



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

# Mason County Public Transportation Benefit Area (Mason Transit Authority)

For the period January 1, 2014 through December 31, 2014

Published August 24, 2015

Report No. 1014840





## Washington State Auditor's Office

August 24, 2015

Board of Directors  
Mason Transit Authority  
Shelton, Washington

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

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## FEDERAL SUMMARY

### Mason Transit Authority Mason County January 1, 2014 through December 31, 2014

The results of our audit of the Mason Transit Authority 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 Transit 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 Transit 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:

<u>CFDA No.</u>	<u>Program Title</u>
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 Transit Authority qualified as a low-risk auditee under OMB Circular A-133.

## STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the Mason Transit Authority. The State Auditor’s Office has reviewed the status as presented by the Transit Authority.

<b>Audit Period:</b> 1/1/13 to 12/31/13	<b>Report Ref. No:</b> 1012549	<b>Finding Ref. No:</b> 1	<b>CFDA Number(s):</b> 20.509
<b>Federal Program Name and Granting Agency:</b> Formula Grants for Other Than Urbanized Areas – U.S. Department of Transportation, Federal Transit Administration		<b>Pass-Through Agency Name:</b> Department of Transportation	
<b>Finding Caption:</b> Mason Transit Authority’s internal controls were not sufficient to ensure that all program income was deducted from gross expenses.			
<b>Background:</b> Mason Transit Authority received \$1,193,172 in federal funding during 2013 under the Formula Grants for Other Than Urbanized Areas program. The program provides funding to sustain existing Dial-A-Ride services for general public and special needs persons, to sustain zone and fixed-route service county-wide and to sustain regional transportation connectivity services between Mason County and nearby county transit systems.  The Transit Authority manually calculates costs eligible for grant funding by deducting ineligible costs from total operating costs and the local match required. Any program income received is also required to be deducted from eligible expenses.  The Transit Authority received \$20,607 for contracted services that it did not deduct from allowable expenses; this is considered program income. We reported this in our prior audit.			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The Finance Manager from July 2014 through June 5, 2015 attended a grants training class and met with personnel at the Washington State Department of Transportation to help in understanding the grant process. The current Finance Manager has sought out resources at WSDOT and is registered for a grant administration training class given by WSDOT on July 22, 2015. Additional training planned is FTA’s Financial Management Oversight. All available resources from training classes to WSDOT staff to periodicals have and will continue to be used to ensure internal controls are sufficient</i>			

**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**

**Mason Transit Authority  
Mason County  
January 1, 2014 through December 31, 2014**

Board of Directors  
Mason Transit Authority  
Shelton, 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 Mason Transit Authority, Mason County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements, and have issued our report thereon dated August 13, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Transit 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 Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit 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 Transit 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 Transit Authority's financial statements are free from material misstatement, we performed tests of the Transit 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 Transit 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 Transit 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 13, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**Mason Transit Authority  
Mason County  
January 1, 2014 through December 31, 2014**

Board of Directors  
Mason Transit Authority  
Shelton, Washington

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

We have audited the compliance of the Mason Transit Authority, Mason 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, 2014. The Transit 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 Transit 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 Transit 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 Transit Authority's compliance.

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

In our opinion, the Transit 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, 2014.

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

Management of the Transit 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 Transit 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 Transit Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 13, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Mason Transit Authority Mason County January 1, 2014 through December 31, 2014**

Board of Directors  
Mason Transit Authority  
Shelton, Washington

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

We have audited the accompanying financial statements of the Mason Transit Authority, Mason County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed on page 15.

#### **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 Transit 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 Transit 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 Mason Transit Authority, as of December 31, 2014, 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 16 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transit 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 August 13, 2015 on our consideration of the Transit 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 Transit Authority's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 13, 2015

## **FINANCIAL SECTION**

**Mason Transit Authority  
Mason County  
January 1, 2014 through December 31, 2014**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards and Notes – 2014

## MANAGEMENT DISCUSSION AND ANALYSIS

This section of Mason County Public Transportation Benefit Area's (MTA; Mason Transit Authority) Annual Financial Report presents management's overview and analysis of MTA's financial performance for the fiscal year ended December 31, 2014. This section should be read in conjunction with the financial statements and notes to the financial statements that follow this section.

### **Introduction**

Mason Transit Authority is a public transportation benefit area providing services to Mason County citizens. Services include:

- Local and express bus services
- Connectivity to other counties' transit services
- Puget Sound Naval Shipyard Worker/Driver program
- General Dial-A-Ride services
- Vanpool and volunteer programs

### **Financial Highlights for 2014**

The overall net position for MTA improved in 2014. Highlights include:

- As of December 31, 2014 MTA's net position (assets over liabilities) equaled \$21,476,807.
- Total net position increased by \$4,053,451.
- Cash and cash equivalents decreased by \$3,126,558.
- Fare revenues increased by \$41,192 (7.08%)
- Non-operating revenue increased by \$915,459 (15.77%). Non-operating revenue includes local sales tax, grant revenue, rental income, investment income, sales of maintenance service and miscellaneous non-operating revenue.
- Capital grants received totaled \$3,704,019 of which \$3,673,040 was used for capital construction and \$30,979 was used for purchase of a service vehicle.

### **Overview of the Financial Statements**

This Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements.

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing changes in MTA's net position occurring during the fiscal year. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal.

The *Statement of Cash Flows* presents information on MTA's cash receipts, cash payments, and changes in cash and cash equivalents during the fiscal year.

