



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, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017625





Washington State Auditor's Office

September 29, 2016

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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
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	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	48

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Mason Transit Authority
Mason County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Mason Transit Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.500	Federal Transit Cluster – Federal Transit – Capital Investment Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Transit Authority qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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, 2015 through December 31, 2015**

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, 2015, 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 September 26, 2016. As discussed in Note 11 to the financial statements, during the year ended December 31, 2015, the Transit Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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

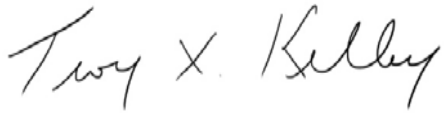
As part of obtaining reasonable assurance about whether the Transit Authority's financial statements are free from material misstatement, we performed tests of the Transit Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Mason Transit Authority
Mason County
January 1, 2015 through December 31, 2015**

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) Compliance Supplement* that could have a direct and material effect on each of the Transit Authority's major federal programs for the year ended December 31, 2015. The Transit Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

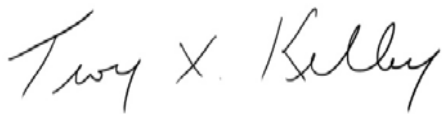
Management of the Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Transit Authority's internal control over compliance 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Mason Transit Authority Mason County January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed on page 16.

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, 2015, 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.

Matters of Emphasis

As discussed in Note 11 to the financial statements, in 2015, the Transit Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

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 17 through 23 and pension plan information on pages 43 through 45 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.

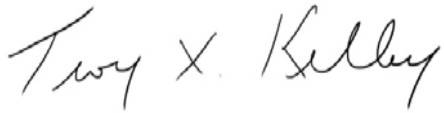
Supplementary and Other Information

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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 26, 2016

FINANCIAL SECTION

**Mason Transit Authority
Mason County
January 1, 2015 through December 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Net Position – 2015

Statement of Cash Flows – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – 2015

Schedule of Contributions – 2015

Notes to Required Supplementary Information – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. 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 2015

- As of December 31, 2015 MTA's Net Position equaled \$19,419,535.
- Total net position increased by \$555,432.
- Cash and cash equivalents decreased by \$2,092,129.
- Fare revenues decreased by \$166,114 (26.7%)
- Non-operating revenue decreased by \$708,853 (10.5%). 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 \$1,775,711 of which \$1,557,918 was used for capital construction and \$217,793 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, deferred outflows, liabilities and deferred inflows, with the difference being 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 years.

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 remained stable in 2015, though cash reserves were drawn down to complete the construction of the Transit-Community Center. Net Position increased by \$555,432. The required GASB 68 entry restated 2015 beginning Net Position by a decrease of \$2,612,704, resulting in a net change of (\$2,057,272). This decrease in Net Position was not a reflection of MTA's financial health, but

rather a change in accounting policies. The construction of the Transit-Community Center in downtown Shelton was completed and the building opened for use on April 1, 2015.

Total cash and cash equivalents for MTA decreased by \$2,092,129 in 2015. The decrease was a direct result of investing in capital assets, most notably the Transit-Community Center. At year end, there was \$3,107,677 in grant fund receivables outstanding. When received cash and cash equivalents will increase by replenishing some of the cash reserves in MTA's Washington State Investment Pool. MTA continues to have a reserve fund that is maintained for cash flow and capital improvements and purchases. At the end of 2015, MTA's reserve fund, which is held by the Mason County Treasurer and invested in the Washington State Investment Pool, equaled \$3,594,105.

Sales Tax Revenue increased from 2014 to 2015 by \$355,150 (10.2%). Sales Tax Revenue received by MTA has continued to trend upward.

MTA operations are subsidized by federal, state and local grants. Operating grant revenue received for 2015 was \$2,039,497 and capital grant revenue was \$1,775,711. 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. Local grants for capital projects included in the total amount for capital revenue were \$5,000 from Heritage Foundation of Mason County for the refinishing the gym floor at the T-CC and \$35,500 in donated furniture, also for the T-CC.

Statement of Net Position

Net Position

For the year ending December 31, 2015, assets plus deferred outflows exceeded liabilities and deferred inflows by \$19,419,535, a decrease of \$2,057,272 from December 31, 2014. The decrease is largely contributed to GASB 68 restatement of Net Position to reflect pension liability.

