



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, 2022 through December 31, 2022**

*Published April 24, 2025*

Report No. 1037061



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

April 24, 2025

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Schedule of Federal Award Findings and Questioned Costs.....	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	16
Independent Auditor's Report on the Financial Statements.....	20
Financial Section.....	24
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	57
About the State Auditor's Office.....	59

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Mason Transit Authority January 1, 2022 through December 31, 2022

### 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 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 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>ALN</u>	<u>Program or Cluster Title</u>
20.509	Formula Grants for Rural Areas and Tribal Transit Program
20.509	COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-002.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Mason Transit Authority January 1, 2022 through December 31, 2022

#### **2022-001 The Authority's internal controls over financial statement preparation were inadequate to ensure accurate and complete financial reporting.**

##### *Background*

The Authority Board of Commissioners, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the Authority's financial reporting is reliable and its financial statements are accurate and complete.

The Authority prepares its financial statements in accordance with generally accepted accounting principles (GAAP). Our audit found deficiencies in internal controls over financial reporting that affected the Authority's ability to produce reliable financial statements. Government Auditing Standards requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding.

##### *Description of Condition*

Accounting standards provide guidance for recording transactions and financial reporting. The Authority should establish internal control processes to ensure financial reporting is accurate and consistently followed.

We identified the following deficiencies in internal controls over the Authority's process for preparing its financial statements that, when considered together, represent a material weakness:

- The Authority did not have adequate internal controls to ensure it properly assessed and reported financial activity in accordance with GAAP.
- The Authority did not have adequate internal controls to ensure it fully implemented new accounting standards as of the effective year.
- Authority staff responsible for preparing and reviewing the financial statements lacked adequate experience and training to prevent or detect significant errors in the financial statements.

### *Cause of Condition*

The Authority experienced significant turnover in the finance department, resulting in a staffing shortage. The Authority was unable to fill the vacant finance positions promptly, and therefore relied on staff with limited financial experience to prepare the financial statements.

### *Effect of Condition*

The material weakness in internal controls resulted in the following errors. The Authority:

- Incorrectly included all costs associated with its Park and Ride Development project in construction in progress, including costs for completed projects and costs associated with land the Authority did not own. As a result, the Authority overstated construction in progress by \$10,077,999 and net investment in capital assets by \$6,387,934, and understated buildings and improvements by \$3,690,065, expenses by \$28,285, and prior period adjustments by \$6,359,649.
- Incorrectly recorded grant receipts, resulting in the Authority overstating grant revenue and receivables each by \$1,434,288 and understating capital contributions – grants and unrestricted net position each by \$384,796.
- Incorrectly calculated its pension balances, resulting in the Authority overstating net pension asset, net pension liability and restricted net position for pension assets each by \$2,712,247 and understating unrestricted net position by the same amount. Additionally, the Authority omitted pension-related RSI from the original financial statements it submitted for audit.
- Did not properly report lease assets and liabilities or include required note disclosures pertaining to its identified leases as the lessee and lessor. Based on our audit procedures, the Authority likely had one applicable lease as the lessee and nine applicable leases as the lessor.

The Authority subsequently corrected all errors identified above except for the lease reporting errors.

In addition to the errors identified above, the financial statements also contained numerous presentation errors.

We were unable to complete our audit of the Authority's financial statements in a timely manner because of the conditions described. Delays in the availability of audited financial statements prevent Authority officials, the public and other interested parties from obtaining timely information about the Authority. Such delays also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and others use.

## ***Recommendation***

We recommend the Authority strengthen internal controls over its processes for preparing and reviewing its financial statements to ensure the statements it submits for audit are accurate, complete and comply with GAAP. We also recommend the Authority dedicate sufficient resources and provide adequate training for staff to gain the resources and technical knowledge necessary to understand and identify the correct reporting of the Authority's financial activities.

## ***Authority's Response***

*After relying upon temporary help during unexpected staff medical leave, MTA has hired an accounting professional as part of its full-time staff that understands the daily workings of our department and can adequately monitor the following of proper internal controls. MTA financially supports ongoing training and has ensured that staff attend classes to understand our finance software programs, federal procurement guidelines, and attends statewide committee meetings to meet peers in the industry. Finance staff will coordinate with these peers and SAO prior to the final submission of future audit documents.*

*MTA finance staff have reviewed all park and ride construction costs from 2016 to 2022 and allocated costs for each location instead of including all costs as construction in progress as had been done for the previous 6 years. The MTA Park and Ride construction project had all locations substantially complete in 2022. The Belfair Park and Ride, being the only facility owned by the agency, is now listed as a depreciable asset. The other park and rides were expensed.*

*Current finance staff understand how grant receipts are accounted for in our finance software system and are in close coordination with the staff responsible for grant submissions.*

## ***Auditor's Remarks***

We thank the Authority for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Authority's corrective action during our next audit.



## *Applicable Laws and Regulations*

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Mason Transit Authority January 1, 2022 through December 31, 2022

#### 2022-002 The Authority charged costs to the program that were not allowable.

<b>Assistance Listing Number and Title:</b>	20.509 Formula Grants for Rural Areas and Tribal Transit Program 20.509 COVID-19 Formula Grants for Rural Areas and Tribal Transit Program
<b>Federal Grantor Name:</b>	Federal Transit Administration
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington State Department of Transportation
<b>Pass-through Award/Contract Number:</b>	PTD0270, PTD0269, PTD0268, PTD0192
<b>Known Questioned Cost Amount:</b>	\$59,664
<b>Prior Year Audit Finding:</b>	N/A

#### *Background*

During fiscal year 2022, the Authority spent \$1,453,330 in federal funds from the Formula Grants for Rural Areas and Tribal Transit program. The program's purpose is to initiate, improve or continue public transportation service in rural areas by providing financial assistance for operating, planning and administrative expenses, and the acquisition, construction and improvement of facilities and equipment. The Authority used these funds to support its operations and maintenance of its vehicle and bus fleet.

