Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Jefferson County Public Transportation Benefit Area (Jefferson Transit)

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1009916

Issue Date
June 10, 2013

WASHINGTON
TROY KELLEY
STATE AUDITOR

Washington State Auditor
Troy Kelley

June 10, 2013

Board of Commissioners
Jefferson Transit
Port Townsend, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Jefferson 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 X. Kelley

TROY KELLEY
STATE AUDITOR

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Federal Summary

Jefferson Transit
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The results of our audit of the Jefferson 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 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 its major federal program.

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 was a major program during the period under audit:

CFDA No.	Program Title
20.509	Formula Grants for Other Than Urban Areas

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*

Jefferson Transit
Jefferson County
January 1, 2012 through December 31, 2012

Board of Commissioners
Jefferson Transit
Port Townsend, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Jefferson Transit, Jefferson 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 May 16, 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 X. Kelley

TROY KELLEY
STATE AUDITOR

May 16, 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

Jefferson Transit
Jefferson County
January 1, 2012 through December 31, 2012

Board of Commissioners
Jefferson Transit
Port Townsend, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Jefferson Transit, Jefferson 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

May 16, 2013

Independent Auditor's Report on Financial Statements

Jefferson Transit
Jefferson County
January 1, 2012 through December 31, 2012

Board of Commissioners
Jefferson Transit
Port Townsend, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Jefferson Transit, Jefferson 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 the Jefferson Transit, as of December 31, 2012, and the changes in financial position and, where applicable, 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 18 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.

The Infrastructure Condition and Maintenance Data is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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 May 16, 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

May 16, 2013

Financial Section

Jefferson Transit
Jefferson County
January 1, 2012 through December 31, 2012

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JEFFERSON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
DBA/Jefferson Transit Authority
MANAGEMENT DISCUSSION & ANALYSIS
For The Year Ended December 31, 2012

The management of Jefferson Transit Authority (Jefferson Transit) offers the readers of Jefferson Transit's financial statements this narrative as an overview and analysis of the financial activities for the fiscal year ended December 31, 2012. To more fully understand the financial position of Jefferson Transit, this narrative should be considered in conjunction with the information contained in Jefferson Transit's financial statements and accompanying notes.

Jefferson Transit was established in 1980 to provide public transit services.

Current services include:

Fixed Route – Standard bus service on fixed, regularly scheduled routes.

Route Deviated – A normal fixed route service that will deviate up to ¾ mile off-route to provide demand response services.

Demand Response (Dial-A-Ride) – A shared-ride public transportation service for people with disabilities that prevent them from riding regular bus service.

Vanpool – A program that makes available to groups of 5-15 people a vehicle for commuting to work.

The primary hub of operations is located in Port Townsend with a satellite base on the west side of the county in Forks.

FINANCIAL HIGHLIGHTS

It is our opinion that Jefferson Transit's overall future financial position is positive but we will continue to address existing fiscal challenges. 2012 versus 2011 changes and highlights include the following:

- Operating revenue increased 3% to $258,284 from $248,585. Passenger Fares increased 3% to $246,479 from $236,627.
- Operating expenses (excluding depreciation and other operating expenses) increased 1% to $3,728,480 from $3,697,950.
- Sales tax revenue increased 19% to $3,284,165 from $2,758,561. This is primarily due to a sales tax levy passage that increased sales tax receipts for Jefferson Transit from .06% to .09%. The levy passed during the February 2011 special election.
- Operating subsidies decreased 34% to $813,612 from $1,221,802.
- Net assets increased 4% to $7,044,265 from $6,794,560.

The primary positive impact that affected Jefferson Transit in 2012 was the increase in sales tax revenue. 2012 actual sales tax revenue was $3,284,165, an increase of $525,604 (or 19%) from 2011 actual. A sales tax levy increase of 0.30% passed during the February 2011 special election and took effect in July 2011.

An ongoing negative influence on the Jefferson Transit budget is the continual increase in fuel expenses. 2012 actual fuel expense was $385,901, an increase of $20,842 (or 6%) from 2011. Fuel accounts for 10% of the overall expense budget for Jefferson Transit; that is a 2% increase from 2008.

Overall, expenses show that Jefferson Transit's management has a high degree of control shown by a close alignment between actual and budget. The successful tax levy in February 2011 has provided Jefferson Transit with additional revenue that with continued prudent fiscal controls will allow Jefferson Transit to provide sustainable levels of service and capital replacement.

In December 2012 Jefferson Transit made the difficult decision to cut Sunday Service beginning in July 2013. This decision was made based on the escalating costs of fuel, labor, and health care for employees and the declining ridership on Sundays. Maintaining the premium week day service is core to Jefferson Transit's service philosophy to provide safe, reliable transportation today and far into the future.

OVERVIEW OF THE FINANCIAL STATEMENTS

Jefferson Transit's financial statements include two components: 1) financial statements and 2) notes to the financial statements. This management discussion and analysis is intended to serve as an introduction to Jefferson Transit's basic financial statements.

Financial Statements

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

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how Jefferson Transit's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change actually occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused general leave).

The *Statement of Cash Flows* presents actual in and out cash activity during the fiscal period related to operating activities, noncapital financing activities, capital activities and investing activities. Additionally, a reconciliation of net cash provided (used) by operating activities to Operating Income (Loss) is included. Over time, increases or decreases in cash balances may serve as a useful indicator of the financial stability of Jefferson Transit.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information essential to fully understand the data provided in Jefferson Transit's financial statements and are located following the Statement of Cash Flows.

FINANCIAL ANALYSIS

Statement of Net Position

The following condensed financial information provides an overview of Jefferson Transit's financial position for the fiscal years ending December 31, 2012 and 2011.

In 2012, total assets were $7,371,802, an increase of $247,894 (or 3%) from 2011. In 2012 current and other assets were $2,643,918, an increase of $634,983 (or 32%) from 2011. At December 31, 2012 Jefferson Transit had total liabilities of $327,537, a decrease of $1,811 (or 1%) from 2011 year-end.

Jefferson Transit's assets exceeded liabilities at December 31, 2012 by $7,044,265 (total net assets). Invested in capital assets (net of related debt) is $4,727,884 (or 67%) of total net assets. Unrestricted net assets are $2,316,381, an increase of $636,794 (or 38%) from year-end 2011.

The financial position of Jefferson Transit remains strong in 2012. The increase in net assets is primarily due to the increase in Sales Tax receipts due to a successful levy measure and the purchase of 3 van pool vehicles.