Net Position, Unrestricted was restated for the beginning of 2015. Original amount for Net Position, Unrestricted on January 1, 2015 was \$9,023,347. After the GASB 68 entry to Net Position, Unrestricted (decrease of \$2,612,704) the beginning balance for 2015 was \$6,410,643 and the ending balance was \$4,612,211, a decrease of \$1,798,432 for the year. The contributing factor to the decrease in Net Position, Unrestricted was the T-CC construction project, which in turn increased MTA's investment in capital assets.

MTA's investment in capital assets increased by \$2,353,864. This is an increase of 18.9% from 2014 to 2015. Although changes in net position can be viewed as an indicator of financial sustainability or 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 \$1,933,108 (or 19.9%) and long-term assets increased by \$2,353,864 (or 18.9%), netting an increase of \$420,756 (or 1.9%) to total assets.

Due to GASB 68, MTA reported on the Statement of Net Position deferred outflows in the amount of \$ and deferred inflows in the amount of \$

Current liabilities decreased by \$201,403 (or 36.2%) in 2015 compared to ending balance at year-end 2014. Current liabilities include accounts payable and wages and benefits payable. Non-current liabilities increased by \$2,685,790 due to the pension liability of \$2,680,479 that was created to comply with GASB 68. Non-current liabilities include the above mentioned pension liability and compensated absences.

There are no external restrictions on assets. MTA has designated, through Authority Board direction, an operating reserve equal to three months of the current operating budget. For 2015, the designated operating reserve was \$2 million. Additionally, MTA designated \$150,000 for emergency repairs, \$50,000 for emergency insurance reserves, and \$6,000 for van replacement.

Capital Assets

Transit is a capital intensive enterprise, with 76.2% of MTA's assets invested in capital assets to provide services to the citizens of Mason County. Capital Assets increased in 2015 by \$3,292,686 (\$2,353,864, net of depreciation, acquisitions and disposals) after the completion of the Transit-Community Center and reallocating the cost for Construction in Progress to the Building Asset account. Purchases in software, equipment, building improvements, and two medium-duty buses also contributed to the increase.

MTA's investment in capital assets as of December 31, 2015 was \$14,807,324. 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.

Depreciation expense recorded was \$1,044,071 for the year.

Long-Term Debt

MTA has no long-term debt as of October 2014.

Deferred Outflows/Inflows of Resources

The 2015 Statement of Net Position includes Deferred Outflows/Inflows of Resources as part of the GASB 68 accounting policy changes. Deferred Outflows refer to consumption of net assets that is applicable to a future period and Deferred Inflows refer to an acquisition of net assets that is applicable to a future period.

Summary Table of Net Position

Below is the Summary of Net Position for December 31, 2015, as compared to December 31, 2014.

Mason County Public Transportation Benefit Area Summary of Net Position For The Years Ended December 31, 2015 and December 31, 2014			
	<u>12/31/2015</u>	<u>12/31/2014</u>	Net Increase (Decrease) 2015 vs 2014
ASSETS			
Current Assets	\$ 7,778,789	\$ 9,711,898	\$ (1,933,109)
Non-Current Assets	14,807,324	12,453,460	2,353,864
TOTAL ASSETS	<u>22,586,113</u>	<u>22,165,358</u>	<u>420,756</u>
DEFERRED OUTFLOWS OF RESOURCES	311,066		
LIABILITIES			
Current Liabilities	354,746	556,149	(201,403)
Non-Current Liabilities	2,818,192	132,402	2,685,790
TOTAL LIABILITIES	<u>3,172,938</u>	<u>688,551</u>	<u>2,484,387</u>
DEFERRED INFLOWS OF RESOURCES	304,707		
NET POSITION			
Investment in Capital Assets	14,807,324	12,453,460	2,353,864
Unrestricted	4,612,211	9,023,347	(4,411,136)
Total Net Position	<u>\$ 19,419,535</u>	<u>\$ 21,476,807</u>	<u>\$ (2,057,272)</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 2015 were as follows:

Out-of-County Fares	\$ 92,666	Decreased	5.6%
PSNS Worker/Driver & Vanpool Fares	\$352,147	Decreased	11.2%
Special Contract Fares-Local Government	\$ 12,120	Decreased	90.5%

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 providing vehicles and drivers on behalf of the Skokomish Tribe. Starting in April 2012, a service route was added to run along Highway 101 between Shelton, Hoodspoint and Lake Cushman areas. The funding was again awarded for the project in 2013 and 2014 with service expanding in 2014. In 2015, the Tribe's funding had been exhausted and MTA continued to operate the pilot runs though not the expanded service in the summer months as had been the case in the prior year. The Tribe was award funds late in 2015 for 2016. MTA plans to operate the routes as the pilot project until the funding ends, then absorb the routes into its regular service.

