



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Mason County Public Transportation Benefit Area

(Mason Transit Authority)

For the period January 1, 2020 through December 31, 2020

Published September 20, 2021

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**Office of the Washington State Auditor
Pat McCarthy**

September 20, 2021

Board of Directors
Mason Transit Authority
Shelton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on 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 Authority's financial condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Mason Transit Authority January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of 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 basic 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 Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed 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>
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

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

The Authority did not qualify 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

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 January 1, 2020 through December 31, 2020

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 Mason Transit Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 13, 2021.

As discussed in Note 12 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

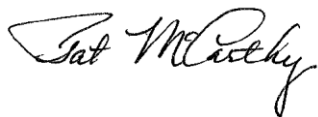
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 13, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Mason Transit Authority January 1, 2020 through December 31, 2020

Board of Directors
Mason Transit Authority
Shelton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Mason Transit Authority, 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 Authority's major federal programs for the year ended December 31, 2020. The 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 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 13, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Mason Transit Authority January 1, 2020 through December 31, 2020

Board of Directors
Mason Transit Authority
Shelton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mason Transit Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mason Transit Authority, as of December 31, 2020, and the changes in financial position and 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 12 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. 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 and required supplementary information listed on page 14 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 Authority's basic financial statements as a whole. 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 13, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 13, 2021

FINANCIAL SECTION

Mason Transit Authority January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – 2020

Statement of Cash Flows – 2020

Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

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 ending December 31, 2020. It 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 since 1992. Services include:

- Local and express fixed-route bus services
- Connectivity to neighboring transit systems
- Puget Sound Naval Shipyard Worker/Driver program
- General Dial-A-Ride services
- Vanpool and Community Van Programs
- Volunteer Driver Program

Financial Highlights for 2020

- As of December 31, 2020, MTA's Net Position equaled \$35,321,324.
- Total net position increased by \$7,974,759.
- Cash increased by \$1,475,993.
- Fare revenues decreased by \$138,569 or -40.8%.
- Non-operating revenue increased by \$769,546 or 8.1%. 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 \$5,318,852; which was for further construction on Park & Ride Projects; the purchase of two hybrid coaches, two 40' heavy duty coaches, nine cutaways, one mini-cutaway, and engine and transmission repairs on three coaches.

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 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 financially healthy in 2020 due to numerous factors:

MTA's total cash for the year increased by \$1,475,993; the increase can be attributed to high growth from sales tax revenue and additional federal CARES Act funding. At year end, there was \$1,168,487 in grant fund receivables outstanding. MTA continues to have a reserve fund that is maintained for operating cash flow and capital improvements and purchases. At the end of 2020, MTA's reserve fund which is held by the Mason County Treasurer and invested in the Washington State Investment Pool, equaled \$11,500,000, which was an increase of \$1,500,000 over 2019.

Sales Tax Revenue increased by \$470,577 or 8.6% from 2019 to 2020. Sales Tax Revenue received by MTA has continued to trend upward in 2020 despite the pandemic and economic uncertainty.

MTA operations are subsidized by federal and state grants. Operating grant revenue for 2020 was \$4,051,090; capital grant revenue was \$5,318,852. Federal and State grants are received on a reimbursement basis, by monthly or quarterly submission of operational and expenditure reports. The grant amounts fluctuate depending on the success of grant applications and funding availability for our specific region.

Statement of Net Position

Net Position

For the year ending December 31, 2020, assets plus deferred outflows exceeded liabilities and deferred inflows (net position) by \$35,321,324, an increase of \$7,974,759 from December 31, 2019.

Unrestricted net position increased by \$2,689,922 or 24.2%, the result of increased cash flow, largely attributed to sales tax receipts, sales tax equalization revenue, CARES Act 5311 revenue, and the 2020 GASB 68 pension entry which resulted in a reduction to pension liability by \$10,425, an decrease of \$426,919 to deferred outflows - pensions, and a \$359,246 decrease to deferred inflows-pensions.

After recording depreciation, acquisitions and disposals, MTA's investment in capital assets increased by \$5,284,838, or a 32.6% increase from 2019 to 2020. 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 increased by \$2,126,989 or 15.6%, non-current assets increased by \$5,284,837, resulting in an increase of \$7,411,827, or 24.8% to total assets.

GASB 68 entries for the year reported on the Statement of Net Position resulted in deferred outflows in the amount of \$354,912 and deferred inflows in the amount of \$441,616.

Current liabilities decrease by \$630,505 or 59.4% in 2020 compared to ending balance at year-end 2019. Current liabilities include accounts payable, wages and benefits payable. Non-current liabilities decreased by \$99 or 0.01% - pension liability decreased by \$10,425, and accrued compensated leave increased by \$10,326. Accrued compensated leave now includes both accrued vacation and MTA sick leave accrual for the Driver group. This sick leave is a new liability as per the Drivers collective bargaining agreement effective June 30, 2020.

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 2020, the designated operating reserve was \$2 million. Additionally, MTA designated \$2,069,297 for project and grant match, \$150,000 for emergency repairs, \$100,000 for emergency insurance reserves, \$3,150,000 for capital project reserves, \$120,000 for fuel reserves, \$40,000 for IT investment, \$217,575 for accrued compensated leave liability, and \$3,600,000 for a future operating reserves.

