

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**Skagit County Public Transportation  
Benefit Area  
(Skagit Transit)**

Audit Period  
January 1, 2012 through December 31, 2012

Report No. 1010500

Issue Date  
September 23, 2013



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

September 23, 2013

Board of Directors  
Skagit Transit  
Burlington, Washington

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

Please find attached our report on Skagit Transit's financial statements and compliance with federal laws and regulations.

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

Sincerely,

**TROY KELLEY  
STATE AUDITOR**

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Skagit County  
January 1, 2012 through December 31, 2012**

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# Federal Summary

## Skagit Transit Skagit County January 1, 2012 through December 31, 2012

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

### **FINANCIAL STATEMENTS**

An unmodified opinion was issued on the basic financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### **FEDERAL AWARDS**

#### ***Internal Control Over Major Programs:***

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

We issued an unmodified opinion on the Authority's compliance with requirements applicable to each of its major federal programs.

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

**Identification of Major Programs:**

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.500	Federal Transit Cluster - Federal Transit - Capital Investment Grants
20.507	Federal Transit Cluster - Federal Transit - Formula Grants

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

The Authority qualified as a low-risk auditee under OMB Circular A-133.

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*

**Skagit Transit  
Skagit County  
January 1, 2012 through December 31, 2012**

Board of Directors  
Skagit Transit  
Burlington, 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 Skagit Transit, Skagit County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 13, 2013.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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



**TROY KELLEY**  
STATE AUDITOR

September 13, 2013

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**Skagit Transit  
Skagit County  
January 1, 2012 through December 31, 2012**

Board of Directors  
Skagit Transit  
Burlington, Washington

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

We have audited the compliance of Skagit Transit, Skagit County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Authority's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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



### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

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

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

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

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

**TROY KELLEY**  
STATE AUDITOR

September 13, 2013

# Independent Auditor's Report on Financial Statements

**Skagit Transit  
Skagit County  
January 1, 2012 through December 31, 2012**

Board of Directors  
Skagit Transit  
Burlington, Washington

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

We have audited the accompanying financial statements of Skagit Transit, Skagit County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 11.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skagit Transit, as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 13, 2013

# Financial Section

**Skagit Transit  
Skagit County  
January 1, 2012 through December 31, 2012**

***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2012

***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2012

Statement of Revenues, Expenses and Changes in Net Position – 2012

Statement of Cash Flows – 2012

Notes to Financial Statements – 2012

***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2012

Notes to the Schedule of Expenditures of Federal Awards – 2012

## 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 ending December 31, 2012. 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, 2012, by \$33,084,280. Of this amount, \$16,005,310 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 \$2,333,652 in 2012. The overall financial condition of Skagit Transit as of December 31, 2012 was considered to have improved. Reserve funding was authorized to be used between 2000 and 2002 for operations, but a major layoff occurred on October 31, 2002, which insured that future spending of the Reserve Funds would 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 2013.
- Passenger Fares increased by \$119,628 between 2011 and 2012.
- Skagit Transit remained free of long-term debt during the period.

#### **Summary Statement of Net Position**

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets	16,635,239	14,565,034
Capital Assets	17,078,970	16,734,067
Total Assets	<u>33,714,209</u>	<u>31,299,101</u>
Liabilities		
Current Liabilities	446,627	391,314
Noncurrent Liabilities	183,302	157,159
Total Liabilities	629,929	548,473
Net Position		
Investment in Capital Assets	17,078,970	16,734,067
Unrestricted	16,005,310	14,016,561
Total Net Position	<u>\$ 33,084,280</u>	<u>\$ 30,750,628</u>