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 2015 included \$3,835,605 in sales tax and sales tax interest, an increase of 10.2% over 2014. 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 Transit Administration awarded MTA consolidated rural mobility and paratransit/special needs formula-based operating grants. The total federal, state and other operating grant revenue for 2015 was \$2,039,497.

Other non-operating revenue consists of sales of maintenance services, rental of buildings, investment income, and insurance recoveries. In 2015, non-operating revenue decreased by \$708,853 (or 10.5%).

Capital Contributions

MTA received \$217,793 in capital grant revenue which was used to purchase two medium-duty buses. Capital grant revenue for the T-CC included \$1,474,999 from the Federal Transit Administration, \$42,419 from the Transportation Alternatives Program, \$35,500 in donated furniture and \$5,000 from the Mason County Heritage Foundation to use toward the refinishing of the gym floor.

Operating Expenses

Operating and non-operating expenses, representing costs incurred to provide transportation services, increased during 2015 by \$694,744 (or 9.9%) with employee cost as the contributing factors to the increase. Expenses for 2015 were \$7,691,719. This also included an allowance for depreciation in the amount of \$1,044,071.

Expenses by department were as follows:

- Operations: \$3,434,600 – 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: \$1,375,184 – Responsible for vehicle and facility upkeep and fuel. Fuel is the most significant expense in maintenance. Of this amount \$219,265 is attributed to facility maintenance.
- Administration: \$1,446,605 – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, human resources, safety and risk management.
- Transit-Community Center: \$391,260 – Responsible for operations of the Transit-Community Center including property management, leases and event rentals, and transit ticket office.
- Depreciation: \$1,044,071 – Capital Assets are depreciated based on their actual costs spread over their useful lives.

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

Below is the Summary Statement of Revenues, Expenses and Changes in Fund Net Position for December 31, 2015, as compared to December 31, 2014.

Mason County Public Transportation Benefit Area Summary Statement of Revenues, Expenses and Changes in Fund Net Position For The Years Ended December 31, 2015 and December 31, 2014			
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>Net Increase (Decrease) 2015 vs 2014</u>
OPERATING REVENUE:			
Fares	\$ 456,931	\$ 623,045	\$ (166,114)
NON-OPERATING REVENUE			
Sales Tax	3,835,605	3,480,456	355,150
Grant Revenue	2,039,497	3,174,173	(1,134,676)
Other Non-operating Revenue	<u>139,407</u>	<u>68,733</u>	<u>70,673</u>
TOTAL REVENUE	<u>6,471,440</u>	<u>7,346,407</u>	<u>(874,967)</u>
EXPENSES			
Operating Expenses	6,647,648	6,024,745	622,903
Depreciation	1,044,071	946,437	97,634
Non-Operating Expenses	<u>-</u>	<u>25,793</u>	<u>(25,793)</u>
TOTAL EXPENSES	<u>7,691,719</u>	<u>6,996,975</u>	<u>694,744</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(1,220,279)</u>	<u>349,432</u>	<u>(1,569,711)</u>
Capital Contributions-Grants	<u>1,775,711</u>	<u>3,704,019</u>	<u>(1,928,308)</u>
INCREASE (DECREASE) IN NET POSITION	<u>555,432</u>	<u>4,053,451</u>	<u>(3,498,019)</u>
NET POSITION - BEGINNING OF PERIOD Restated	<u>18,864,103</u>	<u>17,423,356</u>	<u>1,440,747</u>
NET POSITION - END OF PERIOD	<u><u>\$ 19,419,535</u></u>	<u><u>\$ 21,476,807</u></u>	<u><u>\$ (2,057,272)</u></u>

The Statement of Cash Flows

The Cash Flow Statement reflects cash activities from MTA's cash receipts, cash payments, and changes in cash and cash equivalents during 2015. Cash decreased by \$2,092,129.