Federal regulations establish principles and standards for determining allowable direct and indirect costs for federal awards. All costs that recipients charge to the program must comply with program requirements and recipients must support them with proper documentation that demonstrates costs are allowable.

### ***Description of Condition***

Although the Authority's internal controls were adequate for ensuring it materially complied with the program's allowable activities and cost requirements, the Authority incorrectly reported \$59,664 of unallowable capital outlay expenses as eligible expenses on the reimbursement requests.

### ***Cause of Condition***

Authority staff incorrectly coded the expenses, and therefore included the expenses among the list of eligible costs in the supporting documentation they used to compile the reimbursement requests. Additionally, staff did not have adequate monitoring to detect the error before submitting the reimbursement requests to the awarding agency.

### ***Effect of Condition and Questioned Costs***

The Authority claimed unallowable capital costs of \$59,664, including \$54,239 for payments to contractors and \$5,424 of related indirect costs. We are questioning these costs.

Federal regulations require the State Auditor's Office to report known questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find a government has not complied with grant regulations or does not have adequate documentation to support expenditures.

### ***Recommendation***

We recommend the Authority work with the awarding agency to determine audit resolution of the unallowable costs.

We further recommend the Authority ensure all costs it charges to federal programs are allowable and comply with cost principles.

### ***Authority's Response***

*Management has reviewed procurement policies with all staff that have purchasing responsibilities. Finance staff understand and have had training on how to properly code and enter procurements in our finance software so that only those that are to be grant funded are marked as such. MTA worked with WSDOT staff to find a solution for repaying the incorrectly applied grant funds.*

### ***Auditor's Remarks***

We thank the Authority for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 403, Factors affecting allowability of costs, describes the cost principles for how direct and indirect costs should be charged to federal programs.

The Washington State Department of Transportation *Consolidated Grant Guidebook*, Guidelines for Operating, Planning and Mobility Management Projects establishes requirements for identifying eligible services and eligible direct expenses.

## 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, 2022 through December 31, 2022**

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 17, 2025.

### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001, that we consider to be a material weakness.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## **AUTHORITY'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

April 17, 2025

## 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, 2022 through December 31, 2022**

Board of Directors  
Mason Transit Authority  
Shelton, Washington

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

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

We have audited the compliance of Mason Transit Authority, with the types of compliance requirements identified as subject to audit 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, 2022. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with the compliance requirements referred to above.



## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

## Authority's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 17, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Mason Transit Authority January 1, 2022 through December 31, 2022**

Board of Directors  
Mason Transit Authority  
Shelton, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of Mason Transit Authority, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Mason Transit Authority, as of December 31, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Matters of Emphasis – Correction of Prior Year Misstatement**

As discussed in Note 11 to the financial statements, the prior year financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## 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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 supplementary information 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2025 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 the effectiveness of the Authority's 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

April 17, 2025

## **FINANCIAL SECTION**

### **Mason Transit Authority January 1, 2022 through December 31, 2022**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management Discussion and Analysis – 2022

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – 2022

Statement of Cash Flows – 2022

Notes to the Financial Statements – 2022

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022



## **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, 2022. 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 in 2022 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
- Community Van Program

### **Agency Updates**

- MTA continues to be led by its General Manager, Amy Asher, who began with the agency in 2021. There were several management level changes that occurred in 2022. MTA's Maintenance Manager retired in January 2022 and the agency welcomed a new manager in April. The Operations Manager relocated to another state in February and was replaced with an internal promotion. MTA's Administrative Services Manager resigned in October 2022 and was replaced with an internal staff promotion.
- MTA's Park and Ride projects continued throughout 2022. These new facilities include paved parking, transit drive aisles, passenger waiting areas, and lighting and security cameras for increased safety. Shelton Matlock opened in early 2022 and the Belfair facility opened in May 2022.
- MTA has continued efforts to re-introduce services previously reduced due to the pandemic by increasing public messaging assuring riders of a safe, cleanly riding experience. Recruiting qualified driver candidates has been a barrier as it has been across the industry.
- MTA launched innovative technology to better serve our traveling public by using a "Where's my Bus" feature allowing passengers to track their bus location in real time. Passengers can also schedule their own rides on our Dial a Ride program through an app, allowing greater flexibility when they travel. It is no longer necessary to schedule rides during office hours. Passengers can schedule a day in advance for a guaranteed ride, or if there are drivers and vehicles available, they may be picked up the same day.
- MTA continues exploring the progression toward implementing green initiatives when purchasing future transit vehicles. Six small buses were ordered in 2022 that will be converted to propane.
- To respond to changing ridership demands, the need to serve small rural private roads, and lighter vehicle loads, MTA is exploring the use of smaller vehicles in its fleet in 2022 by ordering three hybrid minivans.
- MTA continues to keep its fleet in a state of good repair and has eight Gillig and ten cutaways currently on order with delivery expected in 2024.
- In response to increased cyber security risks and the hardening cyber security insurance market, MTA implemented Arctic Wolf, a Security Managed Service provider that can detect and respond to security threats on MTA's network. Arctic Wolf uses hardware equipment to track data coming in and out of the network along with software on desktop and laptops to watch for any cyber threats 24x7. This service also provides a concierge team to provide recommendations to strengthen the environment to stay ahead of impending threats.

### **Financial Highlights for 2022**

- As of December 31, 2022, MTA's Net Position equaled \$42,677,461.

