

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

Whatcom Transportation Authority
Whatcom County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1003940

Issue Date
July 26, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

July 26, 2010

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

Whatcom Transportation Authority Whatcom County January 1, 2009 through December 31, 2009

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

FINANCIAL STATEMENTS

An unqualified 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 significant 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 significant deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the Authority's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
20.507	Transit Cluster - Federal Transit Formula Grant

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 in Accordance with *Government Auditing Standards*

Whatcom Transportation Authority
Whatcom County
January 1, 2009 through December 31, 2009

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

We have audited the basic financial statements of the Whatcom Transportation Authority, Whatcom County, Washington, as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 20, 2010.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag", is positioned above the printed name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

May 20, 2010

Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Whatcom Transportation Authority
Whatcom County
January 1, 2009 through December 31, 2009**

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

COMPLIANCE

We have audited the compliance of the Whatcom Transportation Authority, Whatcom County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Authority's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants

applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag", is positioned above the printed name and title.

BRIAN SONNTAG, CGFM
STATE AUDITOR

May 20, 2010

Independent Auditor's Report on Financial Statements

Whatcom Transportation Authority Whatcom County January 1, 2009 through December 31, 2009

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

We have audited the accompanying basic financial statements of the Whatcom Transportation Authority, Whatcom County, Washington, as of and for the years ended December 31, 2009 and 2008, as listed on page 9. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Whatcom Transportation Authority, as of December 31, 2009 and 2008, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 10 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large loop at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

May 20, 2010

Financial Section

**Whatcom Transportation Authority
Whatcom County
January 1, 2009 through December 31, 2009**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2009 and 2008

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2009 and 2008

Statement of Revenues, Expenses and Changes in Net Assets – 2009 and 2008

Statement of Cash Flows – 2009 and 2008

Notes to Financial Statements – 2009 and 2008

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2009

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2009**

Following is the Whatcom Transportation Authority's management's discussion and analysis (MDA) for the year ended December 31, 2009.

FINANCIAL HIGHLIGHTS

- The cash and cash equivalents balance at 12/31/2009 was \$22,975,456; a reduction of \$2,445,714 from 2008's yearend balance of \$25,421,170.
- Investment income decreased 49.43% (\$541,508) in 2009 from 2008.
- WTA felt the impact of the declining economy in 2009. Local sales tax revenue decreased from the 2008 total of \$19,565,285 to 2009 collections of \$17,844,828, an 8.8% decline from last year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the WTA basic financial statements and related notes to the financial statements. The financial statements contained in the Annual Report provide information about the WTA through the use of accounting methods similar to those used by private sector companies. These financial statements and the accompanying notes represent the accrual basis of accounting. They report supplementary information in addition to the basic financial statements.

Financial Statements: These financial statements are designed to provide the reader with a broad overview of WTA finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the WTA assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the WTA is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets present changes in the WTA's net assets during the year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Statement of Cash Flow illustrates how the flow of cash receipts and disbursements affects the fund balance of the WTA during the reporting period.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2009**

FINANCIAL ANALYSIS

Net assets may provide a useful indicator of a municipality's financial position. WTA's assets exceeded liabilities by \$68,091,564 as of December 31, 2009.

The greatest portion of the WTA net assets is in the investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The WTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the WTA's investment in capital assets is reported net of related debt the WTA does not currently have any long term bonding (debt). Short-term trade payables are recorded as Liabilities on the Statement of Net Assets.

The WTA's financial position is the product of financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

On the following page are current year transactions that have had an impact on the Statement of Net Assets:

COMPARATIVE STATEMENT OF NET ASSETS

	2009	2008	2007
Current Assets	\$27,571,682	\$30,133,176	\$34,032,275
Capital Assets	<u>42,368,066</u>	<u>39,032,655</u>	<u>35,343,233</u>
Total Assets	<u>\$69,939,748</u>	<u>\$69,165,831</u>	<u>\$69,375,508</u>
Current Liabilities	\$1,751,261	\$2,036,909	\$1,840,751
Noncurrent Liabilities	<u>96,923</u>	<u>106,971</u>	<u>93,267</u>
Total Liabilities	<u>\$1,848,184</u>	<u>\$2,143,880</u>	<u>\$1,934,018</u>
Net Assets:			
Investment in capital assets (net of debt)	\$42,368,066	\$39,032,655	\$35,343,233
Unrestricted	<u>25,723,498</u>	<u>27,989,296</u>	<u>32,098,257</u>
Total Net Assets	<u>\$68,091,564</u>	<u>\$67,021,951</u>	<u>\$67,441,490</u>
Total Liabilities and Net Assets	<u>\$69,939,748</u>	<u>\$69,165,831</u>	<u>\$69,375,508</u>