Statement of Net Position (Summary)
December 31, 2012 and 2011

	2012	2011	2012 Increase (Decrease) Over 2011	
sets:				
Current and Other Assets	2,643,918	2,008,935	634,983	31.6%
Capital Assets, Net	4,727,884	5,114,973	(387,089)	(7.6%)
Total Assets	7,371,802	7,123,908	247,894	3.5%
ıbilities:				
Current Liabilities	153,680	174,222	(20,542)	(11.8%)
Long-Term Liabilities	173,857	155,126	18,731	12.1%
Total Liabilities	327,537	329,348	(1,811)	(0.5%)
Invested in Capital Assets	4,727,884	5,114,973	(387,089)	(7.6%)
Unrestricted	2,316,381	1,679,587	636,794	37.9%
Total Net Assets	7,044,265	6,794,560	249,705	3.7%
Total Net Position and Liabilities	7,371,802	7,123,908	247,894	

Statement of Revenues, Expenses and Changes in Fund Net Position

As of December 31, 2012 total net assets were $7,044,265, an increase of $249,705 (or 4%) from 2011 year-end. 2012 capital contributions were $76,683, an decrease of $1,445,195 from 2011. This significant decrease was due to lack of Capital purchasing activity in 2012.

The most significant factor impacting Jefferson Transit's increase of Operating Revenues was an increase in ridership for fixed route and Dial-a-Ride trips.

The increase of non-operating revenues was most significantly impacted by the increase of Sales Tax Revenue from a successful tax levy and a decrease in grant funding.

The very significant decrease in Capital Contributions is directly related to the lack of purchasing activity in the Capital replacement program. In 2011 Jefferson Transit purchased 4 large motor coaches for revenue use. In 2012 Jefferson Transit purchased 3 small van pool vehicles.

Operating revenue, operating expense and non-operating revenue variances are detailed in greater detail below.

Revenues, Expenses and Changes in Fund Net Position (Summary)
For The Years Ended December 31, 2012 and 2011

	2012	2011	2012 Change Over 2011
Operating Revenues	258,284	248,585	9,699
Operating Expense	(4,192,251)	(4,166,016)	(26,235)
Operating Income (Loss)	(3,933,967)	(3,917,431)	(16,536)
Nonoperating Revenues (Expenses)	4,106,989	3,995,384	111,605
Capital Contributions	76,683	1,521,878	(1,445,195)
Increases (Decreases) in Net Position	249,705	1,599,831	(1,350,126)
Net Position - Beginning (January 1)	6,794,560	5,137,528	1,657,032
Prior Period Adjustment	0	57,201	(57,201)
Net Position - Ending (December 31)	7,044,265	6,794,560	249,705

Operating Revenues

Operating revenues are revenues tied directly to transit and transit-related services. 2012 operating revenues for Jefferson Transit were $258,284; an increase of $9,700 (or 3.9%) from 2011.

Operating revenues by category:

Passenger Fares for Transit Services – Includes fares for fixed route, Dial-a-Ride and, vanpool and community van programs. 2012 revenues related to passenger fares for transit services were $246,479, an increase of $9,852 (or 4.2%) from 2011. Ridership continues to increase due to popular changes made to routing in October 2010; however, the numbers are beginning to level off. There was a 6% increase in ridership from 2010 to 2011; ridership increase from 2011 to 2012 is only 1%. Additionally, changes in the way vanpool subsidies are paid to employees by the federal government resulted in the return of one vanpool group vehicle in 2012.

Auxiliary Transportation Services – Includes advertising services and other services provided that are closely associated with but not directly related to transit services. 2012 revenues related to auxiliary transportation services were $11,805, a decrease of $152 (or 1.3%) from 2011. The economic downturn has resulted in fewer companies buying advertising space on the buses; however, the decrease is lower than the decrease from 2011 to 2010 showing some economic improvement.

Operating Revenues
For The Years Ended December 31, 2012 and 2011

	2012	2011	2012 Increase (Decrease) Over 2011
Passenger Fares for Transit Services	246,479	236,627	9,852
Auxiliary Transportation Revenues	11,805	11,957	(152)
Operating Revenues	258,284	248,584	9,700

Operating Expenses

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

2012 operating expenses were $4,192,251, a decrease of $26,234 (or less than 1%) from 2011.

Operating expenses by category:

The **Operations** Department is responsible for all on-street services including operators, dispatchers and schedulers. 2012 expenses related to operations were $2,063,546, an increase of $73,236 (or 3.7%) from 2011. 2012 saw an increase in wages to all represented staff of 1%, additionally 2012 saw other labor-related cost increases including health insurance and unemployment insurance.

The **Maintenance** Department is responsible for all vehicles including fuel, parts, cleaning, servicing, and facility upkeep. 2012 expenses related to maintenance were $1,008,611, an increase of $22,725 (or 2.3%) from 2011. The Vehicle and Facility Maintenance Department works diligently to ensure that expenses are kept under control. The increase is primarily attributed to increased fuel and labor-related costs.

The **Administration** Department is responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance and human resources. 2012 expenses related to administration were $656,323, a decrease of $65,431 (or 9.1%) from 2011. Staffing adjustments primarily make up the decrease in expenses for Administration.

Depreciation – This is the estimated pro-ration of the cost of capital assets over the useful life of the asset. 2012 expenses related to depreciation were $463,771, a decrease of $4,296 (or .9%) from 2011. Several capital assets reached their useful life limit and depreciation limits in 2012. Additionally, there were no large capital purchases until the end of the year.

Operating Expenses
For The Years Ended December 31, 2012 and 2011

	2012	2011	2012 Increase (Decrease) Over 2011
Operations	2,063,546	1,990,310	73,236
Maintenance	1,008,611	985,886	22,725
Administrative Expenses	656,323	721,754	(65,431)
Depreciation	463,771	468,067	(4,296)
Operating Expenses	4,192,251	4,166,017	26,234

Non-operating Revenues

Non-operating income consists mainly of sales tax revenue, investment income, and operating grants. Non-operating revenues are all revenues that are not tied directly to an operating category such as fixed route fares.

2012 non-operating revenue was $4,106,989, an increase of $111,605 (or 2.8%) from 2011.

Non-operating Revenues by category:

Sales Tax – Consists of revenue received from local sales tax at the rate of 0.90%. 2012 sales tax was $3,284,165 in 2012, an increase of $525,604 (or 19.1%) from 2011. The increase is due to a successful levy initiative that passed during the February 2011 special election. The tax rate was raised to 0.90% from 0.60%. The sales tax increase did not take effect until July 2011 (collected September 2011); therefore an increase in sales tax revenue was expected.

Operating Subsidies – consists mainly of state and federal grants. 2012 operating subsidies were $813,612 in 2012, a decrease of $408,170 (or 33%) from 2011. A large draw down was made from the 2011-2013 operations grant in the 3rd quarter of 2011. Fewer funds drawn down in 2012 account for the reduction in grant funding received.

Investment Income – Consists of revenue generated from investment interest. 2012 investment income was $1,792, a decrease of $260 (or 12.7%) from 2011. The economic downturn has depleted reserve levels as well as reduced the amount of interest made on investments.

