

ANNUAL REPORT

**MASON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
AUTHORITY (MTA)
MCAG No. 0674**

**Submitted pursuant to RCW 43.09.200
to the
DIVISION OF MUNICIPAL CORPORATIONS
STATE AUDITOR'S OFFICE**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Certified correct this _____ day of _____, 2009 to the best of my knowledge and belief:

Carolyn LePage, Finance Manager

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Mason County Transportation Authority

Annual Report

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HISTORY

Mason County Transportation Authority (MTA) is a single purpose municipal corporation that provides public transportation services in a 968 square mile area located in Mason County, Washington. The service area includes the City of Shelton, and several unincorporated townships which contains a population of approximately 54,600 residents. Additionally MTA travels to the adjoining counties of Jefferson, Kitsap and Thurston.

The Authority was authorized by voters in November, 1991 to levy a sales tax at the rate of two-tenths (2/10) of one percent. On September 18th, 2001, the voters authorized an additional four-tenths (4/10) of one percent sales tax. The sales and use tax is collected by the Washington State Department of Revenue and is remitted to the Authority monthly.

MTA provides transportation services operating 14.5 hours a day Monday through Friday and 11.5 hours on Saturdays. Service is provided through a combination of routed and commuter runs, demand response Dial-A-Ride, route deviation, and a volunteer driver program. A Worker-Driver Program, serving the Bremerton Naval Shipyard was established in May, 1998, currently operating four transit coaches from Shelton and North Mason County. In addition, Mason Transit expanded its Vanpool program in 2005 and has acquired twenty-five 12-passenger vans.

The Authority contracted with Paratransit Services, through a “Request for Proposal” (RFP) process and the first day of service was December 1, 1992. The Authority continued to contract with Paratransit Services through December 31, 2001. The Paratransit Services contract was extended then through June 30, 2002, to facilitate the RFP process.

As a result of the RFP process, the Authority contracted for services with People for People (PFP), effective July 1, 2002. The two year contract was extended through December 31, 2004. Effective January 1, 2005, Mason Transit transitioned previously contracted services to in-house operations. With the exception of two positions, the transition resulted in PFP employees filling the in-house operations, dispatch and maintenance positions created.

Maintenance services on the transit vehicles, also previously contracted to People for People, and performed at an offsite location, were moved to Mason Transit’s base of operations on John’s Prairie Road in February 2005 upon completion of modifications to Building #4 as the bus maintenance facility.

ORGANIZATION

The Mason County Public Transportation Benefit Area (PTBA) is a special purpose district, authorized under Washington State RCW 36.57A (1975). The PTBA was approved by Mason County voters in November 1991 and began providing public transportation service in December 1992. The service area is all of Mason County with connections to adjacent counties. For the first two months in 2008, the Mason County Public Transportation Benefit Authority (MTA) Board of Directors consisted of three Mason County Commissioners, the Mayor of Shelton and two Shelton City Commissioners. On February 5, 2008 a Public Transportation Improvement Conference was held in accordance with RCW36.57A.955 which requires the periodic review of the composition of the governing body of a public transportation benefit authority. The recommendation to change the composition effective March 1, 2008 was approved and Resolution 01-08 passed by the Mason County Commissioners and City of Shelton representative, that the composition of the Mason County Transportation Authority Board shall consist of nine members as follows:

Three (3) elected members of the Mason County Commission

One (1) elected member of the City of Shelton Commission

One (1) elected member of the North Mason School District

One (1) elected member from the Mary M. Knight School District serving in even years starting in 2008 and one elected member from the Southside School District starting in 2009 and then serving in the odd years.

One (1) elected member of the Mason County Public Hospital District No. 2

One (1) elected member of the Hood Canal School District

One (1) elected member from Mason County Fire Protection District 3, 5 or 11 starting with Fire Protection District 3 in 2008; Fire Protection District 5 in 2009, and Fire Protection District 11 in 2010 and then rotating in that order thereafter.

An advisory board of Mason County citizens (Mason County Transportation Advisory Board or "MCTAB") is appointed by the MTA Board to provide policy and technical advice.

The organization of Mason County Public Transportation Benefit Authority (MTA) as of December 31, 2008 was as follows:

Mason County Transportation Authority Board of Directors

Lynda Ring-Erickson, Mason County Commissioner – Chair

Mike Byrne, City of Shelton Commissioner – Vice-Chair

Tim Sheldon, Mason County Commissioner

Ross Gallagher, Mason County Commissioner

Deborah Petersen, Hood Canal School District

John Campbell, North Mason School District #4

Bev Wendell, Mason County Public Hospital District #2

Scott Berry, Mason County Fire Protection District #3

Diana Goldy, Mary M. Knight School District

Mason County Transportation Authority Citizen Advisory Board (MCTAB)

| | | |
|----------------------------|---------------------------|------------------|
| Barry Mihailov, Chair | Kevin Frankeberger, Ph.D. | Mary Ogg |
| John Calabrese, Vice-Chair | Fran Arnold | Pamela Hillstrom |
| Tim Burford | Herb Baze | Bill Rathke |
| Glen Fourre | John Piety | Molly Casey |