- The WTA total revenues for the fiscal year ended December 31, 2009 (net of Inter-fund transfers) were \$26,336,470 compared to \$24,114,874 in 2008.
- Yearend inventory was \$812,454, an increase of \$80,101 over the 2008 yearend.
- The total cost of all programs and services was \$25,266,858 in 2009. This is a 2.99% increase over 2008 costs of \$24,534,413, or \$732,445, and is inclusive of depreciation.

WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2009

The following table presents a comparative summary of revenues and expenses for the fiscal years ended December 31, 2009, 2008 and 2007:

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Operating Revenues	\$2,308,772	\$2,127,016	\$1,517,036
Operating Expenses	(25,266,858)	(24,534,413)	(21,256,602)
Operating Income (Loss)	(22,958,086)	(22,407,397)	(19,739,566)
Non-operating Revenue	24,179,480	21,975,761	24,967,637
Capital Contributions	-	-	-
Gain (Loss) on Disposal of Assets	(151,781)	12,097	17,233
Increase (Decrease) in Net Assets	1,069,613	(419,539)	5,245,305
Net Assets (Beginning of Period)	67,021,951	67,441,490	62,196,185
Net Assets (End of Period)	\$68,091,564	\$67,021,951	\$67,441,490

Operating Expenses include Depreciation as an expense.

OPERATING AND NON-OPERATING REVENUE ANALYSIS

The comparative breakdown of Operating and Non-Operating Revenues for 2009, 2008 and 2007 respectfully are as follows:

<u>Revenues</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>% of Total</u>	<u>\$Incr (decr)</u>	<u>%</u>
Operating	\$2,308,772	\$2,127,016	\$1,517,036	8.7%	\$181,756	8.5%
Invest. Income	554,003	1,095,511	1,434,413	2.0%	(541,508)	-49.4%
Sales Tax	17,844,828	19,565,285	20,287,475	67.4%	(1,720,457)	-8.8%
Grant(s)	5,713,881	1,232,875	3,187,983	21.6%	4,481,006	363.5%
Other	66,768	82,090	57,765	0.3%	(15,322)	-18.6%
Total	\$26,488,252	\$24,102,777	\$26,484,672	100.0%	\$2,385,475	9.9%

Operating Revenues include Passenger Fares, fees paid to the WTA by WWU for the Student Universal Pass and income from Van Pool programs.

The majority of revenue (89%) was derived from local sales tax and state and federal funding.

Grant revenues make up 21.6% of WTA revenues. Federal assistance for transit projects are authorized by Title 49, United States Code, Section 5307. In 2009, the WTA received \$4,832,386. These monies helped fund a portion of the fixed route bus fleet replacement project.

WTA also received funds through the State of Washington's Department of Transportation for various capital and operations projects. These funds totaled \$881,495. These projects include the "County Connector" project linking Whatcom County to both Skagit and Island County transit systems; expansion of our vanpool fleet; and operating assistance for the paratransit mode of operations.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2009**

QUESTIONS

Questions regarding this report should be directed to the attention of:

Patricia Dunn, CPA
Director of Finance
Whatcom Transportation Authority
4111 Bakerview Spur
Bellingham, WA 98226-8056