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

	2012	2011
Operating Revenues:		
Passenger Fares	\$ 900,029	\$ 780,401
Non-Operating Revenues		
Sales Tax	8,940,904	8,404,588
Interest	25,604	25,261
Grants	2,101,082	1,849,793
Gain (loss) on Disposition of Assets	(18,508)	30,976
Other Non-operating Revenues	24,068	73,198
Total Revenues	11,973,179	11,164,217
Operating Expenses		
Operations	5,225,102	4,929,380
Maintenance	1,744,779	1,499,051
Administration	2,191,661	5,052,490
Depreciation	1,610,583	1,756,773
Total Expenses	10,772,125	13,237,694
Net Income (loss) Before Contributions	1,201,054	(2,073,477)
Capital Contributions	1,132,597	4,986,750
Increase (decrease) in net position	2,333,651	2,913,273
Net Position - Beginning of period	30,750,629	27,837,356
Net Position - End of period	\$33,084,280	\$30,750,629

### Overview of the Financial Statements

This discussion and analysis is 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 Position presents information on all the PTBA's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 Position present information showing how the PTBA's net position changed during the fiscal year. All changes in net positions 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 Position**

For the year ending December 31, 2012, assets exceeded liabilities by \$33,084,280. Transit is a capital-intensive enterprise, and 51.6 % of Skagit Transit's net assets are invested in capital assets.

Skagit Transit ended 2012 with \$17,078,970 in Capital Assets. See Note 3 for further information.

During 2012 Capital Assets increased by \$344,903. Skagit Transit purchased one (1) staff vehicle, eight (8) new buses and twenty-four (24) new vans for the vanpool program in 2012. Skagit Transit also purchased three (3) 2004 Gilligs Buses from Whatcom Transit Authority in 2012. The design and engineer work on Alger Park and Ride began in 2012 and is expected to be completed in 2013. Design and engineering of the remodel project for Skagit Station started in 2012.

Inventory levels increased by \$13,700 during 2012. It is expected that inventory levels will be maintained at appropriate levels to match our service levels.

Skagit Transit was successfully awarded six (6) new federal grants and one (1) state grants in 2012. Skagit Transit continues to aggressively seek all available grants.

Cash and cash equivalents were decreased in 2012 from 2011. Skagit Transit was successful in receiving state and federal grants to fund most of the capital project such as the new Chuckanut Park & Ride and vanpool vans.

### **Operating Revenues**

Operating Revenues for fares increased by \$119,628 during 2012. Fixed Route service had a revenue increase of \$51,524 or 12%, Dial-a-Ride had a decrease of \$3,198, or 28% and Vanpool had an increase of \$71,303, or 20%. Fixed Route ridership increased by 11.6% and Dial-a-Ride ridership decreased by 2%. Dial-a-Ride fares are by donation. Fixed Route riders paid regular fares on those flex routes in 2012. The vanpool ridership increased by 11.8% and mileage increased by 12.1% in 2012.

## **Non-Operating Revenues**

Revenues from the transit portion of the sales tax increased by \$536,316 or 6% over 2011. 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 \$25,604 in 2012. It increased in 2012 by 1 % from \$25,261 received in 2011.

Grant revenues were derived from fifteen (15) federal, state and local grants for use in capital and operating expenditures.

## **Operating Expenses**

Operating expenses decreased during 2012 as a result of completion of Chuckanut Park and Ride project.

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. The Skagit Transit Vanpool program supported 47 vanpool groups compared to 41 groups in 2011. The increase in participation was attributed to higher fuel costs, additional demand by Boeing workers and increased environmental awareness. Many large employers have increased subsidies to make it advantageous to use vanpools.

### Operating Expenses by Department

Operations – \$5,225,102 - The department is responsible for all on-street services, including operators, dispatchers, and scheduling for bus service to the public.

Maintenance - \$1,744,779 – The department is responsible for all vehicles including fueling, parts, cleaning, servicing, and facility upkeep.

Administration - \$2,191,661 – The department is responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, human resource, and safety.

Depreciation - \$1,610,583 - This is the estimated pro-ration of the cost of capital assets over the useful life of the asset.

Total Operating Expenses were \$10,772,125.

