

# **Skagit Transit**

*Serving  
The Skagit County  
Public Benefit Area  
Burlington, Washington*

## **Annual Financial Report**

For The Fiscal Year Ended  
December 31, 2010



**SKAGIT  
TRANSIT**

# Skagit Transit

Skagit County, Washington

# Annual Financial Report

Year Ended December 31, 2010

MCAG 2744  
Submitted pursuant to R.C.W. 43.09.230  
To the  
Washington State Auditor's Office

Prepared by:  
Department of Finance & Administration

Certified correct this 27th day of May, 2011, to the best of my knowledge and belief:

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# Skagit Transit

## *Management Discussion & Analysis*

This section of Skagit Transit's Annual Financial Report presents management's overview and analysis of the PTBA's financial performance for the fiscal year ended December 31, 2010. This section should be read in conjunction with the financial statements and notes to the financial statements that follow this section.

### **Financial Highlights**

- The assets of Skagit Transit exceeded its liabilities at December 31, 2010, by \$27,837,356. Of this amount, \$11,410,559 may be used to meet Skagit Transit's ongoing obligations to provide services to the public, including the capital program, and to meet the obligations of creditors.
- Skagit Transit total net assets increased by \$2,629,186 in 2010. The overall financial condition of Skagit Transit as of December 31, 2010 was considered to have slightly improved. Reserve funding was authorized to be used during previous years for operations, but a major layoff occurred as of October 31, 2002, which insured that future spending of the Reserve Funds will not occur in order to balance the operating budget. At year-end, the budget was balanced with Skagit Transit projected to remain in the black for operating expenses throughout 2010.
- Passenger Fares decreased by \$3,616 between 2009 and 2010.
- Skagit Transit remained free of long-term debt during the period.

### **Summary of Net Assets**

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets	11,885,204	10,311,426
Capital Assets	<u>16,426,797</u>	<u>15,435,387</u>
Total Assets	28,312,001	25,746,813
Liabilities		
Current Liabilities	328,295	385,540
Noncurrent Liabilities	<u>146,350</u>	<u>153,103</u>
Total Liabilities	474,645	538,643
Net Assets		
Invested in Capital Assets	16,426,797	15,435,387
Unrestricted	<u>11,410,559</u>	<u>9,772,783</u>
Ending Net Assets	<u>\$ 27,837,356</u>	<u>\$ 25,208,170</u>

## Summary Statement of Revenues, Expenses and Changes in Net Assets

	2010	2009
Operating Revenues:		
Passenger Fares	\$ 696,363	\$ 699,979
Non-Operating Revenues		
Sales Tax	7,854,632	7,154,633
Interest	26,185	48,886
Grants	2,080,530	1,927,172
Gain (loss) on Disposition of Assets	(176,496)	(27,652)
Other Non-operating Revenues	46,530	130,335
Total Revenues	10,527,744	9,933,353
Operating Expenses		
Operations	4,638,615	3,961,364
Maintenance	1,576,935	1,550,613
Administration	1,734,720	1,826,587
Depreciation	1,373,562	1,042,614
Total Expenses	9,323,832	8,381,178
Net Income (loss) Before Contributions	1,203,912	1,552,175
Capital Grants and Contributions	1,425,274	3,508,483
Total Change in Net Assets	2,629,186	5,060,658
Net Assets - Beginning of Year	25,208,170	20,147,512
Net Assets - End of Year	\$27,837,356	\$25,208,170

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of Skagit Transit report information about the PTBA using accounting methods similar to those used by private sector companies.

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

The Statement of Revenues, Expenses and Changes in Fund Net Assets presents information showing how the PTBA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, sales tax collected by merchants but not yet remitted to the PTBA, and earned but unused vacation leave).

This MD&A should be viewed along with the attached financial statements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within financial statements. The notes to the financial statements can be found in this report.

## **Financial Analysis**

### **Net Assets**

For the year ending December 31, 2010, assets exceeded liabilities by \$27,837,356. Transit is a capital-intensive enterprise, and 59 % of Skagit Transit's net assets are invested in capital assets.

Skagit Transit ended 2010 with \$16,426,797 in Capital Assets. See Note 3 for further information.

During 2010 Capital Assets increased by \$991,410. Skagit Transit acquired additional property to build a new Park and Ride in 2009. The construction for South Mount Vernon Park and Ride and March's Point Park and Ride that began in 2009 completed in 2010. Skagit Transit also purchased nine (9) new buses and one (1) new service vehicles, in 2010.

Inventory levels slightly increased during 2010. It is expected that inventory levels will be maintained at appropriate levels to match our service levels.

Skagit Transit was successfully awarded two new federal grants, one state grant and one local grant in 2010. Skagit Transit continues to aggressively seek all available grants.

Cash and cash equivalents were increased in 2010 from 2009. Skagit Transit was successful to receive state and federal grants to fund most of the capital project such as the new park and ride in Mt. Vernon, March's Point, and Chuckanut. Skagit Transit used local funds to purchase one (1) new service vehicle and nine (9) new buses in 2010.

The Net Assets for Skagit Transit are valued at \$27,837,356 as of December 31, 2010.

### **Operating Revenues**

Operating Revenues for fares decreased by \$3,616 during 2010. Fixed Route service had a revenue increase of \$39,478, Dial-a-Ride had an increase of \$660 and Vanpool had a decrease of \$43,762. Skagit Transit operated an additional 3,310 revenue hours of Fixed Route Service over 2009 due to 2010 being the first full year of increased service after the sales tax increase that was first received in June 2009. Dial-a-Ride operated an

additional 2,532 revenue hours. In 2010, ridership for Fixed Route increased by 7% and for Dial-a-Ride by 9%.

### **Non-Operating Revenues**

Revenues from the transit portion of the sales tax increased by \$699,999 or 9.8% over 2009. In November 2008, the proposition to increase sales tax from 2/10 of 1% to 4/10 of 1% was approved by the voters and went into effect in April 2009.