Economic Factors and Future Outlook

Mason Transit Authority continues to be optimistic about the future in Mason County. Sales tax revenue has been trending upward over the last several years and in 2015 it hit an all-time high. This high can be attributed to several construction projects, including MTA's Transit-Community Center. Additionally, unemployment has improved. According to Washington's Employment Security Department, over the last 29 months there has been a steady decrease in unemployment in Mason County. The current unemployment rate of 6.9% in November 2015 was an improvement over November of the previous year when the rate was 8.4% and a dramatic difference over the rate of January 2010 when unemployment was at its highest at 13.9%. There were 230 more jobs in November 2015 than November 2014, even with the closure of Simpson mills. With decreased unemployment in Mason County, the economy is stronger and impacting sales tax revenue. Sales tax revenue attributes to approximately 58% of MTA's revenue, making it a main source of income. MTA believes 2016 will mirror 2015 in sales tax revenue expectations.

Over the next three years, MTA will be developing or improving park and ride lots within Mason County. MTA was awarded a Regional Mobility Grant (RMG) in the amount of \$2,250,000 and Multimodal (TIER) funds in the amount of \$7,085,000 for the biennium period of 2015-2019 for park and ride development. The TIER funds depend on legislative appropriation. The match requirement is 20% for the RMG, with MTA's share only being \$129,134 as the remainder of the match will come from other sources. In the first stage, the goal is to purchase land in Belfair for a park and ride and prepare a preliminary design, as well as to begin improvements on existing lots. Construction on the new park and ride will begin in July 2017, if funds are appropriated in the 2017-2019 biennium, along with completing improvements on the existing lots. Beyond the park and ride development, MTA does not plan any additional capital projects in the near future.

Federal grant revenue looks optimistic through the passing of the Fixing America's Surface Transportation (FAST) Act. Signed into law by President Obama in December 2015, the FAST Act provides steady, predictable funding for the next five years, with an increase of approximately one billion dollars per year to the transit program and modified formula grants for rural areas. With grant funding being the second largest source of revenue, this should assist MTA in keeping grant revenue at the levels of previous years.

MTA will be looking at ways to keep costs down and begin to rebuild reserves while the economy is strong. Currently, all costs for capital projects are encumbered in the reserves and while the reserves are healthy, it is imperative MTA uses this time to rebuild the reserves taken for construction and remodel of the Transit-Community Center. In 2015, for the first time, MTA began designating money in reserves for vehicle replacement. This will place MTA in a position to match grant opportunities for vehicles as they arise, especially with the challenge of an aging fleet.

A strategic plan is nearly finished which will be a tool for MTA's planning of agency services and growth. Each year the strategic plan will be reviewed during the budget preparation and goals will be set for the year. It is the belief that with a strategic plan MTA will be better equipped to plan for the future. Projects will not be taken on unless they are in alignment with the strategic plan.

The Board and employees are committed to meeting the needs of Mason County through safe, reliable transit services and in a manner that is fiscally responsible.

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, 2015

ASSETS**CURRENT ASSETS**

Cash and Cash Equivalents:	\$ 3,945,617
Accounts Receivable	25,343
Taxes Receivable	628,942
Due from other Governments	3,107,677
Prepaid Expenses	3,284
Inventory	67,926
TOTAL CURRENT ASSETS	7,778,789

NON-CURRENT ASSETS:**CAPITAL ASSETS:**

Capital Assets Not Being Depreciated	
Land	507,778
Construction in Progress	354,556
Capital Assets Being Depreciated	
Buildings	13,210,744
Transportation Equipment	8,052,908
Office and Shop Equipment	988,269
Less: Accumulated Depreciation	(8,306,931)
Net Capital Assets Being Depreciated	13,944,990
TOTAL NON-CURRENT ASSETS	14,807,324

TOTAL ASSETS**22,586,113****DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount on pensions	311,066
Total deferred outflows of resources	311,066

LIABILITIES**CURRENT LIABILITIES:**

Accounts Payable	295,513
Payroll & related expenses payable	53,900
Other Current Liabilities	5,333

NON-CURRENT LIABILITIES:

Employee Leave Benefits	137,713
Pension Liability	2,680,479
TOTAL LIABILITIES	3,172,938