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

### **Financial Analysis**

Mason Transit Authority saw an overall financial improvement in 2014. Net position increased by \$4,053,451 due to a capital vehicle purchase and investing in the remodel and construction of the Transit-Community Center in downtown Shelton.



Total cash and cash equivalents for MTA decreased by \$3,126,558 in 2014. Sales tax received increased as well as revenue received from the Federal Transit Association and the Washington State Department of Transportation for operating, MTA saw a decrease in cash and cash equivalents due to capital improvements and purchases. MTA continues to have a reserve fund that is maintained for cash flow and capital improvements and purchases. At the end of 2014, MTA's reserve fund, which is held by the Mason County Treasurer and invested in the Washington State Investment Pool, equaled \$4,644,106.

MTA operations are subsidized by federal, state and local grants. Operating grant revenue received for 2014 was \$3,174,173 and capital grant revenue was \$3,686,769. Through the Paver Donation program, \$17,250 was received from private donations and used toward the Transit-Community Center capital construction project. Federal and State grants are received on a reimbursement basis, by quarterly submission of operational and expenditure reports. The grant amounts fluctuate depending on the success of grant applications and funding availability for our specific region.

## **Statement of Net Position**

### **Net Position**

For the year ending December 31, 2014, assets exceeded liabilities by \$21,476,807. Net investment in capital assets increased by \$5,349,770 and unrestricted net position decreased by \$1,296,319, resulting in an increase of \$4,053,451 in the total net position. This is an increase of 23.26% from 2013 to 2014. The increase can be mostly contributed to the Transit-Community Center project. Although an increase in net position can be viewed as an indicator of financial improvement, it must be considered in conjunction with other financial indicators. MTA continues to be financially secure based on strong cash and cash reserve balances and no externally-funded debt.

Current assets decreased by \$809,709 (or 7.7%) and long-term assets increased by \$4,749,183 (or 61.64%), netting an increase of \$3,939,474 (or 21.61%) to total assets. The increase in total assets is contributed to the increase in capital assets mostly due to capital construction.

Liabilities decreased by \$113,977 (or 14.2%) in 2014 compared to ending balance at year-end 2013. The decrease is contributed to the payoff of long-term debt. Other liabilities include accounts payable (increased) and compensated absences liability (decreased).

There are no external restrictions on assets. MTA has designated, through Board direction, an operating reserve equal to three months of the current operating budget. For 2014, the designated operating reserve was \$2 million. Additionally, MTA designated \$500,000 for emergency repairs and \$50,000 for emergency insurance reserves.

### **Capital Assets**

Transit is a capital intensive enterprise, with 56.19% of MTA's assets invested in capital assets to provide services to citizens.

In 2014, capital assets increased by \$5,349,770, net of acquisitions and disposals. Acquisitions included one ADA van funded with a federal grant and a local match portion paid by MTA. Work-in-Progress increased by \$5,534,240 in 2014 for the T-CC and \$10,036 for improvements on the roof that began to the Johns Prairie facility.

MTA's net investment in capital assets as of December 31, 2014 was \$12,453,460. Capital assets consist of transit buses and other vehicles, a transit facility, a downtown transit-community center, land and a building in downtown Shelton, bus shelters, construction in progress, and equipment. Net investment in capital assets increased by 75.31% during the year due to the large construction project for the T-CC.

Depreciation expense recorded was \$946,437 for the year.

### **Long-Term Debt**

On June 26, 2003 Mason Transit Authority executed a 20 year, 6.25% interest bearing promissory note in the amount of \$1,000,000. Proceeds from this note were used to acquire real property, the transit

facility located at 790 E. Johns Prairie Road, just outside Shelton, WA. MTA paid the loan in full in October of 2014 and has no other long-term debt. See Note 9 for further detail.

<b>Mason County Public Transportation Benefit Area</b>			
<b>Summary of Net Position</b>			
<b>For The Years Ended December 31, 2014 and December 31, 2013</b>			
	<u>12/31/2014</u>	<u>12/31/2013</u>	<b>Net Increase (Decrease) 2014 vs 2013</b>
<b>ASSETS</b>			
Current Assets	\$ 9,711,898	\$ 10,521,607	\$ (809,709)
Non-Current Assets	12,453,460	7,704,277	4,749,183
<b>TOTAL ASSETS</b>	<u><b>\$ 22,165,358</b></u>	<u><b>\$ 18,225,884</b></u>	<u><b>\$ 3,939,474</b></u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 556,149	\$ 98,845	\$ 457,304
Non-Current Liabilities	132,402	703,683	(571,281)
<b>TOTAL LIABILITIES</b>	<u><b>\$ 688,551</b></u>	<u><b>\$ 802,528</b></u>	<u><b>\$ (113,977)</b></u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,453,460	7,103,690	5,349,770
Unrestricted	9,023,347	10,319,666	(1,296,319)
<b>Total Net Position</b>	<u><b>\$ 21,476,807</b></u>	<u><b>\$ 17,423,356</b></u>	<u><b>\$ 4,053,451</b></u>

**Statement of Revenues, Expenses and Changes in Fund Net Position**

**Operating Revenues**

Operating Revenues are primarily generated by sales of transportation services. MTA was essentially a fare-free system until November 1, 2001, at which time a fare per one-way out-of-county trip was implemented on routes to and from Olympia, Bremerton, and Brinnon. As of January 1, 2009, these fares are \$1.50 for adults and youth and \$0.50 for seniors and persons with disabilities. Mason Transit Authority remains fare free within Mason County. A fee is charged for the Puget Sound Naval Shipyard (PSNS) Worker/Driver service, vanpool, and for some Special Event Services.