Other Non-operating Revenues (Expenses) – Consists of revenues not readily categorized to another revenue line. Other Non-operating Revenues consists of investment income, extraordinary items, special items, gain (loss) on sales disposition of capital items, public donations and other non-transportation revenues. Non-operating Revenues in 2012 consists of reimbursements for union-related activities. 2013 will see the negotiation of a new Collective Bargaining Agreement. Therefore, Non-Operating Revenue will be significantly higher in 2013. Other non-operating revenues (expenses) in 2012 were $7,420, a decrease of $5,548 (or 42.8%) from 2011.

Nonoperating Revenues (Expenses)
For The Years Ended December 31, 2012 and 2012

	2012	2011	2012 Increase (Decrease) Over 2011
Sales Tax	3,284,165	2,758,561	525,604
Operating Subsidies	813,612	1,221,802	(408,190)
Investment Income	1,792	2,052	(260)
Other Nonoperating Revenues (Expenses)	7,420	12,968	(5,548)
Nonoperating Revenues (Expenses)	4,106,989	3,995,384	111,605

Statement of Cash Flows

2012 year-end cash balance was $1,546,868, an increase of $327,456 (or 26.9%) from 2011 year-end. 2012 cash used by operating activities was $3,481,120, a decrease of $81,295 (or 2.3%) from 2011. 2012 cash provided from non-capital financing activities was $3,852,016, a decrease of $394,903 (or 9.3%) from 2011. 2012 cash used by capital and related financing activities was $45,232, a decrease of $224,217 (or 125.32%) from 2011. 2012 cash provided by investing activities was $1,792, a decrease of $199 (or 10%) from 2011. Jefferson Transit is focused on controlling costs and building reserves for future sustainability. The reduction in operating costs and increase in funding reserves reflects this philosophy.

Statement of Cash Flows (Summary)
For The Years Ended December 31, 2012 and 2011

	2012	2011	2012 Change 2011
Net Cash Provided (Used) by:			
Operating Activities	(3,481,120)	(3,562,415)	81,295
Noncapital Financing Activities	3,852,016	4,246,919	(394,903)
Capital and Related Financing Activities	(45,232)	178,985	(224,217)
Investing Activities	1,792	1,991	(199)
Net Increase (Decrease) in Cash and Equivalents	327,456	865,480	(538,024)
Cash Balances - Beginning of Year	1,219,412	353,933	865,479
Cash Balances - End of Year	1,546,868	1,219,412	327,456

Capital Assets

Jefferson Transit's investment in capital assets as of year-end 2012 was $4,727,884 (net of accumulated depreciation), a decrease of $387,088 (or 8%) from year-end 2011. Jefferson Transit's investment in capital assets includes land, buildings, shelters, vehicles & equipment and construction in progress. 2012 capital investments decreased $387,088, depreciation expense was $268,507 and $195,264 in fully depreciated assets were retired. Jefferson Transit's only capital purchases for 2012 were made in December. Jefferson Transit added 3 vanpool vans to the vanpool fleet. Jefferson Transit expects to have a great deal of capital activity in 2013 with work beginning on the new Transit Facility and has planned several capital purchases.

Additional information concerning capital assets may be obtained from Note 2 in the Notes to the Financial Statements.

ECONOMIC OUTLOOK

Jefferson Transit management has been and continues to be focused on reducing expenses. Unfortunately a cut to Sunday service is necessary in order for acceptable reserve levels to be accumulated and premium Monday-Saturday service to be sustained. Jefferson Transit management has taken several measured steps to hold expenses in check and minimize the impact of inflationary pressures, but is keenly aware that the sales tax rate is at the maximum allowable by law. Any future actions taken by management will carefully consider the impact on safety, service to the public and continued ability to fulfill the requirements of regulatory compliance expected of any government entity.

Given the current fiscal environment, with costs increasing in the long run, Jefferson Transit management must continue to ensure sound fiscal operation with reduced revenues coupled with the need to stabilize and bolster operating and capital reserves.

Major issues which could impact the future financial condition of Jefferson Transit include:

- Review current grant and fare revenue streams with a focus on sustaining existing revenues and developing new ones in order to address cost increases due to inflationary pressures.
- Stagnate or decreasing sales tax revenue at the current 0.90% rate.
- Review of community growth patterns and adjustment of routes as needed to address various county population centers.

Requests for Information

This financial report is designed to provide a general overview of Jefferson Transit Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

General Manager
Jefferson Transit Authority
1615 West Sims Way
Port Townsend, WA 98368

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF NET POSITION
December 31, 2012

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,546,868
Taxes Receivable		624,420
Accounts Receivable (Net)		26,811
Due To (From) Other Governments		273,131
Inventory		159,719
Prepaid Expenses		12,969
Total Current Assets		**2,643,918**
NONCURRENT ASSETS		
Capital Assets Not Being Depreciated:		
Property, Plant and Equipment		1,203,423
Construction in Progress		463,978
Capital Assets Being Depreciated:		
Facility		687,452
Other Buildings & Structures		1,605,828
Revenue Vehicles		6,304,533
Service Vehicles		230,549
Service Equipment		284,012
Office Furniture & Equipment		232,585
Less: Accumulated Depreciation		(6,284,476)
Total Net Capital Assets:		**4,727,884**
TOTAL ASSETS		**7,371,802**
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivative		298
TOTAL DEFERRED INFLOWS OF RESOURCES		**298**
LIABILITIES		
Accounts Payable		64,056
Accrued Expenses		89,624
Total Current Liabilities		**153,680**
NONCURRENT LIABILITIES		
Deposits and Other Payables		135
Employee Leave Benefits		173,722
Total Noncurrent Liabilities		**173,857**
TOTAL LIABILITIES		**327,537**
DEFERRED INFLOWS OF RESOURCES		
Accumulated Increase in Fair Value of Hedging Derivative		298
		298
NET POSITION		
Invested in Capital Assets, Net of Related Debt		4,727,884
Unrestricted		2,316,381
TOTAL NET POSITION	**$**	**7,044,265**
TOTAL NET POSITION AND LIABILITIES	**$**	**7,371,802**

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

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For The Year Ended December 31, 2012

OPERATING REVENUES		
Passenger Fares	$	246,479
Other Operating Revenue		11,805
Total Operating Revenues		**258,284**
OPERATING EXPENSES		
Operations		2,063,546
Maintenance		1,008,611
Administrative Expenses		656,323
Depreciation		463,771
Total Operating Expenses		**4,192,251**
Operating Income (Loss)		**(3,933,967)**
NONOPERATING REVENUES (EXPENSES)		
Sales Tax		3,284,165
External Operating Subsidies		813,612
Investment Income		1,792
Other Nonoperating Revenues (Expenses)		7,420
Total Nonoperating Revenues (Expenses)		**4,106,989**
Income (Loss) Before Capital Contributions, Extraordinary and Special Items		**173,022**
Capital Contributions		**76,683**
Increase (Decrease) In Net Position		**249,705**
Net Position - Beginning of Period		**6,794,560**
Net Position - End of Period	**$**	**7,044,265**