As of December 31, 2008, MTA employed:

| | |
|-------------------------------------|--------------------|
| Management | 1 FTE |
| Administration | 4 FTE |
| Finance | 2 FTE, 0.5 Vacancy |
| Operations – Administration & ITS | 5.5 FTE, 1 Vacancy |
| Operations – Scheduling/Dispatching | 6.5 FTE |
| Operations – Full-Time Operators | 22 FTE |
| Operations – Part-Time Operators | 14.5 FTE |
| Maintenance – Administration | 1 FTE |
| Maintenance – Facilities Management | 1 FTE |
| Maintenance – Vehicle Maintenance | 6 FTE, 1 Vacancy |

For 12 months of 2008, MTA contracted with Shelton School District No. 309 and for 11 months Pioneer School District No. 402 to provide approximately 8 additional hours per day of deviated fixed route service beginning at 5 PM daily, connecting riders to the deviated fixed route service and various Dial-a-Ride destinations. In December, Shelton School District No. 309 assumed deviated fixed route service formerly being provided by Pioneer School District.

Physical Plant

The MTA Administrative Office, Operations and Maintenance Operations were successfully combined at 790 East Johns Prairie Road, Shelton, Washington, in 2005. A second operations base was established in Belfair. This office is located at 23495 St. Hwy 3, adjacent to an MTA park and ride lot. Three coaches and three cutaway vans are parked at the Pad-N-Lock commercial storage facility on Hwy 3 to provide services to North Mason County.

On July 1, 2006, MTA took possession of the Shelton Armory Building located at 601 W. Franklin St. This facility, which had been declared surplus by the Washington State Military Department, consists of two buildings. The main building has a large drill floor, offices, a computer lab, and kitchen. The second building has five maintenance bays that were used for the motor pool. A local non-profit, Save Our County's Kids, (S.O.C.K.) is the principal

tenant, subleasing space to the Shelton School District for athletic classes and to other community groups. The maintenance bays are leased to the regional Community Action Council as a warehouse for commodities for local food bank operations.

MTA initiated the design process in 2006 to transform the facility into a transit and community center, contingent on funding. The Washington State Legislature appropriated funding for the design and planning phase of the project in the 2008 legislative session. MTA hired Foster & Williams Architects, a Mason County-based firm, to lead the design process. The design team members include Clinkston Brunner Architects, a Seattle-based firm with expertise in designing transit facilities, and FLT Consulting, an Olympia-based firm with expertise in community outreach and planning. FLT Consulting will be drafting a business plan for financing the construction and maintenance of the facility in the next phase of the project.

SERVICE CHARACTERISTICS

MTA provides transportation services operating 14.5 hours a day Monday through Friday and 11.5 hours on Saturdays. Service is provided through a combination of routed and commuter runs, demand response Dial-A-Ride, route deviation, and a volunteer driver program. A Worker-Driver Program, serving the Bremerton Naval Shipyard was established in May, 1998, currently operating four transit coaches from Shelton and North Mason County. In addition, Mason Transit expanded its Vanpool program in 2005 and has acquired twenty-five 12-passenger vans.

Core Service

Hours of operation of the transportation service are 5:35 am to 8:45 pm, Monday through Friday and 6:55 am to 8:45 pm on Saturday. There is no service on Sunday or observed holidays. MTA operates 9 routes that allow flexible service to persons traveling off designated routes. Dial-A-Ride service operates in rural areas where route deviations are not possible as well as in populated areas of the County for people who have difficulty using the routed service. All Dial-A-Ride service is open to the general public. Riders can make a trip request from two (2) hours prior to the preferred pick-up time up to two (2) weeks in advance of their travel date. A zone route is operated as part of the Dial-A-Ride service to the mid-county area three times a day. All vehicles in MTA scheduled service are accessible to persons with disabilities.

Fares

| | |
|--|-----------|
| Travel within Mason County – all riders | No Charge |
| Travel outside of Mason County – to and from Brinnon, Olympia and Bremerton | |
| Adults and Youth – one way | \$1.00 |
| Seniors and people with disabilities | \$.50 |
| Children five and under | No Charge |

Monthly Passes

| | |
|--|---------|
| Adults for Out-of-County Travel | \$22.00 |
| Seniors and People with Disabilities | \$9.00 |
| Youth (ages 6-17) | \$14.00 |
| Summer Youth Adventure Pass (Memorial Day – Labor Day) | \$10.00 |

Coordinated Service

MTA coordinates all service requests with other area transportation providers. Squaxin Island Tribal Transportation coordinates local service with Mason Transit’s regional service. Shelton School District operates four afternoon general public deviated routes under contract with Mason Transit. In 2004, MTA assisted in the formation of the Regional Transportation Partners, a 501(c)(3) organization, for the purpose of developing and coordinating transportation resources in Mason County.

Volunteer Service

Volunteers who are registered with MTA are compensated for use of their own cars to provide transportation to persons age 60 or older for whom it is too difficult or impractical to use regular transit service due to age or physical limitations for shopping, banking, medical appointments, etc. Passengers transported by volunteers are screened to determine that this service is appropriate and that there is no other service available. Volunteers are screened to assure that they have safe driving records, no criminal background and adequate vehicle insurance. Volunteers are provided with orientation, training and other support services to assist them in offering safe transportation service.