Capital Assets

Transit is a capital-intensive enterprise; 54% of MTA's total assets are invested in capital to provide services to the citizens of Mason County. Capital Assets increased in 2020 by \$4,469,794, excluding depreciation; the result of purchasing two hybrid coaches, two 40' diesel coaches, nine cutaways, one mini-cutaway and further construction on Park and Ride Development Projects and the TCC parking lot project. In addition to the acquisitions, six coaches and nine cutaways were sent to surplus, along with a variety of equipment items sent to surplus, recycled or disposed of.

MTA's investment in capital assets as of December 31, 2020 was \$21,496,697. 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 \$1,320,148 for the year.

For additional information, refer to Note 4 – Capital Assets.

Long-Term Debt

MTA has no long-term debt.

Deferred Outflows/Inflows of Resources

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. The 2020 Statement of Net Position includes Deferred Outflows/Inflows of Resources as part of the GASB 68 accounting policy.

Summary Table of Net Position

Below is the Summary of Net Position for December 31, 2020, as compared to December 31, 2019.

Mason County Public Transportation Benefit Area Summary of Net Position December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>	Net Increase (Decrease) 2020 vs 2019
ASSETS			
Current Assets	\$ 15,753,666	\$ 13,626,676	\$ 2,126,990
Non-Current Assets	21,496,697	16,211,860	5,284,837
TOTAL ASSETS	37,250,363	29,838,536	7,411,827
DEFERRED OUTFLOWS OF RESOURCES	354,912	781,831	(426,919)
LIABILITIES			
Current Liabilities	431,830	1,062,336	(630,506)
Non-Current Liabilities	1,410,505	1,410,604	(99)
TOTAL LIABILITIES	1,842,335	2,472,940	(630,605)
DEFERRED INFLOWS OF RESOURCES	441,616	800,862	(359,246)
NET POSITION			
Investment in Capital Assets	21,496,697	16,211,860	5,284,837
Unrestricted	13,824,627	11,134,705	2,689,922
Total Net Position	\$ 35,321,324	\$ 27,346,565	\$ 7,974,759

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 and Vanpool. Effective, October 1, 2019 monthly adult pass was increased by \$2.00 from \$28.00 to \$30.00 and monthly seniors/persons with disabilities pass was increased by \$1.00 from \$9.00 to \$10.00.

Fares collected during 2020 were as follows:

Out-of-County Fares	\$ 39,262	Decreased	59.3%
PSNS Worker/Driver & Vanpool Fares	<u>\$162,050</u>	Decreased	<u>33.5%</u>
Total Operating Revenue	\$201,312	Decreased	40.8%

Effective July 2018, MTA entered into an annual agreement with WSDOT to provide the State Agency Rider (STAR) Pass program: a transit pass program for State of Washington employees assigned to a Thurston County worksite. The contract was renewed effective August 1, 2020 through June 30, 2021, the new contract amount was not to exceed \$4,389 over the course of the contract period. Of the out-of-county fares \$4,788 was received relating to the STAR Pass program. The PSNS Worker Driver program and Vanpool program both had decreases of 30.8% and 42.4% from 2019, respectively.

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 2020 included \$5,958,083 in sales tax and sales tax interest, an increase of 8.6% over 2019. Sales tax revenue has been trending upward since August 2013, and MTA anticipates the positive trend to continue due to growth in the region and continuing pandemic related stimulus dollars inserted into the local economy.

39.4% of non-operating revenue was attributed to grant revenues derived from federal and state funds. As a subrecipient, the Washington State Department of Transportation and Federal Transit Administration awarded MTA consolidated rural mobility, paratransit/special needs, and 5311 funds awarded as part of the consolidated operating and CARES Act grants. The total federal, and state operating grant revenue for 2020 was \$4,051,090 a 12.5% increase from 2019.

Other non-operating revenue consists of sales of maintenance services, rental of buildings, event rental income, investment income, insurance recoveries, gain/loss on disposal of assets, LMTAAA volunteer donations. In 2020, other non-operating revenue totaled \$285,647, a 34.8% decrease from 2019 with contributors being the loss of event rental income and the decline in investment interest income.

Capital Contributions

MTA received \$5,318,852 in capital grant revenue which was used towards the purchase of two hybrid coaches, two 40' diesel coaches, nine cutaways, one mini-cutaway, engine and transmission replacements on three coaches, and further construction on the Belfair Park and Ride.

Operating Expenses

Operating expenses represents costs incurred to provide transportation services, which decreased during 2020 by \$458,405. Expenses were decreased due to pandemic related service reductions requiring less fuel and maintenance, a reduction in the cost of insurance, and the move from outsourced IT support, plus the Volunteer Driver Program experienced a 37% decrease with non-emergency medical appointments

discontinued for a time. General operating expenses for 2020 were \$6,520,075, which is a decrease of 6.6% over 2019; including depreciation, total operating expense for 2020 was 7,840,223.

Operating Expenses by department were as follows:

- Operations: \$4,299,629 – Responsible for all on-road services, including: Drivers, communications center, communications center supervisor, vanpool coordination, schedulers, road and training supervisors and an operations manager.
- Maintenance: \$1,247,777 – Responsible for vehicle and facility upkeep and fuel. Fuel is the most significant expense in maintenance. Of this amount, \$329,199 is attributed to facility maintenance.
- Administration: \$738,516 – Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, human resources, safety and risk management, volunteer driver program.
- Transit-Community Center: \$234,153 – Responsible for operations of the Transit-Community Center including property management, leases and event rentals.
- Depreciation: \$1,320,148 – 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, 2020, as compared to December 31, 2019.