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

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 239,112
Payments to Suppliers	(929,150)
Payments to Employees	(2,791,082)
Net Cash Provided (Used) by Operating Activities	**(3,481,120)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales Tax Receipts	3,236,087
Other Nonoperating Receipts	7,349
Operating Grant Receipts	594,770
Local Government Assistance Fund Receipts	13,810
Net Cash Provided (Used) by Noncapital Financing Activities	**3,852,016**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	27,785
Purchases of Capital Assets	(73,088)
Sale of Capital Assets	71
Net Cash Provided (Used) by Capital and Related Financing Activities	**(45,232)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	1,792
Net Cash Provided by Investing Activities	**1,792**
Net Increase (Decrease) in Cash and Cash Equivalents	**327,456**
Balances - Beginning of the Year	**1,219,412**
Balances - End of the Year	**$ 1,546,868**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ (3,933,966)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	463,771
Change in Assets and Liabilities:	
Receivables, Net	(7,136)
Inventories	(2,401)
Prepaid Expenses	(1,168)
Accounts and Other Payables	(37,666)
Accrued Payroll and Benefit Expenses	37,446
Net Cash Provided by Operating Activities	**$ (3,481,120)**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson County Public Transportation Benefit Area was incorporated on July 11, 1980 and operates under the laws of the State of Washington applicable to a transit district. The financial statements of the Jefferson County P.T.B.A., DBA/Jefferson Transit Authority (Jefferson Transit) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A. Reporting Entity

Jefferson Transit is a special purpose government entity and provides Fixed Route, Route Deviated, Demand Response (Dial-A-Ride) and Vanpool Programs to the general public. Jefferson Transit is supported through passenger and other transit charges, sales tax revenue and various local, state and federal contributions and grant programs.

Jefferson Transit is governed by an elected five-member board which consists of two City of Port Townsend councilors and the three Jefferson County commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Jefferson Transit has no component units.

B. Basis of Accounting and Reporting

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

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

Jefferson Transit uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

Jefferson Transit distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with Jefferson Transit's principal ongoing operations. The principal operating revenues of Jefferson Transit are charges to customers for passenger fares and charges collected for the use of the Vanpool program. Operating expenses result from those expenses incurred to provide transit services such as fixed route, route deviated, demand response and other services such as the Vanpool program. Operating expenses consist of direct expenses including driver wages and fuel, and indirect expenses such as administration costs and depreciation of capital assets. All revenues and expenses not meeting the definition of operating are classified as non-operating revenues and expenses.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

As of December 31, 2012, Jefferson Transit had $1,546,868 in Cash and Cash Equivalents.

It is Jefferson Transit's policy to invest all temporary cash surpluses. As of December 31, 2012 the treasurer was holding $1,332,309 in short-term residual investments of surplus cash. This amount is classified on the *Statement of Net Position* as cash and cash equivalents. $635,000 of cash and cash equivalents were placed in the Treasury Pool as of February 28, 2013.

For purposes of the *Statement of Cash Flows*, Jefferson Transit considers all highly liquid investments (including restricted assets) with a maturity of less than three months when purchased, to be cash equivalents.

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

2. Taxes Receivable

As of December 31, 2012, Jefferson Transit had $624,420 in Taxes Receivable.

Taxes Receivable consists of sales tax receivable. Sales tax revenue is accrued in the period earned and received two months later.

As of December 31, 2012, Jefferson Transit had the following sales tax amounts accrued:

November 2012 Sales Tax Received January 2013	$	263,071
December 2012 Sales Tax Received February 2013	$	361,349
TOTAL	$	624,420

3. Accounts Receivable (Net)

As of December 31, 2012, Jefferson Transit had $26,811 in Accounts Receivable (Net).

Accounts receivable consists of amounts owed from private individuals or organizations for goods and services. Accrued interest receivable consists of amounts earned but not received on investments as of December 31, 2012.

Due to the type and amount of receivables, no estimation is made for uncollectible accounts. When accounts are deemed uncollectible following all methods of collection efforts and, if necessary, reviewed by legal counsel, they are written off to appropriate categories.

As of December 31, 2012, Jefferson Transit had the following receivables:

Accounts Receivable	$	21,007
Accounts Receivable - Other	$	5,743
Interest Receivable	$	62
TOTAL	$	26,811

4. Due to (From) Other Governments

As of December 31, 2012, Jefferson Transit had a net $273,131 Due From Other Governments.

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

As of December 31, 2011, Jefferson Transit had the following due from other governments:

Local Governments - Operating	$	192,800
State Grants - Operating	$	3,690
State Grants - Capital	$	76,641
TOTAL	$	273,131

5. Inventory

As of December 31, 2012, Jefferson Transit had $159,719 in Inventory.

Inventories consist of fuel on hand and vehicle maintenance parts and supplies and are valued using the first-in/first-out (FIFO) method. Jefferson Transit Authority values Maintenance Parts Inventory on a cost basis monthly, while fuel is valued on the lower of cost or market. Fuel value is determined utilizing the Washington State Department of Enterprise Services Fuel Price Update website.

As of December 31, 2012 Jefferson Transit had the following inventories:

Maintenance Parts Inventory	$	136,094
Fuel Inventory	$	23,625
TOTAL	$	159,719

6. Prepaid Expenses

As of December 31, 2012, Jefferson Transit had $12,969 in Prepaid Expenses.

Prepaid expenses consist of services that will be provided in a future period but paid as of the close of current period.

As of December 31, 2012, Jefferson Transit had the following prepaid expenses:

Prepaid Expenses	$	11,611
Prepaid Expenses - Employee Benefits	$	1,358
TOTAL	$	12,969

7. Capital Assets and Depreciation - See Note 2.

8. Accounts Payable

As of December 31, 2012, Jefferson Transit had $64,056 in Accounts Payable.

Accounts payable are expenses unrelated to wages and employee-related liabilities recognized in the current period and paid in a future period.

As of December 31, 2012 Jefferson Transit had the following accounts payable:

Accounts Payable	$	33,168
Accounts Payable - Employee	$	30,888
TOTAL	$	64,056

9. Accrued Expenses

As of December 31, 2012, Jefferson Transit had $89,624 in Accrued Expenses.

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

As of December 31, 2012, Jefferson Transit had the following accrued expenses:

Accrued Payroll	$	81,652
Accrued Employee Payroll Related Liabilities	$	7,927
Accounts Payable - Public Utility and Use Taxes	$	45
TOTAL	$	89,624

10. Deposits and Other Payables

As of December 31, 2012, Jefferson Transit had $135 in Deposits and Other Payables.