Interest income was \$26,185 in 2010. It decreased in 2010 by 53.56% from \$48,886 received in 2009.

Grant revenues were derived from twelve (12) federal, state and local grants for use in capital and operating expenditures.

### **Operating Expenses**

Operating expenses increased during 2010 as a result of inflation and implementation of new services.

Fixed Route refers to regularly scheduled buses operating on established routes.

Dial-A-Ride refers to ADA paratransit service that is scheduled through a dispatch center.

Vanpool service was initiated in June 2002. Skagit Transit Vanpool program supported 34 vanpool groups compared to 35 groups in 2009. The decrease in participation was attributed to the economic downturn and lower fuel costs.

#### Operating Expenses by Department

Operations – \$4,638,615 - The department is responsible for all on-street services, including operators, dispatchers, and scheduling for bus service to the public.

Maintenance - \$1,576,935 – The department is responsible for all vehicles including fueling, parts, cleaning, servicing, and facility upkeep.

Administration - \$1,734,720 – The department is responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, human resource, and safety.

Depreciation - \$1,373,562 - This is the estimated pro-ration of the cost of capital assets over the useful life of the asset.

Total Operating Expenses were \$9,323,832.

Capital Assets are depreciated based on their actual costs spread over their useful life.

### **Economic Factors and Future Outlook**

Skagit County includes the Mount Vernon Urbanized Area (UZA). This UZA is comprised of the urban growth areas of the cities of Mount Vernon, Burlington, and Sedro-Woolley. This designation of the UZA brings to Skagit Transit the availability of receiving federal funding for urban transit systems. It also brings the responsibility of Skagit Transit's involvement in the new Metropolitan Planning Organization.

The population of Skagit County has been growing at rates surpassing population growth throughout the state. During the time period from 2000 through 2010, the county population grew at 15.85% rate compared to 14.24% for the state.

The economy had been hit hard by the layoffs by the various large employers located in Seattle and Everett. The economic recovery has continued to be slow in 2009 and 2010.

Skagit Transit's main source of revenue is a portion of the local sales tax, which also serves as an economic barometer. The sales tax revenue decreased by 9.3% in 2008 over 2007, but increased 55.5% in 2009 over 2008 and 9.8% in 2010 over 2009. These increases are due to the increased share of sales tax from 2/10 of 1% to 4/10 of 1% that began in 2009.

The county's average unemployment rate is 9.3% with 5,730 of the 57,990 of the available workforce unemployed.

Skagit Transit's revenues were severely cut in 2000 when the Motor Vehicle Excise Tax (MVET) was removed. Skagit Transit operated slightly reduced service levels for the next two years using reserve funding as authorized by our Board of Directors. When the PTBA residents soundly defeated an attempt to increase the local transit portion of sales tax in September of 2002, Skagit Transit was forced to reduce service substantially and live within its revenue flow. The budget was designed to allow minimal growth in services while staying within the revenue stream. In November 2008, the Proposition to increase sales tax by 2/10 of 1% for Skagit Transit was passed. The increase in sales tax revenue in the future will ensure Skagit Transit will be able to continue expanding to implement more services in the PTBA.

Grant applications were submitted for the 2011-2013 fiscal years and are pending decision of award. Outside restriction on the reserve funds and their use, other Skagit Transit assets are without restriction, commitments or other limitations for future use.

Skagit Transit management has made a commitment to meeting the needs of the public, in a financially sound manner.

### **Capital Assets**

Skagit Transit's investment in capital assets as of December 31, 2010, amounted to \$16,426,797, net accumulated depreciation. Capital assets consist of transit coaches and other vehicles, buildings, equipment, transit centers and park and ride lots. Capital assets increased by 6.42% during the year. In 2010, Skagit Transit purchased ten (10) new buses that were put in service in 2010. Two of three park and ride construction projects (South Mount Vernon and March's Point were completed in 2010).

Please refer to Note 3 of Notes to the Financial Statements for more information.

**Request for Information**

This financial report is designed to provide a general overview of the PTBA's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Manager of Finance & Administration, 600 County Shop Lane, Burlington, WA 98233, telephone 360-757-8801.



**Skagit Transit**  
**Statement of Net Assets**  
**December 31, 2010**

**ASSETS**

Current Assets:	
Cash	\$ 2,789,882
Investments	5,837,145
Taxes receivables	1,446,876
Accounts receivable (net of allowance for uncollectibles)	2,920
Due from other governments	1,491,670
Inventory	316,711
Total Current Assets	11,885,204
Noncurrent Assets:	
Capital assets not being depreciated	
Land	3,323,563
Right of way	850,000
Construction in Progress	238,285
Capital assets being depreciated	
Buildings	4,421,153
Improvements other than buildings	3,166,388
Vehicles	10,472,314
Equipment & Furnishings	997,352
Intangible Assets	273,883
<i>Less: Accumulated depreciation</i>	
Buildings	(1,535,549)
Improvements other than buildings	(443,062)
Vehicles	(4,479,710)
Equipment & Furnishings	(720,560)
Intangible Assets	(137,260)
Total Net Capital Assets	16,426,797
Total Noncurrent Assets	16,426,797
<b>Total Assets</b>	<b>\$ 28,312,001</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	77,524
Compensated Absences	47,422
Benefit payable	65,908
Deferred credits	1,274
Taxes and other payables	136,167
Total Current Liabilities	328,295
Noncurrent liabilities:	
Compensated Absences	146,350
Total Noncurrent Liabilities	146,350
<b>Total Liabilities</b>	<b>\$ 474,645</b>
Net Assets:	
Net Assets, Invested in Capital Assets	16,426,797
Unrestricted	11,410,559
<b>Total Net Assets</b>	<b>\$ 27,837,356</b>