DEFERRED INFLOWS OF RESOURCES

Deferred amounts on pensions	304,707
Total deferred inflows of resources	304,707

NET POSITION

Investment in Capital Assets	14,807,324
Unrestricted	4,612,211

TOTAL NET POSITION**\$ 19,419,535**

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, 2015

OPERATING REVENUES:

Passenger fares	\$ 92,665
PSNS Worker/Driver & Vanpool fares	352,146
Special Contract/Event fares	12,120
Total Operating Revenue	<u>456,931</u>

OPERATING EXPENSES:

Wages and Benefits	5,188,984
Contracted services	226,777
Maintenance (Vehicle and Facility)	252,917
Fuel	321,965
Purchased Transportation	65,767
Insurance	183,596
Intergovernmental Audit Fees	20,797
Rent - Park and Ride	5,925
Volunteer driver reimbursements	27,669
Other operating expenses	353,252
Depreciation	1,044,071
Total Operating Expenses	<u>7,691,719</u>

OPERATING INCOME (LOSS) (7,234,788)

NONOPERATING REVENUES (EXPENSES):**NONOPERATING REVENUES:**

Sales tax	3,835,605
Grant revenue	2,039,497
Rental Income	69,383
Investment income	5,094
Other nonoperating revenue	64,930
Total Nonoperating Revenue	<u>6,014,509</u>

Income (Loss) before capital contributions (1,220,279)

Capital Contributions-Grants 1,775,711

Increase(Decrease) in Net Position 555,432

NET POSITION - January 1, 2015	21,476,807
Change in accounting policy (see Notes 9, 11, 12)	<u>(2,612,704)</u>
Net Position January 1, 2015 - Restated	<u>18,864,103</u>
NET POSITION - December 31, 2015	<u>\$ 19,419,535</u>

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 478,113
Payments to suppliers	(1,641,331)
Payments to employees	(5,122,257)
Net cash provided (used) by operating activities	<u>\$ (6,285,475)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Sales Tax	\$ 3,786,784
Cash Received from Grants	1,889,405
Other nonoperating revenue	134,314
Net Cash provided from noncapital activities	<u>\$ 5,810,503</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions (capital grants)	\$ 1,775,711
Purchases of capital assets	(3,397,935)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,622,224)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends	\$ 5,066
Net cash provided by investing activities	<u>\$ 5,066</u>

Net increase (decrease) in cash and cash equivalents	\$ (2,092,129)
Balances - beginning of the year	6,037,746
Balances - end of the year	<u>\$ 3,945,617</u>

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

Operating income (loss)	<u>\$ (7,234,788)</u>
-------------------------	-----------------------

Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Depreciation	\$ 1,044,071
Changes in accounting methods - GASB 68	\$ 61,416
Change in assets and liabilities:	
Increase in accounts receivable	21,180
Increase in prepaid expenses	3,384
Increase in parts and fuel inventory	15,354
Decrease in accounts payable	(166,136)
Decrease in other-current liabilities	(35,268)
Increase in employee benefits payable	5,311
Net cash provided by operating activities	<u>\$ (6,285,475)</u>

MASON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
Notes to the Financial Statements
January 1, 2015 through December 31, 2015

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.

During the year ending December 31, 2015, two new accounting standards (Statement No. 68 and 71 related to accounting and financial reporting for pensions) issued by the Government Accounting Standards Board became effective and were implemented by the Transit where necessary or applicable. These requirements revise existing requirements and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The statements have had a material impact on the Transit's financial statements.

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, rent from leases and events, 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 North Mason School District; 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)* 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 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, 2015, Mason Transit Authority had \$3,594,105 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as a component of 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 consists 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 and charges out on an actual cost method. Fuel is valued on an actual cost basis at time of purchase and the FIFO method is used to charge out fuel.

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 Note 4 *Capital Assets* 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, and represent vacation earned by employees but not taken at year end. MTA records unpaid vacation leave as an expense and liability when earned. 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, termination, 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, 2015, are as follows:

Description / Purpose	Held By / On Deposit With	Balance: 12/31/2015
Depository (Operating) Fund	Mason County Treasurer	\$500
Cash on Hand	MTA	349,350
Payroll ACH Account	Bank of America	1,662
WA State Investment Pool	Mason County Treasurer	3,594,105
Subtotal (Current Assets)		\$3,945,617
Total Cash and Cash Equivalents		\$3,945,617

The Mason County Treasurer acts as the transit's treasurer, including the receipt, deposit, and investment of MTA's surplus funds. At December 31, 2015, the Mason County Treasurer was holding \$3,594,105 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 Treasurer
411 N. 5th Street
Shelton, WA 98584

NOTE 3 – RECEIVABLE AND PAYABLE BALANCES

Sales Tax

MTA received \$3,833,979 in Sales Tax and Sales Tax Interest revenue in 2015. 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 \$628,766 for tax revenues earned but not received as of December 31, 2015.