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 slightly less than population growth throughout the state. During the time period from 2000 through 2010, the county population grew at 13.5% rate compared to 14.08% 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 improved slightly in 2012.

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 increased by 55.5% in 2009 over 2008, 9.8% in 2010 over 2009, 7% in 2011 over 2010, and 6% in 2012 over 2011. The large increase in 2009 was due to the increased share of sales tax from 2/10 of 1% to 4/10 of 1% that began in April 2009.

The county's average unemployment rate in April 2012 was 9.2% compare to 10.1% in April 2011.

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 will ensure Skagit Transit will be able to implement more services in the PTBA.

Grant applications have been submitted for the 2013-2015 fiscal years. 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. A 30% enhancement of fixed route service began in September 2012.

## **Capital Assets**

Skagit Transit's investment in capital assets as of December 31, 2012, amounted to \$17,078,970, 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 2% during the year. In 2012, Skagit Transit purchased one (1) staff vehicle, eight (8) new Dial-A-Ride buses and twenty-four (24) vans for the vanpool program. Three (3) used 2004 Gilligs

were purchased from Whatcom Transportation Authority. Three Park and Rides (Chuckanut Park and Ride, South Mount Vernon and March's Point) are completed and opened to the public and construction of the Alger Park and Ride will be completed in 2013.

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 Position**  
**December 31, 2012**

**ASSETS**

Current Assets:	
Cash	\$ 4,801,901
Investments	8,488,489
Taxes receivables	1,650,714
Accounts receivable (net of allowance for uncollectibles)	15,444
Due from other governments	1,413,885
Inventory	264,806
Prepays	
Total Current Assets	16,635,239
Noncurrent Assets:	
Capital assets not being depreciated	
Land	3,323,563
Right of way	850,000
Construction in Progress	165,383
Capital assets being depreciated	
Buildings	4,421,161
Improvements other than buildings	5,086,397
Vehicles	10,108,335
Equipment & Furnishings	1,510,801
<i>Less: Accumulated depreciation</i>	
Buildings	(1,834,625)
Improvements other than buildings	(726,502)
Vehicles	(4,740,036)
Equipment & Furnishings	(1,085,507)
Total Net Capital Assets	17,078,970
Other noncurrent assets:	
Total Other Noncurrent Assets	
Total Noncurrent Assets	17,078,970
<b>Total Assets</b>	<b>33,714,209</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	81,787
Compensated Absences	39,631
Benefit payable	79,918
Deferred Revenue	1,787
Taxes and other payables	243,504
Total Current Liabilities	446,627
Noncurrent liabilities:	
Compensated Absences	183,302
Total Noncurrent Liabilities	183,302
<b>Total Liabilities</b>	<b>629,929</b>
Net Position:	
Net Investment in Capital Assets	17,078,970
Unrestricted	16,005,310
<b>Total Net Position</b>	<b>\$ 33,084,280</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 Position**  
**For Fiscal Year Ended December 31, 2012**

Operating Revenues:	
Passenger Fares	\$ 900,029
Total Operating Revenues	900,029
Operating Expenses:	
Operations	5,225,102
Maintenance	1,744,779
Administration	2,191,661
Depreciation	1,610,583
Total Operating Expenses	10,772,125
Operating Income (Loss)	(9,872,096)
Non-Operating Revenues (Expenses):	
Sales Tax	8,940,904
Interest	25,604
Grants	2,101,082
Gain (loss) on Disposition of Assets	(18,508)
Other Non-operating Revenues (Expenses)	24,068
Total Non-Operating Revenues (Expenses)	11,073,150
Income(loss) before contributions, gains, losses, other revenues and expenses	1,201,054
Capital Contributions	1,132,598
Increase (decrease) in net position	2,333,652
Net Position - Beginning of period	30,750,628
Net Position - End of period	\$ 33,084,280