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

**Skagit Transit**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For Fiscal Year Ended December 31, 2010**

Operating Revenues:	
Passenger Fares	\$ 696,363
Total Operating Revenues	696,363
Operating Expenses:	
Operations	4,638,615
Maintenance	1,576,935
Administration	1,734,720
Depreciation	1,373,562
Total Operating Expenses	9,323,832
Operating Income (Loss)	(8,627,469)
Non-Operating Revenues (Expenses)	
Sales Tax	7,854,632
Interest	26,185
Grants	2,080,530
Gain (loss) on Disposition of Assets	(176,496)
Other Non-operating Revenues (Expenses)	46,530
Total Non-Operating Revenues (Expenses)	9,831,381
Income(loss) before contributions, gains, losses, other revenues and expenses	1,203,912
Capital Grants and Contributions	1,425,274
Increase (decrease) in net assets	2,629,186
Net Assets - Beginning of period	25,208,170
Net Assets - End of period	\$ 27,837,356

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

**Skagit Transit**  
**Statement of Cash Flows**  
**For Fiscal Year Ended December 31, 2010**

Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 705,114
Cash Payments to Suppliers for Good & Services	(2,176,685)
Cash Payments to Employees for Services	(5,843,897)
Other Cash Receipts	55,385
Net Cash Provided (Used) by Operating Activities	<u>(7,260,083)</u>
Cash Flows from Noncapital Financing Activities:	
Sales Tax Received	7,801,433
Federal, State and Local Assistance Received	1,203,602
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>9,005,035</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(2,597,193)
Capital Grants and Contributions	1,449,156
Proceeds from Sale of Equipment	55,726
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,092,311)</u>
Cash Flows from Investing Activities:	
Purchase of Investment Securities	782,669
Interest on Investments	17,330
Net Cash Provided (Used) by Investing Activities	<u>799,999</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,452,640</u>
Cash and Cash Equivalents, Beginning	1,337,242
Cash and Cash Equivalents, Ending	<u><u>\$ 2,789,882</u></u>

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

**Skagit Transit**  
**Reconciliation Operating Loss / Operating Activities**  
**For Fiscal Year Ended December 31, 2010**

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (8,627,469)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation on Capital Assets	1,373,562
Nonoperating Expenses/Misc Nonoperating Revenue	55,385
Change in Assets and Liabilities	
Decrease (Increase) in Accounts Receivable	8,751
Decrease (Increase) in Inventories	(5,039)
Increase (Decrease) in Accounts Payable	(77,453)
Increase (Decrease) in Wages & Benefits Payable	12,180
Total Adjustments	<u>1,367,386</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (7,260,083)</u></u>

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

## **Notes to Financial Statements**

### **December 31, 2010**

#### **Note 1: Summary of Significant Accounting Policies**

Skagit Transit Authority (Skagit Transit) was authorized on November 3, 1992 and operates under the laws of the State of Washington applicable to a Public Transportation Benefit Area (PTBA). The accounting and reporting policies of Skagit Transit conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the significant accounting policies is presented to assist the reader in interpreting the financial statements. The more significant policies are described below. These notes should be viewed as an integral part of the accompanying financial statements.

#### **a) Reporting Entity**

Skagit Transit is a special purpose government and provides public transportation to the general public and is supported primarily through local sales tax. The district is governed by an elected nine member board. Skagit Transit has no component units. Skagit Transit's basic financial statements include the financial position and results of the operations of the PTBA. A review of other units of local government, using the criteria set forth in GAAP, indicates there are no additional entities or funds for which the PTBA has reporting responsibilities. Based on the standards set by GASB-14, there are no component units of Skagit Transit.

#### **b) Basis of Accounting & Presentation**

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

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

Skagit 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(s).

The Agency distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. The principal operating revenues of the transit are charges to customers for fare box collections and bus pass sales. Operating expenses for the Agency include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accounting records of Skagit Transit are maintained in accordance with the methods prescribed by the Federal Transit Administration (FTA) and the Washington State Auditor under the authority of Revised Code of Washington (R.C.W.) 43.09. The authority for the FTA to prescribe an accounting and reporting system is found in Section 15 of the Federal Transit Act of 1992, as amended.

Skagit Transit began participating in the FTA National Transit Database beginning with FY 2005. A Six-Year Planning summary report has been sent to the Washington State Department of Transportation (WSDOT), under separate cover. These reports require specific information and are not prepared on the basis of generally accepted accounting principles.

**c) Assets, Liabilities, and Net Assets**

**a) Cash and Cash Equivalents**

It is Skagit Transit's policy to invest all temporary cash surpluses. For purposes of the Statement of Cash Flows, the district considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. State statutes permit Skagit Transit to invest in obligations of the United States, certificates of deposits issued by banks that are designated as public depositories by the Washington Public Deposit Commission, the Local Government Investment Pool of the Washington State Treasurer or authorized investments through the Skagit County Treasurer.

Investments for Skagit Transit are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. For other property and investments – See Note 2.

**b) Receivables**

Accounts receivable consist mainly of bus passes sold and local sales tax collected. Farecard revenue receivable was \$2,920 and local sales tax receivable was \$1,446,876.

**c) Amounts Due From Other Governments**

Amounts due from other governments include grant reimbursements of \$1,490,655 and interest receivable of \$1,015.

d) Inventories

Inventory consists of fuel, repair parts and supplies. No general administrative expenses are included in the inventory valuation. Expenses are recorded as the materials are consumed. Inventory is valued on the average cost method. At 12/31/10, Skagit Transit carried an inventory valued at \$316,711 for consumable parts and supplies used in the maintenance and repair of vehicles.

e) Capital Assets

Capital Assets include property, facilities, and equipment and are capitalized at total acquisition cost provided that such costs exceed \$1,000 and the asset has a useful life of at least two years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Land	Not Depreciated
Buildings & Structures	30 - 50 years
Buses	5 - 12 years
Other Vehicles	5 years
Shop Equipment	10 years

Capital Assets & Depreciation – See Note 3

f) Compensated Absences

Compensated absences are absences for which employees will be paid using general leave.