Deposits and Other Payables consist of liabilities for deposits made by customers.

11. Employee Leave Benefits

As of December 31, 2012, Jefferson Transit had $173,722 in Employee Leave Benefits. This represents an increase of $18,731 from 2011. This increase is due to adding the liability for personal/banked holidays. Jefferson Transit offers two personal holidays to all employees each year that must be used in the calendar year or transferred to their VEBA account. Additionally Jefferson Transit allows employees to "bank" holiday hours and carry over 24 of these banked holiday hours into the next year. This leave liability had not been included in previous years.

Employee leave (general leave) benefits are for absences for which employees will be paid. Jefferson Transit records unpaid leave for compensated absences as an expense and liability when earned.

Jefferson Transit's employee general leave policy as of December 31, 2012 for both represented and non-represented staff allowed for the accumulation of general leave benefits at the rate of twenty-five days per year. Additional general leave benefits accrue after five and ten years continuous service at the rate of five additional days per year, respectively. The maximum amount of general leave hours represented employees may carry over from year to year is 520 hours and non-represented is 280 hours. Employees' general leave balances as of December 31st in excess of allowed balances are cashed-out and the funds are placed into employee HRA VEBA accounts.

12. Net Assets, Invested in Capital Assets, Net of Related Debt

As of December 31, 2012, Jefferson Transit had $4,727,884 in Net Assets, Invested in Capital Assets, Net of Related Debt.

All capital assets are reported as Invested in *Capital Assets, Net of Related Debt*, regardless of restrictions and reflect total value of capital assets less accumulated depreciation.

For further detail see Note 2.

13. Net Assets, Unrestricted

As of December 31, 2012, Jefferson Transit had $2,316,381 in Net Assets, Unrestricted.

Net Assets, Unrestricted is the balance of all other net assets that do not meet the criteria for *Invested in Capital Assets, Net of Related Debt, and Net Assets, Restricted.*

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

A. Capital Assets

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred. The capital asset threshold is $5,000.

All capital assets are valued at historical cost or estimated historical cost where historical cost is not known.

Jefferson Transit has acquired certain assets with funding provided by Washington State Department of Transportation (WSDOT) and federal financial assistance programs. Depending on the terms of the agreements involved, WSDOT and the federal government could retain an equity interest in these assets. However, Jefferson Transit has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

The original cost of capital property retired or otherwise disposed of, and the cost of installation less salvage, is charged to accumulated depreciation. However, in the case of the sale of an asset, the original cost is removed from Jefferson Transit asset accounts. Accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income via Other Non-operating Revenue on the *Statement of Revenues, Expenses and Changes in Net Position*.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method with useful lives of three to thirty years. WSDOT provides guidance on the depreciation of all vehicles due to grant funding and financial reporting requirements.

- Facilities
  - Administration Building - 30 years,
  - Building Improvements - 5 to 10 years (based on type of improvement)
- Buildings and Structures
  - Park and Ride Structures – 30 years
  - Bus Stops and Shelters – 10 years
  - Improvements – 5 to 10 (based on type of improvement)
- Revenue Vehicles, Service Vehicles
  - Heavy Duty Large Buses < 35ft – 12 years
  - Heavy Duty Small Buses 28ft-35ft – 10 years
  - Medium Duty Bus/Cutaway – 7 years
  - Light Duty Bus – 5 years
  - Light Duty Small Van – 4 years
- Service Equipment
  - 2 – 12 years dependent upon type of equipment
- Office Furn. & Equipment
  - 3 – 12 years dependent upon furniture or equipment

B. Capital Asset Schedule

Capital assets activity for the year ended December 31, 2012 was as follows:

	Beginning Balance 1/1/2012	Increases	Decreases	Ending Balance 12/31/2012
Capital assets, not being depreciated				
Land	$ 1,203,423			$ 1,203,423
Construction in Progress	463,978			463,978
Total capital assets not being depreciated	1,667,401	0	0	1,667,401
Capital assets, being depreciated:				
Facility	687,452			687,452
Other Buildings & Structures	1,605,828			1,605,828
Revenue Vehicles	6,423,114	76,683	195,264	6,304,533
Service Vehicles	230,549			230,549
Service Equipment	284,012			284,012
Office Furniture & Equipment	232,585			232,585
Total capital assets being depreciated	9,463,540	76,683	195,264	9,344,959
Less accumulated depreciation for:				
Facility	494,855	24,469		519,324
Other Buildings & Structures	940,907	57,828		998,735
Revenue Vehicles	3,948,870	161,722		4,110,592
Service Vehicles	199,501	9,319		208,820
Service Equipment	213,881	9,062		222,943
Office Furniture & Equipment	217,955	6,107		224,062
Total accumulated depreciation	6,015,969	268,507	0	6,284,476
Total capital assets, being depreciated, net	3,447,571	(191,824)	195,264	3,060,483
Total capital assets	**$ 5,114,972**	**$ (191,824)**	**$ 195,264**	**$ 4,727,884**

NOTE 3 – STEWARDSHIP AND ACCOUNTABILITY

Jefferson Transit is required to disclose all known violations of finance-related legal or contractual provisions and what steps are being taken to resolve the deficit.

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

NOTE 4 - PENSION PLANS

Substantially, all Jefferson Transit'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*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes; elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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 a defined benefit plan with a defined contribution component.

PERS members 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 members 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 is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefit portion of benefits for Plan 1 members. Plan 2/3 accounts for the defined benefits for Plan 2 members and the defined benefit portion of Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

Plan 1 members are eligible for retirement 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.)

The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of services and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost-of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer price Index (CPI). The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consists of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

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. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.) There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the CPI), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under on of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or,
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PRES Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were $95.2 million, and plan refunds paid out were $66.2 million.

The defined benefit portion of the PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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 early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an EFT that varies with age for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability amounts are actuarially reduced for each year that the member's age is less than 65, and 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 CPI) and capped at three percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit.

PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not a normal retirement age at death. This provision applies to any member killed in the course of employment on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

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 six 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, were as follows:

PERS Plan 1	PERS Plan 2	PERS Plan 2
7.21%**	7.21%**	7.21%***
6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% 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 4.64% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both Jefferson Transit and the employees made the required contributions. Jefferson Transit's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	$5,033	$125,039	$4,298
2011	$8,151	$104,802	$5,831
2010	$9,797	$89,121	$5,999
2009	$9,675	$108,859	$7,371
2008	$10,744	$114,127	$8,886

NOTE 5 – RISK MANANGEMENT

A. Public Entity Risk Pool

January 1, 1989, Jefferson Transit signed an inter-local government agreement per Chapters 48.61 and 39.34 RCW, with seven public Washington transit systems for the joint purchase of liability insurance, joint self-insurance, and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. The agreement created an agency known as the Washington State Transit Insurance Pool (WSTIP). Currently, there are 25 members in the transit insurance pool.