Grant Revenue

As of December 31, 2015, MTA accrued \$3,107,677 in grant revenue earned but not yet received.

Receivables Due From Other Governments on December 31, 2015 are as Follows:

Government Receivables	November	December	Total
Sales Tax	\$ 261,713	\$ 367,053	\$ 628,766
Sales Tax Interest	\$ 80	\$ 96	\$ 176
Grant Reimbursements (Federal, State & Local)		\$ 3,107,677	\$ 3,107,677
Total Receivables Due from Other Governments on December 31, 2015			\$ 3,736,619

Liability Balances

As of December 31, 2015, liability account balances included accounts payable of \$295,513 to vendors for goods and services, and \$59,255 for other current liabilities of which most significantly is \$53,900 in wages and benefits payable.

Other significant liability recorded was \$2,680,479 in pension liability required as a change in accounting policy by the Governmental Accounting Standards Board (GASB) (see notes 9, 11, 12).

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, if any, 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 of the month following acquisition.

A summary of vehicle lives and capital asset activity for 2015 is as follows.

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, 2015

Category	Beginning Cost 12/31/2014	Acquisitions and Current Year Increases	Dispositions and Reclassification (Decreases)	12/31/2015 Cost Basis
Capital assets, not being depreciated:				
Land	\$ 507,778			\$ 507,778
Work in Progress	6,666,717	3,323,137	(9,635,298)	354,556
Total Capital assets, not being depreciated:	7,174,495	3,323,137	(9,635,298)	862,334
Capital assets, being depreciated:				
Buildings	3,751,642	9,459,102		13,210,744
Vehicles	8,124,633	33,525	(105,249)	8,052,909
Equipment	770,800	114,331		885,131
Improvements (Buildings)	-	103,139		103,139
Total Capital assets being depreciated:	\$ 12,647,075	\$ 9,710,097	\$ (105,249)	\$ 22,251,923
Less Accumulated Depreciation for:				
Buildings	1,677,406	270,291	92,938	2,040,635
Vehicles	5,162,885	695,918	(105,249)	5,753,554
Equipment	527,817	77,862	(92,938)	512,741
Total Accumulated Depreciation	\$ 7,368,109	\$ 1,044,071	\$ (105,250)	\$ 8,306,930
Total Investment in Capital Assets	\$ 5,278,966	\$ 8,666,026	\$ 1	\$ 14,807,327

Work-In-Progress

During 2015, MTA completed and transferred to plant in service its major Work-In-Progress project. The Transit-Community Center came on line with its dedication on the first of April 2015. The small projects had a balance of \$354,556 on the books.

At the end of 2015, MTA had two major Work-In-Progress projects. One was the Roof Replacement/Repair project for the Johns Prairie Facility that was started in 2015 and is anticipated to be completed in 2016. Grant funds were awarded for the project in 2014. The other was the Park and Ride Development project funded through a Regional Mobility Grant and State Tier Transportation Projects.

Work in progress as of December 31, 2015, consists of the following:

Roof Replacement/Repair	\$ 3,021
Park and Ride Development	6,291
Vehicle Purchases	<u>345,243</u>
TOTAL	<u>\$354,556</u>

NOTE 5 – CONSTRUCTION COMMITMENTS

Mason Transit Authority has one active construction project as of December 31, 2015. The project includes the Park and Ride Development Project that will occur over the next three years. The project will improve the current Park and Ride Lots in Mason County and add a newly-constructed Park and Ride location in Belfair. Other new lots may be developed if funding is available.

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

Project	Spent to Date	Remaining Commitment
Transit-Community Center	9,522,259	-
Park and Ride Development	6,292	10,082,842

Of the committed balance, MTA will not be required to raise any funds through future financing. The project is being funded through a Regional Mobility grant and the Multimodal (TIER) funds for transportation improvements allocated in the recent transportation package passed by the Legislative. MTA allocated funds from reserves for the requirement match of \$129,134.