Mason County Public Transportation Benefit Area
Summary Statement of Revenues, Expenses and Changes in Fund Net Position
For The Years Ended December 31, 2020 and December 31, 2019

	12/31/2020	12/31/2019	Net Increase (Decrease) 2020 vs 2019
OPERATING REVENUE:			
Fares	\$ 201,312	\$ 339,881	\$ (138,569)
NON-OPERATING REVENUE			
Sales Tax	5,958,083	5,487,506	470,577
Grant Revenue	4,051,090	3,599,674	451,416
Other Non-operating Revenue	285,647	438,094	(152,447)
TOTAL REVENUE	10,496,132	9,865,155	630,977
EXPENSES			
Operating Expenses	6,520,075	6,978,480	(458,405)
Depreciation	1,320,148	1,177,470	142,678
TOTAL EXPENSES	7,840,223	8,155,950	(315,727)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	2,655,909	1,709,205	946,704
Capital Contributions-Grants	5,318,852	1,697,396	3,621,456
Capital Contributions-Local	-	541,330	(541,330)
TOTAL CAPITAL CONTRIBUTIONS	5,318,852	2,238,726	3,080,126
INCREASE (DECREASE) IN NET POSITION	7,974,759	3,947,931	4,026,828
NET POSITION - BEGINNING OF PERIOD	27,346,565	23,398,634	3,947,931
NET POSITION - END OF PERIOD	\$ 35,321,324	\$ 27,346,565	\$ 7,974,759

Economic Impacts and Future Outlook

COVID-19

As the 2020 Annual Report is prepared, Mason Transit Authority (MTA) continues to respond and adapt to the continuing impacts of the COVID-19 pandemic. In 2020, MTA experienced a decrease in ridership of 51.8% resulting in a reduction to service levels. As a result of these lasting reductions, MTA laid-off two dispatch/schedulers, one Operations Supervisor, and five transit drivers by October 1, 2020. To serve important community needs, many MTA drivers transitioned to delivering for meals on wheels, commodity food box deliveries, and providing rides in support of the Volunteer Driver program. As of mid-January 2021, all laid off drivers were given the opportunity to return. MTA procured additional cleaning and safety supplies, including an ample supply of personal protective equipment for both staff and riders. MTA discontinued the collection of out of county fares between March 24 and August 3, 2020; at which time a return to normal fare collection and passenger boarding resumed. In compliance of the Governors COVID-19 Public Transportation Safety Plan, MTA reduced the number of passengers allowed on each vehicle type and required the use of masks by all employees and passengers. Signage reminding staff and customers of COVID-19 safety practices was placed throughout all MTA locations. Cleaning of all MTA service vehicles and agency facilities was escalated daily.

As the agency looks forward in 2021, route performance is closely monitored and adjusted where possible to adapt to changing ridership behavior changes. It is unclear at this time what service demands will be in a post COVID environment. March 2021 saw passenger counts at the highest level since July 2020. MTA looks forward to a return to normal passenger capacity and the need of recovery staff and vehicles to follow behind routed service when necessary to comply with capacity requirements.

AGENCY UPDATES – Non-COVID

In 2020, the development of the Belfair Park and Ride took focus. The Log Yard and SR3 roundabout project was completed by the end of June 2020 as part of the Mason County Belfair Mobility Plan. The remaining components of the park and ride development projects have been contracted with construction underway for MTA's Belfair north base and park and ride, as well as the Pear Orchard and Shelton Matlock locations. The aim is to complete all park and ride projects by June 2022.

Over the course of the last year, Mason Transit made significant strides in maintaining the state of good repair in the revenue service fleet with the addition of two hybrid buses, two heavy-duty buses, nine cutaways, and a mini cutaway. Made possible by the receipt of FTA 5339 funds and state sales tax equalization dollars. MTA is exploring the progression toward implementing green initiatives when purchasing future transit vehicles and the funding opportunities to do so.

Negotiations of the Drivers collective bargaining agreement was completed in 2020. Significant changes include top of the scale increased by 1.25% with starting wages increasing by 8.5% for the purpose of attracting new drivers as compared to neighboring transits. Wages in the matrix were aligned by a percentage of the top wages with drivers reaching the top of the scale at 6.5 years rather than the previous 10-year scale.

Mason Transit Authority remains fiscally responsible and looks ahead to turn current challenges into opportunities to better serve the community and citizens of Mason County.

Request for Information

This financial report is designed to provide a general overview of Mason County Public Transportation Benefit Area'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:

Administrative Services Manager
Mason County Public Transportation Benefit Area
790 E Johns Prairie Rd
Shelton, WA 98584
(360) 426-9434 ext.138

Mason County Public Transportation Benefit Area
Statement of Net Position
December 31, 2020

ASSETS**CURRENT ASSETS**

Cash	\$ 13,325,708
Accounts Receivable	64,470
Taxes Receivable	1,074,283
Due from other Governments	1,168,487
Prepaid Expenses	9,996
Inventory	110,722
TOTAL CURRENT ASSETS	<u>15,753,666</u>

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

Capital Assets Not Being Depreciated	
Land	1,736,167
Construction in Progress	4,998,379
Capital Assets Being Depreciated	
Buildings	13,375,481
Improvements	507,785
Transportation Equipment	11,338,632
Office and Shop Equipment	1,001,089
Less: Accumulated Depreciation	<u>(11,460,836)</u>
Net Capital Assets Being Depreciated	<u>14,762,151</u>
TOTAL NON-CURRENT ASSETS	<u>21,496,697</u>

TOTAL ASSETS **37,250,363**

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on pensions	354,912
Deferred amount on grants	-
Total deferred outflows of resources	<u>354,912</u>

LIABILITIES**CURRENT LIABILITIES:**

Accounts Payable	288,347
Payroll and related expenses payable	136,684
Other Current Liabilities	6,799
TOTAL CURRENT LIABILITIES	<u>431,830</u>

NON-CURRENT LIABILITIES:

Employee Leave Benefits	217,575
Pension Liability	1,192,930
TOTAL NON-CURRENT LIABILITIES	<u>1,410,505</u>

TOTAL LIABILITIES **1,842,335**

DEFERRED INFLOWS OF RESOURCES

Deferred amounts on pensions	441,616
Total deferred inflows of resources	<u>441,616</u>

NET POSITION

Investment in Capital Assets	21,496,697
Unrestricted	13,824,627
TOTAL NET POSITION	<u>\$ 35,321,324</u>

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, 2020**

OPERATING REVENUES:

Passenger fares	\$	39,262
PSNS Worker/Driver & Vanpool fares		162,050
Total Operating Revenue		201,312

OPERATING EXPENSES:

Wages and Benefits		5,123,805
Contracted Services		260,212
Maintenance (Vehicle and Facility)		182,348
Fuel		222,643
Insurance		183,363
Intergovernmental Audit Fees		31,046
Rent - Park and Ride		25,680
Volunteer Driver Reimbursements		22,181
Other Operating Expenses		468,797
Depreciation		1,320,148
Total Operating Expenses		7,840,223

OPERATING INCOME (LOSS)		(7,638,911)
--------------------------------	--	--------------------

NONOPERATING REVENUES (EXPENSES):

NONOPERATING REVENUES:

Sales tax		5,958,083
Grant revenue		4,051,090
Rental Income		146,846
Investment income		73,434
Other nonoperating revenue		65,367
Total Nonoperating Revenue		10,294,820

Income (Loss) before capital contributions		2,655,909
--	--	-----------

Capital Contributions-Grants		5,318,852
Capital Contributions-Local		
Total Capital Contributions		5,318,852

Increase (Decrease) in Net Position		7,974,759
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NET POSITION - January 1, 2020		27,346,565
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NET POSITION - December 31, 2020	\$	35,321,324
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The Notes to Financial Statements are an integral part of this Statement

**Mason County Public Transportation Benefit Area
Statement of Cash Flows
For the Year Ended December 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 142,047
Payments to suppliers	(1,558,967)
Payments to employees	(5,523,889)
Net cash provided (used) by operating activities	<u>\$ (6,940,809)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Sales Tax	\$ 5,806,915
Cash Received from Grants	3,609,876
Other nonoperating revenue	212,213
Net Cash provided from noncapital activities	<u>\$ 9,629,004</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions (capital grants)	\$ 5,318,852
Purchases of capital assets	(6,604,985)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,286,133)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends	\$ 73,928
Net cash provided by investing activities	<u>\$ 73,928</u>

Net increase (decrease) in cash	\$ 1,475,993
Balances - beginning of the year	11,849,715
Balances - end of the year	<u>\$ 13,325,708</u>

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

Operating income (loss)	<u>\$ (7,638,911)</u>
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Adjustments to reconcile operating income to net cash provided (used) by operating activities:

Depreciation	\$ 1,320,148
Pension Expense	(410,410)
Change in assets and liabilities:	
Decrease in accounts receivable	(59,265)
Increase in prepaid expenses	23,976
Increase in parts and fuel inventory	(23,823)
Decrease in accounts payable	(180,106)
Decrease in other-current liabilities	17,256
Increase in employee benefits payable	10,326
Net cash provided by operating activities	<u>\$ (6,940,809)</u>

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

MASON COUNTY PUBLIC TRANSPORTATION BENEFIT AREA
Notes to the Financial Statements
January 1, 2020 through December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

Mason Transit Authority is a special purpose district organized to provide public transportation services for Mason County, Washington. MTA utilizes a combination of fixed-route, route deviation, demand response (Dial-A-Ride) service, vanpool and worker/driver programs, and coordinated volunteer transportation. Funding is provided through sales tax, interest income, state grants, 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.

The Mason Transit Authority governing body consists of:

- Three (3) Mason County Commissioners;
- One (1) City of Shelton Council member;
- Five (5) members who shall be elected officials selected by the Mason County Commissioners with the goal of seeking equal voting representation among the County commission districts; and

The Board composition shall also contain one (1) non-voting labor representative as set forth in RCW 36.57A.050.

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, liabilities, deferred outflows, and deferred inflows (whether current or noncurrent) associated with their activity are included on the Statement of Net Position (or balance sheet). The 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 items. 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, vehicle maintenance and operations costs, fuel, administrative expenses, supplies, training, and depreciation of capital assets. 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 Authority's practice to invest all temporary cash surpluses. At December 31, 2020, Mason Transit Authority was holding \$13,325,708 in short-term residual investments of surplus cash, of which \$11,500,000 was held in the Washington State Investment Pool. This amount is classified on the statement of net position as a component of cash. See Note 2, *Deposits and Investments*

2) 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.