A board of Directors consisting of a representative of each member system governs WSTIP. Full member systems include: Asotin County Transit, Clarkston; Ben Franklin Transit, Richland; Clallam Transit System, Port Angeles; Columbia County Transit, Dayton; Community Transit, Everett; River Cities Transit, Longview; C-Tran, Vancouver; Everett Transit, Everett; Grant Transit, Ephrata; Grays Harbor Transportation Authority, Hoquiam; Intercity Transit, Olympia; Island Transit, Coupeville; **Jefferson Transit**, Port Townsend; Kitsap Transit, Bremerton; Link Transit, Wenatchee; Mason Transit, Shelton; Pacific Transit System, Raymond; Pierce Transit, Pierce County; Pullman Transit, Pullman; Skagit Transit, Burlington; Spokane Transit, Spokane; Twin Transit, Centralia; Valley Transit, Walla Walla; Whatcom Transit, Bellingham and Yakima Transit, Yakima.

The purpose of WSTIP is stabilization of present insurance costs and reduction of costs in the long term future. Jefferson Transit has not had a settlement that exceeded insurance coverage in the past three years.

WSTIP self-insures for the first $1,000,000 of each auto and general liability claim and provides excess insurance with private carriers for up to eleven million above the initial $1,000,000 on a per claim basis.

WSTIP's accounting records are audited by the Washington State Auditor each year. Copies of the annual financial report that includes financial statements and required supplementary information of the financial statements may be obtained by writing to: WSTIP, Executive Director, 2629 – 12th Court S.W., Olympia, WA 98502.

B. Unemployment Insurance

Jefferson Transit maintains insurance against most normal hazards except for unemployment insurance, where it has elected to become self-insured as a "reimbursable employer" as allowed by the State of Washington Employment Security Department.

Claims are processed by the Employment Security Department and billed to Jefferson Transit quarterly. Jefferson Transit had claims totaling $ 25,553 during 2012.

NOTE 6 – SHORT TERM DEBT

Jefferson Transit experienced a significant reduction in sales tax revenue during 2008-2011. In order to be responsive to future cash demands and prepare for possible short-term cash flow shortages Jefferson Transit obtained a line of credit from Kitsap Bank in May 2011. The line of credit was not utilized. A small amount of interest was charged on the line due to the initial loan fees. The line of credit matured in May 2012 and was closed.

NOTE 7 - CONTINGENCIES AND LITIGATION

As of December 31, 2012, Jefferson Transit has active litigation in the form of federal EEOC complaint. Jefferson Transit's insurer has retained Jessie L. Harris, Attorney at Law with Williams Kastner & Gibbs PLLC. The case is currently under a Motion to Extend Time due to problems with the Plaintiff's original court filing. The Case Number is CV12-6063RBL in the United States District Court, Western District of Washington at Tacoma.

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

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

NOTE 8 – DERIVATIVE INSTRUMENTS

Jefferson Transit entered into a Fuel Risk Management agreement with five Washington State transit agencies for the purpose of entering into a fuel price "hedge" contract to mitigate the variability of fuel prices by providing predictable and stable pricing over a set period time. Parties to the Inter-local Agreement include Link Transit, Ben Franklin Transit, Clallam Transit, Grant Transit Authority, Jefferson Transit Authority, and Valley Transit. In February 2012, Grant Transit withdrew from the Fuel Hedge. The role of Project Administrator was assumed by Link Transit.

Using a competitive process, the transit agencies selected a vendor and contractually agreed to purchase approximately 84,000 gallons of low sulfur #2 diesel fuel each month in the amounts shown in the Fuel Purchase Calculation table below.

The selected vendor offers a contract which provides the opportunity for the Transits to mitigate the variability in the price of fuel. Under this contract, no specific supplier is required and the transit agencies can purchase fuel from providers other than the specified vendor. If the monthly average index price for fuel of the type purchased by the transit agencies, in this case, OPIS (Spot Prices for Pacific Northwest Low Sulfur #2 Diesel Fuel) rises above the price agreed upon, the Contractor agrees to reimburse to the Transits, the difference between the fixed price and monthly average index price on the day the fuel was purchased. If the monthly average index price falls below the agreed upon fixed price, the Transit pays the contractor the difference between the fixed price and the monthly average index price on the day the fuel was purchased. This type of contract is referred to as a "Paper Swap" contract.

The Contract provides transit agencies with a predictable and stable price throughout the contract period. The market price may fluctuate above or below the fixed price, requiring either the Transit or the Contractor to pay the other, but the net effect to the Transits is to narrow the degree of fluctuation in the price transit agencies pay for fuel. There is no guarantee that the market prices will not fall below the fixed price in the contract.

The transit agencies collectively obligate to purchase fuel in lots of 42,000 gallons per month. The transit agencies initially contracted for two lots per month or 84,000 gallons. On February 1, 2009, the Transits extended the contract and agreed to purchase one additional lot which increased the total number of gallons purchased each month to 126,000. In February 2012 Grant Transit withdrew from the fuel hedge and the agencies reduced the contract to two lots per month or 84,000 gallons. To determine how many gallons each transit is committed to purchase, the number of gallons in the total number of lots committed for purchase each month is multiplied by the percentage share of each transit property. The sum of each multiplication for the designated transit agency equals the number of gallons of fuel that each specific transit commits to purchase each month, pursuant to this agreement. Using Jefferson Transit as an example, if the total number of lots to be purchased is two, and Jefferson Transit's percentage share is 7.1 percent as shown in the table below, Jefferson Transit would be obligated to purchase 6,000 gallons of fuel each month to meet the provisions of this agreement.

Agency	Gallons prior to 2009	% of Total	Gallons as of February 1, 2009	% of Total	Gallons as of February 1, 2012	% of Total
Ben Franklin	38,500	45.8	64,000	50.8	38,500	45.8
Link	18,000	21.4	25,000	19.8	16,000	19.1
Clallam	14,000	16.7	21,000	16.7	21,000	25.0
Grant	7,000	8.3	7,000	5.5	0	0
Jefferson	4,000	4.8	4,000	3.2	6,000	7.1
Valley	2,500	3.0	5,000	4.0	2,500	3.0
Total	84,000	100.0	126,000	100.00	84,000	100.0

On a monthly basis the average change in the OPIS price index is calculated and compared to the contract base price (now 3.0 per gallon). If the OPIS index price for Pacific NW #2 low sulfur diesel fuel is lower than the contract price, the Contract bills the Transits collectively for the difference times the number of gallons contracted. If the price of the index is higher than the base price, the Contractor pays the Transits collectively for the difference. The amount each transit owes or receives during this monthly settling is based on the percentages presented in the Fuel Purchase Calculation table above. Jefferson Transit recognizes gains or losses from this contract on a monthly basis.