*Fares collected during 2014 were as follows:*

Out-of-County Fares	\$ 98,175	Decreased	8.76%
PSNS Worker/Driver & Vanpool Fares	\$396,622	Increased	5.33%
Special Contract Fares-Local Government	\$128,247	Increased	31.26%

The Special Contract Fares were collected from the Skokomish Pilot Project. The Skokomish Tribal Nation was awarded federal funds under the FTA Tribal Transit Grant Program for a pilot public transit enhancement project. Mason Transit Authority was chosen to operate the service on behalf of the Skokomish Tribe, providing vehicles and drivers. Starting in April 2012, a service route was added to run along Highway 101 between Shelton, Hoodspport and Lake Cushman areas. The funding was again awarded for the project in 2013 and 2014 with service expanding in 2014.

**Non-Operating Revenues**

Non-operating revenues include amounts received that do not directly correspond with receipt of goods or services, such as sales tax, grant proceeds, interest and other miscellaneous sources.

MTA's non-operating revenue for 2014 included \$3,480,456 in sales tax, an increase of 8.24% over 2013. Sales tax revenue has been trending upward since August 2013, and MTA anticipates the positive trend to continue due to construction projects in the area.

A large portion of non-operating revenue was attributed to grant revenues derived from federal, state and local grants. The Washington State Department of Transportation and Federal Transportation Administration awarded MTA consolidated rural mobility and paratransit/special needs formula-based operating grants as well as capital construction grants. The total federal, state and other operating grant revenue for 2013 was \$3,174,173.

Other non-operating revenue consists of sales of maintenance services, rental of buildings, investment income, and insurance recoveries. In 2014, non-operating revenue decreased by \$7,701 or 10.08%

### **Capital Contributions**

MTA received \$30,979 in capital Grant revenue which was used to purchase an ADA-compliant van. Capital grant revenue for the T-CC included \$2,879,790 from the Federal Transit Agency, \$776,000 from the Department of Commerce State ASK and \$17,250 in paver donations.

### **Operating Expenses**

Operating and non-operating expenses, representing costs incurred to provide transportation services, increased during 2014 by \$432,135 (or 6.59%) with employee cost as the contributing factors to the increase. Operating expenses for 2014, including administrative expenses, were \$6,971,182. This also included an allowance for depreciation in the amount of \$946,437.

Expenses by department were as follows:

- Operations: \$3,155,096 – Responsible for all on-road services, including: Drivers, communications center, communications center supervisor, vanpool coordinator, schedulers, road and training supervisors and an operations manager.
- Maintenance: \$1,421,588 – Responsible for vehicle and facility upkeep and fuel. Fuel is the most significant expense in maintenance. Of this amount \$212,454 is attributed to facility maintenance.
- Administration: \$2,420,291 – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, human resources, safety and risk management.
- Depreciation: \$946,437 – (Included in Administration above). Capital Assets are depreciated based on their actual costs spread over their useful lives.

**Mason County Public Transportation Benefit Area**  
**Summary Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For The Years Ended December 31, 2014 and December 31, 2013**

	<u>12/31/2014</u>	<u>12/31/2013</u>	<b>Net Increase (Decrease) 2014 vs 2013</b>
<b>OPERATING REVENUE:</b>			
Fares	\$ 623,045	\$ 581,853	\$ 41,192
<b>NON-OPERATING REVENUE</b>			
Sales Tax	3,480,456	3,215,506	264,950
Grant Revenue	3,174,173	2,515,963	658,210
Other Non-operating Revenue	<u>68,733</u>	<u>76,434</u>	<u>(7,701)</u>
<b>TOTAL REVENUE</b>	<u>7,346,407</u>	<u>6,389,756</u>	<u>956,651</u>
<b>EXPENSES</b>			
Operating Expenses	6,024,745	5,642,717	382,028
Depreciation	946,437	889,789	56,648
Non-Operating Expenses	<u>25,793</u>	<u>32,334</u>	<u>(6,541)</u>
<b>TOTAL EXPENSES</b>	<u>6,996,975</u>	<u>6,564,840</u>	<u>432,135</u>
<b>NET INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	349,432	(175,084)	524,516
Capital Contributions-Grants	<u>3,704,019</u>	<u>1,339,034</u>	<u>2,364,985</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	4,053,451	1,163,950	2,889,501
<b>NET POSITION - BEGINNING OF PERIOD</b>	17,423,356	16,259,406	1,163,950
<b>NET POSITION - END OF PERIOD</b>	<u>\$ 21,476,807</u>	<u>\$ 17,423,356</u>	<u>\$ 4,053,451</u>

**Economic Factors and Future Outlook**

Mason Transit Authority's (MTA) financial outlook for 2015 to 2019 remains cautiously optimistic. The agency's priority is focused on sustaining existing service levels with prudent expansion of our regional commuter services; continuing our developing partnerships with external agencies, particularly the Skokomish and Squaxin Island Tribal Nations, to expand and leverage grant funding opportunities; and to grow the revenue of the new Transit-Community Center (opened April 1, 2015) to be at least self-sustaining in its community center operations (71% of total) and, hopefully, even contribute to funding the additional transit operating cost burden of this new facility. From 2009 through the first half of 2013, the badly damaged, very slowly recovering economy and high unemployment resulted in substantially reduced and stagnated county sales tax revenue – a primary source of MTA's funding. Starting in May, 2013, MTA has been seeing continuously growing improvements in sales tax revenue, with January & February of 2015 experiencing 19+% growth over the same period in 2014. It appears that 2015 sales tax revenues may reach the peak 2007 level in 2015 with projected growth to exceed 2014 by 4.5%. Given the lack of any consistent pattern in sales tax revenue growth over the last 11 years, it is quite challenging to predict very far into the future what is in store for this significant revenue source.