Service Connections

Regional connections with other transit systems include: six days per week linkage with Squaxin Island Transit in Mason County; Intercity Transit, Grays Harbor Transit, and Pierce Transit in Olympia, Kitsap Transit in Bremerton and with Jefferson Transit in Brinnon.

Connections to the listed transit systems, except Jefferson Transit, are at transfer facilities located near services that allow connections to other ground transportation including: Washington State Ferries in Bremerton, Greyhound and AMTRAK in Olympia.

Mason County Transit service is available to persons traveling to and from area schools including Olympic College in Shelton and Bremerton. Mason County residents attending South Puget Sound Community College and Evergreen State College in Olympia can also use Mason Transit to transfer to Intercity Transit service in Olympia.

2008 OPERATING HIGHLIGHTS

Capital projects underway include: a fueling station on site, frontage improvements and remodel design concept of the Transit Community Center and Park and Ride lot in the North Mason service area. Work continues on the fuel facility as a top priority.

With funding appropriated by the Washington State Legislature, in the amount of \$232,000, MTA hired Foster & Williams Architects, a Mason County-based firm, to lead the design process. Also on the design team are Clinkston Brunner Architects, a Seattle-based firm with expertise in designing transit facilities, and FLT Consulting, an Olympia-based firm with expertise in community outreach and planning.

Mason Transit was awarded \$4.5M in the 2007-2009 WSDOT Consolidated Grant Program. These funds will be used to maintain and expand Dial-a-Ride services, especially to support employment, expand regional connections, and provide expanded service in several areas, in some cases using school buses that are contracted for general public transportation services.

In October, Dial-a-Ride hours were expanded within Mason County and a new fixed route developed increasing service availability to a large residential area in the City of Shelton. In all, service was increased by over 9 percent.

Staff continues to present benefits of the Vanpool program to community groups and have a presence at various events in order to inform people of the options for ridesharing that Mason Transit can offer.

Two policy issues were introduced: the composition of the Mason Transit Board and an increase in the fare charged to riders traveling outside the county and vanpool rates. The Board composition changed in February 2008 and approval of a proposed fare and vanpool rate increase was approved in December for implementation in the new year. No fare increase will be imposed for seniors and persons with disabilities.

Mason Transit finished the year with a 24 percent increase in ridership and a 9 percent increase in service hours. Miles traveled exceeded 1,342,785 miles a 26% increase from 2007.

With newly released Federal Transit Administration Charter Regulations in effect as of April 30, 2008, Special Event Service requests are being processed in compliance with guidelines under 49 CFR Part 604.

Mason Transit Ridership Comparison for the months of January, June and December:

| Year Month | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Jan | 21,380 | 22,774 | 23,986 | 23,700 | 27,775 | 21,838 | 28,768 | 30,725 | 29,679 | 36,508 |
| Jun | 22,474 | 23,979 | 21,876 | 24,631 | 25,222 | 28,215 | 32,196 | 33,223 | 30,982 | 40,929 |
| Dec | 22,158 | 21,044 | 20,434 | 19,439 | 25,221 | 28,153 | 29,977 | 26,739 | 29,027 | 30,403 |

2008 FINANCIAL HIGHLIGHTS

REVENUES

Based on the accrual basis method of accounting for revenue recognition, MTA revenue for 2008 included \$3,523,750 in Sales Tax, \$116,804 in Investment Interest Income and \$11,324 in Sales Tax Interest.

Mason Transit was primarily a fare-free system until November 1, 2001, at which time a \$1.00 fare per one-way trip was implemented on routes to and from Olympia, Bremerton, and Brinnon. A fee is charged for the PSNS Worker/Driver service; Vanpool Program and for Special Event Services. Accrual based transportation fee revenues for 2008 were as follows: General Public passenger fares totaled \$81,206 (including Volunteer Program donations of \$4,428), Worker/Driver and Vanpool revenues totaled \$353,144, and Special Event revenues totaled \$2,501.

In 2008, MTA also received revenue from the Lewis-Mason-Thurston Area Agency on Aging, through a contract to provide service to low-income elderly in the amount of \$27,194. Other accrual basis Federal/State operating and capital grants revenues for 2008 totaled \$3,317,254. MTA also received non-operating revenue of \$40,054 which included building space rental and sales of maintenance services.

Non-revenues were received from various sources in 2008, including fuel tax refunds, equipment allowances, and reimbursement for staff training and recognition.

EXPENSES

Total operating expenses for 2008, including administrative expenses (using the accrual basis method of accounting) were \$5,596,249 including an allowance for depreciation in the amount of \$794,148. The non-operating expenses included audit fees and interest on capital loan which totaled \$69,155.

Fixed Assets increased by \$559,566 in 2008 with the purchase of 5 replacement vans in the amount of \$117,213, and \$145,665 for equipment to convert our biodiesel busses to clean air including a filter cleaning system through a Department of Ecology grant. An additional \$37,830 was expended on boiler repair and a server cooling system. Architectural work on the Transit Community Center totaled \$185,650 and \$73,208 was expended towards the Fueling Facility.