General leave, which may be accumulated up to 25 days, is payable upon resignation, retirement, or death if the employee has successfully completed their probation period.

All compensated absences that are unused at the end of each year are listed on the balance sheet as a liability. The current liability for compensated absences equaled \$47,422 as of December 31, 2010 and noncurrent liability was \$146,350.

The classification of short-term and long-term is based on a three-year historical average on leave paid as a percentage of the liability.

	Current Liability	Noncurrent Liability	Total
Beginning Balance	\$ 40,619	\$ 153,103	\$ 193,722
Leave Earned	98,085	288,878	386,963
Leave Paid	91,282	295,631	386,913
Ending Balance	\$ 47,422	\$146,350	\$ 193,772

- g) Fund Reserves & Designations – See Note 10
- h) There were no material violations of finance related legal or contractual provisions during FY 2010.

## **Note 2 – Deposits & Investments**

Skagit Transit's deposits and certificates of deposits are covered entirely by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

### Investments

Skagit Transit invests in short term investments which produces a low interest rate risk. The Local Government Investment Pool investment policy requires a 90 day maximum on the weighted average maturity. As of December 31, 2010, Skagit Transit had the following investments:

Investment	Cost	Fair Value
Local Governmental investment Pool	\$5,837,145	\$5,837,145
<b>Total</b>	<b>\$5,837,145</b>	<b>\$5,837,145</b>

### Disclosure Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignments of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Rule 2a-7 funds are limited to high quality obligations such as the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. Investments or deposits held by the LGIP are held by a third-party custody provider in the LGIP's name.



### **Note 3 – Capital Assets & Related Depreciation**

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

All Capital Assets are valued at historical cost (or estimated historical cost, where historical cost is not known) or estimated market value for donated assets.

Furnishings, equipment and buildings are capitalized if they have a useful life of more than two years and an acquisition cost of \$1,000 or more per unit. Items that are sensitive in nature and whose acquisition cost is less than \$1,000 are coded to an appropriate expense category when purchased, but are assigned a capital asset number.

Skagit Transit 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, Skagit 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 operating property retired or otherwise disposed of and the cost of installation is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from Skagit 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.

Depreciation is computed on the straight-line basis. 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 fifty years.

Capital Assets and accumulated depreciation are categorized at January 1, 2010 and again at December 31, 2010, and are as follows:

Asset Type	Beginning Bal	Increase	Decrease	Ending Bal
<b>Capital Assets not Being Depreciated</b>				
Land	\$3,323,563	\$ -	\$ -	\$3,323,563
Right of Way	850,000	-	-	850,000
Construction/Work in Progress	2,263,788	47,802	2,073,305	238,285
Total Assets not Being Depreciated	<u>6,437,351</u>	<u>47,802</u>	<u>2,073,305</u>	<u>4,411,848</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	3,919,083	513,686	11,616	4,421,153
Improvements other than buildings	548,097	2,618,291	-	3,166,388
Vehicles	9,885,103	1,462,459	875,248	10,472,314
Equipment & Furnishings	970,945	28,259	1,852	997,352

Intangible Assets	274,672	-	789	273,883
Total Assets Being Depreciated	15,597,900	4,622,695	889,505	19,331,090
Less Depreciation for:				
Buildings	1,403,196	140,243	7,891	1,535,549
Improvements other than buildings	366,592	76,469	-	443,062
Vehicles	4,171,531	954,931	646,752	4,479,710
Equipment & Furnishings	560,610	162,591	2,641	720,560
Intangible Assets	97,932	39,328	-	137,260
Total Assets Being Depreciated	6,599,862	1,373,562	657,284	7,316,141
Total Capital Assets, Being Depreciated, Net	8,988,036			12,014,949
Total Net Capital Assets	\$15,435,387			\$ 16,426,797

Individual useful lives are assigned to newly acquired or rebuilt assets as follows:

Land	Not Depreciated
Buildings	30 -50years
Buses	5 -12 years
Other Vehicles	5 years
Shop Equipment	10 years
Route Improvements	20 years
Furniture & Fixtures	10 years
Intangible Assets	5-10 years
Computer Equipment	5 years
Vehicle Improvements	3-5 years

#### Chuckanut Park and Ride

Skagit Transit and Washington State Department of Transportation (WSDOT) have been working together to build a new 350+ stall park and ride for commuters which will serve as a regional transit transfer station tying three transit systems together – Skagit Transit, Island Transit and Whatcom Transit Authority. Coordination efforts between Skagit Transit and WSDOT include the two agencies purchasing the property in 2007, and designing the project through a combination of state appropriated grant funds, Skagit Transit local funds, and grant funds awarded to Skagit Transit. Construction funding was secured through federal and state grant funds awarded to Skagit Transit. WSDOT and Skagit Transit entered into agreement for construction management services and construction contract award and administration services. Construction of the project began in March 2011 with an expected completion date in September 2011.

Once the project is complete ownership of the facility will reside in WSDOT for the park and ride, ownership of the transit bus pad, shelter, and other personal property will reside with Skagit Transit. Skagit Transit will be responsible for maintaining the facility.