A. Summary of Derivative Instruments

Jefferson Transit had the following derivative instruments outstanding at December 31, 2012.

	Changes in Fair Value		**Fair Value at December 31,**			**Notional (GAL)**
	Classification	**Amount**	**Classification**	**Date**	**Amount**	
Fair Value Hedges:						
Cash Flow Hedges						
Commodity forward	Deferred Inflow	$6732.40	Derivative	2012	$297.60	6,000
Investment Derivatives						
Fiduciary Funds						
Investment Derivatives:						

B. Objective and Terms of Hedging Derivatives

Type	**Objective**	**Notional Amount**	**Effective Date**	**Maturity Date**	**Terms**	**Counter Party Rating**
Commodity Forward Contract	Hedge of cash flows due to market prices fluctuation #2 Low Sulfur Diesel Fuel	4,000	2/1/2009	1/31/2012	Pay $2.40 per gallon; settlement based on OPIS Pacific NW #2 Low Sulfur Diesel Fuel	AA/Aa2
Commodity Forward Contract	Hedge of cash flows due to market prices fluctuation #2 Low Sulfur Diesel Fuel	6,000	2/1/2012	1/31/2013	Pay $3.00 per gallon; settlement based on OPIS Pacific NW #2 Low Sulfur Diesel Fuel	AA/Aa2

C. Net Cash flows of Derivatives Hedging Debt - None

D. Hedging Derivative Risks

Jefferson Transit has hedging derivative risk associated with the ongoing fluctuations in the commodities pricing for diesel fuel. Beginning in February 2012 Jefferson Transit is responsible for fluctuations in fuel pricing that causes the OPIS index to drop below the base contract price of $3.00 per gallon. Based on industry data used to determine the fair value of this hedging contract, the OPIS index price for Pacific NW#2 low sulfur diesel fuel is projected to remain above the base contract price through January 2013 when the contract expires.

Year	Base Gallons Per Year	Rate	Base $ Amount Per Year	Average Rates	Earnings (Payments) Per Year	Total Hedging Gains (Losses)
2006	48,000	2.1675	104,040	2.0936	5020.80	5,020.80
2007	48,000	2.1675	104,040	2.2373	3,352.64	8,373.44
2008	48,000	2.72	130,560	2.9946	12,082.32	20,455.76
1/1/2009	4,000	2.72	10,880	1.5081	(4,847.60)	15,608.16
Eff 2/1/2009	44,000	2.4	105,600	1.7301	(29,475.52)	(13,867.36)
2010	48,000	2.4	115,200	2.2315	(7,004.12)	(20,871.48)
2011	48,000	2.4	115,200	3.0799	32,633.20	11,761.72
2012	4,000	2.4	9,600	3.0454	2,581.60	14,343.32
Eff 2/1/2012	66,000	3.0	216,000	3.0546	3,853.20	18,196.52

NOTE 9 - OTHER DISCLOSURES

A. Taxes Received - Restrictions - Recognition Methodology

Jefferson Transit received $3,284,165 in Sales Taxes in 2012. The tax revenues are restricted for public transportation purposes only. In 2000, the voters of Jefferson County approved an additional 0.30% sales tax, effective January 1, 2001, which increased the rate to 0.60% of the 0.90% allowed under state statute for transit districts. In February 2011, voters approved a tax increase to the 0.90% allowed under state statute for transit districts. That tax increase took effect July 2011. The agency's tax revenues are accrued in the period earned. Of the above amounts, $624,420 in tax revenues was earned but not received as of December 31, 2012.

B. Intergovernmental Grants and Entitlements

The accompanying Schedule 16, Schedule of Financial Assistance provides a listing of all federal, state, and Inter-local assistance programs in which Jefferson Transit participated and summarizes Jefferson Transit's grant transactions for 2012.

Public Transportation Management System
Owned Rolling Stock Inventory & Verification of Continued Use

I hereby certify that all information reported in the inventories reflects true, accurate and complete information for the agency/organization listed and that project equipment purchased through a state or federal grant agreement is still being used in accordance with the terms and conditions of the grant agreement.

Signature & Title: Tammi Rubert, General Manager Date

Agency/Organization: Jefferson Transit

Date: January 1, 2013

		Vehicle Code	Vehicle Identifi- cation Number (VIN)	Agency Vehicle Number	(LIFE) Odometer	(ACTUAL) Odometer	Condition (points)	Age (years)	Remaining Useful Life (years)	Replace- ment Cost $	ADA Access (Yes/No)	Seating Capacity	Fuel Type	WSDOT Title (Yes/No)
	Fixed Route Fleet (Port Townsed)													
1	1982/ORION 01.502/BIA	03	2B111947OC6015519	96	480,577	40,973	0	30	0	385,000	Yes	31	BD	No
2	2004/GILLIG/PHANTOM 30 FT	03	15GCA211641111741	501	464,829	125,635	60	8	2	385,000	Yes	29	BD	no
3	2004/GILLIG/PHANTOM 30 FT	03	15GCA211841111742	502	465,625	15,758	60	8	2	385,000	Yes	29	BD	no
4	2004/GILLIG/PHANTOM 30 FT	03	15GCA211X41111743	503	444,369	52,405	60	8	2	385,000	Yes	29	BD	no
5	2005/Gillig/PHANTOM 30 FT	03	15GCA211X61111731	504	354,551	354,551	60	7	3	385,000	Yes	29	BD	Yes
6	1992/ORION V/BIA	02	2B1529773N6030903	908	485,697	37,276	40	20	0	385,000	Yes	33	BD	No
7	1996/COLLINS/DIPLOMAT	11	1FDLE40FXTHB46918	961	257,021	257,021	0	16	0	120,000	Yes	18	BD	No
8	1996/THOMAS/TRANSIT LINER	04	1T75L2B29V1145470	965	466,692	136,849	0	16	0	385,000	Yes	30	BD	No
9	1996/THOMAS/TRANSIT LINER	04	1T75L2B20V1145471	966	440,384	440,384	0	16	0	385,000	Yes	29	BD	No
10	1996/THOMAS/TRANSIT LINER	04	1T75L2B22V1145469	967	511,651	511,651	0	16	0	385,000	Yes	29	BD	No
11	2001/E 450 VAN	11	1FDXE45F91HA38507	969	243,847	243,847	0	11	0	120,000	Yes	18	BD	No
12	2001/PHANTOM 35 FT	02	15GCB211911111144	971	538,357	174,622	50	11	0	385,000	Yes	32	BD	Yes
13	2001/PHANTOM 35 FT	02	15GCB211221111732	972	524,664	121,842	50	11	0	385,000	Yes	32	BD	Yes
14	1967/GMC/BABY OLD LOOK (2005)	03	TDH35011041	1967	2,702	2,702	50	33	0	385,000	No	34	BD	No
15	2003/FORD/E450 VAN	11	1FDXE45FX3HB33046	402	324,337	324,337	0	9	0	120,000	Yes	18	Diesel	No
16	2011 GILLIG LOW FLOOR 29FT	03	15GGE2719B1092208	505	87,616	87,616	100	1	9	385,000	YES	30	BD	YES
17	2011 GILLIG LOW FLOOR 29FT	03	15GGE2710B1092209	506	84,802	84,802	100	1	9	385,000	YES	30	BD	YES
18	2011 GILLIG LOW FLOOR 35FT	02	15GGB271XB1176479	507	68,831	68,831	100	1	11	385,000	YES	32	BD	YES
19	2011 GILLIG LOW FLOOR 35FT	02	15GGB2716B1176480	508	72,812	72,812	100	1	11	385,000	YES	32	BD	YES