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS**

December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 22,975,456	\$ 25,421,170
Taxes receivable	3,281,566	3,339,331
Accounts receivable (net of allowance for uncollectibles)	125,395	102,130
Interest receivable	38,543	79,214
Grants receivable	178,308	151,540
Due from other governments	84,788	266,311
Inventory	812,454	732,353
Prepays	75,172	41,127
 Total Current Assets	 <u>27,571,682</u>	 <u>30,133,176</u>
NONCURRENT ASSETS		
Capital assets not being depreciated:		
Land	6,130,578	6,131,872
Construction in progress	-	6,127,100
Capital assets being depreciated:		
Buildings	23,880,804	19,001,243
Other equipment	4,071,180	2,800,967
Vehicles	26,243,059	21,724,911
Improvements	2,313,444	2,736,424
Communications	866,525	1,285,315
Shop Equipment	1,278,469	1,343,502
 Less: Accumulated depreciation	 <u>(22,415,993)</u>	 <u>(22,118,678)</u>
Total Net Capital Assets	<u>42,368,066</u>	<u>39,032,655</u>
 TOTAL ASSETS	 <u><u>\$ 69,939,748</u></u>	 <u><u>\$ 69,165,831</u></u>

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

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS**

December 31, 2009 and 2008

LIABILITIES

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 268,302	\$ 565,115
Accrued wages	524,388	524,655
Other accrued expenses	199,830	208,582
Accrued vacation, sick leave and related benefits	749,228	729,034
Deferred revenue	9,513	9,523
 Total Current Liabilities	 <u>1,751,261</u>	 <u>2,036,909</u>
 NONCURRENT LIABILITIES:		
Long-term vacation liability	65,302	73,353
Related vacation benefits	16,195	18,192
Claims/lawsuits other payables	15,426	15,426
 Total Noncurrent Liabilities	 <u>96,923</u>	 <u>106,971</u>
 TOTAL LIABILITIES	 <u><u>1,848,184</u></u>	 <u><u>2,143,880</u></u>
 NET ASSETS:		
Invested in capital assets	42,368,066	39,032,655
Unrestricted	25,723,498	27,989,296
 TOTAL NET ASSETS	 <u><u>\$ 68,091,564</u></u>	 <u><u>\$ 67,021,951</u></u>

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

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

For the Year Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Passenger fares	\$ 1,543,934	\$ 1,418,086
Other transit fares (WWU Service)	576,795	544,090
Supplementary transportation	186,338	163,135
Other operating revenue	1,705	1,705
	<u>2,308,772</u>	<u>2,127,016</u>
Total Operating Revenues		
OPERATING EXPENSES:		
Operations	11,963,850	11,296,082
Maintenance	5,012,722	5,944,401
Administrative expenses	4,731,720	4,307,454
Depreciation/Amortization/Depletion	3,558,566	2,986,476
	<u>25,266,858</u>	<u>24,534,413</u>
Total Operating Expenses		
Operating Income (Loss)	<u>(22,958,086)</u>	<u>(22,407,397)</u>
NONOPERATING REVENUES (EXPENSES):		
Sales Tax	17,844,828	19,565,285
External operating subsidies (grant revenue)	5,713,881	1,232,875
Investment income	554,003	1,095,511
Interest expense	-	-
Other nonoperating revenues (expenses)	66,767	82,090
	<u>24,179,480</u>	<u>21,975,761</u>
Total Nonoperating Revenues (Expenses)		
Income (loss) before contributions, gains, losses, other revenues and expenses	1,221,394	(431,636)
Capital contributions	-	-
Gain (loss) on asset disposal	(151,781)	12,097
	<u>1,069,613</u>	<u>(419,539)</u>
Increase (decrease) in net assets		
Net Assets - beginning of period	67,021,951	67,441,490
	<u>68,091,564</u>	<u>67,021,951</u>
Net Assets - end of period	\$	\$

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

**WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2009 and 2008

CASH FLOWS FROM OPERATING ACTIVITIES

	2009	2008
Receipts from customers	\$ 2,442,451	\$ 1,849,235
Payments to suppliers	(4,960,401)	(5,567,508)
Payments to employees	(17,034,826)	(15,800,075)
Internal activity - payments to other funds	-	-
Claims paid to outsiders	-	-
Other receipts (payments)	(26,662)	(144,585)
Net cash provided (used) by operating activities	(19,579,438)	(19,662,932)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Tax receipts	17,844,828	19,930,003
Other noncapital financing activities	66,768	82,090
	17,911,596	20,012,093