**Chuckanut Park and Ride Funding Sources:**

- 2005-2007 State Appropriation TPA (Transportation Partnership Account) \$4,000,000
- 2007-2009 Regional Mobility Grant Program \$194,975
- 2009-2011 Regional Mobility Grant Program \$1,805,025
- 2006 and 2010 Federal Discretionary Grant Sponsored by Congressman Rick Larsen \$697,000
- 2010 Federal Transit Administration Bus Livability Grant \$2,800,000
- Skagit Transit \$850,000
- Total Funding - \$10,347,000

**Chuckanut Park and Ride Project Costs:**

- Land Acquisition \$3,929,112
- Engineering and Design \$1,391,000
- *Estimated* Construction and Construction Management Costs - \$5,019,888

South Mount Vernon Park and Ride

In 2008, State Legislation transferred \$4.5 million in state appropriated funds from WSDOT to Skagit Transit to build a park and ride in South Mount Vernon. \$1.5 million was available between 2007-2009 and \$3 million between 2009-2011 biennium. In 2008 and 2009, property was acquired and construction began. The new facility boasts 360+ parking stalls with reserved vanpool parking, security cameras, lighting, and a transit bus island complete with bus shelters, informational kiosk and connections to local and regional bus services. The facility is conveniently located along the I-5 corridor making this facility an asset to commuters going both south and north of Skagit County.

**Note 4 – Prepaid Rent – Skagit Station**

Skagit Transit had no prepaid rent at year end 2010.

**Note 5 – Qualified Retirement**

All of Skagit Transit's employees have the opportunity to participate in a 401(a) Defined Contribution Plan administered by Great-West Retirement Services.

Effective 7/01/2002, the employees voted to participate in Social Security (OASDI/Old Age, Survivors and Disability Insurance). At that time, the Skagit Transit Board of Directors modified the contribution levels to be:

**401(a) Defined Contribution Plan (mandatory)**

5.00% by Skagit Transit

5.00% by the employee

401(a) Defined Contribution Plan

A defined contribution plan provides benefits in return for services rendered, provides an account for each participant, and specifies how contributions to the individual's accounts are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participants' accounts.

Skagit Transit employees begin mandatory participation in the 401(a) plan on the first day of employment. Contributions made by Skagit Transit vest over a 5-year period, upon the completion of each year of service (10%, 20%, 30%, 40%, 100%). An employee who leaves Skagit Transit is entitled to Skagit Transit contributions plus investment earnings at the vesting level attained.

Plan balances and contributions for FY 2010 and FY 2009 were as follows:

	<u>FY 2010</u>	<u>FY 2009</u>
	<u>401(a)</u>	<u>401(a)</u>
Beginning Balance	\$3,243,314	\$2,797,428
Employee 401(a) Contributions	204,915	196,685
SKAGIT TRANSIT 401(a) Contributions	204,915	196,685
Loan Issuances	(198,503)	(94,233)
Loan Repayments	64,123	36,574
Distributions	(294,861)	(186,433)
Adjustments	139,877	221,037
Earnings	<u>80,628</u>	<u>75,571</u>
Total Ending Fund Balances	<u>\$3,444,408</u>	<u>\$3,243,314</u>

Under Current IRS rules, the 401(a) plan is held in trust for the employees. It is the opinion of Skagit Transit's legal counsel that Skagit Transit has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

There are no other post-employment benefits.

#### **Note 6 – Insurance**

**A. Unemployment Insurance**

Skagit Transit has elected to remain self-insured for unemployment compensation.

**B. State Industrial Insurance**

Skagit Transit is covered by State Industrial Insurance.

**C. Medical, Dental, and Vision Insurance**

A comprehensive medical, dental, and vision insurance program covers employees of Skagit Transit. The medical premiums are paid 95% by Skagit Transit with the employees sharing 5% for full time employees. Other insurances are paid for by Skagit Transit.

**D. Life Insurance**

Regular employees have a \$12,000 term life insurance policy that also offers some coverage for dependents. Skagit Transit pays the premium.

**E. Short & Long-Term Disability Insurance**

Skagit Transit pays up to 2% of the gross wage of the regular employee (who works a minimum 30 hours per week) to purchase short and long-term disability insurance. The short-term disability benefit is for 180 days. The long-term disability benefits the employee for two years beyond the exhaustion of the short-term benefit.

#### **Note 7 – Risk Management**

##### **Washington State Transit Insurance Pool (WSTIP)**

Skagit Transit is a member of the Washington State Transit Insurance Pool (WSTIP). Chapter 48.62 of the R.C.W. authorizes the governing body of one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provision of Chapter 39.94 of the R.C.W., the Interlocal Cooperation Act. The Pool was formed on January 1, 1989 when eight transits in the state of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Twenty-four (24) transits from the states of Washington and Ohio have joined the Pool.

The Pool allows member 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 coverage provided by the pool are property and liability insurance protecting the member systems' assets and personal property, and from claims arising from the negligent or other tortuous conduct of the member transit system, their officers, employees, or agents.

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

Skagit Transit joined the Washington State Insurance Pool in July 1993, for coverage effective August 1, 1993. The insurance pool covers auto and general liability, property, auto physical damage, boiler-machinery, public official's liability, public honesty bond, monies and securities, and depositors forgery insurance for Skagit Transit.

The pool's governing body consists of its Board of Directors, which is comprised of one representative and alternate from each member system. The Executive Committee consists of the pool's annually elected officers, the Past-President and two at-large positions. The Executive Committee handles the day-to-day operations of WSTIP and serves as a Claims Review Committee in all cases involving reserves in excess of \$35,000

The pool's responsibilities include:

- Providing for the management and operation of the pool;
- Providing for excess liability coverage for the members;
- Establishing deductibles and/or limits to any coverage that is provided;
- Providing an annual report and audit of the operation of the pool to the members, State Risk Manager, and the State Insurance Commissioner;
- Establishing and maintaining such funds and accounts as may be required by GAAP;
- Establishing and maintaining annual budgets for the operation of the pool;

Member responsibilities include:

- Appointing a Director and at least one Alternate Director to the board;
- Appointing an employee of the transit agency to be responsible for the risk management function within that agency;
- Maintaining an active safety officer and/or committee, and considering all recommendations of the pool concerning the development and implementation of a loss control policy to present unsafe practices;
- Reporting all losses to the pool to insure accuracy of the pool's loss data base;
- Paying its premium and any readjusted amount promptly to the pool when due.