Mason County Transportation Authority
Statement of Net Assets
December 31, 2008

| ASSETS | | <u>12/31/2008</u> |
|---|--|--------------------------|
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents: | | |
| Cash on Hand | | 300 |
| On Deposit - Mason Co Treasurer | | 646,303 |
| Bank of America Payroll ACH Account | | 359 |
| Bank of America Interest Portion of Collateral | | 2,300 |
| Mason Co / WA Counties Investment Pool | | 5,194,105 |
| Total Cash and Cash Equivalents | | <u>5,843,367</u> |
| Other Current Assets: | | |
| Accounts Receivable | | 28,239 |
| Grants Receivable | | 3,290,377 |
| Interest Receivable | | 10,096 |
| Due from Other Government Units- Taxes | | 577,620 |
| Parts Inventory | | 56,989 |
| Prepaid | | 8,425 |
| Total Other Current Assets | | <u>3,971,746</u> |
| Total Current Assets | | <u>9,815,113</u> |
| NON-CURRENT ASSETS: | | |
| Restricted Assets | | |
| On Deposit - Bank of America Loan Security | | 100,000 |
| CAPITAL ASSETS: | | |
| Capital Assets Not Being Depreciated | | |
| Land | | 399,912 |
| Construction in Progress | | 355,107 |
| Capital Assets Being Depreciated | | |
| Buildings | | 3,093,647 |
| Transportation Equipment | | 7,023,832 |
| Office and Shop Equipment | | 489,713 |
| Less: Accumulated Depreciation | | -5,442,669 |
| Net Capital Assets | | <u>5,919,542</u> |
| TOTAL ASSETS | | <u>15,834,655</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts / Warrants Payable | | |
| | | 243,005 |
| CTAA Facility Loan (Short-term Portion) | | |
| | | 50,324 |
| Other Current Liabilities | | |
| | | 0 |
| Total Current Liabilities | | <u>293,329</u> |
| NON-CURRENT LIABILITIES: | | |
| Employee Leave Benefits | | |
| | | 64,370 |
| CTAA Facility Loan (Long-term Portion) | | |
| | | 922,782 |
| Other Non-Current Liabilities | | |
| | | 0 |
| Total Non-Current Liabilities | | <u>987,152</u> |
| Total Liabilities | | <u>1,280,481</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | | 4,946,436 |
| Restricted for Collateral Security | | 100,000 |
| Unrestricted Net Assets | | <u>9,507,738</u> |
| Total Net Assets | | <u>14,554,174</u> |

Mason County Transportation Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets For The Year Ended December 31, 2008

| OPERATING REVENUES: | 12/31/2008 |
|---|-----------------------|
| Passenger fares | 81,206 |
| PSNS Worker/Driver & Vanpool fares | 353,144 |
| Special event fares | 2,501 |
| Total Operating Revenue | 436,851 |
| OPERATING EXPENSES: | |
| Payroll | 3,477,657 |
| Contracted services | 245,432 |
| Maintenance | 240,635 |
| Fuel | 554,243 |
| Insurance | 125,855 |
| Rent - Park and Ride | 12,338 |
| Volunteer driver reimbursements | 42,089 |
| Other operating expenses | 103,852 |
| Depreciation | 794,148 |
| Total Operating Expenses | 5,596,249 |
| OPERATING INCOME (LOSS) | -5,159,398 |
| NONOPERATING REVENUES (EXPENSES): | |
| NONOPERATING REVENUES: | |
| Sales tax | 3,523,750 |
| Grant revenue | 3,368,654 |
| Rental Income | 22,042 |
| Investment income | 128,434 |
| Other nonoperating revenue | 18,012 |
| Total Nonoperating Revenue | 7,060,892 |
| NONOPERATING EXPENSES: | |
| Intergovernmental - Audit Fees | 16,184 |
| CTAA Loan Interest & Origination Fee | 52,971 |
| Total Nonoperating Expenses | 69,155 |
| Net Nonoperating Revenues (Expenses) | 6,991,737 |
| NET INCOME (LOSS) | 1,832,339 |
| Total Net Assets - Beginning of Period | |
| Prior Period Adjustments | 434,364 |
| Total Net Assets - End of Period | 14,554,174 |

The Notes to Financial Statements are an integral part of this Statement
Note: Prior Period Adjustments See Note 12

Mason County Transportation Authority
Statement of Cash Flows
For the Year Ended December 31, 2008

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>12/31/2008</u> |
|--|--------------------------|
| Receipts from customers | 455,291 |
| Payments to suppliers | (1,301,388) |
| Payments to employees | (3,515,880) |
| Net cash provided (used) by operating activities | <u>(4,361,977)</u> |
| | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Cash Received from Sales Tax | 3,576,227 |
| Cash Received from Operating Grants | 1,907,537 |
| Net cash provided from noncapital activities | <u>5,483,764</u> |
| | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital contributions (capital grants) | 469,736 |
| Purchases of capital assets | (559,566) |
| Principal paid on capital debt | (48,133) |
| Interest paid on capital debt | (52,972) |
| Other receipts/payments (prepaid CTAA loan payment) | (8,425) |
| Net cash provided (used) by capital and related financing activities | <u>(199,360)</u> |
| | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sales and maturities of investments | |
| Interest and dividends | 137,615 |
| Net cash provided by investing activities | <u>137,615</u> |
| | |
| Net increase (decrease) in cash and cash equivalents | 1,060,043 |
| Balances - beginning of the year | 4,883,325 |
| Balances - end of the year | <u>5,943,367</u> |
| | |
| Reconciliation of Operating income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating income (loss) | <u>(5,159,396)</u> |
| | |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation | 794,148 |
| Misc Non-Operating Income | 40,054 |
| Audit Fees | (16,184) |
| Change in assets and liabilities: | |
| Decrease in accounts receivable | (21,614) |
| Decrease in parts inventory | (8,526) |
| Increase in accounts payable and Other Current Liabilities | 47,764 |
| Increase in employee benefits payable | (38,222) |
| Net cash provided by operating activities | <u>(4,361,977)</u> |

The Notes to Financial Statements are an integral part of this Statement

MASON COUNTY TRANSPORTATION AUTHORITY

Notes To The Financial Statements

January 1, 2008 through December 31, 2008

NOTE 1 – BACKGROUND

Mason County Public Transportation Benefit Area Authority (MTA) is a special purpose district formed pursuant to Chapter 36.57A of the Revised Codes of Washington (RCW). This agency provides accessible public transportation throughout Mason County, with connections to adjacent counties. Mason Transit utilizes a combination of fixed-route, route deviation, and demand response (Dial-A-Ride) service, and coordinated volunteer transportation. The Authority was authorized by voters in 1991 to levy a sales tax at the rate of two-tenths (2/10) of one percent and on September 18, 2001, voters authorized an additional four-tenths (4/10) of one percent sales tax. The sales and use tax is collected by Washington State Department of Revenue and is remitted to the Authority monthly, via the Mason County Treasurer.

Historically, the sales tax was matched by a local levy of a portion of Motor Vehicle Excise Tax (MVET) collected in Mason County. In October 1999 voters passed Initiative 695 which dispensed with MVET. Additional funding is provided through interest income, state planning grants, federal transit operating and capital grants, federal DSHS funds, General Public fares (effective November 1, 2001), PSNS Worker/Driver and Vanpool fares and Special Event fees.

The accounting and reporting policies of MTA conform to generally accepted accounting principals for local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant policies are described below.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the Authority expressed an intent to conform to generally accepted accounting principals (GAAP) applicable to governmental enterprise units and with Washington State BARS guidelines for Proprietary-Type Districts. MTA defines operating revenue and expenditures as transactions directly related and generated by the every day operation of the transit service. The non-operating revenue and expenditures are all transactions which are exterior to the day to day operation of the transit service. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

A) Reporting Entity

The Authority is a special purpose district organized to provide public transportation services for Mason County. MTA is governed by a Board of elected officials from the Mason County and City of Shelton jurisdictions. In February 2008 representatives from the jurisdictions met in a Public Transportation Improvement Conference (PTIC) to review the composition of the Board, and adopted a resolution changing the composition from a six member to a nine member board.

The governing body now consists of: Three elected members of the Mason County Commission; one elected member of the City of Shelton Commission; one elected member of the North Mason School District; one elected member from the Mary M. Knight School District serving in even years starting in 2008 rotating to one elected member from the Southside School District starting in 2009 serving in the odd years; one elected member of the Mason County Public Hospital District No 2; one elected member of the Hood Canal School District; one elected member from Mason County Fire Protection District No. 3, 5, or 11 starting with the Fire Protection District No. 3 in 2008; Fire Protection District No. 5 in 2009 and Fire Protection District No. 11 in 2010 and then rotating in that order thereafter. The members of the Authority shall serve terms consistent with their terms in the City, County or district positions.

In evaluating how to define the entity for financial purposes, management has considered whether the Authority is a component unit of another primary government and all potential component units of the Authority are reported upon. The Mason County Public Transportation Benefit Area's (PTBA) general purpose financial statements include the financial position and results of the operations of the Authority. A review, using the criteria set forth, of other local government indicates there are no additional entities or funds for which the Authority has reporting responsibility.

B) Basis of Accounting and Presentation

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

Funds are accounted for on cost for services or "capital maintenance" 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. Their reported net assets is segregated by amount invested in capital assets (net of related debt), restricted and unrestricted net assets. Operating statements present increases (revenue and gains) and decreases (expenses and losses) in net total assets. MTA discloses changes in cash flows by a separate statement that presents their operating, noncapital financing and investing activities.

The Authority is a single enterprise fund and, on the advice of the Office of the State Auditor, uses the full-accrual basis of accounting recognizes revenue when earned, rather than when received, and expenses are recognized when incurred. MTA revenue includes taxes, grants, fares, and income from investment. All operating expenses are recognized when incurred rather than when paid. These include wages and benefits, supplies and miscellaneous expenses. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

MTA implemented GASB 34 in 2004 requiring the Balance Sheet to be restated in terms of Statement of Net Assets. Also a Managements Discussion and Analysis precedes the financial statements as required supplementary information under GASB 34.

C) Cash and Cash Equivalents

It is MTA's policy to invest all temporary cash surpluses. For purposes of the statement of cash flows, MTA considers cash and cash equivalents to encompass all highly liquid investments with a maturity of three months or less. One of two investments in which the Authority currently participates is the Washington State Investment Pool. The Mason County Treasurer oversees the Authority's investment activities. At December 31, 2008, the Mason County Treasurer was holding \$5,194,106 in short-term residual investments (Washington State Investment Pool) of surplus cash. This amount is classified on the statement of net assets as cash and cash equivalents. The second investment account of \$100,000 at December 31, 2008, is held at Bank of America as security collateral. This investment is classified on the balance sheet as a restricted (noncurrent) asset.

Cash and cash equivalents as of December 31, 2008:

| Description / Purpose | Held By / On Deposit With | Balance | 12/31/2008 |
|---------------------------------------|---------------------------|---------|-------------|
| Depository (Operating) Fund | Mason County Treasurer | | \$646,303 |
| Cash on Hand | MTA | | 300 |
| Payroll ACH Account | Bank of America | | 359 |
| Current Portion in Collateral Account | Bank of America | | 2,300 |
| WA State Investment Pool | Mason County Treasurer | | 5,194,106 |
| Subtotal (Current Assets) | | | \$5,843,367 |
| (Non Current) Collateral Account | Bank of America | | 100,000 |
| Total Cash and Cash Equivalents | | | \$5,943,367 |

Bank balance of deposits does not materially differ from book balance.

D) Investments

Cash temporarily idle during the year was invested through the Mason County Treasurer, in the State Investment Pool. WA State Department of Revenue also remits interest on Sales Tax held. Total interest earned on investments and Sales Tax interest (net of Mason County Treasurer's administrative fees) for 2008 totaled \$128,434.

The Mason County Treasurer oversees the Authority's investment activities with Washington State Investment Pool. Interest income is recorded using the accrual method. Mason County Treasurer was holding, in the Washington State Investment Pool, an investment of \$5,194,106 at December 31, 2008 compared to \$3,994,106 at December 31, 2007. An additional investment account of \$102,300 at December 31, 2008 is held at Bank of America. Of this amount, \$100,000 is held as security collateral against a note with Community Transit Association of America (CTAA).

E) Receivables

Receivables due from other governments include sales taxes, sales tax interest, certain grant funds, and fuel tax refunds (See Note 3).

F) Inventory

Maintenance services on the transit vehicles, which was previously contracted out, was brought in-house as of January 1, 2005. The Maintenance Manager and his staff are responsible for maintenance of all Mason Transit vehicles. Sufficient parts inventory is maintained on hand to ensure continuous service of all transit vehicles. No general or administrative expenses are included in an inventory valuation. Inventories are valued by the FIFO method (which approximates the market value). Vehicle maintenance parts inventory totaled \$56,989 at December 31, 2008.

G) Fixed Assets

Fixed assets are capitalized at total acquisition cost, provided that such cost exceeds \$5,000 and has an expected useful life of at least three years. Depreciation expense is recorded on all depreciable fixed assets using the straight-line method.

H) Compensated Absences / Vacation and Sick Leave Benefits

Vacation Benefits earned vary from 12 to 24 days per year, according to position and longevity. A Maximum of two (2) times the employee's annual vacation may be carried over to the next year, for non-exempt employees.

NOTE 3 – RECEIVABLES FROM OTHER GOVERNMENTS

Receivables Due From Other Governments at December 31, 2008 are as Follows:

| <u>Government Receivables</u> | <u>November</u> | <u>December</u> | <u>Total</u> |
|---|-----------------|-----------------|------------------|
| Sales Tax | 236,806 | 333,812 | 570,619 |
| Sales Tax Interest | 1,212 | 1,244 | 2,456 |
| Washington Counties Investment Pool Interest | | 7,640 | 7,640 |
| Grant Reimbursements (Federal, State & Local) | | | 3,290,377 |
| Fuel Tax Credit Refunds | | 7,001 | 7,001 |
| Total Receivables Due from Other Governments at December 31, 2008 | | | <u>3,878,093</u> |

NOTE 4 – INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedule of Financial Assistance provides a listing of all Federal, State and Interlocal assistance in which the Authority participates and summarizes the Authority's grant transactions.

NOTE 5 – PENSION PLANS

Substantially all of the Authority's full-time and qualified part-time employees participated in the Public Employee's Retirement System (PERS). This is a statewide local government retirement system administered by the Department of Retirement Systems, under a cost-sharing, multiple employers, and public employees' retirement plan.

NOTE 6 – INSURANCE

The Mason County Transportation Authority is a member of the Washington State Transit Insurance Pool. A Board of Directors consisting of representatives from 23 member systems governs the pool. Other participating transit system members include: Asotin County PTBA, Ben Franklin Transit, Clallam Transit, Columbia County Public Transportation, Community Transit, CUBS, Everett Transit, Grant Transit, Grays Harbor Transit, Intercity Transit, Island Transit, Jefferson Transit, Kitsap Transit, Link Transit, Pacific Transit, Pullman Transit, Skagit Transit, Spokane Transit, Twin Transit, Valley Transit, Whatcom Transit and Yakima Transit.

NOTE 7 – GRANT ACTIVITY

The Authority was the recipient of revenue from nine (7) active grants in 2008. Grant revenues were derived from federal, state and local grants. Washington State and Federal Transportation Administration awarded MTA consolidated rural mobility and paratransit/special needs formula based operating grant for the period from July 1, 2007 through June 30, 2009 as well as capital vehicle acquisition grants on an annual basis. In 2008 MTA utilized the remaining funds in the consolidated operating grants. Other operating grants were received from the Lewis-Mason-Thurston Area Agency on Aging, and Washington State Transportation Insurance Pool (WSTIP). The total accrual basis federal, state and other operating and capital grant revenues for 2008 was \$3,317,254.

NOTE 8 – CASH MANAGEMENT

Cash temporarily idle during the year was invested through the Mason County Treasurer, in the State Investment Pool. Washington State Department of Revenue also remits interest on Sales Tax held. Total interest earned on State Investment Pool investments (net of Mason County Treasurer's administrative fees) for 2008 was \$116,804.

NOTE 9 – LONG-TERM DEBT

Mason County Transportation Authority and lender, Community Transportation Association of America, executed a 20 year, 6.25% interest bearing promissory note in the amount of \$1,000,000. The long-term debt is to be repaid in equal monthly installments of \$6,710, with the final payment due on July 1, 2023. Proceeds were used to acquire real property.

On July 15th, 2004, Mason County Transportation Authority and lender, Community Transportation Association of America, executed a second, 15 year, 6.25% interest bearing promissory note in the amount of \$200,000. The long-term debt is to be repaid in equal monthly installments of \$1,714, with the final payment due on July 1, 2019. Proceeds were used to acquire real property adjacent to the transit facility. The note is secured (UCC Filing) by a \$100,000 collateral account held by Bank of America in an interest bearing account.

NOTE 10 – AUDIT REQUIREMENTS

State law requires Mason County Transportation Authority be audited annually for compliance with existing statutes, adequacy of internal controls and accuracy in financial accounting and reporting. The Office of the State Auditor performs this audit. The State Auditor has been designated by the Federal Government to perform single audits for Federal Grants.

NOTE 11 – CONTRIBUTED CAPITAL FROM FEDERAL AND DOMESTIC ASSISTANCE

In accordance with GASB 33, Contributed Capital from Federal and Domestic Assistance, for periods prior to 2001, appears as a component of Net Assets, in the Liability and Net Assets section of the Balance Sheet. Capital acquisitions during 2001 and forward, funded by capital contributed from federal and domestic sources, are reflected on the Statement of

Revenues, Expenses, and Changes in Retained Earnings, and closed to Invested in capital assets, net of related debt.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

Restructuring of the cost allocation plan and issuing revised invoices on 2007-2009 consolidated grant as instructed by WSDOT, cognizant agency, and correcting 2007 fares against 2007 expenditures resulted additional revenue in the amount of \$434,364 of grant revenue for 2007 which shows on the Statement of Revenues, Expenses and Changes in Fund Net Assets as a prior period adjustment in 2008.

MCAg No. 0674

Schedule 04

MASON COUNTY TRANSPORTATION AUTHORITY

DETAIL OF REVENUES AND OTHER SOURCES

For the year ended December 31, 2008

Prepared on an Accrual Basis

| BARS Revenue Account Numbers | Description | Revenues |
|---|--|--------------------|
| 401 | Passenger Fares for Transit Service | \$81,206 |
| 401 | Passenger Fares for PSNS Worker/Driver Program | \$353,144 |
| 402 | Special Transit Fares | \$2,501 |
| 407 | Rental of Building and Property | \$22,042 |
| 407 | Non-Transportation Revenue-Investment Interest | \$128,434 |
| 407 | Other Non-Transportation Revenue | \$18,011 |
| | | |
| | Taxes Levied Directly by Transit | |
| 408 | Local Transportation Sales Tax | \$3,523,750 |
| | | |
| 411 | State Grants and Contributions | \$2,347,509 |
| 413 | Federal Grants and Contributions | \$1,021,145 |
| | | |
| | TOTAL REVENUES | \$7,497,743 |

DETAIL OF EXPENSES AND OTHER USES

For the Year ended December 31, 2008

Prepared on an Accrual Basis

Expenses by Function

| BARS Expense Account Numbers | Description | Administration 10 | Operations 20 | Vehicle Maintenance 60 | Facility Maintenance 80 | TOTAL EXPENSES |
|---|----------------------------|------------------------------|--------------------------|---------------------------------------|--|---------------------------|
| 501 | Labor | 353,557 | 1,524,647 | 273,028 | 42,214 | 2,193,445 |
| 502 | Fringe Benefits | 169,640 | 910,216 | 178,639 | 25,717 | 1,284,212 |
| 503 | Services | 53,275 | 63,352 | 17,300 | 17,899 | 151,827 |
| 504 | Materials & Supplies | 22,284 | 538,699 | 155,534 | 13,614 | 730,130 |
| 505 | Utilities | 32,625 | 6,811 | 520 | 63,153 | 103,109 |
| 506 | Casualty & Liability Costs | 126,278 | | | | 126,278 |
| 507 | Taxes | 3,542 | | | | 3,542 |
| 508 | Purchased Transportation | | 93,350 | | | 93,350 |
| 509 | Miscellaneous Expenses | 40,750 | 67,322 | 1,565 | 6,640 | 116,276 |
| 511 | Interest Expense | 52,972 | | | | 52,972 |
| 512 | Lease & Rentals | 3,777 | 12,336 | | | 16,113 |
| 519 | Depreciation Expense | 794,148 | | | | 794,148 |
| TOTALS | | 1,652,847 | 3,216,733 | 626,586 | 169,236 | 5,665,403 |