While the impact of Federal deficit spending remains to be seen, Federal transit spending has been stabilized for the next two years (and slightly increased for rural transit) with the passage of MAP 21. Further, the President's proposed budget for Federal Fiscal Year 2015-2016 continues to increase public transit funding. Federal funding of public transit has historically grown at an average rate of 2.8% per year since the first mass transit funding bill in 1964. It is also a positive sign that the State of Washington's 2015-17 transportation budget continues existing funding and once again renewed its sales tax equalization plan, which particularly impacts Mason County. The addition, 2013's first-ever

State contribution to funding public transit operations, has been continued. Previously only capital investments had been funded at the state level. While the proposed transportation packages from the House, Senate and Governor have moved further in their being passed than any time in the past ten years, since the last State transportation package passed in 2005, and they will increase transit funding, there is no guarantee that a transportation package will get passed.

On a local level, the County's unemployed rate has finally returned to pre-recession levels. While one of the two largest private employers, Taylor Shellfish, is projecting continued higher rates of growth than they have seen in the past five years, unfortunately, Simpson Lumber and Olympic Panel have been sold and are looking at a local workforce reduction of nearly 500 jobs over the next year. Simpson's new owner, Sierra Pacific Industries has indicated that they will build a new, state of the art mill in Simpson's downtown waterfront locale and open it in 2017; all of Olympic's assets are being moved to Oregon. The Puget Sound Naval Shipyard continues to steadily expanding its workforce in 2015. All of these elements can significantly impact existing service, future service, and vehicle and facility replacement and/or maintenance, and as is clearly evidenced, the occurrence of any near-term economic contraction or retraction is not outside the realm of possibility.

This economic climate presents a unique challenge at a time when Mason County's population has grown by 23 percent since the 2000 census, making it the fourth fastest growing county in Washington State. Additionally the senior population, 65-years old or older, is 18.3 percent of the County's population, which ranks eleventh out of Washington State's 39 counties. Ridership continues to grow and is already outpacing resources on MTA's commuter routes to Olympia and Bremerton as well as in Dial-A-Ride services. With service expansion warranted to support the growing demand and the financial resources from local sales tax growth having recovered sufficiently to support limited expansion, MTA has moderately increased commuter, morning and Saturday expanding services, maintaining MTA's restricted net position balance and continued controlled spending practices. MTA continued several fiscally sound initiatives in 2013, including no employee cost-of-living allowance (COLA) and continuation of a line item budget to further identify and drill down costs. Along with continuing these efforts, the agency has begun pursuing alternate sources of grant funding. In addition, with continued projections of high levels in the cost of fuel and annual growth in the cost of employee health care benefits, and with changes in employee compensation notwithstanding, beginning January 1, 2013, MTA implemented employee contributions of 5% to the premium costs of benefits. Lastly, MTA has completed a two-year transition from the unsustainable practice of providing annual automatic step increases to employee wages to a performance-based approach that went into effect in 2014.

MTA has no debt. In 2014, MTA paid off a promissory note with the Community Development Transportation Lending Services (CDTLS) for the Johns Prairie facility acquisition nine years early.

MTA bought the Washington National Guard Armory in downtown Shelton in 2006 to renovate and repurpose as a combined transit-community center. On April 1, 2015, MTA opened the nation's first Transit-Community Center in downtown Shelton, a \$9.9M LEEDS Silver facility. Funding came from 48% Federal, 42% local, and 10% State.

MTA remains committed to meeting the public transit needs of Mason County in a fiscally responsible manner.

### **Request for Information**

This financial report is designed to provide a general overview of Mason County Public Transportation Benefit Authority's financial position for all those who have an interest in this agency's finances.

Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Finance Manager  
Mason County Public Transportation Benefit Authority  
790 E Johns Prairie Rd  
Shelton, WA 98584  
(360) 426-9434 ext.150

**Mason County Public Transportation Benefit Area**  
**Statement of Net Position**  
**December 31, 2014**

**ASSETS**

**CURRENT ASSETS:**

## Cash and Cash Equivalents:

Cash on Hand	\$	300
On Deposit - Mason Co Treasurer		1,391,474
Bank of America Payroll ACH Account		1,867
Mason Co / WA Counties Investment Pool		4,644,106
Total Cash and Cash Equivalents		<u>6,037,747</u>

## Other Current Assets:

Accounts Receivable		46,524
Grants/Contracts Receivable		2,957,586
Interest Receivable		148
Due from other Governmental Units - Taxes		579,945
Prepaid Expenses		6,668
Parts Inventory		54,231
Fuel Inventory		29,049
Total Other Current Assets		<u>3,674,151</u>

**TOTAL CURRENT ASSETS** 9,711,898

**NON-CURRENT ASSETS:**

## CAPITAL ASSETS:

## Capital Assets Not Being Depreciated

Land	507,778
Construction in Progress	6,666,717

## Capital Assets Being Depreciated

Buildings	3,751,642
Transportation Equipment	8,124,632
Office and Shop Equipment	770,800
Less: Accumulated Depreciation	(7,368,109)