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	-	-
Capital contributions (grants)	5,713,881	1,125,218
Purchase of capital assets	(7,084,791)	(6,690,956)
Principal paid on capital debt	-	-
Interest paid on capital debt	-	-
Other receipts (payments)	39,035	27,125
Net cash provided (used) by capital and related financial activities	(1,331,875)	(5,538,613)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	-	-
Interest and dividends (on investments)	554,003	1,138,889
Net cash provided by investing activities	554,003	1,138,889
Net increase (decrease) in cash and cash equivalents	(2,445,714)	(4,050,563)
Balances - beginning of the year	25,421,170	29,471,733
Balances - end of the year	\$ 22,975,456	\$ 25,421,170

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

Operating income (loss)	\$ (22,958,086)	\$ (22,407,397)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Operating activities:		
Depreciation expense	3,558,566	2,986,476
Change in assets and liabilities:		
Receivables, net	229,926	(277,780)
Inventories and other miscellaneous current assets	(114,146)	(174,125)
Accounts and other payables	(305,575)	(78,320)
Accrued expenses	9,877	288,214
Net cash provided by operating activities	\$ (19,579,438)	\$ (19,662,932)

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

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Whatcom Transportation Authority incorporated in August 1983 and operates under the laws of Washington State applicable to a municipality. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Authority has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, *Basic Financial Statements and Management Discussion and Analysis-for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to the financial statements.) The following summary of significant accounting policies are described below.

A. Reporting Entity

The Authority is a special purpose government providing transportation services to the general public within Whatcom County and is supported primarily through user charges and local sales tax collections.

Whatcom Transportation Authority is a municipal corporation governed by an appointed nine-member board of elected officials, representative of the districts served by the WTA. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The Authority has no component units.)

B. Basis of Accounting and Reporting

The accounting records of the Authority are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Authority complies with the *Budgeting, Accounting and Reporting System for Transit-Type Districts* in the State of Washington.

Funds are accounted for on a cost of services or economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on the statement of net assets. 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. The Authority discloses changes in cash flows by a separate statement that presents their operating, non-capital financing, capital and related financing and investing activities.

The Authority 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 liabilities, current and non-current, are appropriately recorded.

The Authority distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering services in connection with the Authority's principal ongoing operations. The

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

principal operating revenues of the Authority come from fare box collections, bus pass sales and token sales. Operating expenses for the Authority include, but are not limited to, operator wages and benefits, vehicle maintenance and operations costs, administrative expenses, depreciation of capital assets, etc. All revenues and expenses not meeting this definition are reporting as non-operating revenues and expenses.

C. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the Authority's policy to invest temporary cash surpluses. At December 31, 2009, Whatcom Transportation Authority was holding \$22,975,456 in short-term residual investments of surplus cash. Of this, \$22,547,419 was held in the Whatcom County Investment Pool with the balance of \$428,037 in bank accounts. This amount is classified on the balance sheet as cash and cash equivalents. The 2008 yearend amount was \$25,421,170.

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

The amounts reported as cash and cash equivalents also included compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2008 and through August 2009 was approximately \$84,000 at which time it was closed into our general fund bank account.

For purposes of the Statements of Cash Flows, the Authority considers all highly-liquid investments (with a maturity of three months or less when purchased) to be cash equivalents.

2. Receivables –

Taxes receivable for 2009 consist of \$3,281,566 - \$3,256,986 in state sales tax receivable for the months of November 2009 and December 2009, and \$24,580 due from the Washington State Department of Licensing representing the State gas and diesel taxes paid on fuel purchases to be refunded by the State of Washington. The WTA is required to pay this fuel tax upon purchase of the fuel from the vendor and then applies for refunds with the State based upon monthly usage of fuels for revenue vehicles. The tax amounts receivable December 31, 2008 were \$3,339,331 - \$3,301,831 and \$37,500 respectively.

Customer accounts receivable totaled \$125,396 at yearend, consisting of amounts owed on open account from private individuals or organizations for goods and services rendered. This amount is considered fully collectible by WTA. Customer accounts receivable at yearend 2008 was \$102,130.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

Interest receivable at December 31, 2009 was \$38,543. This is interest earned on investments and tax revenues through the end of the year but not paid by yearend. Interest receivable at yearend 2008 was \$79,214.