- Providing the pool with such other information or assistance as may be necessary for the pool to carry out its responsibilities.

**As of December 31, 2010, coverage includes:**

Risk	Coverage
<b>General Liability:</b>	
Bodily Injury/Property Damage	\$12,000,000 per occurrence
Personal Injury/Advertising Injury	\$12,000,000 per each offense
Vanpool Driver medical Expense Protection	\$35,000 per each occurrence
Underinsured Motorists Coverage	\$60,000 per each occurrence
WSTIP self insured retention	\$100,000 per occurrence <i>(Deductible - \$2,500 per each coverage)</i>
<b>Crime:</b>	
Employee Theft	\$1,000,000
Forgery or Alterations	\$1,000,000
Theft of Money and Security	\$1,000,000
Computer Fraud	\$1,000,000
Funds Transfer Fraud	\$1,000,000
Money Orders and Counterfeit Money	\$1,000,000 <i>(Deductible - \$10,000 per each coverage)</i>
Errors & Omissions:	\$12,000,000 per occurrence <i>(Deductible - \$5,000 per occurrence)</i>

**Note 8 – Contingent Liabilities**

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

Based on the above criteria Skagit Transit has no unresolved claims against it at December 31, 2010.

The district participates in a number of Federal assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursement by grantor agencies for expenses disallowed under the terms of the grant. Skagit Transit management believes that such disallowance, if any, will be immaterial.

## Note 9 – Commitments & Leases

### Commitments

At December 31, 2010 Skagit Transit had the following in effect:

<b>Contractor</b>	<b>Contract No. &amp; Title</b>	<b>Contract Term (Incl. Current Option Year)</b>	<b>Status Notes</b>
Associated Petroleum	10-008-F / Card Lock Fueling	11/1/10 – 10/31/12	2-YR term + 3 Option Years until 2015
Associated Petroleum	09-020-F / ULSD Fuel Delivery	2/1/10 – 1/31/12	2-YR term + 3 Option Years until 2015
Cummins NW	10-010-F / Diesel Engine Overhaul Services	2/1/11 – 1/31/13	2-YR term + 3 Option Years until 2016
Diversint	08-013-F/ IT Support Services	9/1/08 – 8/31/11	1-YR Term + 4 Option Years until 2013 Amendment #2 extends to 8/31/11
Garner's Northwest	07-001-F-P / Landscaping Services	7/1/07 – 6/30/11	2-YR Term + 3 Option Years until 2012 Amendment #4 extends to 6/30/11
Geiger's Custom Cleaning	10-006-F-P / Janitorial Services	11/1/10 – 10/31/12	2-YR Term + 3 Option Years until 2015
GreyHawk Technologies	09-001-F / MDT-AVL System & Support Services	3/30/09 – 3/29/12	1-YR Term + 4 Option Years until 2014 Amendment #3 extends to 3/29/12
Langabeer & Tull	08-016-F / Legal Services	12/1/08 – 11/30/11	3-YR Term + 2 Option Years until 2013
Mortenson Signs	08-022-F / Vehicle Graphics & Installation	3/1/09 – 2/28/12	2-YR Term + 3 Option Years until 2014 Amendment #3 extends to 2/28/12
Olympic Security Services	08-017-F / Security Guard Services	3/1/09 – 2/29/12	1-YR Term + 4 Option Years until 2014 Amendment #3 extends to 2/29/12
Pat Rimmer Tire Center	09-007-F / Tire Services	9/1/09 – 8/31/12	3-YR Term + 2 Option Years until 2014
Seaside Autobody	09-021-F / Autobody Repair Services	2/1/10 – 1/31/13	3-YR Term + 2 Option Years until 2015

### Leases



- Skagit Transit had no capital or operating lease at the end of 2010.

**Note 10 – Reserve Accounts**

The Skagit Transit Board of Directors by Resolution No. 50 established a reserve account. In subsequent action, the Board separated the account into three distinct categories. All action within these accounts, not including usual interest receipts, is required to be Board approved. As of December 31, 2010, the account balances were:

Capital Reserve:	
Facilities	\$ 400,000
Capital Replacement	2,077,573
Undesignated Reserve	2,150,144
Operating Reserve	<u>1,209,428</u>
Total:	\$ 5,837,145

**Note 11 – Self-funded insurance**

On January 1, 2009, Skagit Transit established a self-insured dental plan. Based on actuary information, Skagit Transit set aside reserve amount to cover claims that could arise in the self-insured plan. Skagit Transit has contracted with The Guardian Life Insurance Company of America, a third-party administrator, to provide administrative services for this dental program. As of December 31, 2010 and 2009, assets of \$37,064 and \$28,213 were in account, respectively. The estimated liability for outstanding claims at December 31, 2010 and 2009 was \$10,063 and \$11,511, respectively.

**Note 12 – Other Disclosures**

Labor Negotiations

On February 21, 2007, the Skagit Transit Board approved a contract with Local 176T of the Washington State Council of County and City Employees affiliated with the American Federation of State, County and Municipal Employees, AFL-CIO. AFSCME represents the Fixed Route and Dial-a-Ride operators at Skagit Transit. Their contract ended on 12/31/10. The new two-year contract for 2011 was signed on April 20, 2011.

In Feb 2011, the machinist union members voted to dissolve the International Association of Machinists (IAM) District Lodge 160 which was established on August 20, 2008.

Accounting and Reporting Changes

Skagit Transit implemented GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets for the year ended December 31, 2010. In implementing GASB 51, Skagit Transit reclassified software costs in the amount of \$273,883 from furniture/equipment. Skagit Transit amortized the intangible asset utilizing the straight-line method.