Net Capital Assets Being Depreciated 5,278,965

**TOTAL NON-CURRENT ASSETS** 12,453,460

**TOTAL ASSETS** \$ 22,165,358

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts Payable	\$	461,648
Other Current Liabilities		94,501
<b>TOTAL CURRENT LIABILITIES</b>		<u>556,149</u>

**NON-CURRENT LIABILITIES:**

Employee Leave Benefits	132,402
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**TOTAL NON-CURRENT LIABILITIES** 132,402

**TOTAL LIABILITIES** \$ 688,551

**NET POSITION**

Net Investment in Capital Assets	12,453,460
Unrestricted	9,023,347

**TOTAL NET POSITION** \$ 21,476,807

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

## Mason County Public Transportation Benefit Area

### Statement of Revenues, Expenses and Changes in Fund Net Position For the Year Ended December 31, 2014

**OPERATING REVENUES:**

Passenger fares	\$	98,175
PSNS Worker/Driver & Vanpool fares		396,622
Special Contract/Event fares		128,248
Total Operating Revenue		623,045

**OPERATING EXPENSES:**

Wages and Benefits		4,560,678
Contracted services		151,536
Maintenance (Vehicle and Facility)		178,986
Fuel		483,001
Purchased Transportation		71,872
Insurance		174,283
Intergovernmental Audit Fees		23,184
Rent - Park and Ride		5,925
Volunteer driver reimbursements		24,500
Other operating expenses		350,781
Depreciation		946,437
Total Operating Expenses		6,971,182

<b>OPERATING INCOME (LOSS)</b>		<b>(6,348,137)</b>
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**NONOPERATING REVENUES (EXPENSES):****NONOPERATING REVENUES:**

Sales tax		3,480,456
Grant revenue		3,174,173
Rental Income		18,577
Investment income		6,870
Other nonoperating revenue		43,287
Total Nonoperating Revenue		6,723,362

**NONOPERATING EXPENSES:**

Interest Expense		25,793
Total Nonoperating Expenses		25,793

Net Nonoperating Revenues (Expenses)		6,697,569
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Income (Loss) before capital contributions		349,432
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Capital Contributions		3,704,019
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<b>Increase(Decrease) in Net Position</b>		<b>4,053,451</b>
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NET POSITION - BEGINNING OF PERIOD		17,423,356
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<b>NET POSITION - END OF PERIOD</b>	<b>\$</b>	<b>21,476,807</b>
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The Notes to Financial Statements are an integral part of this Statement

**Mason County Public Transportation Benefit Area**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 616,022
Payments to suppliers	(992,285)
Payments to employees	(4,563,436)
Net cash provided (used) by operating activities	<u>\$ (4,939,699)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received from Sales Tax	\$ 3,456,982
Cash Received from Grants	902,483
Other nonoperating revenue	64,365
Net Cash provided from noncapital activities	<u>\$ 4,423,829</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital contributions (capital grants)	\$ 3,704,019
Purchases of capital assets	(5,695,621)
Principal paid on capital debt	(600,857)
Interest paid on capital debt	(25,793)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,618,252)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends	\$ 7,565
Net cash provided by investing activities	<u>\$ 7,565</u>

Net increase (decrease) in cash and cash equivalents	\$ (3,126,557)
Balances - beginning of the year	9,164,304
Balances - end of the year	<u>\$ 6,037,747</u>

## Reconciliation of Operating income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	<u>\$ (6,348,138)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	\$ 946,437
Change in assets and liabilities:	
Increase in accounts receivable	(7,023)
Decrease in prepaid expenses	1,895
Increase in parts and fuel inventory	(19,749)
Increase in accounts payable	428,380
Increase in other-current liabilities	61,257
Decrease in employee benefits payable	(2,758)
Net cash provided by operating activities	<u>\$ (4,939,699)</u>

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



**MASON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA**  
**Notes to the Financial Statements**  
**January 1, 2014 through December 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mason County Public Transportation Benefit Area (MTA; Mason Transit Authority) is a special purpose district formed pursuant to Chapter 36.57A of the Revised Code of Washington (RCW). Mason Transit Authority, as a public transit agency, provides accessible public transportation throughout Mason County, with regional connections to adjacent counties. The financial statements of MTA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A) Reporting Entity

Mason Transit Authority is a special purpose district organized to provide public transportation services for Mason County, Washington. MTA utilizes a combination of fixed-route, route deviation, demand response (Dial-A-Ride) service, vanpool and worker/driver programs, and coordinated volunteer transportation. Funding is provided through sales tax, interest income, state grants, federal transit operating and capital grants, Federal Department of Health and Human Services funds, general public fares for out of county trips only (effective November 1, 2001), Puget Sound Naval Shipyard Worker/Driver and Vanpool fares and Special Event fees.

The governing body consists of nine elected officials from the following: Three elected members of the Mason County Commission; one elected member of the City of Shelton Commission; one elected member of the Hood Canal School District; one elected member from the Shelton School District; one elected member from the Mary M. Knight School District or Southside School District serving alternating two year terms; one elected member of the Mason County Public Hospital District No 2 or North Mason School District serving alternating two year terms; and one elected member of the Grapeview School District or Pioneer School District serving alternating two year terms. The members of the board serve terms consistent with their terms in the City, County or district positions.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The transit has no component units.

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 Transit Districts* in the State of Washington.

Funds are accounted for on cost for 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 the statement of net position (or balance sheet). Their reported fund net position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenue and gains) and decreases (expenses and losses) in total net position. MTA discloses changes in cash flows by a separate statement that presents its operating, non-capital financing and investing activities.