NOTE 6 – 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, 2015, Mason Transit had no litigation suits. There is the potential of a litigation suit in 2016 for a claim of unfair hiring practices and discrimination. Currently, no suit has been formally filed, only implied.

NOTE 7 – LEASES

Mason Transit Authority had three, non-cancelable operating leases for equipment with a remaining lease term of more than one year. Total cost for such leases was \$5,493 for the year ended December 31, 2015.

The future minimum lease payments are as follows:

Year Ending December 31	Amount	Terms	# of Payments
2016	536.99	Monthly	12
2016	180.00	Quarterly	4
2017	168.44	Monthly	6
2017	368.55	Monthly	12
2017	180.00	Quarterly	4
2018	368.55	Monthly	12
2018	180.00	Quarterly	3

NOTE 8 – LONG-TERM DEBT

As of October 2014, Mason Transit Authority had no long-term debt. Long-Term liabilities include Accrued Vacation Benefits (see Note 1, Item C-12) and Pension Liability (see Note 9). There are no amounts due within one year.

The following *Schedule of Long-Term Debt* provides a listing of the outstanding liabilities of the Mason Transit Authority and summarizes transactions for the year 2015.

MCAG NO. 0674

Schedule 09

Schedule of Long-Term Debt
For the Year Ended December 31, 2015

I.D. NO.	Description	Maturity/ Payment Due Date	Beginning Balance 1/1/2015	Additions	Reductions	Due Within One Year	Ending Balance 12/31/2015
General Obligations							
259.11	Accrued Vacation Benefits		\$ 132,402	\$ 5,311.00	\$ -	\$ -	\$ 137,713
264.00	Pension Liability			2,680,479		-	2,680,479
Total Liabilities			\$ 132,402	\$ 2,685,790	\$ -	\$ -	\$ 2,818,192

NOTE 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$2,680,479
Pension assets	\$ -
Deferred outflows of resources	\$ 419,663
Deferred inflows of resources	\$ 413,303
Pension expense/expenditures	\$ 368,233

State Sponsored Pension Plans

Substantially all Mason Transit full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government employers and No. 50, Pension Disclosures, an amendment of GASB Statements No. 25, No. 27, No.68 (an amendment of GASB No. 27), and No.71 (an amendment of GASB No. 68).

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

PERS was established in 1947, and its retirement benefits provisions are contained in chapter 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement systems composed of three separate pensions plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an

administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The Transit's actual contributions to the plan were \$134,292 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The Transit's actual contributions to the plan were \$172,526 for the year ended December 31, 2015.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent).

Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the Transit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$1,733,871	\$1,424,121	\$1,157,764
PERS 2/3	\$3,673,657	\$1,256,358	\$(594,477)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Transit reported a total pension liability of \$2,680,479 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$1,424,121
PERS 2/3	1,256,582
TOTAL	\$2,680,479

At June 30, the Transit's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	.0250510%	.0272250%	.002174%
PERS 2/3	.0317870%	.0351620%	.001220%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the Transit recognized pension expense as follows:

	Pension Expense
PERS 1	\$198,622
PERS 2/3	169,611
TOTAL	\$368,233

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	77,915
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	76,118	-
TOTAL	\$ 76,118	\$77,915
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$133,551	\$ -
Net difference between projected and actual investment earnings on pension plan investments		335,388
Changes of assumptions	2,024	-
Changes in proportion and differences between contributions and proportionate share of contributions	108,596	-
Contributions subsequent to the measurement date	99,373	
TOTAL	\$ 343,545	\$335,388

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

NOTE 10 – RISK MANAGEMENT

Public Entity Risk Pool

Mason Transit 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 the Transit automobile liability, general liability, public official's liability coverage, auto physical damage coverage, 1st property coverage, boiler and machinery coverage and employee fidelity coverage. At the end of 2015, the Transit retained a \$5,000 deductible for its auto physical damage coverage and a \$5,000 deductible for its 1st party property coverage through WSTIP. The Transit 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.