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, 2012**

Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 850,853
Cash Received from Contracts for Service	
Cash Payments to Suppliers for Good & Services	(2,378,020)
Cash Payments to Employees for Services	(6,709,351)
Other Cash Receipts	39,935
Net Cash Provided (Used) by Operating Activities	<u>(8,196,583)</u>
Cash Flows from Noncapital Financing Activities:	
Sales Tax Received	8,785,189
Federal, State and Local Assistance Received	1,021,192
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>9,806,381</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(2,082,801)
Capital Grants and Contributions	1,730,513
Proceeds from Sale of Equipment	103,193
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(249,095)</u>
Cash Flows from Investing Activities:	
Purchase of Investment Securities	(2,640,141)
Interest on Investments	10,368
Net Cash Provided (Used) by Investing Activities	<u>(2,629,773)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,269,070)</u>
Cash and Cash Equivalents, Beginning	6,070,971
Cash and Cash Equivalents, Ending	<u><u>\$ 4,801,901</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, 2012**

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(9,872,096)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation on Capital Assets	\$ 1,610,583
Nonoperating Expenses/Misc Nonoperating Revenue	39,934
Change in Assets and Liabilities	
Decrease (Increase) in Accounts Receivable	(49,176)
Decrease (Increase) in Inventories	(13,700)
Increase (Decrease) in Accounts Payable	51,626
Increase (Decrease) in Wages & Benefits Payable	36,246
Total Adjustments	1,675,513
Net Cash Provided (Used) by Operating Activities	\$ (8,196,583)

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



## Notes to Financial Statements December 31, 2012

### **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 agency 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 Transit Districts (GAAP) in the State of Washington.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position (or balance sheets). Their reported fund net position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. 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.

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

**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 agency 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, vanpool charges and local sales tax collected. Farecard and vanpool charges receivable was \$15,446, and local sales tax receivable was \$1,650,714.

**c) Amounts Due From Other Governments**

Amounts due from other governments include grant reimbursements of \$1,407,498 and fuel tax refund of \$6,387.

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 12/31/12, Skagit Transit carried an inventory valued at \$264,806 for consumable parts and supplies used in the maintenance and repair of vehicles.

e) Restricted Assets and Liabilities

Skagit Transit has no restricted assets and liabilities.

f) Capital Assets

Capital Assets include property, facilities, and equipment and are capitalized at total acquisition cost provided that such costs exceed \$5,000 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	4-7 years
Shop Equipment	10 years

Capital Assets & Depreciation – See Note 3

g) 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 \$39,631 as of December 31, 2012 and noncurrent liability was \$183,302.

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

	Current Liability	Noncurrent Liability	Total
Beginning Balance	\$ 32,215	\$ 157,159	\$ 189,374
Leave Earned	173,853	612,816	786,669
Leave Paid	166,437	586,673	753,110
Ending Balance	39,631	183,302	\$222,933

- h) Fund Reserves & Designations – See Note 10
- i) There were no material violations of finance related legal or contractual provisions during FY 2012.

**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, 2012, Skagit Transit had the following investments:

Investment	Cost	Fair Value
Local Governmental investment Pool	\$8,488,489	\$8,488,489
<b>Total</b>	<b>\$8,488,489</b>	<b>\$8,488,489</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 \$5,000 or more per unit. Items that are sensitive in nature and whose acquisition cost is less than \$5,000 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, 2012, and again at December 31, 2012, 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	-	165,383	-	165,383
Total Assets not Being Depreciated	<u>4,173,563</u>	<u>165,383</u>	<u>-</u>	<u>4,338,946</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	4,421,161	-	-	4,421,161
Improvements other than buildings	4,722,907	368,484	(4,994)	5,086,397
Vehicles	10,028,105	1,522,500	(1,442,270)	10,108,335
Equipment & Furnishings	1,022,852	120,795	(11,328)	1,132,319
Intangible Assets	359,087	19,395	-	378,482
Total Assets Being Depreciated	<u>20,554,113</u>	<u>2,031,174</u>	<u>(1,458,592)</u>	<u>21,126,694</u>
<b>Less Depreciation for:</b>				
Buildings	1,686,109	148,516	-	1,834,625
Improvements other than buildings	552,577	173,925	-	726,502
Vehicles	4,784,708	1,257,802	(1,302,474)	4,740,036
Equipment & Furnishings	781,601	81,696	(11,327)	851,970
Intangible Assets	188,610	44,927	-	233,537
Total Assets Being Depreciated	<u>7,993,606</u>	<u>1,706,866</u>	<u>(1,313,801)</u>	<u>8,386,671</u>
Total Capital Assets, Being Depreciated, Net	\$12,560,507			\$12,740,023
Total Net Capital Assets	<u>\$16,734,070</u>			<u>\$ 17,078,970</u>

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	3-5 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

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

Skagit Transit had no prepaid rent at year end 2012.

**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 2012 and FY 2011 were as follows:

	<u>FY 2012</u>	<u>FY 2011</u>
	<u>401(a)</u>	<u>401(a)</u>
Beginning Balance	\$3,814,925	\$3,444,408
Employee 401(a) Contributions	256,729	215,048
SKAGIT TRANSIT 401(a) Contributions	232,041	215,048
Loan Issuances	(115,701)	(79,868)
Loan payments	100,107	93,427
Distributions	(225,759)	(168,005)
Adjustments	170,382	6,019
Earnings	<u>96,533</u>	<u>88,848</u>
Total Ending Fund Balances	<u><u>\$4,329,257</u></u>	<u><u>\$3,814,925</u></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, 2012, coverage includes:**

Risk	Coverage
General Liability:	
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>
Crime:	
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>
Public Officials Liability:	\$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, 2012.

The agency 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, 2012 Skagit Transit had the following in effect:

<b>Contractor</b>	<b>Contract No. &amp; Title</b>	<b>Initial Contract Term</b>	<b>Status Notes</b>	<b>Contract Amount</b>
Americaneagle.com	11-024 / Website Enhancement & Hosting Services	3/1/12 – 2/28/17	5-YR Term + 2 Option Years until 2019	YE 2012 <b>\$40,000</b>
Associated Petroleum	10-008-F / Card Lock Fueling	11/1/10 – 10/31/12	2-YR Term + 3 Option Years until 2015 <b>Extended to 10/31/13 by Amendment #1</b>	Term Ending 2012 <b>\$395,182</b>
Associated Petroleum	09-020-F / ULSD Fuel Delivery	2/1/10 – 1/31/12	2-YR term + 3 Option Years until 2015 <b>Extended to 1/31/14 by Amendment #2</b>	YTD (5/7/13) <b>\$1,975,804</b>
Cummins NW	10-010-F / Diesel Engine Overhaul Services	2/1/11 – 1/31/13	2-YR term + 3 Option Years until 2016 <b>Extended to 1/31/14 by Amendment #1</b>	Term Ending 2013 <b>\$10,235</b>
Diversint	08-013-F/ IT Support Services	9/1/08 – 8/31/09	1-YR Term + 4 Option Years until 2013 <b>Extended to 8/31/13 by Amendment #4</b>	YTD (5/7/13) <b>\$20,444</b>
Duo-Gard Industries	12-007-F / Bus Shelters	12/1/12 – 11/30/17	5-YR Term w/no Options	YE 2013 <b>\$93,908</b>
Garner’s Northwest	12-001 / Landscape Maintenance Services	9/1/12 – 8/31/15	3-YR Term + 2 Option Years until 2017	YTD (5/7/13) <b>\$25,398</b>

Geiger's Custom Cleaning	10-006-F-P / Janitorial Services	11/1/10 – 10/31/12	2-YR Term + 3 Option Years until 2015 <b>Extended to 10/31/13 by Amendment #1</b>	Term Ending 2012 <b>\$72,306</b>
GreyHawk Technologies	09-001-F / MDT-AVL System & Support Services	3/30/09 – 3/29/10	1-YR Term + 4 Option Years until 2014 <b>Extended to 3/29/14 by Amendment #5</b>	YTD (5/7/13) <b>\$167,202</b>
Langabeer & Tull	08-016-F / Legal Services	12/1/08 – 11/30/12	3-YR Term + 2 Option Years until 2013 <b>Extended to 11/30/13 by Amendment #2</b>	Term Ending 2012 <b>\$40,579</b>
Mortenson Signs	08-022-F / Vehicle Graphics & Installation	3/1/09 – 2/28/11	2-YR Term + 3 Option Years until 2014 <b>Extended to 2/28/14 by Amendment #5</b>	Term Ending 2013 <b>\$28,587</b>
Olympic Security Services	08-017-F / Security Guard Services	3/1/09 – 2/29/10	1-YR Term + 4 Option Years until 2014 <b>Extended to 2/28/14 by Amendment #5</b>	Term Ending 2013 <b>\$341,963</b>
Pat Rimmer Tire Center	09-007-F / Tire Services	9/1/09 – 8/31/12	3-YR Term + 2 Option Years until 2014 <b>Extended to 8/31/13 by Amendment #2</b>	Term Ending 2012 <b>\$125,012</b>
Perteet, Inc.	11-006 / On-Call Engineering Services	8/1/11 – 7/31/14	3-YR Term + 2 Option Years until 2016	YTD (5/7/13) <b>\$236,701</b>
Seaside Autobody	09-021-F / Autobody Repair Services	2/1/10 – 1/31/13	3-YR Term + 2 Option Years until 2015 <b>Extended to 1/31/14 by Amendment #1</b>	Term Ending 2013 <b>\$87,436</b>

### Operating Leases

As of December 31, 2012, Skagit Transit leases some office equipment. Total 2012 cost for lease expense was \$7,454. The future lease payments for noncancellable leases are as follows:

<u>Year</u>	<u>Annual Cost</u>
2013	6,413
2014	6,016
2015	2,578
2016	1,890
2017	945

**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, 2012, the account balances were:

Capital Reserve:	
Facilities	400,000
Capital Replacement	3,843,502
Undesignated Reserve	2,158,089
Operating Reserve	<u>2,086,898</u>
Total:	\$ 8,488,489

**Note 11 – 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. The current one-year contract was signed on February 4, 2013 and expires on December 31, 2013.

Skagit County Public Transportation Benefit Area  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2012

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Transit Administration (fta), Department Of Transportation/	Federal Transit_Capital Investment Grants	20.500	WA-04-0051		463,082	463,082	1,2
Federal Transit Administration, Department of Transportation	Federal Transit_Formula Grants	20.507	WA--95-X023		6,797	6,797	1,2
Federal Transit Administration, Department of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X462-03		1,030,412	1,030,412	1,2
Federal Transit Administration, Department of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X490		469,723	469,723	1,2
<b>Total CFDA 20.507</b>				<b>0</b>	<b>1,506,932</b>	<b>1,506,932</b>	
Federal Transit Administration, Department of Transportation/Washington State Department of Transportation	Formula Grants For Other Than Urbanized Areas	20.509	09-016	124,825		124,825	1,2
Federal Transit Administration, Department of Transportation/Washington State Department of Transportation	Formula Grants For Other Than Urbanized Areas	20.509	GCA 6847-C	114,794		114,794	1,2
<b>Total CFDA 20.509</b>				<b>239,619</b>	<b>0</b>	<b>239,619</b>	
Federal Transit Administration, Department of Transportation/Washington State Department of Transportation	Job Access_ Reverse Commute (JARC)	20.516	GCA 6847-B	113,217		113,217	1,2
Federal Transit Administration, Department of Transportation/Washington State Department of Transportation	New Freedom Program	20.521	GCA 6847-D	104,480		104,480	1,2
<b>Total Federal Awards Expended:</b>				<b>457,316</b>	<b>1,970,014</b>	<b>2,427,330</b>	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

## **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.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

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

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

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**Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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