3) Amounts Due to and from Other Governments – See Note 3, *Receivable and Payable Balances*.

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

4) 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.

5) 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 acquisition 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.

6) Other Property and Investments – See Note 2 *Deposits and Investments*.

7) Custodial Accounts

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

8) Compensated Absences

Compensated Absences are absences for which employees will be paid, and represent vacation earned by employees but not taken at year end as well as MTA Sick Leave per the Drivers collective bargaining agreement dated June 1, 2020. MTA records unpaid compensated absences 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 at year-end with 240 hours maximum payable upon resignation, termination, retirement or death. Full time employees receive 2 hours of Washington Paid Sick Leave (WPSL) each work week and .025 hours for hours worked beyond 40 hours in the work week. Part time employees earn .025 hours of WPSL on hours worked. Full time employees earn 44 hours of MTA Sick Leave per year. Total sick leave balances are capped at 960 hours and is only available during employment.

9) Long-Term Debt

See Note 7, *Leases*, and Note 8, *Long-Term Liabilities*.

D) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For additional information, refer to Note 9 – Pension Plans.

NOTE 2 – DEPOSITS AND INVESTMENTS

Composition of Cash as of December 31, 2020, is as follows:

Description / Purpose	Held By / On Deposit With	Balance:	12/31/2020
Depository (Operating) Fund	Mason County Treasurer	\$	1,633,679
Cash on Hand	MTA		500
Payroll ACH Account	Columbia State Bank		191,529
WA State Investment Pool	Mason County Treasurer		11,500,000
Subtotal (Current Assets)			13,325,708
Total Cash		\$	13,325,708

The Mason County Treasurer acts as the transit's treasurer, including the receipt, deposit, and investment of MTA's surplus funds.

Mason Transit Authority's deposits are covered by the FDIC or by collateral held in a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All of the transit's deposits are with the Mason County Treasurer, 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 publicly 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

Per GASB Statement 3, investments in pools managed by another government and in mutual funds need not be categorized as to credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The agency does not have a formal policy for custodial credit risk.

Investments in county investment pool: The agency is a participant in the county investment pool, an external investment pool. The agency reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest in the funds of participants. The county's investment policy is established by the Finance Committee consisting of the county treasurer, the county auditor, and the chair of the county legislative authority with the intent of investing public funds in a manner that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the County while conforming to all state and local statutes governing the investment of public funds. The county external investment pool does not have a credit rating. The assets held within the investment pool are essentially cash equivalents and may be liquidated if necessary.

NOTE 3 – RECEIVABLE AND PAYABLE BALANCES

Sales Tax

MTA received \$5,958,083 in Sales Tax and Sales Tax Interest revenue in 2020. 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 \$1,073,444 for tax revenue and \$839 in sales tax interest revenue earned but not received as of December 31, 2020.

Grant Revenue

As of December 31, 2020, MTA accrued \$1,168,487 in grant revenue earned but not yet received.

Receivables Due From Other Governments on December 31, 2020 are as Follows:

Government Receivables	November	December	Total
Sales Tax	\$ 486,561	\$ 586,883	\$ 1,073,444
Sales Tax Interest	\$ 430	\$ 409	\$ 839
Grant Reimbursements (Federal, State & Local)		\$ 1,168,487	\$ 1,168,487
Total Receivables Due from Other Governments			\$ 2,242,770

Liability Balances

As of December 31, 2020, current liability account balances include accounts payable of \$288,347 to vendors for goods and services; \$136,684 for the payroll and related expense payable; and \$6,799 for other current liabilities which consists of lease deposits, tax payables, year-end cutoff accruals.

Non-current liabilities include a balance of \$1,192,930 in pension liability required by the Governmental Accounting Standards Board (GASB) (see Note 9) and employee leave benefits (accrued vacation and sick leave) in the amount of \$217,575 (see Note 8).

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 the vehicle useful lives and capital asset activity for 2020 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, 2020

Category	Beginning Cost 1/1/2020	Acquisitions and Current Year Increases	Dispositions and Reclassifications (Decreases)	12/31/2020 Cost Basis
Capital assets, not being depreciated:				
Land	\$ 1,736,167	\$ -	\$ -	\$ 1,736,167
Construction in Progress	2,259,340	2,826,387	(87,348)	4,998,379
Total Capital assets, not being depreciated	3,995,507	2,826,387	(87,348)	6,734,546
Capital assets, being depreciated:				
Buildings	13,375,481	-	-	13,375,481
Vehicles	9,553,404	3,736,370	(1,951,142)	11,338,632
Equipment	1,055,562	129,576	(184,049)	1,001,089
Improvements (Buildings)	507,785	-	-	507,785
Total Capital assets being depreciated:	24,492,232	3,865,946	(2,135,191)	26,222,987
Less Accumulated Depreciation for:				
Buildings	4,093,124	543,395	-	4,636,519
Vehicles	7,296,966	711,557	(1,951,142)	6,057,381
Equipment	885,789	65,196	(184,049)	766,936
Total Accumulated Depreciation	12,275,879	1,320,148	(2,135,191)	11,460,836
Total Investment in Capital Assets	\$ 16,211,860	\$ 5,372,185	\$ (87,348)	\$ 21,496,697

Construction-in-Progress

At the end of 2020, MTA has two Construction-In-Progress projects, the first of which is the Park and Ride Development project funded through a WSDOT Capital Construction Regional Mobility Grant. The second project in-progress is the development of a parking lot in coordination with the City of Shelton at the TCC.

Construction-in-progress as of December 31, 2020, consists of the following:

Park and Ride Development	\$ 4,776,451
MTA TCC Parking Lot Project	\$ 221,928

NOTE 5 – CONSTRUCTION COMMITMENTS

Mason Transit Authority has one active construction project as of December 31, 2020. The project includes the Park and Ride Development Project that will occur until June 2023. The project will improve the current Park and Ride Lots in Mason County and add a newly constructed Park and Ride location in Belfair.

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

Project	Spent to Date	Remaining Commitment
Park and Ride Development	4,776,451	5,746,049

Of the committed balance, MTA will not be required to raise any funds through future financing. The project is being funded through State Regional Mobility and State Multimodal Funds. MTA allocated funds from reserves for the requirement match of \$1,187,500 as of December 31, 2020.

NOTE 6 – CONTINGENCIES AND LITIGATION

Contingencies

Mason Transit Authority participates in several 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, 2020, Mason Transit had no litigation suits.

NOTE 7 – LEASES

Mason Transit Authority had one, non-cancelable operating lease for equipment with a remaining lease term of more than one year. Total cost for such leases was \$2,543 for the year ended December 31, 2020.

The future minimum lease payments are as follows:

Year Ending December 31, 2020	Amount	Terms	Number of Payments
2021	174.15	Quarterly	4
2022	174.15	Quarterly	4
2023	174.15	Quarterly	3

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities include Accrued Vacation & Sick Leave Benefits (see Note 1, Item C-8) and Pension Liability (see Note 9). There are no amounts due within one year.

The following *Schedule of Liabilities* provides a listing of the outstanding liabilities of the Mason Transit Authority and summarizes transactions for the year 2020.

Mason County Public Transportation Benefit Area
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Beginning Balance 01/01/2020	Additions	Reductions	Ending Balance 12/31/2020	Due within 1 Year
259.12	Compensated Absences	\$ 207,249	\$ 10,326	\$ -	\$ 217,575	\$217,575
264.30	Net Pension Liability	1,203,355		10,425	1,192,930	
		<u>\$ 1,410,604</u>	<u>\$ 10,326</u>	<u>\$ 10,425</u>	<u>\$ 1,410,505</u>	<u>\$ 217,575</u>

NOTE 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (1,192,930)
Pension assets	\$
Deferred outflows of resources	\$ 354,912
Deferred inflows of resources	\$ (441,616)
Pension expense/expenditures	\$ 22,254

State Sponsored Pension Plans

Substantially all of Mason Transit Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The 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.

Public Employees' Retirement System (PERS)

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies

Total	12.86%	7.41%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in JBM, the contribution rate was 19.75%.

Mason Transit Authority's actual PERS plan contributions were \$163,101 to PERS Plan 1 and \$269,561 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents Mason Transit Authority's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Mason Transit Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 1,014,365	\$ 809,835	\$ 631,465
PERS 2/3	2,383,717	383,095	(1,264,419)

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, 2020, Mason Transit Authority's reported a total pension liability of \$1,192,930 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 809,835
PERS 2/3	383 095
TOTAL	\$ 1,192,930

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.023600%	0.022938%	-0.000662%
PERS 2/3	0.030458%	0.029954%	-0.000504%

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 except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, Mason Transit Authority's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 12,451
PERS 2/3	9,803
TOTAL	\$ 22,254

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, Mason Transit Authority's 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	\$	\$ (4,509)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 80,384	\$
TOTAL	\$ 80,384	\$ (4,509)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,142	\$ (48,011)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (19,456)
Changes of assumptions	\$ 5,456	\$ (261,687)
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$ (107,955)
Contributions subsequent to the measurement date	\$ 131,930	\$
TOTAL	\$ 274,528	\$ (437,108)

Deferred outflows of resources related to pensions resulting from Mason Transit Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2021	\$ (20,461)
2022	\$ (644)
2023	\$ 6,243
2024	\$ 10,353
2025	\$
Thereafter	\$
Total	\$ (4,509)

Year ended December 31:	PERS 2/3
2021	\$ (186,089)
2022	\$ (65,125)
2023	\$ (20,319)
2024	\$ 18,024
2025	\$ (21,140)
Thereafter	\$ (19,860)
TOTAL	\$ (294,510)

NOTE 10 – RISK MANAGEMENT

Public Entity Risk Pool

Mason Transit Authority is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 26-member governmental risk pool located in Olympia, Washington. WSTIP supplies MTA auto liability, general liability, public officials liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage).

At the end of 2020, MTA retained a \$5,000 deductible for its all-risk property coverage which includes auto physical damage. MTA has a \$5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six-month's notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

Transit authorities applying for membership in WSTIP may do so on approval of a simple majority vote of the WSTIP Board of Directors. Underwriting and rate-setting policies have been established after consultation with actuaries. WSTIP members are subject to a supplemental assessment in the event of deficiencies. If WSTIP's assets were to be exhausted, members would be responsible for WSTIP's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited annually by the Washington State Auditor.