DETAIL OF EXPENSES AND OTHER STATISTICS BY MODE

For the Year ended December 31, 2008

Prepared on an Accrual Basis

| Description | Ridership Statistics | Miles Driven Statistics | Service Hours Statistics | EXPENSES ATTRIBUTED BY MODE |
|--------------------------|---------------------------------|------------------------------------|-------------------------------------|--|
| Fixed Route | 312,498 | 504,431 | 27,563 | \$2,241,656 |
| Dial-A-Ride | 52,018 | 367,901 | 24,787 | \$1,634,715 |
| JARC Service Hours | 4,775 | 28,113 | 2,410 | \$124,916 |
| Special Events | 3,045 | 974 | 144 | \$3,966 |
| Shipyards Worker/Driver | 57,354 | 65,564 | 3,090 | \$291,324 |
| Vanpool | 53,114 | 277,580 | | \$1,233,386 |
| Volunteer Driver Program | 1,788 | 76,673 | 3,352 | \$42,089 |
| Shelton School District | 9,337 | 36,733 | 1,548 | \$93,350 |
| TOTALS | 493,929 | 1,357,969 | 62,894 | \$5,665,403 |

Note : With the Exception of Actual Costs for Volunteer Driver Program and Shelton School District Expenses Attributed by Mode Calculated based on Mileage
As Vanpool Drivers are not paid drivers, we do not have a record of their Service Works Hours

Mason County Transportation Benefit Authority
 Schedule of Expenses of Long Term Debt
 For the Year Ended December 31, 2008

| | Note #1 | | Note # 2 | |
|-----------|-----------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest |
| 2009 | 42,196 | 38,331 | 8,101 | 12,477 |
| 2010 | 48,762 | 31,765 | 11,836 | 8,742 |
| 2011 | 40,583 | 39,944 | 13,451 | 7,127 |
| 2012 | 43,194 | 37,333 | 14,317 | 6,261 |
| 2013 | 49,934 | 30,593 | 15,237 | 5,341 |
| 2014 | 44,967 | 35,560 | 16,218 | 4,360 |
| 2015 | 52,076 | 28,451 | 17,261 | 3,317 |
| 2016-2020 | 71,123 | 331,510 | 60,528 | 11,496 |
| 2021-2023 | 163,206 | 38,111 | | |

Mason County Transportation Benefit Authority
 Schedule of Expenses of Federal Awards
 For the Year Ended December 31, 2008

| Program Title Federal Indirect Assistance Pass-Through State | Federal CFDA Number | Other Identification Number | Current Year Expenditures |
|---|---------------------------|---|---------------------------------|
| Formula Grants for other than Urbanized Areas WSDOT | 20.509 | FTA 5311 GCA # 5315 | \$962,262 |
| Surface Transportation Program Earmark WSDOT | 20.509 | FTA 5311 (STP) GCA # 5708 | \$38,189 |
| Special Program for the Aging Title III Part B Grants for Supportative Services and Senior Centers DSHS | 93.044 | Older Americans Act 06-1120-0041-06(2) | \$20,695 |
| Total Federal Indirect Assistance Pass Through State | | | \$1,021,145 |

Note: All Federal Funds received in 2008 were indirect

MASON COUNTY TRANSPORTATION BENEFIT AUTHORITY
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For The Year Ended December 31, 2008

| Grantor Agency | Program Name | Other ID | Award Date | Total Award Amount | Current Year Expenses | Year-End Balance Carry Forward |
|-----------------------------|---|------------------|----------------------|---------------------------|------------------------------|---------------------------------------|
| WSDOT | State Paratransit/Special Needs Transit Formula | GCA #5315 | 20-Sep-07 2007-09 | \$585,268 | \$344,627 | \$0 |
| WSDOT | Rural Mobility Tax Equalization | GCA #5315 | 20-Sep-07 2007-09 | \$2,388,624 | \$1,487,729 | \$0 |
| WSDOT | Vanpool Investment Program | GCA #5663 | 2/14/2008 | \$130,000 | \$120,521 | \$0 |
| CTED | Site Design for Mason Transit Community Center | SO8174 | 10/24/2008 | \$232,063 | \$185,650 | \$46,413 |
| Dept of Ecology | Clean Diesel Grant Air Quality Program | GO800599 | 6/9/2008 | \$152,791 | \$148,582 | \$4,209 |
| DSHS - Older* Americans Act | Supportive Service for the Aging | Title III Part B | 17-Dec-04 | \$6,499 | \$6,499 | \$0 |
| WSTIP | Safety Training & Staff Recognition | | 2008 | \$2,500 | \$2,500 | \$0 |

* DSHS - Older Americans Act -- \$ 20,695 of the Total \$ 27,194 Award Amount are Title 3B Federal Funds
 The \$6,499 balance is State Funds

WSTIP Safety Grants are funded prior to expenditure, all other grants are funded on a reimbursement basis.
 Year 2008 total State and local reimburseable expenses were \$2,296,109

Note 1 - Basis of Accounting

The Schedule of State and Local Financial Assistance is prepared using the accrual basis of accounting, as are the financial statements.

Note 2 - Program Costs

The amounts shown as current year expenses represent only the State portion of the program costs. Actual program costs, including those of the Authority, generally exceed those shown here.