	460,089	-	460,089	1, 2
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-2016-042	-	2,831,384	-	2,831,384	1, 2
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-2016-043	-	1,084,840	-	1,084,840	1, 2
Total Federal Transit Cluster:				-	4,897,739		4,897,739	
Total Federal Awards Expended:				-	4,897,739		4,897,739	

The accompanying notes are an integral part of this schedule.

## **Whatcom Transportation Authority**

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2016**

**Note 1 – Basis of Accounting**

This schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the full-accrual basis of accounting.

**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 Authority portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>