WSTIP utilizes a combination of self-insurance, reinsurance and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance America, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley Cyber Services for the cyber liability policy. The excess property carrier for all risk property and boiler and machinery is Alliant Property Insurance Program provided by Alliant Insurance Services.

Mason Transit Authority has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

Here is a summary of coverage provided in 2020:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY: Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability			\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0 ¹
PUBLIC OFFICIALS LIABILITY	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1 – Per Occurrence and Annual Per Member Aggregate	\$250,000	Per occurrence	\$25,000
PROPERTY COVERAGE All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/ members combined	\$5,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$250,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$250,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$25 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below \$250,000 in value)	Fair market value		\$5,000
Auto Physical Damage for all vehicles with a model year of 2010 or later and valued over \$250,000	Replacement Cost	Limited to \$1.5 million any one vehicle	\$5,000

¹ Each member selects the modes which uninsured motorist coverage is applied to. To review your selection of UIM, please refer to Exhibit attached.

BOILER AND MACHINERY	\$100 million		\$250,000 or \$350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	\$1 million	Per occurrence	\$10,000
Employee theft	\$1 million	Per occurrence	\$10,000
Forgery or alteration	\$1 million	Per occurrence	\$10,000
Theft, disappearance and destruction (inside premises)	\$1 million	Per occurrence	\$10,000
Robbery and safe burglary (inside premises)	\$1 million	Per occurrence	\$10,000
Robbery and safe burglary (outside premises)	\$1 million	Per occurrence	\$10,000
Computer fraud	\$1 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$1 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$1 million	Per occurrence	\$10,000

CYBER LIABILITY INSURANCE		Coverage	Deductible
Breach Response Costs	\$500,000	Limit increases to \$1 million if carrier's nominated service providers are utilized	\$5,000
FIRST PARTY LOSS			
Business Interruption			
<i>Resulting from Security Breach</i>	\$2 million	Limit of Liability	
<i>Resulting from System Failure</i>	\$500,000	Limit of Liability	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Limit of Liability	
<i>Resulting from System Failure</i>	\$100,000	Limit of Liability	
Cyber Extortion Loss	\$2 million	Limit of Liability	
Data Recovery Costs	\$2 million	Limit of Liability	
LIABILITY			
Data & Network Liability	\$2 million	Limit of Liability	
Regulatory defense and penalties	\$2 million	Limit of Liability	
Payment Card Liabilities & Costs	\$2 million	Limit of Liability	
Media Liability	\$2 million	Limit of Liability	
eCRIME			
Fraudulent Instruction	\$75,000	Limit of Liability	

Funds Transfer Fraud	\$75,000	Limit of Liability	
Telephone Fraud	\$75,000	Limit of Liability	
CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$50,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$75,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$25,000	Limit of Liability	

Extra Cyber Limits

In addition to the coverage detailed in the basic Cyber Liability insurance description, Mason Transit Authority has chosen to purchase additional limits. This limit will be in excess to any limit of the basic cyber liability policy and increase the availability of insurance and/or drop down if the basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not shared with any other policy holder or WSTIP member. MTA elected to purchase \$2 million (in excess of \$2 million).

Covered Locations Pollution Liability Insurance Policy

MTA purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2018 to April 4, 2021. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is \$5 million each pollution condition – includes claims expenses with a \$5 million aggregate including claims expenses. MTA has a \$100,000 deductible per pollution condition. Locations must be listed to be covered.

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 \$30,062 in claims during 2020.

Health & Welfare

The 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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and 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. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

NOTE 11 – UNIQUE AND UNUSUAL TRANSACTIONS

Intergovernmental Assistance Programs

Grants

Grant revenues were derived from federal, state and local grants. Washington State Department of Transportation and Federal Transportation Administration awarded MTA a consolidated rural mobility and paratransit/special needs formula-based operating grant for the period of July 1, 2019 through June 30, 2021. An operating grant was received from the Lewis-Mason-Thurston Area Agency on Aging for the Volunteer Driver program. Grants require a matching of funds depending on the type of grant. Consolidated Grant Contractor Funds (match) for operating grants range from 18% up to 67%. Capital construction/improvements and vehicle acquisitions vary, but typically require a 20-25% match.

The total federal, state and other operating and capital grant revenues for 2020 was \$9,369,942 as shown in the *Schedule of State and Local Financial Assistance* and the *Schedule of Expenditures of Federal Awards*.

NOTE 12 – SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

In 2019, MTA operated 33 blocks of service. Through a series of phased cuts, all but 11 blocks of service were suspended as of April 7, 2020 because of Washington State's Stay Home, Stay Healthy order. By December 2020, MTA resumed operating 24 blocks of service. Fare collection was suspended in April 2020 and resumed on August 3, 2020. Ridership has been slow to return in the early months of 2021, plans are being implemented to return to pre-pandemic service levels to provide the flexibility needed for the riding public to return. In 2020, MTA utilized \$1,530,241 of the awarded \$3,768,900 5311 CARES Act funds. MTA incurred \$130,185 of additional expenses for personal protective equipment, cleaning and sanitization supplies and equipment and other COVID-19 response items during 2020.

The length of time these measures will be in place, and the full extent of the financial impact on Mason Transit Authority is unknown at this time.