MTA 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.

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

charges to customers for transit services, worker/driver program and vanpool. Operating expenses for MTA include wages and benefits, maintenance, fuel, administrative expenses, supplies, training, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### C) Assets, Liabilities, and Net Position

#### 1. Cash and Cash Equivalents

It is the transit's policy to invest all temporary cash surpluses. At December 31, 2014, Mason Transit Authority had \$6,037,747 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

#### 2. Short-Term Investments – See Note 2, *Deposits and Investments*.

#### 3) Receivables

Taxes receivable consists of sales tax and related interest and penalties. Accrued interest receivable consists of amounts earned on investments at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services.

#### 4) Amounts Due to and From Other Governments

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

#### 5) Inventories

MTA values the maintenance parts inventory on an actual cost basis while fuel is valued on the FIFO method.

#### 6) Capital Assets and Depreciation

Property plant and equipment with individual values of at least \$5,000 and a useful life of three years are stated at historical cost or if unknown, at fair market value. Donated capital assets are valued at their estimated market value. Improvements, which add to the value of or extend the life of the asset, are capitalized. Repairs and maintenance are expensed as incurred. Labor and other expenses incurred in the acquisition and construction of capital assets are capitalized. See Capital Assets Note 4 for detail.

#### 7) Other Property and Investments – See Note 2, *Deposits and Investments*.

#### 8) Custodial Accounts

This account reflects the liability for net monetary assets being held by the transit in its trustee or agency capacity.

#### 9) Compensated Absences

Compensated Absences are absences for which employees will be paid, such as vacation leave, and represent vacation earned by employees but not taken at year end. MTA records unpaid vacation leave as an expense and liability when incurred. Full time employees earn vacation pay at the rate of 12 to 24 days per year based on longevity; part time employees earn vacation on a percentage of hours worked. Vacation may be accumulated up to a maximum 240 hours and is payable upon resignation, retirement, or death. Sick leave benefits are

earned at 8 hours per month for full-time and pro-rated for part-time employees. Sick leave balance is capped at 960 hours and is only available during employment.

10) Long-Term Debt

See Note 8, Leases and Note 9, Long-Term Debt.

**NOTE 2– DEPOSITS AND INVESTMENTS**

Cash and cash equivalents as of December 31, 2014, are as follows:

<b>Description / Purpose</b>	<b>Held By / On Deposit With</b>	<b>Balance: 12/31/2014</b>
Depository (Operating) Fund	Mason County Treasurer	\$1,391,474
Cash on Hand	MTA	300
Payroll ACH Account	Bank of America	1,867
WA State Investment Pool	Mason County Treasurer	4,644,106
Subtotal (Current Assets)		\$6,037,747
Total Cash and Cash Equivalents		\$6,037,747

The Mason County Treasurer acts as the transit's treasurer, including the receipt, deposit, and investment of MTA's surplus funds. At December 31, 2014, the Mason County Treasurer was holding \$6,035,580 in short-term residual investments of surplus cash.

All bank deposits are entirely insured under FDIC limitations.

All of the transit's deposits with Mason County, as required by state law and Mason County's adopted Investment Policy, are obligations of the U.S. Government and its agencies, certificate of deposit, general obligations of Washington State Municipalities, the State Treasurer's Investment Pool, savings accounts and deposits with Washington State Banks and Savings and Loan institutions, or other investments allowed by Chapter 39.59 RCW.

Mason County issues a publically available annual financial report that includes financial statements and required supplementary information. The report may be obtained by contacting:

Mason County Auditor  
411 N. 5<sup>th</sup> Street  
Shelton, WA 98584

**NOTE 3– RECEIVABLE BALANCES**

Major Receivables

Sales Tax

MTA received \$3,480,456 in Sales Tax revenue in 2014. The tax revenues are intended for public transportation purposes. In 1991, voters authorized 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 remitted to MTA monthly, via the Mason County Treasurer.

Tax revenues are accrued in the period earned. MTA accrued \$579,945 for tax revenues earned but not received as of December 31, 2014.

Grant Revenue

As of December 31, 2014, MTA accrued \$2,957,586 in grant revenue earned but not yet received.

**NOTE 4- CAPITAL ASSETS**

Capital Assets

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized at total acquisition cost, provided that such cost exceeds \$5,000 and/or has an expected useful life of at least three years. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Mason Transit Authority 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, MTA has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets with 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 MTA's 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.

An asset's useful life is prescribed by generally accepted accounting principles and is based on guidelines provided by the Federal Transportation Administration (FTA) for the various vehicles by type. The transit facility's buildings, based on age and Washington Engineering's assessment, have been assigned a 20 year life.

Depreciation expense is recorded on all depreciable capital assets using the straight-line method and begins on the first month following acquisition.

A summary of vehicle lives and capital asset activity for 2014 are as follows.