		Vehicle Code	Vehicle Identifi- cation Number (VIN)	Agency Vehicle Number	(LIFE) Odometer	(ACTUAL) Odometer	Condition (points)	Age (years)	Remaining Useful Life (years)	Replace- ment Cost $	ADA Access (Yes/No)	Seating Capacity	Fuel Type	WSDOT Title (Yes/No)
	West-End Fleet (Forks)													
20	2003/FORD/E450 VAN	11	1FCXE45F83HB33045	401	369,540	369,540	0	9	0	120,000	Yes	18	Diesel	No
21	2008/FORD/AllStar VAN	11	1FD4E45S58DA96387	403	200,259	200,259	70	4	3	120,000	Yes	18	G	Yes
22	2011 IC CHAMPION MAX FORCE	11	4DRASSKK7BH335314	404	89,204	89,204	90	1	6	132,000	Yes	21	Diesel	Yes
23	2011 IC CHAMPION MAX FORCE	11	4DRASSKK9BH335315	405	109,255	109,255	90	1	6	132,000	Yes	21	Diesel	Yes
	Paratransit Fleet (Port Townsend)													
24	1999/FORD/E450 VAN	11	1FDXE40F4XHA11103	15	231,147	231,147	0	13	0	120,000	Yes	12	BD	No
25	1999/FORD/E450 VAN	11	1FDXE40F2XHA11102	17	268,503	268,503	0	13	0	120,000	Yes	12	BD	No
26	2000/FORD/E450 VAN	11	1FDXE40F4XHC15108	21	230,478	230,478	0	12	0	120,000	Yes	12	BD	No
27	2005/FORD/E450/VAN	11	1FDXE45P76HA32642	301	108,746	108,746	60	7	0	120,000	Yes	12	BD	No
28	2005/FORD/E450/VAN	11	1FDXE45P96HA32643	302	88,895	88,895	60	7	0	120,000	Yes	12	BD	No
29	2006/CHEV/AMERIVAN	11	1GBDV13127D120239	303	70,716	70,716	70	6	0	50,000	Yes	4	G	No
30	2006/CHEV/AMERIVAN	11	1GBDV13127D122329	304	68,766	68,766	70	6	0	50,000	Yes	4	G	No
31	2006/CHEV/AMERIVAN	11	1GBDV13157D122955	305	71,562	71,562	70	6	0	50,000	Yes	4	G	No
32	2006/CHEV/AMERIVAN	11	1GBDV13127D122038	306	70,143	70,143	70	6	0	50,000	Yes	4	G	No
33	2010/CHEV/CHAMPION CHALLENGER	11	1GB9G5A66A1122428	307	38,349	38,349	80	2	3	80,000	Yes	12	Diesel	Yes
34	2010/CHEV/CHAMPION CHALLENGER	11	1GB9G5A64A1122914	308	34,280	34,280	80	2	3	80,000	Yes	12	Diesel	Yes
	Vanpool (Port Townsend)													
35	2000/FORD/E350 VAN	13	1FBSS31F5YHB35824	26	162,265	162,265	50	12	0	26,000	No	15	BD	No
36	2006/FORD/E350 XLT VAN	13	1FBSS31L46DA95763	201	122,370	122,370	50	6	0	26,000	No	15	G	No
37	2006/FORD/E350 XLT VAN	13	1FBSS31L26DA95762	202	101,228	101,228	50	6	0	26,000	No	15	G	No
38	2006/FORD/E350 XLT VAN	13	1FBSS31L86DA95765	203	140,859	140,859	50	6	0	26,000	No	15	G	No
39	2006/FORD/E350 XLT VAN	13	1FSSS31L66DA95764	204	82,198	82,198	50	6	0	26,000	No	15	G	No
40	2009/DODGE/GR. CARAVAN	13	2D8HN44E19R628591	205	84,061	84,061	90	3	1	25,000	No	7	G	Yes
41	2009/DODGE/GR. CARAVAN	13	2D8HN44E39R628592	206	45,577	45,577	90	3	1	25,000	No	7	G	Yes

Public Transportation Management System
Owned Facility Inventory

Agency/Organization: Jefferson Transit

Date: January 1, 2013

	Facility Code	Facility Name	Condition (points)	Age (years)	Remaining Useful Life (years)	Replacement Cost ($)	Comments *(If more than two lines, please attach a separate comment page)*
1	23	Operations & Maintenance Center	50	22	1	$14,000,000	
2	9	Haines Place Park & Ride	85	14	17	$750,000	
3	24	Future Operations & Maint Center (land)	100	na	na	$210,000	10 Acre Land Parcel (Undeveloped)
4							

Public Transportation Management System
Owned Equipment Inventory

Agency/Organization: Jefferson Transit

Date: January 1, 2013

	Equipment Code and Description	Condition (points)	Age (years)	Remaining Useful Life (years)	Replacement Cost ($)	Comments *(If more than two lines, please attach a separate comment page)*
1.	None over $100,000					
2.						

Jefferson County Public Transportation Benefit Area
DBA/Jefferson Transit Authority
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 Identification Number	Expenditures From Pass-Thru Awards	Expenditures From Direct Awards	Totals
US Dept of Transportation / pass through from WSDOT	Formula Grants for Other Then Urbanized Areas	20.509	GCA 6825	$611,120		$611,120
TOTAL FEDERAL AWARDS EXPENDED				**$611,120**	**$0.00**	**$611,120**

NOTE 1 - BASIS OF ACCOUNTING

The schedule of Financial Assistance is prepared on the same basis of accounting as the Transit's financial statements. The Transit uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

NOTE 2 - PROGRAM COSTS

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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.

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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 Performance Audit	**Larisa Benson**
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Deputy Director of Quality Assurance	**Barb Hinton**
Local Government Liaison	**Mike Murphy**
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