- Total net position decreased by \$1,287,520.
- Cash increased by \$5,222,078.
- Fare revenues decreased by \$24,439 or 16%.
- Non-operating revenue increased by \$2,301,010 or 35.2%. 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 \$642,508.
- Federal assistance for transits was received in the COVID 19-CARES Act (Coronavirus Aid, Relief, and Economic Security Act) the CRRSAA Act (Coronavirus Response and Relief Supplemental Appropriations Act) and the ARPA of 2021 (American Rescue Plan Act of 2021).

## Overview of the Financial Statements

This Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. Mason Transit Authority is a stand-alone enterprise fund, and the financial statements report information using accounting methods similar to those used by private-sector businesses.

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 2022 due to numerous factors:

MTA 's total cash for the year increased by \$5,222,078; the increase can be attributed to continued growth from sales tax revenue, additional federal COVID-19 CARES Act funding and a reliance on state grant funds for operating. At year end, there was \$1,696,199 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 2022, MTA's reserve fund which is held by the Mason County Treasurer and invested in the Washington State Investment Pool, equaled \$16,250,000, which was an increase of \$2,750,000 over 2021.

Sales Tax Revenue increased by \$651,741 or 9.5% from 2021 to 2022. Sales Tax Revenue received by MTA in 2022 has continued to trend upward despite the pandemic and continued economic uncertainty. MTA operations are subsidized by federal and state grants. Operating grant revenue for 2022 was \$5,128,989; capital grant revenue was \$642,508. 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.

## Net Position

For the year ending December 31, 2022, assets plus deferred outflows exceeded liabilities and deferred inflows (net position) by \$42,677,461, a decrease of \$1,287,520 from December 31, 2021.

Unrestricted net position increased by \$7,384,007 or 49.5%, the result of increased cash flow, largely attributed to sales tax receipts, sales tax equalization revenue, COVID-19 CARES Act 5311 revenue, and the 2021 GASB 68 pension entry which resulted in an increase to pension liability by \$329,767, an increase of \$714,182 to deferred outflows - pensions, and a \$1,783,810 decrease to deferred inflows-pensions.

After recording depreciation, acquisitions and disposals, MTA's investment in capital assets decreased by \$6,982,718, or a 26.5% decrease from 2021 to 2022. 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 \$5,175,059 or 28.4%, non-current assets decreased by \$8,671,524 or 29.8%, resulting in an decrease of \$3,496,465, or 7.4% to total assets.

GASB 68 entries for the year reported on the Statement of Net Position resulted in deferred outflows in the amount of \$1,018,907, deferred inflows in the amount of \$1,121,053, and a restricted net pension asset of \$1,023,438 resulting from PERS Plans 2 and 3 becoming fully funded during 2021.

Current liabilities decreased by \$154,183 or 46.2% in 2022 compared to ending balance at year-end 2021. Current liabilities include accounts payable, wages and benefits payable, current portion of compensated leave, lease and event deposits and accrual for 2022 insurance premium due. Non-current liabilities increased by \$443,229 or 109.6% - pension liability increased by \$329,767, accrued compensated leave increased by \$113,462. Accrued compensated absences now includes both accrued vacation and MTA sick leave accruals for all staff. The sick leave accrual was expanded to include all staff per the 2021 Employee Handbook updates.

There are no external restrictions on current assets. MTA has designated, through the Authority Board direction, an operating reserve equal to three months of the current operating budget. For 2022, the designated operating reserve was \$2 million. Additionally, MTA designated \$1,355,588 for project and grant match, \$150,000 for emergency repairs, \$100,000 for emergency insurance reserves, \$9,000,000 for capital project reserves, \$120,000 for fuel reserves, \$80,000 for IT investment, \$259,180 for accrued compensated leave liability, and \$4,100,000 in future operating reserves.

### **Capital Assets**

Transit is a capital-intensive enterprise; 61% of MTA's total assets are invested in capital to provide services to the citizens of Mason County. Capital Assets decreased in 2022 by \$8,671,524; the result of further construction on Park & Ride Projects being completed in 2022. Additional capital assets purchased in 2022 include the purchase of one 35' heavy duty coach, one tire service machine, furnishings for the new Belfair Park and Ride, a new bus stop pull out on Pacific Court, badge access door security upgrades, replacement computers and security camera updates. In addition to the acquisitions, two 40' heavy duty coaches and five vans were sent to surplus, along with abandoned accounting software and a variety of IT equipment items to surplus, recycled or disposed of.

MTA's investment in capital assets as of December 31, 2022, was \$19,367,663. 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, and equipment. The depreciation expense recorded was \$1,617,268 for the year.

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

### **Deferred Outflows/Inflows of Resources**

Deferred Outflows refer to consumption of assets that is applicable to a future period and Deferred Inflows refer to an acquisition of assets that is applicable to a future period. The 2022 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, 2022, as compared to December 31, 2021.

### Mason County Public Transportation Benefit Area Summary of Net Position December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/31/2021</u>	<b>Net Increase (Decrease) 2022 vs 2021</b>
<b>ASSETS</b>			
Current Assets	\$ 23,415,783	\$ 18,240,725	\$ 5,175,058
Non-Current Assets	20,391,102	29,062,626	(8,671,524)
<b>TOTAL ASSETS</b>	<b>43,806,885</b>	<b>47,303,351</b>	<b>(3,496,466)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,018,907	304,725	714,182
<b>LIABILITIES</b>			
Current Liabilities	179,538	333,721	(154,183)
Non-Current Liabilities	847,739	404,510	443,229
<b>TOTAL LIABILITIES</b>	<b>1,027,277</b>	<b>738,231</b>	<b>289,046</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,121,053	2,904,863	(1,783,810)
<b>NET POSITION</b>			
Net Investment in Capital Assets	19,367,663	26,350,381	(6,982,718)
Restricted - Net Pension Asset	1,023,438	2,712,247	(1,688,809)
Unrestricted	22,286,360	14,902,353	7,384,007
<b>Total Net Position</b>	<b>\$ 42,677,461</b>	<b>\$ 43,964,981</b>	<b>\$ (1,287,520)</b>

### 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, the monthly adult pass was increased by \$2.00 from \$28.00 to \$30.00 and the monthly seniors/persons with disabilities pass was increased by \$1.00 from \$9.00 to \$10.00.

*Fares collected during 2022 were as follows:*

Out-of-County Fares	46,060	Increased	26.9%
PSNS Worker/Driver Fares	80,506	Decreased	29.8%
Total Operating Revenue	126,566	Decreased	16.2%

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 July 1, 2021, through June 30, 2023, the new contract amount was not to exceed \$4,781 over the course of the contract period.

### **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 2022 included \$7,524,285 in sales tax and sales tax interest, an increase of 9.5% over 2021. Sales tax revenue continues to trend upward, 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.

39.09% 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 COVID-19 CARES Act grants. The total federal and state operating grant revenue for 2022 was \$5,128,989, an 74.8% increase from 2021.

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 2022, other non-operating revenue totaled \$342,235, a 74.8% increase from 2021.

### **Capital Contributions**

MTA received \$642,508 in capital grant revenue which was used towards further construction on Park & Ride Projects, the purchase of one 35' heavy duty coach, one tire service machine, furnishings for the new Belfair Park and Ride, a new bus stop pull out on Pacific Court, badge access door security upgrades, replacement computers and security camera updates.

### **Operating Expenses**

Operating expenses represent costs incurred to provide transportation services, which increased during 2022 by \$1,561,768; largely impacted by high inflation, the increased service hours added after COVID reductions in 2020 and 2021, and a new Facilities and Maintenance labor agreement. General operating expenses for 2022 were \$7,075,183, which is an increase of 28.3% over 2021; including depreciation, total operating expense for 2022 was \$8,692,451.

Operating Expenses by department were as follows:

- Operations: \$3,918,437 – 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: \$1,252,526 – Responsible for vehicle and facility upkeep and fuel. Fuel is the most significant expense in maintenance. Of this amount, \$305,566 is attributed to facility maintenance.
- Administration: \$1,095,936. Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing, finance, human resources, safety and risk management.
- Transit-Community Center: \$276,414 – Responsible for operations of the Transit-Community Center including property and facility management.
- Depreciation: \$1,617,268 – 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, 2022, as compared to December 31, 2021.

**Summary Statement of Revenues, Expenses and Changes in Fund Net Position  
For The Years Ended December 31, 2022 and December 31, 2021**

	12/31/2022	12/31/2021	Net Increase (Decrease) 2022 vs 2021
<b>OPERATING REVENUE:</b>			
Fares	\$ 126,566	\$ 151,005	\$ (24,439)
<b>NON-OPERATING REVENUE</b>			
Sales Tax	7,524,285	6,872,544	651,741
Grant Revenue	5,128,989	3,601,686	1,527,303
Other Non-operating Revenue	342,235	195,830	146,405
<b>TOTAL REVENUE</b>	<b>13,122,075</b>	<b>10,821,065</b>	<b>2,301,010</b>
<b>EXPENSES</b>			
Operating Expenses	7,075,183	5,513,415	1,561,768
Depreciation	1,617,268	1,537,543	79,725
<b>TOTAL EXPENSES</b>	<b>8,692,451</b>	<b>7,050,958</b>	<b>1,641,493</b>
<b>NET INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>4,429,624</b>	<b>3,770,107</b>	<b>659,517</b>
Capital Contributions-Grants	642,508	4,873,549	(4,231,041)
Capital Contributions-Local	-	-	-
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>642,508</b>	<b>4,873,549</b>	<b>(4,231,041)</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>5,072,132</b>	<b>8,643,656</b>	<b>(3,571,524)</b>
<b>NET POSITION - BEGINNING OF PERIOD</b>	<b>43,964,981</b>	<b>35,321,324</b>	<b>8,643,657</b>
Prior Period Adjustment	(6,359,652)		
<b>NET POSITION - END OF PERIOD</b>	<b>\$ 42,677,461</b>	<b>\$ 43,964,981</b>	<b>\$ (1,287,520)</b>

**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:

General 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, 2022**

**ASSETS****CURRENT ASSETS**

Cash	\$ 20,264,682
Accounts Receivable	727
Taxes Receivable	1,250,072
Due from other Governments	1,696,199
Prepaid Expenses	86,780
Inventory	117,324
<b>TOTAL CURRENT ASSETS</b>	<b>23,415,783</b>

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

Capital Assets Not Being Depreciated	
Land	1,736,167
Construction in Progress	-
Capital Assets Being Depreciated	
Buildings	15,169,759
Improvements	2,723,869
Transportation Equipment	12,106,404
Office and Shop Equipment	1,247,106
Less: Accumulated Depreciation	(13,615,641)
Net Capital Assets Being Depreciated	17,631,497

NET PENSION ASSET	1,023,438
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TOTAL NON-CURRENT ASSETS	\$ 20,391,102
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<b>TOTAL ASSETS</b>	<b>\$ 43,806,885</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount on pensions	1,018,907
Total deferred outflows of resources	\$ 1,018,907

<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 44,825,792</b>
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**LIABILITIES****CURRENT LIABILITIES:**

Accounts Payable	(8,645)
Payroll and related expenses payable	170,859
Other Current Liabilities	17,324
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 179,538</b>

**NON-CURRENT LIABILITIES:**

Employee Leave Benefits	259,180
Net Pension Liability	588,559
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$ 847,739</b>

<b>TOTAL LIABILITIES</b>	<b>\$ 1,027,277</b>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pension	1,121,053
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<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>\$ 2,148,330</b>
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**NET POSITION**

Net Investment in Capital Assets	19,367,663
Restricted - Net Pension Asset	1,023,438

Unrestricted Net Position	22,286,360
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<b>TOTAL NET POSITION</b>	<b>\$ 42,677,461</b>
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<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; NET POSITION</b>	<b>\$ 44,825,791</b>
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The Notes to Financial Statements are an integral part of this Statement



**Mason County Public Transportation Benefit Area**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended December 31, 2022**

**OPERATING REVENUES:**

Passenger fares	\$ 46,060
PSNS Worker/Driver & Vanpool fares	80,506
Total Operating Revenue	<u>126,566</u>

**OPERATING EXPENSES:**

Wages and Benefits	5,246,959
Contracted Services	391,760
Maintenance (Vehicle and Facility)	213,964
Fuel	475,645
Insurance	221,142
Intergovernmental Audit Fees	22,379
Rent - Park and Ride	7,950
Volunteer Driver Reimbursements	-
Other Operating Expenses	495,384
Depreciation	1,617,268
Total Operating Expenses	<u>8,692,451</u>

**OPERATING INCOME (LOSS)**(8,565,885)**NONOPERATING REVENUES (EXPENSES):****NONOPERATING REVENUES:**

Sales tax	7,524,285
Grant revenue	5,128,989
Rental Income	148,035
Investment income	208,764
Other nonoperating revenue	(14,563)
Total Nonoperating Revenue	<u>12,995,510</u>

Income (Loss) before capital contributions

4,429,624

Capital Contributions-Grants

642,508

Capital Contributions-Local

-

Total Capital Contributions

642,508**Increase (Decrease) in Net Position**5,072,132

NET POSITION - January 1, 2022

43,964,981

Prior Period Adjustment

(6,359,652)**NET POSITION - December 31, 2022****\$ 42,677,461**

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, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$	129,084
Payments to suppliers	(1,990,658)	
Payments to employees	(5,612,913)	
Net cash provided (used) by operating activities	\$	(7,474,487)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash Received from Sales Tax	\$	7,426,752
Cash Received from Grants	5,281,665	
Other nonoperating revenue	133,472	
Net Cash provided from noncapital activities	\$	12,841,889

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

Capital contributions (capital grants)	\$	642,508
Purchases of capital assets	5,365,447	
Net cash provided (used) by capital and related financing activities	\$	6,007,957

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends	\$	206,370
Net cash provided by investing activities	\$	206,370

Net increase (decrease) in cash	\$	5,222,078
Balances - beginning of the year	15,042,604	
Balances - end of the year	\$	20,264,682

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

Operating income (loss)	\$	(8,565,886)
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**Adjustments to reconcile operating income to net cash provided (used) by operating activities:**

Depreciation	\$	1,617,268
Pension Expense	(479,416)	
Change in assets and liabilities:		
Decrease in accounts receivable	2,518	
Increase in prepaid expenses	(21,723)	
Increase in parts and fuel inventory	13,472	
Decrease in accounts payable	(59,718)	
Decrease in other-current liabilities	(94,465)	
Increase in employee benefits payable	113,462	
Net cash provided by operating activities	\$	(7,474,486)

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, 2022, through December 31, 2022**

**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 units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**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, and worker/driver programs. Funding is provided through sales tax, interest income, state grants, rent from leases and events, federal transit operating and capital grants, public fares for out of county trips only (effective November 1, 2001), and Puget Sound Naval Shipyard Worker/Driver 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 and the worker/driver program. 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. On December 31, 2022, Mason Transit Authority was holding \$20,264,682 in short-term residual investments of surplus cash, of which \$16,250,000 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 receivables consist of sales tax and related interest and penalties. Accrued interest receivable consists of amounts earned on investments at the end of the year.

Customer accounts receivable consist of \$727 owed from private individuals or organizations for goods and services. This amount is considered fully collectible by MTA.

#### 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 at \$77,435 on an actual cost basis and charges out on an actual cost method. Fuel is valued at \$39,889 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) Compensated Absences

Compensated Absences are accumulated vacation and MTA sick leave benefits earned but not taken at year end. In 2021, the Employee Handbook section 3-21 Sick Leave Payout was adopted to mirror the agreement between MTA and the transit operators International Association of Machinists and Aerospace Workers (IAM), Lodge No. 160 contract. providing for cash out of MTA sick leave to all MTA employees. 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 separation of employment or retirement. 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 with MTA Sick Leave available at separation of a cash out rate of 1:3 – 0 -480 hours and 1:2 – 481-960 hours.

#### D) Pensions

For purposes of measuring the net pension liability, net pension asset, 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 purposes of calculating the restricted net position related to the net pension asset, MTA utilized the GASB preferred method where the restricted net position is equal to the net pension asset. Both deferred inflows and deferred outflows are excluded from the calculation.

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

#### **NOTE 2 – DEPOSITS AND INVESTMENTS**

Composition of Cash as of December 31, 2022, is as follows:

<b>Description / Purpose</b>	<b>Held By / On Deposit With</b>	<b>Balance:</b>	<b>12/31/2022</b>
Depository (Operating) Fund	Mason County Treasurer	\$	3,816,018
Cash on Hand	MTA		500
Payroll ACH Account	Columbia State Bank		198,164
WA State Investment Pool	Mason County Treasurer		16,250,000
Subtotal (Current Assets)			20,264,682
Total Cash		\$	20,264,682

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. 5<sup>th</sup> 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 Mason County Investment Pool, an external investment pool operated by the Mason County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. 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 pool does not impose any restrictions on participant withdrawals/disclose and liquidity fees, redemption gates or other restrictions. 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 \$7,524,285 in Sales Tax and Sales Tax Interest revenue in 2022. 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 are 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 \$1,247,277 for tax revenue and \$2,795 in sales tax interest revenue earned but not received as of December 31, 2022.

#### Grant Revenue

As of December 31, 2022, MTA accrued \$1,696,199 in grant revenue earned but not yet received.

#### **Receivables Due From Other Governments on December 31, 2022 are as Follows:**

<b>Government Receivables</b>	<b>November</b>	<b>December</b>	<b>Total</b>
Sales Tax	\$ 622,319	\$ 624,958	\$ 1,247,277
Sales Tax Interest	\$ 1,339	\$ 1,456	\$ 2,795
Grant Reimbursements (Federal, State & Local)		\$ 1,696,199	\$ 1,696,199
<b>Total Receivables Due from Other Governments</b>			<b>\$ 2,946,271</b>

#### Liability Balances

As of December 31, 2022, current liability account balances include accounts payable of (\$8,645) vendors for goods and services; \$170,859 for the payroll and related expense payable; and \$17,324 for other current liabilities which consists of lease deposits, tax payables, year-end cutoff accruals.

Non-current liabilities include a balance of \$588,559 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 \$259,180 (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 the 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 2022 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, 2022**

Category	Beginning Cost 1/1/2022	Acquisitions and Current Year Increases	Dispositions and Reclassifications (Decreases)	12/31/2022 Cost Basis
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,736,167	\$ -	\$ -	\$ 1,736,167
Construction in Progress	10,079,519	192,124	(10,271,643)	-
<b>Total Capital assets, not being depreciated</b>	<b>11,815,686</b>	<b>192,124</b>	<b>(10,271,643)</b>	<b>1,736,167</b>
<b>Capital assets, being depreciated:</b>				
Buildings	13,385,013	1,784,747	-	15,169,760
Vehicles	11,714,283	515,968	(123,848)	12,106,403
Equipment	1,122,694	172,088	(47,676)	1,247,106
Improvements (Buildings)	507,785	2,216,084	-	2,723,869
<b>Total Capital assets being depreciated:</b>	<b>26,729,775</b>	<b>4,688,887</b>	<b>(171,524)</b>	<b>31,247,138</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	5,164,458	540,311	-	5,704,769
Vehicles	6,235,438	969,156	(123,848)	7,080,746
Equipment	795,186	107,864	(72,926)	830,124
<b>Total Accumulated Depreciation</b>	<b>12,195,082</b>	<b>1,617,331</b>	<b>(196,774)</b>	<b>13,615,639</b>
<b>Total Investment in Capital Assets</b>	<b>\$ 26,350,379</b>	<b>\$ 3,263,680</b>	<b>\$ (10,246,393)</b>	<b>\$ 19,367,666</b>

Construction-in-Progress

The Belfair Park and Ride was substantially complete in 2022. See Note 11 for further information on prior period adjustments related to CIP.

**NOTE 5 – CONSTRUCTION COMMITMENTS**

Mason Transit Authority has completed its long term Park and Ride construction in 2022 and currently does not have any construction commitments.

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

Project	Spent to Date	Remaining Commitment
Park and Ride Development	10,079,519	0

**NOTE 6 – CONTINGENCIES AND LITIGATION**

Contingencies

Mason Transit Authority has received several federal and state-assisted grants. This includes COVID-19 related grant funding from the Federal Transit Administration. 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. In the opinion of MTA's management, such disallowances, if any, would be immaterial and would not have any significant effect on the financial position of Mason Transit Authority.

Litigation

On May 5, 2021, Mason Transit received a tort claim for which no suit was filed and was closed in 2023.

#### **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 \$756 for the year ended December 31, 2022.

The future minimum lease payments are as follows:

Year Ending December 31,	Amount	Terms	Number of Payments
2023	188.95	Quarterly	4
2024	188.95	Quarterly	4

#### **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 2022.

Mason County Public Transportation Benefit Area Schedule of Liabilities For the Year Ended December 31, 2022						
ID. No.	Description	Beginning Balance 01/01/2022	Additions	Reductions	Ending Balance 12/31/2022	Due within 1 Year
259.12	Compensated Absences	\$ 145,718	\$ 113,462	\$ -	\$ 259,180	\$ -
264.30	Net Pension Liability	\$ 258,792	\$ -	\$ (329,767)	\$ 588,559	\$ -
		\$ 404,510	\$ 113,462	\$ (329,767)	\$ 847,739	\$ -

#### **NOTE 9 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(588,559)
Pension assets	1,023,438
Deferred outflows of resources	1,018,907
Deferred inflows of resources	(1,121,058)
Pension expense/expenditures	(102,314)

#### **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](http://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 0.018 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 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
Pers Plan 1 UAAL	3.71	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September– December 2022		
PERS Plan 1	6.36%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

\* 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 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – December 2022		
PERS Plan 2/3	6.36%	6.36%

PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

\* For employees participating in JBM, the contribution rate was 15.90%.

Mason Transit Authority's actual PERS plan contributions were \$139,946 to PERS Plan 1 and \$237,155 to PERS Plan 2/3 for the year ended December 31, 2022.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to

determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

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 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) 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

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.40%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

### 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 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 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$ 786,307	\$ 588,559	\$ 415,972
PERS 2/3	1,205,232	(1,023,438)	(2,854,432)

## 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, 2022, Mason Transit Authority reported a total pension liability of \$588,559 and net pension asset of \$(1,023,438) for its proportionate share of the net pension liabilities or asset as follows:

	Liability (or Asset)
PERS 1	\$ 588,559
PERS 2/3	(1,023,438)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.021191%	0.021138%	-0.000053%
PERS 2/3	0.027227%	0.027595%	-0.000368%

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.

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

## Pension Expense

For the year ended December 31, 2022, Mason Transit Authority's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 269,685
PERS 2/3	\$ (371,999)
TOTAL	\$ (102,314)

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, 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	\$	\$ (97,542)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$

Contributions subsequent to the measurement date	\$ 72,818	\$
TOTAL	\$ 72,818	\$ (97,542)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 253,584	\$ (23,168)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (756,635)
Changes of assumptions	\$ 570,425	\$ (149,358)
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$ (94,355)
Contributions subsequent to the measurement date	\$ 122,080	\$
TOTAL	\$ 946,089	\$ (1,023,516)

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, 2022. 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
2023	\$ (41,278)
2024	\$ (37,491)
2025	\$ (47,031)
2026	\$ 28,258
	\$
Thereafter	\$
Total	\$ (97,542)

Year ended December 31:	PERS 2/3
2023	\$ (268,614)
2024	\$ (232,448)
2025	\$ (267,805)
2026	\$ 335,898
2027	\$ 114,367
Thereafter	\$ 119,094
TOTAL	\$ (199,507)

## 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 2022, MTA retained a \$0 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 2022:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
<b>GENERAL LIABILITY:</b> 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	\$25 million	Per occurrence	\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0 <sup>1</sup>
Permissive Use of a Member-Owned Motor Vehicle	\$100,000 for property damage and	Per occurrence	\$0

<sup>1</sup> Each member selects the modes which uninsured motorist coverage is applied to.

	\$300,000 for bodily injury		
Endorsement 1: <b>COMMUNICABLE DISEASE LIABILITY:</b>	Not covered	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
<b>PUBLIC OFFICIALS LIABILITY</b>	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1: <b>VIOLATIONS OF WAGE &amp; HOUR LAWS</b>	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000	Per occurrence	\$25,000
<b>PROPERTY COVERAGE</b> 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	\$500,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
<b>AUTO PHYSICAL DAMAGE</b> Auto Physical Damage (below \$250,000 in value)	Fair market value		\$5,000
Auto Physical Damage for all vehicles with a model year of 2011 or later and valued over \$250,000	Replacement Cost	Limited to \$1.5 million any one vehicle	\$5,000
<b>BOILER AND MACHINERY</b>	\$100 million		\$250,000 or \$350,000 depending on size of boiler
<b>CRIME / PUBLIC EMPLOYEE DISHONESTY</b> including faithful performance. Also includes:	\$2 million	Per occurrence	\$10,000
Employee theft per loss coverage	\$2 million	Per occurrence	\$10,000



Forgery or alteration	\$2 million	Per occurrence	\$10,000
Inside the premises – theft of money and securities	\$2 million	Per occurrence	\$10,000
Inside the premises – robbery or safe Burglary of other property	\$2 million	Per occurrence	\$10,000
Outside premises	\$2 million	Per occurrence	\$10,000
Computer fraud	\$2 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$2 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$2 million	Per occurrence	\$10,000

<b>CYBER LIABILITY INSURANCE</b>		<b>Coverage</b>	<b>Deductible</b>
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$40 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million		\$5,000
Breach Response Costs	\$500,000	Aggregate for each insured/member (limit is increased to \$1 million if Beazley Nominated Service Providers are used)	
<b>FIRST PARTY LOSS</b>			
Business Interruption			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$500,000	Aggregate limit	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
<b>LIABILITY</b>			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
<b>eCRIME</b>			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
<b>CRIMINAL REWARD</b>	\$25,000	Limit	

COVERAGE ENDORSEMENTS			
Reputation Loss	\$100,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$100,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$25,000	Limit of Liability	

#### Covered Locations Pollution Liability Insurance Policy

MTA purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2021 to April 4, 2024. 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.

A complete annual report, including financial statements, may be obtained in writing to: WSTIP, 2629 12<sup>th</sup> Ct SW, Olympia, WA 98502.

#### Unemployment Insurance

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

Claims are processed by the Employment Security Department and billed to Mason Transit Authority quarterly. MTA had \$4,863.05 in claims during 2022.

#### Workers Compensation Insurance

As established by Title 51 RCW, all Mason Transit employees are covered for on-the-job injuries or illness through Workers Compensation Insurance as administered by State of Washington Department of Labor and Industries.

#### 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, 2022, 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.

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

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

#### **NOTE 11 – Prior Period Adjustment**

At the end of 2021, MTA reported that it had two construction in progress projects totaling \$10,079,520 that included the countywide Park and Ride project. Of the five park and rides that are included in the Park and Ride Project, MTA only owns one, as others are owned by the City of Shelton, Mason County or the Washington State Department of Transportation. It wasn't until the review of the 2022 audit that it was understood that those park and rides that MTA does not own should be expensed rather than carried over as Construction in Progress. A prior period adjustment of \$6,359,649 reflects this correction and is the amount attributable to the other four park and rides not owned by MTA that should have been expensed in prior years. The Belfair Park and Ride is the only property owned by Mason Transit Authority and it was substantially complete in 2022 and is now reflected as a depreciable asset.

**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, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
<b>PERS 1</b>								
Employer's proportion of the net pension liability (asset)	%	0.021138%	0.021191%	0.022938%	0.023600%	0.024373%	0.025168%	0.027225%
Employer's proportionate share of the net pension liability	\$	588,559	258,792	809,835	907,504	1,088,506	1,194,241	1,424,121
Covered payroll	\$	3,462,980	3,256,444	3,487,443	3,267,990	3,241,784	3,173,811	3,147,169
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	17.00%	7.95%	23.22%	27.77%	33.58%	37.63%	45.25%
Plan fiduciary net position as a percentage of the total pension liability	%	17.00%	7.95%	68.64%	67.12%	63.22%	61.24%	59.10%
<b>PERS 2/3</b>								
Employer's proportion of the net pension liability (asset)		0.027595	0.027227	0.029954	0.030458%	0.031374%	0.032373%	0.035162%
Employer's proportionate share of the net pension liability	0	0	383,095	295,851	535,683	1,124,807	1,761,618	1,256,358
Covered payroll	3,462,980	3,256,444	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	0.00%	0.00%	10.98%	9.05%	16.52%	35.44%	54.49%	39.92%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	120.29%	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.

For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. A high-level summary of those changes is outlined in the following paragraph. OSA will revert back to the methods outlined in their 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019, AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the Fiscal Year (FY)-end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to our projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. Please see the Actuarial Assumptions and Methods section of OSA 2020 AVR for more information.

# REQUIRED SUPPLEMENTARY INFORMATION

## Mason County Public Transportation Benefit Area Schedule of Employer Contributions Public Employees' Retirement System PERS 1 and PERS 2/3 For the year ended December 31, 2022 Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015
PERS 1								
Statutorily or contractually required contributions	\$ 139,946	139,886	163,101	169,320	164,915	157,274	154,207	138,033
Contributions in relation to the statutorily or contractually required contributions	\$ (139,946)	(139,886)	(163,101)	(169,320)	(164,915)	(157,274)	(154,207)	(138,033)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0
Covered payroll	\$ 3,728,846	3,244,290	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	% 3.75%	4.31%	4.79%	4.95%	5.06%	4.90%	4.77%	4.39%
PERS 2/3								
Statutorily or contractually required contributions	\$ 237,155	232,593	269,561	264,051	244,368	219,810	201,405	177,230
Contributions in relation to the statutorily or contractually required contributions	\$ (237,155)	(232,593)	(269,561)	(264,051)	(244,368)	(219,810)	(201,405)	(177,230)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0
Covered payroll	\$ 3,728,846	3,244,290	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	% 6.36%	7.17%	7.92%	7.72%	5.06%	4.90%	4.77%	4.39%

### Notes to Schedule:

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

For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. A high-level summary of those changes is outlined in the following paragraph. OSA will revert back to the methods outlined in their 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019, AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the Fiscal Year (FY)-end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to our projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. Please see the Actuarial Assumptions and Methods section of OSA 2020 AVR for more information.

**Mason County Public Transportation Benefit Area  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0270	258,198	-	258,198	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0269	266,939	-	266,939	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0268	835,780	-	835,780	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	COVID 19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0192	92,413	-	92,413	-	
<b>Total ALN 20.509:</b>				<b>1,453,330</b>	<b>-</b>	<b>1,453,330</b>	<b>-</b>	
<b>Federal Transit Cluster</b>								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	PTD0344	384,796	-	384,796	-	
<b>Total Federal Transit Cluster:</b>				<b>384,796</b>	<b>-</b>	<b>384,796</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>1,838,126</b>	<b>-</b>	<b>1,838,126</b>	<b>-</b>	

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, 2022

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 – Federal De Minimis Indirect Cost Rate

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

Note 3 – 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.





## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Mason Transit Authority January 1, 2022 through December 31, 2022

This schedule presents the corrective action planned by the Authority for findings reported in this report 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).

<b>Finding ref number:</b> 2022-001	<b>Finding caption:</b> The Authority's internal controls over financial statement preparation were inadequate to ensure accurate and complete financial reporting.
<b>Name, address, and telephone of Authority contact person:</b> Amy Asher, 790 E John's Prairie Rd, Shelton, WA 98584, (360) 432-5755	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>After relying upon temporary help during unexpected staff medical leave, MTA has hired an accounting professional as part of its full-time staff that understands the daily workings of our department and can adequately monitor the following of proper internal controls. MTA financially supports ongoing training and has ensured that staff attend classes to understand our finance software programs, federal procurement guidelines, and attends statewide committee meetings to meet peers in the industry. Finance staff will coordinate with these peers and SAO prior to the final submission of future audit documents.</i> <i>MTA finance staff have reviewed all park and ride construction costs from 2016 to 2022 and allocated costs for each location instead of including all costs as construction in progress as had been done for the previous 6 years. The MTA Park and Ride construction project had all locations substantially complete in 2022. The Belfair Park and Ride, being the only facility owned by the agency, is now listed as a depreciable asset. The other park and rides were expensed.</i> <i>Current finance staff understand how grant receipts are accounted for in our finance software system and are in close coordination with the staff responsible for grant submissions.</i>	
<b>Anticipated date to complete the corrective action:</b> The tasks associated with the classification of park and ride expenses for property not owned by the Authority are complete and reflected in a prior period adjustment. Training and professional development is supported by the MTA Board and will be ongoing and funded appropriately.	

<b>Finding ref number:</b> 2022-002	<b>Finding caption:</b> The Authority charged costs to the program that were not allowable.
<b>Name, address, and telephone of Authority contact person:</b> Amy Asher, 790 E John's Prairie Rd, Shelton, WA 98584, (360) 432-5755	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Management has reviewed procurement policies with all staff that have purchasing responsibilities. Finance staff understand and have had training on how to properly code and enter procurements in our finance software so that only those that are to be grant funded are marked as such. MTA worked with WSDOT staff to find a solution for repaying the incorrectly applied grant funds.</i>	
<b>Anticipated date to complete the corrective action:</b> MTA repaid the grant funds to WSDOT in its most recent reimbursement request process in December 2024.	

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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