Grants receivable as of December 31, 2009 were \$178,308 due from the State of Washington's Department of Transportation. At yearend 2008, grants receivable were \$151,540.

3. Due From Other Governmental Units is the amount due from Western Washington University for transportation services and pass sales for Fall Quarter 2009. The balance due is \$84,788. The balance due at yearend 2008 was \$266,311.
4. Inventories are valued using the weighted average method. Inventories were valued at \$812,454 at December 31, 2009 and \$732,353 at December 31, 2008.
5. Capital Assets and Depreciation - See Note 4
6. Compensated Absences

Non-exempt employees of the Whatcom Transportation Authority are covered by a bargaining agreement with the Amalgamated Transit Union #843. Based upon provisions of these contracts, employees accumulate vacation benefits at rates of 80 - 176 hours per year, depending upon years of service, and sick leave benefits at the rate of 96 hours per year. Exempt employees accrue vacation benefits at rates of 120 - 224 hours per year, depending upon years of service and job classification, and sick leave benefits at the rate of 96 hours per year. The maximum amount of vacation accrual allowed is that earned during 24 months and for sick leave is 1,000 hours.

At termination, employees may receive cash for up to 240 hours of vacation and 60% of sick leave balance if 500 hours or more are on the books. As of December 31, 2009, a liability of \$749,228 has been accrued for vacation, sick leave buyout and benefits liability. Of this amount, \$266,809 is for those employees eligible for retirement within three years. The liability at yearend 2008 was \$729,034.

7. Other Accrued Liabilities - These accounts consist of accrued payroll and business taxes.
8. Other Liabilities - Contingency/Lawsuit Payable - See Note 7
9. Contributed Capital, Fund Reserves and Designations - See Note 8

NOTE 2 - TAXES RECEIVABLE/RESTRICTIONS/RECOGNITION METHODOLOGY

Taxes receivable are Whatcom Transportation Authority's portion of State sales and use tax for 2009. Six-tenths of one percent of sales and use tax collected on retail sales within the Public Transportation Benefit Area (PTBA) of Whatcom County are returned to the Authority.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009**

NOTE 3 - INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedule of State/Local Financial Assistance provides a detail of all state assistance programs in which the Authority participated and summarizes the Authority's grant transactions for the year 2009.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Major expenses for capital assets are capitalized when they increase useful lives. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

All capital assets are stated at historical cost. Donated capital assets are valued at fair market value when received.

The Authority has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Authority has sufficient legal interest to accomplish the purposes for which the assets were acquired, and have included such assets within the applicable account.

In the case of a sale of a significant capital asset, the original cost is removed from the Authority's asset accounts, accumulated depreciation is reduced by the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives. Depreciation is computed using the straight-line method with useful lives of 3 to 30 years. The statement of revenues and expenses includes depreciation of all depreciable capital assets and total gains and losses upon disposal.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance 01/01/2009	Increases	Decreases	Ending Balance 12/31/2009
Capital assets, not being depreciated:				
Land	6,131,873		1,295	6,130,578
Construction/work in progress	6,127,099		6,127,099	0
Total capital assets, not being depreciated	\$12,258,972			\$6,130,578
Capital assets, being depreciated:				
Buildings	19,001,243	4,927,302	47,741	23,880,804
Improvements	2,736,424		422,980	2,313,444
Transportation equipment	21,724,911	6,424,778	1,906,630	26,243,059
Communications equipment	1,285,315		418,790	866,525
Maintenance/shop equipment	1,343,502		65,033	1,278,469
Other equipment	2,800,967	1,859,810	589,596	4,071,180
Total capital assets being depreciated	\$48,892,362			\$58,653,481
Less accumulated depreciation for:				
Buildings	4,797,556	844,318	45,668	5,596,206
Improvements	1,397,616	143,638	403,555	1,137,699
Transportation equipment	13,309,684	1,895,533	1,796,738	13,408,479
Communications equipment	753,078	145,673	415,084	483,667
Maintenance/shop equipment	491,026	73,496	58,737	505,785
Other equipment	1,369,717	535,790	621,352	1,284,155
Total accumulated depreciation	\$22,118,677			\$22,415,992
Total capital assets, being depreciated, net	\$39,032,655			\$42,368,066