General Manager Resignation

In February 2021, Mason Transit Authority's General Manager Danette Brannin accepted a position with Pierce Transit Authority. In response, the MTA Authority Board named Mike Ringgenberg as Interim General Manager. In March 2021, the Board initiated an outside recruitment for the agency's next general manager. During this transition, managers are maintaining the high standards of service and safety MTA is known for.

REQUIRED SUPPLEMENTARY INFORMATION -

Mason County Public Transportation Benefit Area
 Schedule of Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System PERS 1 and PERS 2/3
 As of June 30, 2020
 Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
PERS 1						
Employer's proportion of the net pension liability (asset)	% 0.022938%	0.023600%	0.024373%	0.025168%	0.027275%	0.027225%
Employer's proportionate share of the net pension liability	\$ 809,835	907,504	1,088,506	1,194,241	1,464,796	1,424,121
Covered payroll	\$ 3,487,443	3,267,990	3,241,784	3,173,811	3,232,843	3,147,169
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 23.22%	27.77%	33.58%	37.63%	45.31%	45.25%
Plan fiduciary net position as a percentage of the total pension liability	% 68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3						
Employer's proportion of the net pension liability (asset)	% 0.029954	0.030458%	0.031374%	0.032373%	0.034988%	0.035162%
Employer's proportionate share of the net pension liability	\$ 383,095	295,851	535,683	1,124,807	1,761,618	1,256,358
Covered payroll	\$ 3,487,443	3,267,990	3,241,784	3,173,811	3,232,843	3,147,169
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 10.98%	9.05%	16.52%	35.44%	54.49%	39.92%
Plan fiduciary net position as a percentage of the total pension liability	% 97.22	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

OSA updated their demographic assumptions based on the results of their latest demographic experience study. This study is completed every six years and includes updates to a wide range of behavioral and demographic assumptions. Please see OSA's 2013-2018 Demographic Experience Study for more details, leg.wa.gov/osa.

OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement. These factors match the ones that DRS implemented on October 1, 2020.

This valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

OSA changed their method to updating certain data items that change annually. Examples include the public safety duty related death lump sum and Washington state average wage. OSA has set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. Please see our website for more information on this method change, leg.wa.gov/osa.

REQUIRED SUPPLEMENTARY INFORMATION

Mason County Public Transportation Benefit Area
 Schedule of Employer Contributions
 Public Employees' Retirement System PERS1 and PERS 2/3
 For the year ended December 31, 2020
 Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
PERS 1						
Statutorily or contractually required contributions	\$ 163,101	169,320	164,915	157,274	154,207	138,033
Contributions in relation to the statutorily or contractually required contributions	\$ (163,101)	(169,320)	(164,915)	(157,274)	(154,207)	(138,033)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0
Covered payroll	\$ 3,403,535	3,419,248	3,258,543	3,211,878	3,232,843	3,147,169
Contributions as a percentage of covered payroll	% 4.79%	4.95%	5.06%	4.90%	4.77%	4.39%
PERS 2						
Statutorily or contractually required contributions	\$ 269,561	264,051	244,368	219,810	201,405	177,230
Contributions in relation to the statutorily or contractually required contributions***	\$ (269,561)	(264,051)	(244,368)	(219,810)	(201,405)	(177,230)
Contribution deficiency (excess)	\$ 0	0	0	0	-	-
Covered payroll**	\$ 3,403,535	3,419,248	3,258,543	3,211,878	3,232,843	3,147,169
Contributions as a percentage of covered payroll	% 7.92%	7.72%	7.50%	6.84%	6.23%	5.63%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

OSA updated their demographic assumptions based on the results of their latest demographic experience study. This study is completed every six years and includes updates to a wide range of behavioral and demographic assumptions. Please see OSA's 2013-2018 Demographic Experience Study for more details, leg.wa.gov/osa.

OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement. These factors match the ones that DRS implemented on October 1, 2020.

This valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

OSA changed their method to updating certain data items that change annually. Examples include the public safety duty related death lump sum and Washington state average wage. OSA has set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. Please see our website for more information on this method change, leg.wa.gov/osa.

**Mason County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

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 ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	COVID 19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD00192	1,530,241	-	1,530,241	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD00044	1,095,945	-	1,095,945	-	
			Total CFDA 20.509:	2,626,186	-	2,626,186	-	
Federal Transit Cluster				2,626,186	-	2,626,186	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	PTD00005	1,285,419	-	1,285,419	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	PTD00081A	699,118	-	699,118	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	PTD00081B	727,934	-	727,934	-	
			Total Federal Transit Cluster:	2,712,471	-	2,712,471	-	
Aging Cluster				12,137	-	12,137	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via LMTAAA)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	18-1120-0041- 06(3)	12,137	-	12,137	-	
			Total Aging Cluster:	12,137	-	12,137	-	
			Total Federal Awards Expended:	5,350,794	-	5,350,794	-	

The accompanying notes are an integral part of this schedule.

Mason County Public Transportation Benefit Area

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Mason County Public Transportation Benefit Area, dba Mason Transit Authority (MTA) financial statements. MTA uses the 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 MTA's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the 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 the Uniform Guidance.

Note 8 – Donated Personal Protective Equipment

MTA received 624 donated personal protective equipment face masks provided by WSDOT as a sub-recipient pass through in 2020. The Federal Transit Administration has established a cost of 0.71¢ each for a total value of \$443.04.

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