**Skagit Transit, Washington**

**Schedule of Expenditures of Federal Awards**  
For Year Ended December 31, 2010

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Transportation, Federal Transit Administration	Federal Transit _Capital Investment Grants	20.500	WA-04-0051	-	\$ 7,782	\$ 7,782	1,2
<b>Total</b>		<b>20.500</b>			<b>\$ 7,782</b>	<b>\$ 7,782</b>	
U.S. Department of Transportation, Federal Transit Administration	Federal Transit_Formula Grants	20.507	WA-95-X023	-	\$ 2,517	\$ 2,517	1,2
U.S. Department of Transportation, Federal Transit Administration	Federal Transit_Formula Grants	20.507	WA-90-X462	-	\$ 937,584	\$ 937,584	1,2
U.S. Department of Transportation, Federal Transit Administration	ARRA-Federal Transit_Formula Grants	20.507	WA-96-X010-01		\$ 451,501	\$ 451,501	1,2,3
<b>Total</b>		<b>20.507</b>		<b>\$ -</b>	<b>\$ 1,391,602</b>	<b>\$ 1,391,602</b>	
U.S. Department of Transportation, Federal Transit Administration/Agreement with Swinomish Tribe	Formula Grants For Other Than Urbanized Areas	20.509	09-016	\$ 125,805		\$ 125,805	1,2
U.S. Department of Transportation, Federal Transit Administration/pass through from WSDOT	Formula Grants For Other Than Urbanized Areas	20.509	GCA 6207-C	\$ 121,171		\$ 121,171	1,2
U.S. Department of Transportation, Federal Transit Administration/pass through from	Formula Grants For Other Than Urbanized Areas	20.509	GCA 6208-B	\$ 93,038		\$ 93,038	1,2
<b>Total</b>		<b>20.509</b>		<b>\$ 340,014</b>	<b>\$ -</b>	<b>\$ 340,014</b>	
U.S. Department of Transportation, Federal Transit Administration/pass through from WSDOT	Job Access_ Reverse Commute (JARC)	20.516	GCA 6207-B	\$ 114,008	\$ -	\$ 114,008	1,2
<b>Total</b>		<b>20.516</b>		<b>\$ 114,008</b>		<b>\$ 114,008</b>	

**Skagit Transit, Washington**

**Schedule of Expenditures of Federal Awards**

For Year Ended December 31, 2010

U.S. Department of Transportation, Federal Transit Administration/pass through from WSDOT	New Freedom Program	20.521	GCA 6207-D	\$ 89,251	\$ -	\$ 89,251	1,2
<b>Total</b>		<b>20.521</b>		<b>\$ 89,251</b>	<b>\$ -</b>	<b>\$ 89,251</b>	
U.S. Department of Transportation, Federal Transit Administration/agreement with Skagit Council of Governments	Highway Planning and Construction	20.205	Interagency Agreement 06-027	\$ 24,712		\$ 24,712	1,2
<b>Total</b>		<b>20.205</b>		<b>\$ 24,712</b>	<b>\$ -</b>	<b>\$ 24,712</b>	
<b>Total Federal Awards Expended</b>				<b>\$ 592,698</b>	<b>\$ 1,399,384</b>	<b>\$ 1,967,369</b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

## Skagit Transit, Washington

### Schedule of State /Local Financial Assistance

For Year Ended December 31, 2010

Grantor/Program Title	Identification Number	Current Year Expenses
WSDOT - Publ Transp Div- State Appropriation Operating - Tri County Connector	GCA 6349	\$ 172,617
WSDOT /Regional Mobility Grant Program Operating - Everett Connector	GCA 6131	349,245
WSDOT / State Special Needs Operating - Paratransit /Special Needs Transit Formula	GCA 6207-A	169,625
WSDOT / Regional Mobility Grant Program Capital - Chuckanut Park and Ride	GCA 6117	335,978
WSDOT - Highways and Local Programs State Appropriation South Mount Vernon Park and Ride	LA-6678	430,798
WSDOT / Regional Mobility Grant Program Capital - South Mount Vernon Park and Ride	GCA 6126	61,995
WSTIP Safety Grant ULSD retrofit/fuel project	none	2,500
<b>Total State/Local Awards Expended</b>		<b>\$ 1,522,757</b>

## **Skagit Transit, Washington**

### **Notes to the Schedule of Expenditures of Federal Awards**

#### **NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the Skagit Transit's financial statements. The Skagit Transit uses the 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, after program income has been removed. Entire program costs, including the Skagit Transit's portion, are more than shown.

#### **NOTE 3 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

Expenditures for this program were funded by ARRA

**Detail of Revenues Other Sources  
Year Ending December 31, 2010**

BARS REVENUE ACCOUNT NO.	DESCRIPTION	Actual Revenues
401	Passenger Fares For Transit Service	\$696,363
407	Nontransportation Revenues	(103,783)
	Taxes Levied Directly By Transit	
408.02	Local Transportation Sales Tax	7,854,632
409	Local Grants and Contributions	1,225
411	State Grants and Contributions	1,537,211
413	Federal Grants and Contributions	1,387,818
414	Capital Contributions - Federal/State/Local	579,550
	<b>TOTAL REVENUES</b>	<b>\$ 11,953,016</b>

SKAGIT TRANSIT SYSTEM

**FIXED ROUTE**

DETAIL OF EXPENSES AND OTHER USES

For Year Ended December 31, 2010

BARS Expense Account No.	Description	Expenses (by Function)					TOTAL EXPENSES (by mode)
		VEHICLE OPERATIONS 10	VEHICLE MAINTENANCE 41	NON-VEHICLE MAINTENANCE 42	GENERAL ADMINISTRATION 16		
501	Labor	1,157,300	382,927	84,594	344,031	1,968,852	
502	Fringe Benefits	713,364	277,706	59,366	236,228	1,286,664	
503	Services	330,306	55,059	54,630	72,325	512,320	
504	Materials and Supplies	385,483	132,608	34,524	42,132	594,747	
505	Utilities			178	71,003	71,181	
506	Casualty and Liability Costs	5,917			114,901	120,818	
507	Taxes				9,145	9,145	
508	Purchased Transportation					-	
509	Miscellaneous Expenses	(32)			24,197	24,165	
510	Expense Transfers					-	
512	Leases and Rentals			1,807	8,997	10,804	
	<b>TOTAL EXPENSES</b>	<b>2,592,338</b>	<b>848,300</b>	<b>235,099</b>	<b>922,959</b>	<b>4,598,696</b>	

SKAGIT TRANSIT SYSTEM

**DIAL-A-RIDE**

DETAIL OF EXPENSES AND OTHER USES

For Year Ended December 31, 2010

BARS Expense Account No.	Description	Expenses (by Function)				TOTAL EXPENSES (by mode)
		VEHICLE OPERATIONS 12	VEHICLE MAINTENANCE 41	NON-VEHICLE MAINTENANCE 42	GENERAL ADMINISTRATION 16	
501	Labor	1,024,394	104,073	49,237	284,359	1,462,063
502	Fringe Benefits	670,976	73,578	36,127	190,588	971,269
503	Services	42,169	31,918	19,996	53,877	147,960
504	Materials and Supplies	116,054	29,712	8,237	20,753	174,756
505	Utilities			70	35,340	35,410
506	Casualty and Liability Costs				51,101	51,101
507	Taxes				3,123	3,123
508	Purchased Transportation				-	-
509	Miscellaneous Expenses	123			25,032	25,155
510	Expense Transfers				6,650	6,650
512	Leases and Rentals			530	-	530
	<b>TOTAL EXPENSES</b>	<b>1,853,716</b>	<b>239,281</b>	<b>114,197</b>	<b>670,823</b>	<b>2,878,017</b>



SKAGIT TRANSIT SYSTEM

**Vanpool**

DETAIL OF EXPENSES AND OTHER USES

For Year Ended December 31, 2010

BARS Expense Account No.	Description	Expenses (by Function)				TOTAL EXPENSES (by mode)
		Vanpool OPERATIONS 14	VEHICLE MAINTENANCE 41	NON-VEHICLE MAINTENANCE 42	GENERAL ADMINISTRATION 16	
501	Labor	-	46,166	11,396	45,665	103,227
502	Fringe Benefits	-	32,583	8,326	26,304	67,213
503	Services	38	15,986	3,829	64,425	84,278
504	Materials and Supplies	132,710	18,838	2,806	1,419	155,773
505	Utilities			31	807	838
506	Casualty and Liability Costs				59,113	59,113
507	Taxes				249	249
508	Purchased Transportation					-
509	Miscellaneous Expenses	33			1,871	1,904
510	Expense Transfers					-
512	Leases and Rentals			96	866	962
	<b>TOTAL EXPENSES</b>	<b>132,781</b>	<b>113,573</b>	<b>26,484</b>	<b>200,719</b>	<b>473,557</b>

**SKAGIT TRANSIT AUTHORITY  
SCHEDULE OF LABOR RELATIONS CONSULTANTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Has your government engaged labor relations consultants?      X   Yes           No

If yes, please provide the following information for each consultant(s):

Name of Firm	
SUMMIT LAW GROUP	
Name of Consultant	
BRUCE SCHROEDER	
Business Address	
1505 WESTLAKE AVE., STE. 300, SEATTLE, WA 98109	
Amount Paid To Consultant During Fiscal Year	
\$15,016.00	
Terms And Conditions, As Applicable, Including:	
Rates (E.G., Hourly, Etc.):	\$280 PER HOUR
Maximum Compensation Allowed:	NO MAXIMUM
Duration of Services: ONGOING WITH 30 DAY TERMINATION NOTICE	
Services Provided: LEGAL ADVICE AND REPRESENTATION; LEAD NEGOTIATOR FOR UNION CONTRACT	

Certified Correct to the best of my knowledge and belief this 27th day of May 2010:	
Signature	
Name	Motoko Pleasant
Title	Manager of Finance and Administration

SKAGIT TRANSIT SYSTEM

Long-Term Liabilities

For Year Ended December 31, 2010

ID No.	Description	Beginning Balance 01/01/2010	Additions	Reductions	Ending Balance Debt 12/31/2010
259.12	Compensated Absences	\$ 153,103	\$ 288,878	\$ 295,631	\$ 146,350

Skagit Transit  
 LOCAL GOVERNMENT RISK-ASSUMPTION  
 For the Year Ended December 31, 2010

Program Manager: Mary Lozeau  
 600 County Shop Lane, Burlington WA 98233  
 360-757-8801  
[mlozeau@skagittransit.org](mailto:mlozeau@skagittransit.org)

Third Party Administrator: The Guardian Life Insurance Company of America.  
 7 Hanover Square, New York, NY 10004-4025  
 206-336-4400 or 800-332-0417  
 Administrator services include claims administration, Actuarial/Underwriting, Billing Services, Planholder and Member Customer Service Phone lines.

1 Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation ? YES

If NO, STOP, you do not need to complete the rest of this Schedule.

a. Which class of risk does the entity self-insure? Check all that apply.

**iii. Health and Welfare (medical, vision, dental, prescription)**

b. Does the entity self-insure as an individual program? YES

i. If answered YES, does the entity allow another separate legal entity into its self-insurance program(s)? NO

c. Does the entity self-insure as a joint program? NO

2 Does the entity administer its own claims? NO

3 Does the entity contract with a third party administrator for claims administration? YES

4 Did the entity receive a claims audit in the last three years, regardless of who administered the claims? NO

5 Were the program's revenues sufficient to cover the program's expenses? YES

6 Did the program use an actuary to determine its liabilities? YES

Description of Risk Type	
Number of claims received during the period	374
Number of claims paid during the period	374
Total amount of claims paid during the period	\$ 81,843