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

Capital assets activity for the year ended December 31, 2008 was as follows:

	Beginning Balance 01/01/2008	Increases	Decreases	Ending Balance 12/31/2008
Capital assets, not being depreciated:				
Land	6,131,873	0	0	6,131,873
Construction/work in progress	1,382,701	7,508,136	2,763,738	6,127,099
Total capital assets, not being depreciated	\$7,514,574			\$12,258,972
Capital assets, being depreciated:				
Buildings	18,987,749	13,494	0	19,001,243
Improvements	2,541,190	195,234	0	2,736,424
Transportation equipment	20,607,462	1,400,753	283,303	21,724,911
Communications equipment	1,275,227	16,001	5,913	1,285,315
Maintenance/shop equipment	1,343,501	0	0	1,343,502
Other equipment	2,518,356	321,077	38,468	2,800,967
Total capital assets being depreciated	\$47,273,485			\$48,892,362
Less accumulated depreciation for:				
Buildings	4,089,918	707,637	0	4,797,555
Improvements	1,250,951	146,665	0	1,397,616
Transportation equipment	11,849,953	1,727,975	268,244	13,309,684
Communications equipment	645,260	113,732	5,913	753,079
Maintenance/shop equipment	415,074	75,952	0	491,026
Other equipment	1,193,670	214,515	38,468	1,369,717
Total accumulated depreciation	\$19,444,826			\$22,118,677
Total capital assets, being depreciated, net	\$35,343,233			\$39,032,655

NOTE 6 - PENSION PLANS

Substantially all Whatcom Transportation Authority's full time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No 27*.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009**

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

Plan Description

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months). Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years times the COLA amount, increased 3 percent annually. Plan 1 members may also elect to receive an additional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of 2 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period). Plan 2 members who retire prior to age 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period). Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to age 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to but not yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Non-vested	56,456
Total	262,057

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

*The employer rates include the employer administrative expense fee currently set at 0.16%.

**The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

***Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Whatcom Transportation Authority and the employees made the required contributions. WTA's required contributions for the years ended December 31, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$33,901	\$1,065,924	\$332,121
2008	\$35,707	\$1,072,757	\$309,913
2007	\$34,267	\$766,063	\$232,798

NOTE 7 - WASHINGTON STATE TRANSIT INSURANCE POOL

Whatcom Transportation Authority is a member of the Washington State Transit Insurance Pool (WSTIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint management 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 made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The Pool formed on January 1, 1989 when 8 transits in the State of Washington joined by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. To date, 24 transit agencies have joined the Pool.

The Pool allows members programs of joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. The 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.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

NOTE 8 - CONTINGENCIES AND LITIGATION

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

The Authority participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants.

Authority management believes that any such disallowed amounts will be immaterial.

NOTE 9 – WTA SELF-INSURED MEDICAL BENEFIT ACCOUNT

Like other employers, the Authority experienced significant increases in the cost of the medical benefits it provided to employees during the past few years. Due to the rising costs from medical insurance carriers, the Authority made the decision to become self-insured effective April 1, 2004.

In accordance with instructions from WTA's actuary, the Authority initially set aside \$500,000 in a restricted investment account to cover claims that could arise in the self-insured plan. Insurance premiums charged to the Authority are paid into the WTA Medical Benefits Account are based upon an actuarial calculation.

To date, the WTA Self-Insured Medical Benefit Account has been adequately funded to meet all claims.

See Schedule 21 – Risk Management for more information.

WHATCOM TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2009

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Department of Transportation - Section 5307 Formula Funds Federal Transit Administration	Federal Transit Formula Grant	20.507	WA-90-X438		\$ 4,832,386	\$ 4,832,386	
TOTAL FEDERAL AWARD						\$ 4,832,386	

The Accompanying Notes To The Schedule of Expenditures of Federal Awards Are An Integral Part of This Schedule

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - TRANSIT FORMULA GRANTS

The amount reported for this award represents eligible expenditures made in 2009. WTA was given "pre-award authority" for its bus replacement costs, but all expenditures and the grant awarded was made during 2009.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation 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 our 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 continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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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