**Vehicle Lives**

Vans and Minivans	4 Year Life
Minibuses with four wheels	5 Year Life
Minibuses with dual rear wheels (Wheelbase length up to 158")	6 Year Life
Minibuses with dual rear wheels (Wheelbase length 159"-181")	9 Year Life
Minibuses, cutaway with truck chassis and dual rear wheels (Wheelbase length 158"-181")	10 Year Life
Buses with dual rear wheels (Gross Vehicle Weight less than 19,000 lbs.)	9 Year Life
Buses with dual rear wheels (Gross Vehicle Weight 19,000 to 24,000 lbs.)	9 Year Life
Buses with dual rear wheels (Gross Vehicle Weight greater than 24,000 lbs.)	12 Year Life

**MASON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA**  
**Capital Asset Activity for the Year Ended December 31, 2014**

Category	Beginning Cost 12/31/2013	Acquisitions and Current Year Increases	Dispositions and Reclassification (Decreases)	12/31/2014 Cost Basis
<b>Capital assets, not being depreciated:</b>				
Land	\$ 507,778	\$ -	\$ -	\$ 507,778
Work in Progress	1,155,120	5,603,622	(92,025)	6,666,717
<b>Capital assets, being depreciated:</b>				
Buildings	3,751,642	-		3,751,642
Vehicles	8,101,687	44,278	(21,333)	8,124,633
Equipment	631,055	139,745		770,800
<b>Total Capital assets being depreciated:</b>	\$ 12,484,384	\$ 184,023	\$ (21,333)	\$ 12,647,074
Less Accumulated Depreciation for:				
Buildings	1,489,825	187,582		1,677,407
Vehicles	4,459,599	724,619	(21,333)	5,162,885
Equipment	493,581	34,237		527,818
<b>Total Accumulated Depreciation</b>	\$ 6,443,005	\$ 946,438	\$ (21,333)	\$ 7,368,111
<b>Total capital assets being depreciated, net</b>	\$ 6,041,379	\$ (762,415)	\$ -	\$ 5,278,964

Work-In-Progress

At the end of 2014, MTA had two major Work-In-Progress projects. The roof repair project, which began in August 2014, is expected to continue in 2015 with funding provided by a state grant. The other project is the Transit-Community Center remodel and construction of the new LEEDS building.

Work in progress as of December 31, 2014, consists of the following:

Transit-Community Center Feasibility Study and Preliminary Design	\$ 255,596
Transit-Community Center Construction	6,401,084
Facility Improvements/Capital Projects	10,037
<b>TOTAL</b>	<u>\$6,666,717</u>

**NOTE 5 – CONSTRUCTION COMMITMENTS**

Mason Transit Authority has one active construction project as of December 31, 2014. The project includes the renovation of the Washington National Guard Armory in downtown Shelton and construction of a new, connected facility to serve as a combined, transit-community center in downtown Shelton.

At year-end, MTA's commitments with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Transit-Community Center	\$ 6,401,084	\$ 1,001,552

Of the committed balance, MTA will not be required to raise any funds through future financing. The project is being funded through a Federal Transit Administration grant, a State ASK, Ladders of Opportunity grant and local funds.

**NOTE 6 – PAYABLES AND OTHER LIABILITY BALANCES**

As of December 31, 2014, liability account balances included accounts payable of \$461,648 to vendors for goods and services, and \$94,501 for other current liabilities of which most significantly is \$90,545 in wages

and benefits payable. The remaining other current liabilities consists of custodial accounts for rental deposits (\$1,600), prepaid rent (\$2,470), leasehold tax (\$148) and sales tax payable (-\$262).

**NOTE 7 – CONTINGENCIES AND LITIGATION**

Contingencies

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

Litigation

As of December 31, 2014, Mason Transit had one active litigation involving an accident in 2011.

MTA paid the deductible expense of \$5,000, the agency's responsible portion of the active litigation, in 2015. The case was settled in March of 2015 with no additional cost to MTA. All claims and cost of the litigation were covered through the agency's insurance policy through the Washington State Transit Insurance Pool. (See Note 11.)

**NOTE 8 – LEASES**

Mason Transit Authority had one, non-cancelable operating lease for equipment with a remaining lease term of more than one year. Total cost for such lease was \$2,021.28 for the year ended December 31, 2014. The future minimum lease payments are as follows:

<b>Year Ending December 31</b>	<b>Amount</b>	<b>Terms</b>	<b># of Payments</b>
2015	<b>\$168.44</b>	<b>Monthly</b>	<b>12</b>
2016	<b>\$168.44</b>	<b>Monthly</b>	<b>12</b>
2017	<b>\$168.44</b>	<b>Monthly</b>	<b>6</b>

**NOTE 9 – LONG-TERM DEBT**

As of October 2014, Mason Transit Authority had no long-term debt. The previous loan, a 20 year, 6.25% interest bearing promissory note in the amount of \$1,000,000 entered into on June 26, 2003, with Community Development Transportation Lending Services (CDTLS), was paid in full. The long-term debt was to be repaid in equal monthly installments of \$6,710, with the final payment due on July 1, 2023. Proceeds from this note were used to acquire real property, the transit facility located at 790 E. Johns Prairie Road, just outside Shelton, WA.

The following *Schedule of Long-Term Debt* provides a listing of the outstanding debt of the Mason Transit Authority and summarizes debt transactions for the year 2014.

**Mason County Public Transportation Benefit Area  
Schedule of Liabilities  
For the Year Ended December 31, 2014**

<b>I.D. NO.</b>	<b>Description</b>	<b>Maturity/Payment Due Date</b>	<b>Beginning Balance 1/1/2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2014</b>
<b>General Obligations</b>						
CDTLS-03-4						
263.61	CDTLS	7/1/2023	600,857		600,857	-
259.11	Accrued Vacation Benefits		135,160		2,758	132,402
<b>Total Liabilities</b>			<b>736,017</b>		<b>603,615</b>	<b>132,402</b>

For information on Accrued Vacation Benefits, see Note 1, Item C-12.

## **NOTE 10 – PENSION PLANS**

Substantially all Mason Transit Authority 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 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](http://www.drs.wa.gov).

### **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; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 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 exercised 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 Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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 benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for 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 may legally be used to pay the defined benefits of any of the 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 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 2013, 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, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. 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 consist 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. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 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 a cost-of-living allowance is granted (based on the Consumer Price Index), 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 one of two provisions, if hired prior to May 1, 2013:

- 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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. Members who do not choose a contribution rate default to a 5 percent rate. 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, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of 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, PERS 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 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement 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 ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are 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 2 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 benefit 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 Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
<b>Total</b>	<b>368,272</b>

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. 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.

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, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

- \* The employer rates include the employer administrative expense fee currently set at 0.18%.
- \*\* The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% 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 4.92% for Plan 2.
- \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

- \* The employer rates include the employer administrative expense fee currently set at 0.18%.
- \*\* Plan 3 defined benefit portion only.
- \*\*\*Minimum rate.

Both Mason Transit Authority and the employees made the required contributions. The Mason Transit Authority required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	\$1,330	\$349,889	\$66,893
2013	\$2,504	\$299,779	\$63,747
2012	\$7,896	\$254,354	\$44,571

**NOTE 11 – RISK MANAGEMENT**

Public Entity Risk Pool

Mason County Transit Authority (MTA) is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25 member self-insurance program located in Olympia, Washington. WSTIP supplies MTA auto liability, general liability, public official’s liability coverage, auto physical damage coverage, 1st property coverage, boiler and machinery coverage and employee fidelity coverage. MTA has a \$5,000 deductible for public official’s liability coverage and maintains first dollar coverage for its auto and general liability risks covered by WSTIP.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member Transit Systems programs of joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. Transit authorities joining WSTIP must remain members for a minimum of 36 months; a member may withdraw from WSTIP after that time by giving 12 months’ notice. Any member who withdraws will not be allowed to rejoin WSTIP for a period of 36 months. Transit authorities applying for membership in WSTIP may do so on approval of a simple majority vote of the Board of WSTIP. WSTIP underwriting and rate-setting policies have been established after consultation with actuaries. WSTIP members are subject to a supplemental assessment in the event of deficiencies. If the assets of WSTIP were to be exhausted, members would be responsible for its liabilities. WSTIP is regulated by the Washington State Risk Manager and audited yearly by the Washington State Auditor. A complete annual report, including financial statements, may be obtained by writing to: WSTIP, 2626 12<sup>th</sup> Ct SW, Olympia, WA 98502.

MTA has not presented any claims to WSTIP in the last three years that exceeded its current coverage limits through WSTIP.

Unemployment Insurance

MTA 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 Mason Transit Authority quarterly. MTA had \$9,909 in claims during 2014.

Health & Welfare

Mason Transit Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's Office.

## **NOTE 12 – UNIQUE AND UNUSUAL TRANSACTIONS**

### Intergovernmental Assistance Programs

#### Grants

Grant revenues were derived from federal, state and local grants. Washington State and Federal Transportation Administration awarded MTA a consolidated rural mobility and paratransit/special needs formula-based operating grant for the period of July 1, 2013 through June 30, 2015. MTA was awarded a capital vehicle acquisition grant for an ADA van during the biennium. Another operating grant was received from the Lewis-Mason-Thurston Area Agency on Aging for the Volunteer Driver program. Through the Public Transportation Grant Program, MTA received \$74,670 directly from the Department of Revenue in 2014 for the purpose of operating. Grants require a matching of funds depending on the type of grant. Consolidated Grant Contractor Funds (match) for operating grants range up to 50%. Capital construction/improvements and vehicle acquisitions require a 20% match.

The total federal, state and other operating and capital grant revenues for 2014 was \$6,858,441 as shown in the following *Schedule of State and Local Financial Assistance* and the *Schedule of Expenditures of Federal Awards*.

**MASON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For The Year Ended December 31, 2014

Federal Agency Name/ Pass-Through agency Name	Federal Program Name	CFDA Number	Other ID Number	EXPENDITURES	
				From Pass- Through Awards	Total
FTA/WSDOT	Fixed Guideway Capital Investment Grants	20.500	FTA5309 GCB1292	\$ 2,879,790	\$ 2,879,790
<i>Subtotal: CFDA #20-500</i>				\$ 2,879,790	\$ 2,879,790
FTA/WSDOT	Formula Grants for Rural Areas	20.509	FTA5311 GCB1624	\$ 1,313,621	\$ 1,313,621
<i>Subtotal: CFDA #20-509</i>				\$ 1,313,621	\$ 1,313,621
FTA/WSDOT	SAFETEA-LU for Elderly Individuals and Individuals with Disabilities	20.513	FTA5310 GCB1625	\$ 30,979	\$ 30,979
<i>Subtotal: CFDA #20-513</i>				\$ 30,979	\$ 30,979
<b>TOTAL: FTA/WSDOT</b>				<b>\$ 4,224,390</b>	<b>\$ 4,224,390</b>
Dept. of Health & Human Services*/WA Dept. of Social & Health Services	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Title III Part B  Part B	\$ 6,102	\$ 6,102
<b>TOTAL: Department of Health and Human Services</b>				<b>\$ 6,102</b>	<b>\$ 6,102</b>
<b>TOTAL FEDERAL AWARDS EXPENDED:</b>				<b>\$ 4,230,492</b>	<b>\$ 4,230,492</b>

Note 1 - Basis of Accounting

This schedule is prepared in the same basis of accounting as MTA's financial statements. MTA uses the accrual basis of accounting.

Note 2 - Program Costs

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

## 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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
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<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
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