The Washington State Transit Insurance Pool (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 the Pool must remain members for a minimum of 36 months; a member may withdraw from the Pool after that time by giving 12 months' notice. Any member who withdraws will not be allowed to rejoin the Pool for a period of 36 months. Transit authorities applying for membership in the Pool may do so on approval of a simple majority vote of the Board of the Pool. The Pool underwriting and rate-setting policies have been established after consultation with actuaries. The Pool members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited yearly by the Washington State Auditor.

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

A complete annual report, including financial statements, may be obtained by writing to:

WSTIP
2629 12th Ct SW
Olympia, WA 98502

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 \$39,193 in claims during 2015.

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, 2015, 261 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 Group Health, 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 two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. 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 11 – ACCOUNTING AND REPORTING CHANGES

In accordance with GASB Statement No. 68, *Accounting and Reporting for Pensions*, The Transit has recorded its proportionate share of the net position liability along with the deferred inflows and outflows related to the pension plan administered by the Washington State Department of Retirement Systems. This Statement is a change in accounting method and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as detailed in Note – 6 – Pension Plans. The implementation of GASB Statement No. 68 resulted in a Prior Period Adjustment of the Statement of Revenue, Expenses and Changes in Fund Net Position. For details of the Prior Period Adjustment please see Note 12.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS - CHANGE IN ACCOUNTING PRINCIPLE

As a result of implementing GASB Statement No 68, which requires recognition of the Transit's share of the underfunded pension liability, the Transit reported a Prior Period Adjustment reducing the beginning Net Position for the year ended December 31, 2015. The adjustment represents pension costs for the prior periods of \$2,612,704.

NOTE 13 – 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 and July 1, 2015 through June 30, 2017. 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 \$37,335 directly from the Department of Revenue in 2015 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 2015 was \$3,774,708 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

Schedules of Required Supplementary Information

SCHEDULE OF THE MASON TRANSIT AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS Pension Plans

Last 10 Fiscal Years*

<u>PERS # 1</u>	<u>2015</u>
MTA's proportion of the net pension liability (asset)	0.0272%
MTA's proportionate share of the net pension liability (asset)	1,424,121
MTA's covered-employee payroll	1
MTA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	142412069.25%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

<u>PERS # 2/3</u>	<u>2015</u>
MTA's proportion of the net pension liability (asset)	0.0352%
MTA's proportionate share of the net pension liability (asset)	1,256,358
MTA's covered-employee payroll	3,053,638
MTA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.14%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

SCHEDULE OF MASON TRANSIT AUTHORITY CONTRIBUTIONS**Pension Plans**

	<u>2015</u>
<u>PERS # 1</u>	
Contractually required contribution	134,292
Contributions in relation to the contractually required contribution	<u>(134,292)</u>
Contribution deficiency (excess)	<u>-</u>
MTA's covered-employee payroll	-
Contributions as a percentage of covered-employee payroll	0.00%
<u>PERS # 2/3</u>	
Contractually required contribution	172,526
Contributions in relation to the contractually required contribution	<u>(172,526)</u>
Contribution deficiency (excess)	<u>-</u>
MTA's covered-employee payroll	3,053,638
Contributions as a percentage of covered-employee payroll	5.65%

Notes to Required Supplementary Information

for the Year Ended September 30, 2015

Changes of benefit terms: There were no changes in the benefit terms for the Pension Plans.

Changes of assumptions: Amounts reported in 2015 reflect an adjustment of the expectation of life after disability to more closely reflect actual experience.

**Mason County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster	Federal Transit Capital Investment Grants	20.500	0004	1,474,999	-	1,474,999	-	
	Total Federal Transit Cluster:			1,474,999	-	1,474,999	-	
	Formula Grants for Rural Areas	20.509	GCB1624	602,319	-	602,319	-	
	Formula Grants for Rural Areas	20.509	GCB2088	572,433	-	572,433	-	
	Formula Grants for Rural Areas	20.509	GCB1625	217,793	-	217,793	-	
Total CFDA 20.509:			1,392,545	-	1,392,545	-		
Aging Cluster	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	0002	12,866	-	12,866	-	
	Total Aging Cluster:			12,866	-	12,866	-	
	Total Federal Awards Expended:			2,880,410	-	2,880,410	-	

Mason County Public Transportation Benefit Area

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as MTA's financial statements. MTA uses the Generally Accepted Accounting Principles (GAAP) basis of accounting.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Transit's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 7 – Indirect Cost Rate

MTA has elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov