



Office of the Washington State Auditor  
Pat McCarthy

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

# **Whatcom Transportation Authority**

**For the period January 1, 2019 through December 31, 2020**

*Published June 1, 2021*

Report No. 1028428



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

June 1, 2021

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

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

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***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).*

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Whatcom Transportation Authority January 1, 2020 through December 31, 2020

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

##### Financial Statements

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

Internal Control over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the Authority.

##### Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Authority's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.507	Federal Transit Cluster – COVID-19 – Federal Transit Formula Grant
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

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

The Authority did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### **Whatcom Transportation Authority January 1, 2019 through December 31, 2020**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Whatcom Transportation Authority, as of and for the years ended December 31, 2020 and comparative year 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 25, 2021.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 4.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

May 25, 2021

## INDEPENDENT AUDITOR'S REPORT

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

### **Whatcom Transportation Authority January 1, 2020 through December 31, 2020**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

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

We have audited the compliance of the Whatcom Transportation Authority, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.



An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

May 25, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Whatcom Transportation Authority January 1, 2019 through December 31, 2020**

Board of Directors  
Whatcom Transportation Authority  
Bellingham, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Whatcom Transportation Authority, as of and for the years ended December 31, 2020 and comparative year 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 15.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Whatcom Transportation Authority, as of December 31, 2020 and comparative year 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown. Management's plans in response to this matter are also described in Note 4. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

May 25, 2021

## **FINANCIAL SECTION**

### **Whatcom Transportation Authority January 1, 2019 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020 and 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020 and 2019

Statement of Revenues, Expenses and Changes in Net Position – 2020 and 2019

Statement of Cash Flows – 2020 and 2019

Notes to Financial Statements – 2020 and 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2020  
and 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020 and 2019

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

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

## **Overview**

The management of Whatcom Transportation Authority (WTA) provides the readers of WTA's Financial Statements this narrative as an overview and analysis of the financial activities for the year ended December 31, 2020.

Management is responsible for the completeness, reliability, and objectivity of these financial statements. Estimates and judgments used in the financial statements have been made on a prudent and reasonable basis.

Whatcom Transportation Authority was established in 1983 to provide public transit services within the Public Benefit Transportation Area. Current services include:

- Fixed Route – Provides standard bus service on fixed, regularly scheduled routes.
- Paratransit Service – Provides scheduled transportation service to passengers unable to utilize fixed route service.
- Vanpool - A program that makes a vehicle available to groups of 5-15 people for commuting to work.

WTA continues to respond to the COVID-19 pandemic as an essential service to our community. Financial Statement Note 4 details WTA's response activity.

We continue to assess and respond as needed with the changing landscape surrounding the pandemic. Our goal has been to maintain essential connections and service at sustainable levels to our community, provide a safe working and riding environment, and uphold our mission and values.

## **Agency Accomplishments**

WTA accomplished many of the goals set for 2020 while responding to a rapidly changing environment resulting from the world-wide pandemic. The goals are shown below with the corresponding actions and results under each goal.

### **Safety**

- In August, the Board adopted the Agency Safety Plan.
- Based on that plan, we implemented a safety and risk assessment program to vet proposed measures, including COVID-19 response actions.
- Implemented numerous measures to protect the safety of riders and staff.
- Met preventive maintenance targets and put planned replacement coaches into service.



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

**Advocacy**

- The State Transit Association sued successfully to invalidate I-976, a license tab initiative that would have curtailed a vital source of transportation funding.
- The General Manager chaired the state Small and Medium Transit Alliance (SMTA). We preserved State FY 2020-21 funding for special needs and for travel training at the budgeted amounts.
- The transit industry received lifeline funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Our FTA grant programs were funded for the entire 2021 federal fiscal year.

**Fiscal Stewardship**

- Operated well within the approved budget despite dramatic fluctuations in sales tax and a precipitous drop in fare revenue thanks to reduced service, a slower operating tempo, and significant CARES Act support. This will generate a surplus to cover expected shortfalls in 2021.
- Deferred the Phase 2 review of WTA fare policies into 2021.
- In 2020, WTA submitted seven applications for competitive grants in pursuit of state and federal funding for electric buses, replacement paratransit buses, a mobility management program, and a feasibility study (regarding cross-county paratransit service). Four of these applications were unsuccessful. Three are still pending.

**Succession**

- Through a pivot to remote learning we were able to continue to offer coaching and professional education to prepare staff for advancement opportunities.
- Kept driver roster at full count, which allowed us to provide service while limiting passenger capacity and allowing high risk employees to isolate themselves.
- The Board completed a selection process and hired a new General Manager.

**Carbon Impacts**

- Continued to convert the paratransit fleet to propane fuel. Nine (9) additional propane vehicles will go into service next year.
- Production was delayed on two (2) electric buses. These buses will go into revenue service in 2021.
- Deferred conversion of the lighting system at the Ferndale Park and Ride to LED bulbs.

**Innovation**

- The Smart Bus initiative, including passenger facing features, is substantially complete and in daily use.
- Expanded the capabilities of the TouchPass "smart" fare card and partnered with Skagit Transit to create a common multi-county fare payment system.
- Created one big data "lake" of data from Smart Bus, Touch Pass, fareboxes and the Trapeze software suites into a single source of route performance, ridership and bus location data.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

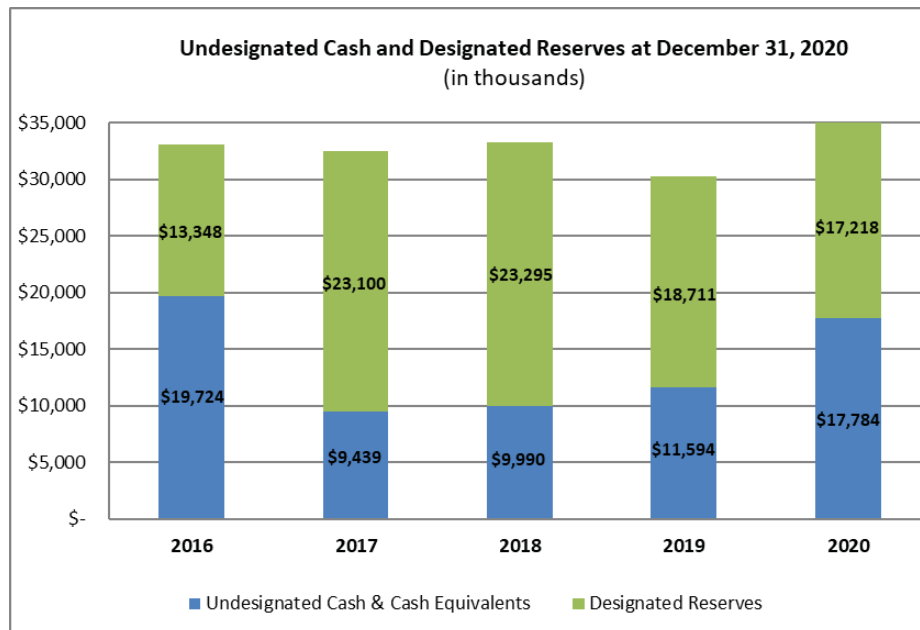
### Looking Forward

- WTA's first Long Range Transit Plan is well underway. This plan will define WTA's relationship to our community over the coming 20 years.
- We are in the final stages of acquiring property to expand the Bus Base. In 2021 we will begin planning for its future development.

We anticipate returning to full service, adding new routes and resuming fare collection during the 2nd quarter of 2021. WTA continues to assess, and pivot as needed in response to the changing landscape surrounding the pandemic. Our goal has been to provide safe service at sustainable levels to our community, provide a safe working and riding environment, uphold our mission and values, and position ourselves to stand up strong after the pandemic.

### Financial Highlights

WTA's cash and cash equivalents increased \$4.7 million, or 15.5% over 2019 primarily due to the receipt of approximately \$8.8 million in federal CARES Act funds. These funds were used to cover wages and benefits during the year. The agency's cash and cash equivalents declined \$3.0 million in 2019 from 2018 primarily due to investments in capital assets to keep our fleet in a State of Good Repair and prepare for the receipt of three (3) electric buses in 2020. WTA replaced seven (7) 40-foot diesel buses during 2019 and completed improvements to the Midway Lot including twelve (12) stations to charge electric buses.



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

Ridership declined drastically during 2020 resulting from reduced service in response to the pandemic. Fixed route ridership decreased by approximately 2.5 million riders, or 57% from 2019. Paratransit ridership declined by 104 thousand riders, or 48% from 2019. WTA's vanpool program had a decrease of 14 thousand riders, or 44%. The number of active vans in the program reduced from 12 at the end of 2019 to 7 at the end of 2020.

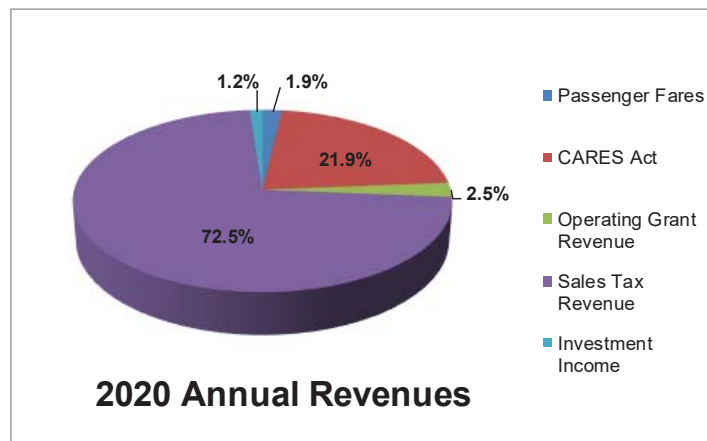
Sales tax receipts rallied in December 2020 ending the year only \$503 thousand, or 1.7% below 2019 actuals. Despite the closure of the Canadian border for nine (9) months of the year and the impact on hospitality and recreation venues, online sales and home improvement projects enhanced sales tax revenues.

2019 sales tax revenues ended the year strongly at \$1.6 million, or 5.6% above 2018 actual receipts. This growth was driven by continued robust retail sales, accommodation and food services, and construction.

The suspension of fare collection in March drastically reduced fare revenue for the year with fares coming in at \$1.9 million, or 72.2% below 2019. WTA was able to weather this decline in revenue with the receipt of the CARES Act funding and cash reserves. The agency was appropriated approximately \$9.3 million from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSSA) signed into law on December 27, 2020. WTA did not draw any of these funds in 2020; the impact of these funds will be recorded in 2021.

Fare revenue continued to decline in 2019, more than doubling the amount of decline from 2018 (-3.7% from -1.7%). Fare rates remained unchanged during both years. The Board of Directors has approved increased pass prices effective June 2020 along with youth rides free. WTA will evaluate the effect of increased prices and free youth riders on ridership following implementation in 2021.

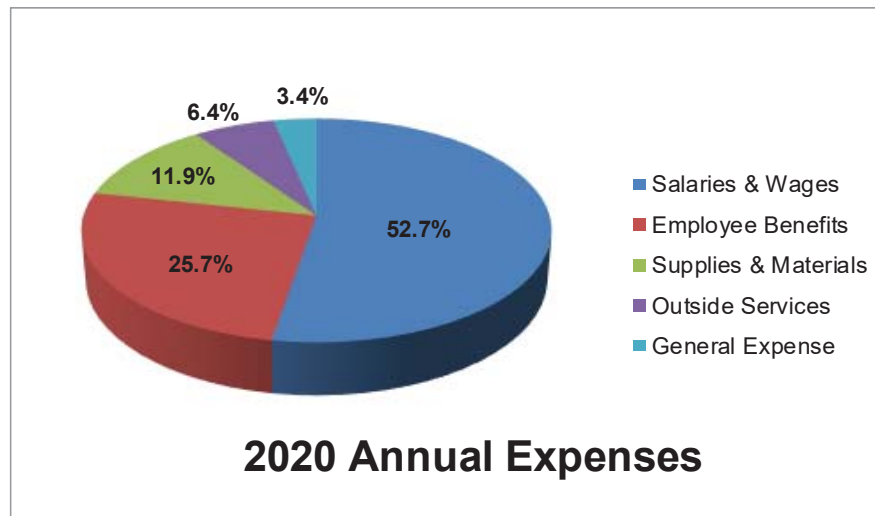
Capital grant revenue was down by \$1.5 million, or 37% from 2020 due to the reimbursement of nine (9) paratransit invoices being delayed to 2021. 2019 was a strong year for capital grant revenue at WTA. The agency received and put into service seven (7) diesel buses, eight (8) paratransit vehicles, and launched the TouchPass fare collection system.



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

Operating expenses for 2020 were less than 2019 figures by \$238 thousand, or .65% due to the reduction in service started in March. Although expenses were comparable to the prior year, productivity was severely reduced with the lack of ridership – with each rider costing more to transport in 2020 versus 2019. 2019 saw an increase in most operating expenses as the agency expanded service in June and continues to provide competitive wages and benefits to our employees.

2020 capital expenses were \$2.5 million, or -37.1% lower than in 2019 due to the delayed receipt of two (2) electric buses, nine (9) paratransit vehicles, and the purchase of additional property for future expansion. Capital expenses for 2019 increased \$4.9 million dollars or 155.6% over 2018 due to the receipt of seven (7) diesel buses, the completion of the Midway Lot, the rollout of the TouchPass system and work performed on the Smart Bus project.



### Financial Statements

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Under GAAP, revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Most capital assets are depreciated over their useful lives. The notes to the financial statements provide a summary of WTA's significant accounting policies.

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

**WHATCOM TRANSPORTATION AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)**  
**For the Year Ended December 31, 2020**

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing WTA's net asset changes during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows presents actual cash activity during the fiscal period related to operating activities, noncapital financing activities, capital activities and investing activities. Additionally, a reconciliation of net cash provided (used) by operating activities to operating income (loss) is included. Over time, increases or decreases in cash balances serve as a useful indicator of the financial stability of WTA.

### Notes to the Financial Statements

The Notes to the Financial Statements provide additional information essential to fully understand the data provided in WTA's financial statements and are located following the Statement of Cash Flows and should be read in conjunction with the Financial Statements.

### Statement of Net Position

The Condensed Statement of Net Position represents the financial condition of WTA at the end of the last three calendar years and reports all assets, deferred outflows or resources, liabilities, deferred inflows of resources and net position.

A summarized comparison as of December 31, 2020, 2019 and 2018, follows:

	2020	2019	2018
Current Assets	\$ 43,664,195	\$ 37,506,822	\$ 40,033,033
Capital Assets	<u>40,553,644</u>	<u>41,267,687</u>	<u>39,310,230</u>
<b>Total Assets</b>	<b><u>\$ 84,217,839</u></b>	<b><u>\$ 78,774,509</u></b>	<b><u>\$ 79,343,263</u></b>
 <b>Total Deferred Outflows of Resources</b>	 <b><u>\$ 2,266,437</u></b>	 <b><u>\$ 2,095,589</u></b>	 <b><u>\$ 1,859,708</u></b>
 Current Liabilities	 \$ 4,807,855	 \$ 3,799,348	 \$ 4,465,116
Noncurrent Liabilities	<u>6,548,499</u>	<u>6,396,918</u>	<u>8,211,405</u>
<b>Total Liabilities</b>	<b><u>\$ 11,356,354</u></b>	<b><u>\$ 10,196,266</u></b>	<b><u>\$ 12,676,521</u></b>
 <b>Total Deferred Inflows of Resources</b>	 <b><u>\$ 1,760,354</u></b>	 <b><u>\$ 3,520,430</u></b>	 <b><u>\$ 3,065,742</u></b>
 Invested in capital assets (net of debt)	 \$ 40,553,644	 \$ 41,267,687	 \$ 39,310,230
Unrestricted	<u>32,813,924</u>	<u>25,885,715</u>	<u>26,150,478</u>
<b>Total Net Position</b>	<b><u>\$ 73,367,568</u></b>	<b><u>\$ 67,153,402</u></b>	<b><u>\$ 65,460,708</u></b>

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

**Assets**

During 2020, current assets increased \$6.2 million, or 16.4% over 2019 due to funds received from the CARES Act signed into law on March 27, 2020. These funds were distributed to WTA to cover operating and specific COVID-19 response expenses incurred during the year. WTA used these funds to reimburse wages and benefits allowing the agency to keep all employees on the payroll for 2020.

For 2019, current assets decreased \$2.5 million, or 6.3% from 2018 primarily due to the decrease in cash and cash equivalents. Although WTA had robust sales tax revenue, significant cash was spent on investment in projects such as SmartBus and the Midway Lot improvements. During 2018, current assets increased \$499 thousand, or 1.3%, due to strong sales tax receipts and gains in investment income.

During 2020, capital assets decreased \$714 thousand, or 2.0% from 2019 resulting from depreciation expense and disposals of assets outpacing additions.

Capital assets increased \$1.9 million or 5.0% over 2018 due to the completion of the Midway Lot improvements and the receipt of seven (7) diesel buses and eight (8) paratransit vehicles. During 2018, capital assets decreased \$1.9 million, or 4.5%, due to increased depreciation expense and a delay in completing various capital asset projects during 2018.

**Deferred Outflows of Resources**

Deferred outflows of resources increased \$171 thousand, or 8.2% over 2019 due to the required pension adjustments resulting from Governmental Accounting Standards Board (GASB) Statement 68 requirements. During 2019, total deferred outflows of resources related to pensions increased \$236 thousand, or 12.7% over 2018 due to actual investment earnings outpacing projected earnings in the state pension program.

**Liabilities**

Current liabilities increased \$1 million, or 26.5% over 2019 due to the receipt of nine (9) new paratransit buses that were not paid for by year end. During 2019, current liabilities decreased \$666 thousand, or 14.9%, primarily from the decline in accounts payable related to the low number of outstanding invoices at year end partially offset by an increase in accrued absences related to floating holiday pay.

During 2020, noncurrent liabilities increased \$152 thousand or 2.4% over 2019 due to a GASB 68 adjustment and an increase in compensated absences resulting from additional leave pandemic leave granted and employees not taking vacation time as normal. Noncurrent liabilities declined by \$1.8 million, or 22.1% in 2019 due to the decrease in long term pension obligations resulting from the adjustments required by GASB 68.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

**Deferred Inflows of Resources**

During 2020, deferred inflows of resources decreased \$1.8 million, or 50.0% over 2019 due to the required pension adjustments because of GASB 68 reporting requirements. Deferred inflows of resources related to pensions increased \$455 thousand, or 14.8%, over 2018 due to the difference between the plans' projected and actual investment earnings.

**Net Position**

The difference between total assets, deferred outflows and inflows, and total liabilities is net position. The change in net position measures whether the overall financial condition of the agency has improved or diminished during the year.

WTA's net position increased \$6.2 million, or 9.3% over 2019 primarily due to the receipt of approximately \$8.8 million in CARES Act funds to support the agency providing safe, ongoing service during the pandemic.

During 2019, WTA's net position increased \$1.7 million, or 2.6%, from 2018 due to the increase in capital assets and the deferred outflows related to pensions offset by the decrease in accounts payable.

Net position is reported in the following two categories:

**Net Investment in Capital Assets:** WTA's total investments in land, buildings, buses, equipment, technology, and other infrastructure net of accumulated depreciation. WTA uses these capital assets to provide public transportation services to the citizens and visitors of the Whatcom County Public Transportation Benefit District.

**Unrestricted:** WTA funds available to the agency to meet obligations to its citizens and creditors.

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

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents WTA's results of operating and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

A summarized comparison of WTA's revenues, expenses, and changes in net position for the years ended December 31, 2020, 2019 and 2018, follows:



**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**

**Condensed Statement of  
Revenues, Expenses and Changes in Fund Net Position**  
(including depreciation)

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Operating Revenues	\$ 746,629	\$ 2,684,705	\$ 2,786,494
Operating Expenses	<u>36,410,572</u>	<u>36,648,256</u>	<u>34,240,755</u>
Operating (Loss)	(35,663,943)	(33,963,551)	(31,454,261)
Non-operating Revenue	42,096,437	35,646,509	29,947,886
Non-operating Expense	(1,558)	-	-
(Loss) / Gain on Disposal of Assets	<u>(216,770)</u>	<u>9,736</u>	<u>(94,600)</u>
<b>Increase / (Decrease) in Net Position</b>	6,214,166	1,692,694	(1,600,975)
Net Position - Beginning of Period	<u>67,153,402</u>	<u>65,460,708</u>	<u>67,061,683</u>
<b>Net Position - End of Period</b>	<u>\$ 73,367,568</u>	<u>\$ 67,153,402</u>	<u>\$ 65,460,708</u>

## Revenues

WTA's operations are primarily funded with local sales tax revenue, passenger fares, and partnerships with other local agencies. Capital expenditures, primarily for procuring or improving fleet and facilities, are largely reimbursed with federal and state grant funds. Local funds, such as sales tax revenue and passenger fares, are required to supplement the capital project budget to meet grant-match requirements or fund projects that do not have grant funding.

Operating revenues consist primarily of transit and transit related services such as passenger fares, special transit agreements, and vanpool charges. During 2020, operating revenues decreased \$1.94 million, or 72.2% primarily due to the suspension of fare collection on March 18<sup>th</sup> to support continued safe operations during the pandemic.

Operating revenues for 2019 were \$102 thousand, or 3.7% lower than in 2018 primarily due to the decline in vanpool groups and decreased monthly pass sales.

Non-operating revenues consist primarily of sales tax revenue, operating grants, interest income, advertising revenue, and tenant lease income. WTA currently receives six-tenths of one percent of Whatcom County sales and use tax.

During 2020, sales tax receipts declined \$504 thousand, or 1.7% from 2019 – a remarkably small decline with the Canadian border closed to non-essential traffic for 9 months of the year due to the pandemic. For 2019, WTA received sales tax revenue equal to \$1.6 million, or 5.6% over 2018 driven by retail sales, accommodation and food services and construction.

2020 was an unusual year for WTA as the agency received approximately \$8.8 million in federal CARES Act funds to support operations during COVID-19. The receipt of these funds pushed operating grant revenues to \$6.4 million, or 18.1% above 2019.



**WHATCOM TRANSPORTATION AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)**  
**For the Year Ended December 31, 2020**

Operating grants for 2019 were \$29 thousand, or 2.7% lower than 2018 due to the cancellation of Route 65 which was underperforming and the forfeit of the associated grant revenue.

WTA received a \$5,000 grant in 2020 to reimburse the agency for COVID-19 response measures. These funds were a combination of the COVID-19 Mitigation and Loss Prevention grant and the Risk Management grant programs offered by the Washington State Transit Insurance Pool (WSTIP). The COVID-19 grant was new during 2020 to assist members in offsetting pandemic response expenses.

Additionally, WTA received a Risk Management Grant award for \$2,500 from WSTIP in 2019, 2018, and 2017. These funds were allocated to the enhancement of WTA's Emergency Operations and Safety Program.

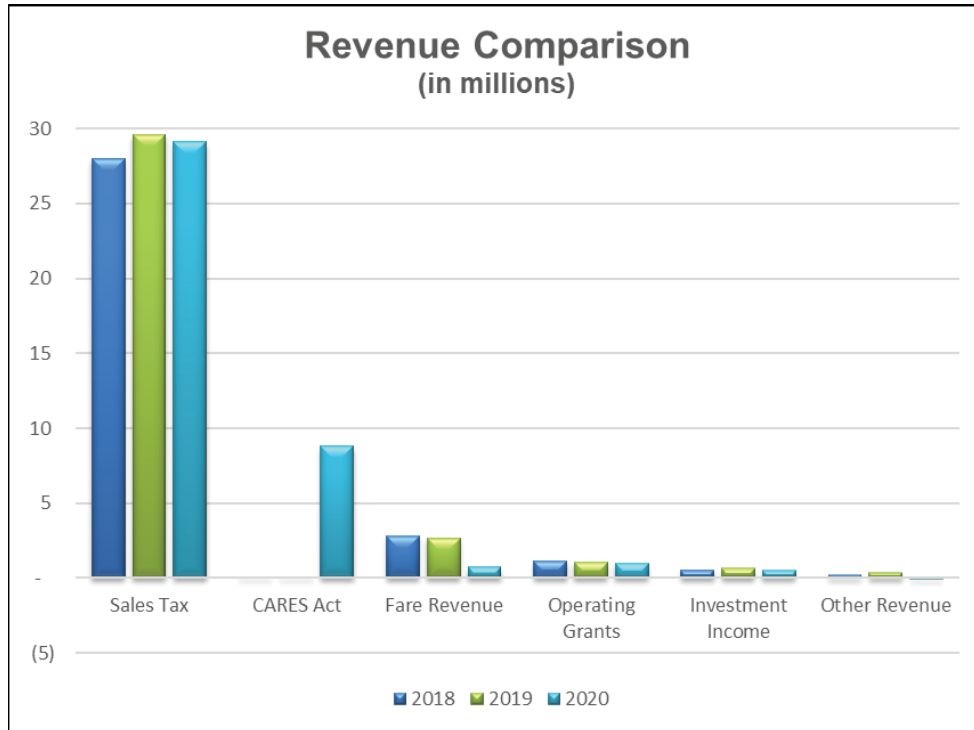
WTA also received a network security grant to reimburse the agency for the promotion of cybersecurity activities, including educating our staff on email security, from the Washington State Transit Insurance Pool (WSTIP) in 2020, 2019 and 2018.

During 2020, investment income declined \$153 thousand, or 23.5% over the prior year despite larger cash holdings. Interest rates for the year were at record lows as the market reacted to the concerns surrounding the pandemic. Investment income for 2019 was \$114 thousand, or 21.2%, greater than 2018. The Federal Reserve has indicated they will hold interest rates to nearly zero until 2023 to support the country's economic recovery. These lower rates will continue to impact WTA's interest income as will the level of our cash holdings.

**Revenue Analysis**

<b>Revenues</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020 % of Total</b>	<b>2020 vs. Prev Yr</b>
Operating	\$ 746,629	\$ 2,684,705	\$ 2,786,494	1.75%	\$ (1,938,076)
Invest. Income	497,328	650,122	536,466	1.17%	(152,794)
Sales Tax	29,107,689	29,611,528	28,038,850	68.29%	(503,839)
Operating Grants	9,795,432	1,054,875	1,083,661	22.97%	8,740,557
Capital Grants	2,509,685	3,981,364	(14,338)	5.89%	(1,471,679)
Other Revenue	186,303	348,620	303,247	0.44%	(162,317)
(Loss) / Gain on Disposal of Assets	(216,770)	9,736	(94,600)	-0.51%	(226,506)
<b>Total Revenue</b>	<b>\$ 42,626,296</b>	<b>\$ 38,340,950</b>	<b>\$ 32,639,780</b>	<b>100.00%</b>	<b>\$ 4,285,346</b>

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**



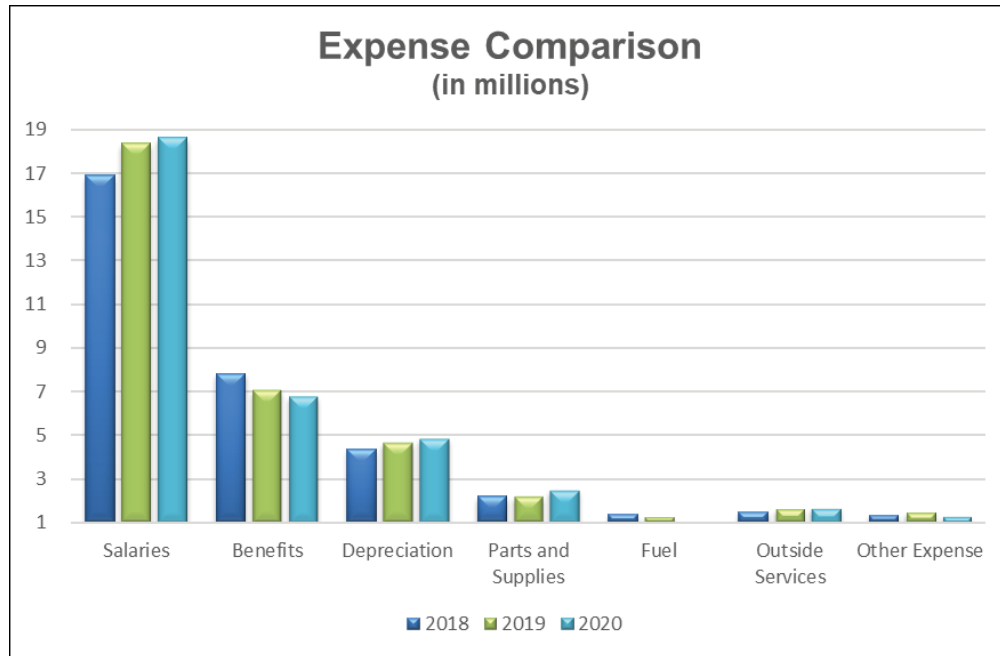
## Expenses

Operating expenses consist of expenses related to transit operations, maintenance, administration, customer service, marketing and depreciation.

WTA reduced service by approximately 70% on March 29, 2020 in response to the pandemic. The agency continued to provide essential service to the community while operating within our staffing constraints. The reduction in service impacted operating expenses, reducing them by \$238 thousand, or .6% below 2019 actuals.

During 2019, operating expenses (less depreciation) grew \$2.1 million, or 7.1%, over 2018 as WTA offered our employees a 3.0% cost of living increase, hired staff to support expanded service, and began to approach parity in wages between our fixed route and paratransit operators and continued to offer a competitive benefit package.

**WHATCOM TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
For the Year Ended December 31, 2020**



**Requests for Information**

This financial report is designed to provide a general overview of Whatcom Transportation Authority's financial position. Questions regarding this report or requests for additional information should be directed to:

Shonda L. Shipman, CPA, CGMA  
Finance Director  
Whatcom Transportation Authority  
4011 Bakerview Spur  
Bellingham, WA 98226-8056  
(360) 788-9331

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET POSITION**

**December 31, 2020 and 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 35,001,538	\$ 30,305,608
Taxes Receivable	5,560,140	5,306,912
Grants Receivable	1,369,598	324,631
Interest Receivable	36,026	59,264
Accounts Receivable	155,045	28,123
Inventories	1,241,127	1,202,054
Prepayments	<u>300,721</u>	<u>280,230</u>
Total Current Assets	<u>43,664,195</u>	<u>37,506,822</u>
Noncurrent assets:		
Capital Assets not Being Depreciated:		
Land	6,130,578	6,130,578
Work in Progress	3,204,289	1,379,575
Capital Assets Being Depreciated:		
Buildings	23,880,804	23,880,804
Improvements	6,460,068	6,422,997
Transportation Equipment	35,676,705	37,643,997
Other Equipment	3,978,961	4,046,772
Maintenance/Shop Equipment	2,001,886	1,870,063
Communications Equipment	4,806,008	2,753,641
Less: Accumulated Depreciation	<u>(45,585,655)</u>	<u>(42,860,740)</u>
Total Noncurrent Assets	40,553,644	41,267,687
 TOTAL ASSETS	 <u>\$ 84,217,839</u>	 <u>\$ 78,774,509</u>
 <b>DEFERRED OUTFLOWS of RESOURCES</b>		
Deferred Outflows Related to Pensions	\$ 2,266,437	\$ 2,095,589
 TOTAL DEFERRED OUTFLOWS of RESOURCES	 <u>\$ 2,266,437</u>	 <u>\$ 2,095,589</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET POSITION**

**December 31, 2020 and 2019**

<b>LIABILITIES</b>	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts Payable	\$ 1,618,698	\$ 742,292
Accrued Compensated Absences	2,068,733	1,930,557
Accrued Wages	682,046	675,683
Other Accrued Liabilities	430,045	442,483
Unearned Revenue	<u>8,333</u>	<u>8,333</u>
Total Current Liabilities	<u>4,807,855</u>	<u>3,799,348</u>
Noncurrent Liabilities:		
Pension Obligations (Net)	6,350,706	6,272,368
Accrued Long-Term Compensated Absences	192,367	119,124
Other Noncurrent Liabilities	<u>5,426</u>	<u>5,426</u>
Total Noncurrent Liabilities	<u>6,548,499</u>	<u>6,396,918</u>
 TOTAL LIABILITIES	 <u>\$ 11,356,354</u>	 <u>\$ 10,196,266</u>
 <b>DEFERRED INFLOWS of RESOURCES</b>		
Deferred Inflows Related to Pensions	\$ 1,760,354	\$ 3,520,430
 TOTAL DEFERRED INFLOWS of RESOURCES	 <u>\$ 1,760,354</u>	 <u>\$ 3,520,430</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	40,553,644	41,267,687
Unrestricted	<u>32,813,924</u>	<u>25,885,715</u>
<b>TOTAL NET POSITION</b>	<u>\$ 73,367,568</u>	<u>\$ 67,153,402</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Passenger Fares	\$ 746,629	\$ 2,684,705
Total Operating Revenues	<u>746,629</u>	<u>2,684,705</u>
OPERATING EXPENSES:		
Salaries	18,608,624	18,342,919
Benefits	6,789,258	7,057,357
Supplies	2,579,975	2,892,276
Services	3,542,310	3,674,814
Depreciation	<u>4,890,405</u>	<u>4,680,890</u>
Total Operating Expenses	<u>36,410,572</u>	<u>36,648,256</u>
Operating Loss	<u>(35,663,943)</u>	<u>(33,963,551)</u>
NONOPERATING REVENUES (EXPENSES):		
Sales Tax	29,107,689	29,611,528
External Subsidies - Grant Revenue	12,305,117	5,036,239
Investment Income	497,328	650,122
Other Nonoperating Revenues	186,303	348,620
Interest Expense	<u>(1,558)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>42,094,879</u>	<u>35,646,509</u>
Gain before Contributions, Gains and Losses	6,430,936	1,682,958
(Loss) / Gain on asset disposal	<u>(216,770)</u>	<u>9,736</u>
Increase in net position	6,214,166	1,692,694
Net Position - Beginning of Period	<u>67,153,402</u>	<u>65,460,708</u>
Net Position - End of Period	<u>\$ 73,367,568</u>	<u>\$ 67,153,402</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY**  
**STATEMENT OF CASH FLOWS**

**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 619,707	\$ 2,696,553
Payments to suppliers	(5,335,361)	(7,694,707)
Payments to employees	(26,943,203)	(26,595,485)
Other receipts	(1,274,957)	(353,846)
Other payments	<u>(72,002)</u>	<u>(50,037)</u>
Net cash used by operating activities	(33,005,816)	(31,997,522)
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>		
Sales Tax receipts	29,107,689	29,611,528
Operating contributions - grants	9,795,432	1,054,876
Other noncapital financing activities	<u>186,303</u>	<u>348,620</u>
Net cash provided by noncapital financing activities	39,089,424	31,015,024
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Capital contributions - grants	2,509,685	3,981,364
Purchases of capital assets	(4,176,363)	(6,638,347)
Other (payments) / receipts	(216,770)	9,736
Interest paid on capital debt	<u>(1,558)</u>	<u>-</u>
Net cash used by capital and related financial activities	(1,885,006)	(2,647,247)
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Interest and dividends	<u>497,328</u>	<u>650,122</u>
Net cash provided by investing activities	<u>497,328</u>	<u>650,122</u>
Net increase / (decrease) in cash and cash equivalents	4,695,930	(2,979,623)
Balances - beginning of the year	<u>30,305,608</u>	<u>33,285,231</u>
Balances - end of the year	<u>\$ 35,001,538</u>	<u>\$ 30,305,608</u>

**Reconciliation of Operating Loss to Net Cash Used by Operating Activities**

Operating loss	\$ (35,663,943)	\$ (33,963,551)
Adjustments to reconcile operating loss to net cash used:		
Depreciation expense	4,890,405	4,680,890
Change in assets and liabilities:		
Receivables	(1,401,879)	(341,998)
Inventories and other current assets	(59,564)	(111,414)
Accounts and other payables	1,008,507	(665,769)
Accrued expenses	<u>(1,779,342)</u>	<u>(1,595,680)</u>
Net cash used by operating activities	<u>\$ (33,005,816)</u>	<u>\$ (31,997,522)</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020**

(These notes are an integral part of these financial statements)

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

The financial statements of Whatcom Transportation Authority (the Authority) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental 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**

Whatcom Transportation Authority was incorporated in August 1983 and operates under the laws of the state of Washington applicable to a municipality.

The Authority is a special purpose government and provides transportation services to the public within Whatcom County and is supported primarily through local sales tax collections and user charges. It is governed by an appointed nine-member board of elected officials that are representative of the districts served by WTA. As required by the generally accepted accounting principles, management has considered all potential component units in defining the reporting entity and has determined that the Authority has no component units.

**B. Measurement Focus, Basis of Accounting**

Statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority come from farebox collections and bus pass media sales. The Authority also recognizes vanpool income and special transit fare agreements with other governmental agencies as operating revenue. Operating expenses for the Authority include, but are not limited to, wages and benefits, vehicle maintenance and operations costs, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Assets, Liabilities and Net Position**

**1. Cash and Cash Equivalents**

It is the Authority's policy to invest all temporary cash surpluses. At December 31, 2020, Whatcom Transportation Authority was holding \$35,001,538, in short-term residual investments of surplus cash, of which \$33,535,175 was held in the Whatcom



**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020**

(These notes are an integral part of these financial statements)

County Investment Pool. This amount is classified on the balance sheet as cash and cash equivalents. The 2019 year-end balance was \$30,305,608.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables

Taxes receivable at December 31, 2020 consist of \$5,542,145 in state sales tax receivable for the months of November and December 2020, and \$17,995 due from the Washington State Department of Licensing representing the State gas and diesel taxes paid on fuel purchases to be refunded. WTA is required to pay this fuel tax on purchases of fuel from its vendor and then applies for a refund based upon monthly revenue vehicle usage. Taxes receivable at December 31, 2019 were \$5,284,000 and \$22,912 respectively.

Grants receivable at December 31, 2020 consist of \$252,149 due from the Washington State Department of Transportation and \$1,117,449 due from the Federal Transit Administration. Grants receivable at December 31, 2019 were \$259,028 due from the Washington State Department of Transportation and \$65,603 due from the Federal Transit Administration.

Interest receivable at December 31, 2020 totaled \$36,026. This is interest earned on investments and tax revenues through the end of the year but not received by year end. Interest receivable at December 31, 2019 was \$59,264.

Accounts receivable at December 31, 2020 of \$155,045 consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared, offset by credit balances due to some customers for passes returned during the year because of WTA suspending fare collection due to the COVID-19 pandemic. This amount is considered fully collectible/owed by WTA. Accounts receivable at December 31, 2019 was \$28,123.

3. Inventories are valued by the weighted average method. Inventories were valued at \$1,241,127 at December 31, 2019 and \$1,202,054 at December 31, 2019.

4. Capital Assets See Note 2 - *Capital Assets* on page 21

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than three years. Such assets are recorded at historical cost.

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

(These notes are an integral part of these financial statements)

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

The Authority has acquired certain assets with funding provided by state and federal financial assistance programs. Depending on the terms of the agreements involved, the state or federal government could retain an equity interest in these assets. However, the Authority has enough legal interest to include these assets in WTA's records.

Property, plant, and equipment of the Authority is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Computer Software	3-7
Equipment	5-10
Vehicles	4-15
Bus Shelters	15
Buildings	30

5. Deferred Outflows/Inflows of Resources See Note 7 - *Pension Plans* on page 24.

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Employees represented by the Amalgamated Transit Union #843 contract accrue vacation benefits at rates of 112-216 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. Exempt employees accrue vacation benefits at rates of 144-248 hours per year, based upon years of service, and sick leave benefits at the rate of 96 hours per year. The maximum amount of vacation accrual is 24 months and sick leave is 1,000 hours.

At separation, an employee in good standing can cash out 60% of sick leave balances of 500 hours or greater. Accrued sick leave balances of 300 to 499 hours can be cashed out at 30% of that balance. All accrued vacation is payable upon separation. As of December 31, 2020, a liability of \$2,261,100 has been accrued for vacation, sick leave and related benefits. The liability at year end 2019 was \$2,049,681.

7. Pensions See Note 7 - *Pension Plans* on page 24.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020**

**(These notes are an integral part of these financial statements)**

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.

**8. Accrued Wages and Other Accrued Liabilities**

These accounts consist of accrued wages, accrued employee benefits, and retainage payable.

**9. Unearned Revenues**

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met. \$8,333 was recognized for both 2020 and 2019 advertising revenue received but not earned at each year end.

**WHATCOM TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

(These notes are an integral part of these financial statements)

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 6,130,578	\$ -	\$ -	\$ 6,130,578
Work in progress	1,379,575	3,201,328	1,376,614	3,204,289
<b>Total Capital Assets, Not being Depreciated</b>	<b>7,510,153</b>	<b>3,201,328</b>	<b>1,376,614</b>	<b>9,334,867</b>
Capital assets, being depreciated:				
Buildings	23,880,804	-	-	23,880,804
Improvements other than buildings	6,422,997	37,071	-	6,460,068
Transportation equipment	37,643,997	262,398	2,229,690	35,676,705
Communications equipment	2,753,641	2,133,975	81,608	4,806,008
Maintenance/shop equipment	1,870,063	131,823	-	2,001,886
Other equipment	4,046,772	16,819	84,630	3,978,961
<b>Total Capital Assets being Depreciated</b>	<b>76,618,274</b>	<b>2,582,086</b>	<b>2,395,928</b>	<b>76,804,432</b>
Less accumulated depreciation for:				
Buildings	13,827,032	814,461	-	14,641,493
Improvements other than buildings	2,706,554	336,665	-	3,043,219
Transportation equipment	20,048,947	2,869,112	1,910,285	21,007,774
Communications equipment	1,838,653	704,541	242,923	2,300,271
Maintenance/shop equipment	1,314,662	77,794	-	1,392,456
Other equipment	3,124,892	87,826	12,276	3,200,442
<b>Total Accumulated Depreciation</b>	<b>42,860,740</b>	<b>4,890,399</b>	<b>2,165,484</b>	<b>45,585,655</b>
<b>Total Capital Assets, Net</b>	<b>\$41,267,687</b>	<b>\$ 893,015</b>	<b>\$ 1,607,058</b>	<b>\$ 40,553,644</b>

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Capital asset activity for the year ended December 31, 2019 was as follows:

	<b>Beginning Balance 1/1/2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2019</b>
Capital assets, not being depreciated:				
Land	\$ 6,130,578	\$ -	\$ -	\$ 6,130,578
Work in progress	1,850,455	752,584	1,223,464	1,379,575
<b>Total Capital Assets, Not being Depreciated</b>	<b>7,981,033</b>	<b>752,584</b>	<b>1,223,464</b>	<b>7,510,153</b>
Capital assets, being depreciated:				
Buildings	23,880,804	-	-	23,880,804
Improvements other than buildings	4,522,251	1,900,746	-	6,422,997
Transportation equipment	33,954,334	5,226,367	1,536,704	37,643,997
Communications equipment	2,797,558	128,778	172,695	2,753,641
Maintenance/shop equipment	1,880,641	6,706	17,284	1,870,063
Other equipment	5,605,604	-	1,558,832	4,046,772
<b>Total Capital Assets being Depreciated</b>	<b>72,641,192</b>	<b>7,262,597</b>	<b>3,285,515</b>	<b>76,618,274</b>
Less accumulated depreciation for:				
Buildings	13,012,570	814,462	-	13,827,032
Improvements other than buildings	2,424,243	282,311	-	2,706,554
Transportation equipment	18,449,575	2,987,822	1,388,450	20,048,947
Communications equipment	1,651,805	359,543	172,695	1,838,653
Maintenance/shop equipment	1,254,986	76,961	17,285	1,314,662
Other equipment	4,518,816	159,792	1,553,716	3,124,892
<b>Total Accumulated Depreciation</b>	<b>41,311,995</b>	<b>4,680,891</b>	<b>3,132,146</b>	<b>42,860,740</b>
<b>Total Capital Assets, Net</b>	<b>\$39,310,230</b>	<b>\$ 3,334,290</b>	<b>\$ 1,376,833</b>	<b>\$41,267,687</b>

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**NOTE 3 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 1/1/2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2020</b>	<b>Due Within One Year</b>
Pension obligations	\$6,272,368	78,338	-	\$6,350,706	-
Compensated absences	119,124	73,243	-	192,367	-
Other noncurrent liabilities	5,426	-	-	5,426	-
Total Long-Term Liabilities	<u>\$6,396,918</u>	<u>\$151,581</u>	<u>-</u>	<u>\$6,548,499</u>	<u>-</u>

**NOTE 4 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

WTA has taken the following actions as part of our response:

- Declared an emergency on March 12, 2020.
- Established an Incident Management Team.
- Suspended fare collection and pass agreements with colleges and the university on March 18, 2020.
- Reduced service to 70% of current service effective March 29, 2020.
- Encouraged riders to make only essential trips on the bus.
- Encouraged riders to practice safe social distancing on the bus and at all WTA facilities.
- Limited the number of passengers on buses.
- Provided additional “trailer” buses to accommodate need.
- Engaged many staff to work remotely when possible.
- Put many employees on Administrative Leave and Stand-By Status.
- Utilized federal stimulus funds for operations.
- Received a Federal Emergency Management Agency (FEMA) grant for the reimbursement of COVID-19 related expenses.
- Developed many pandemic response strategies.
- Worked with local agencies to coordinate vaccines for employees.
- Followed all CDC and Department of Labor and Industries guidelines.
- Complied with federal Public Health Emergency Leave requirements.

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The length of time these measures will continue to be in place, and the full, long-term financial impact on the Authority is unknown at this time.

**NOTE 5 - CONTINGENCIES AND LITIGATIONS**

The Authority has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on the available information, management believes it is probable that the Authority will have to make payment. In the opinion of management, the Authority's insurance policies are adequate to pay all known or pending claims.

The Authority participates in several federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Authority management believes that any such disallowances, if any, will be immaterial.

**NOTE 6 – DEPOSITS AND INVESTMENTS**

The Authority is a voluntary participant in the Whatcom County Investment Pool, an external investment pool operated by the 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 Authority reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The WCIP does not impose liquidity fees and explains its deposit and withdrawal procedures in its Operating Terms and Conditions document available on the Whatcom County Treasurer website.

**NOTE 7 - PENSION PLANS**

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (6,350,706)
Deferred outflows of resources	\$ 2,266,437
Deferred inflows of resources	\$ (1,760,354)
Pension expense/expenditures	\$ 474,272

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### **State Sponsored Pension Plans**

Substantially all Whatcom Transportation 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 that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS Comprehensive Annual Financial Report 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.



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## Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January - August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.73%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
September - December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</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

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of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.41%</b>
September – December 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

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

The Authority's actual PERS plan contributions were \$882,692 to PERS Plan 1 and \$1,444,165 to PERS Plan 2/3 for the year ended December 31, 2020.

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### **Actuarial Assumptions**

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

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

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

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

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

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

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

### Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

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**Sensitivity of the Net Pension Liability/ (Asset)**

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

	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	\$5,423,477	\$4,329,925	\$3,376,235
PERS 2/3	12,573,841	2,020,781	(6,669,670)

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2020, the Authority reported a total pension liability of \$6,350,706 for its proportionate share of the net pension liabilities as follows:

	<b>Liability</b>
PERS 1	\$4,329,925
PERS 2/3	\$2,020,781

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

	<b>Proportionate Share 6/30/19</b>	<b>Proportionate Share 6/30/20</b>	<b>Change in Proportion</b>
PERS 1	0.123276%	0.122642%	-0.000634%
PERS 2/3	0.157717%	0.158004%	0.000287%

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*.

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

### **Pension Expense**

For the year ended December 31, 2020, the Authority recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$185,400
PERS 2/3	\$288,871
<b>TOTAL</b>	<b>\$474,272</b>

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(24,107)
Contributions subsequent to the measurement date	\$443,485	\$0
<b>TOTAL</b>	<b>\$443,485</b>	<b>\$(24,107)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$723,410	\$(253,252)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(102,626)
Changes of assumptions	\$28,782	\$(1,380,368)
Changes in proportion and differences between contributions and proportionate share of contributions	\$350,873	\$0
Contributions subsequent to the measurement date	\$719,887	\$0
<b>TOTAL</b>	<b>\$1,822,952</b>	<b>\$(1,736,247)</b>

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Total of All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$723,410	\$(253,252)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(126,734)
Changes of assumptions	\$28,782	\$(1,380,368)
Changes in proportion and differences between contributions and proportionate share of contributions	\$350,873	\$0
Contributions subsequent to the measurement date	\$1,163,372	\$0
<b>TOTAL</b>	<b>\$2,266,437</b>	<b>\$(1,760,354)</b>

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

Year ended December 31:	PERS 1
2021	\$(109,400)
2022	\$(3,441)
2023	\$33,381
2024	\$55,352
2025	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2021	\$(750,943)
2022	\$(112,871)
2023	\$123,477
2024	\$246,052
2025	\$(50,931)
Thereafter	\$(87,966)

#### NOTE 8 – LONG-TERM DEBT

The Authority has an outstanding line of credit in the amount of \$6,000,000. The balance as of December 31, 2020 was \$0.

#### NOTE 9 – RISK MANAGEMENT

Whatcom Transportation Authority is a member of the Washington State Transit Insurance Pool (WSTIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal



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Cooperation Act. The Pool was formed by Interlocal Agreement on January 1, 1989. To date, 26 transit agencies have joined the Pool.

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.

WTA joined WSTIP in December 1995, for coverage effective January 1, 1996. WTA has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

Current coverage and deductible levels are available upon request.

#### **NOTE 10– HEALTH & WELFARE**

Whatcom Transportation 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



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Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

**WHATCOM TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2020**

**(These notes are an integral part of these financial statements)**

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.

**WHATCOM TRANSPORTATION AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Foot-note Reference
				From Pass- Through Awards	From Direct Awards	Total	
Federal Transit Cluster							
Federal Transit Administration, Department of Transportation	Federal Transit Formula Grants	20.507	WA-90-X548	-	15,200	15,200	1, 2, 3
Federal Transit Administration, Department of Transportation	Federal Transit Formula Grants	20.507	WA-2019-069	-	1,312,686	1,312,686	1, 2, 3
Federal Transit Administration, Department of Transportation	Federal Transit Formula Grants	20.507	WA-2020-095	-	719,738	719,738	1, 2, 3
Federal Transit Administration, Department of Transportation	COVID 19 - Federal Transit Formula Grants	20.507	WA-2020-047	-	8,786,277	8,786,277	1, 2, 3
Total CFDA 20.507:				-	10,833,901	10,833,901	
Federal Transit Administration, Department of Transportation	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2020-093	-	21,508	21,508	1, 2, 3
Federal Transit Administration, Department of Transportation (via Washington State Department of Transportation)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2020-095	215,543	-	215,543	1, 2, 3
Total CFDA 20.526:				215,543	21,508	237,051	
Transit Services Programs Cluster							
Federal Transit Administration, Department of Transportation (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0071	35,444	-	35,444	1, 2, 3
Total Transit Services Programs Cluster:				35,444	-	35,444	
Research & Development Cluster							
Federal Transit Administration, Department of Transportation	Public Transportation Innovation	20.530	WA-2020-069	-	160,660	160,660	1, 2, 3
Total Research & Development Cluster:				-	160,660	160,660	
Total Federal Awards Expended:				250,987	11,016,069	11,267,056	

**NOTE 1 – BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the Authority's financial statements. The Authority uses the full-accrual basis of accounting.

**NOTE 2 – INDIRECT COST RATE**

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

**NOTE 4 – NONCASH AWARDS - Unaudited**

Personal protective equipment in the amount of \$3,195 represents the value of cloth masks received by the Authority during current year and priced as prescribed by the Federal Transit Administration.

**WHATCOM TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2020**

**Whatcom Transportation Authority  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30:**

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.122642%	0.123276%	0.121820%	0.116134%	0.113245%	0.114870%	0.114069%
Employer's proportionate share of the net pension liability	\$ 4,329,925	\$ 4,740,400	\$ 5,440,523	\$ 5,510,649	\$ 6,081,790	\$ 6,008,769	\$ 5,746,279
Covered payroll	\$ 18,538,492	\$ 17,220,954	\$ 16,170,727	\$ 14,633,946	\$ 13,433,571	\$ 12,931,070	\$ 12,365,861
Employer's proportionate share of the net pension liability as a percentage of covered payroll	23.36%	27.53%	33.64%	37.66%	45.27%	46.47%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

**Whatcom Transportation Authority  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3  
As of June 30:**

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.158004%	0.157717%	0.154941%	0.147940%	0.142251%	0.143104%	0.141492%
Employer's proportionate share of the net pension liability	2,020,781	1,531,968	2,645,480	5,140,208	7,162,225	5,113,187	2,860,064
Covered payroll	18,474,730	17,158,336	16,109,190	14,561,826	13,317,631	12,728,953	12,158,934
Employer's proportionate share of the net pension liability as a percentage of covered payroll	10.94%	8.93%	16.42%	35.30%	53.78%	40.17%	23.52%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

**WHATCOM TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2020**

**Whatcom Transportation Authority  
Schedule of Employer Contributions  
PERS 1**

**For the year ended December 31:**

	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	882,692	898,146	856,033	759,821	672,192	577,964	523,496
Contributions in relation to the statutorily or contractually required contributions	(882,692)	(898,146)	(856,033)	(759,821)	(672,192)	(577,964)	(523,496)
Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered payroll	18,297,993	18,068,461	16,812,665	15,413,674	13,976,438	13,029,862	12,666,334
Contributions as a percentage of covered payroll	4.82%	4.97%	5.09%	4.93%	4.81%	4.44%	4.13%

**Whatcom Transportation Authority  
Schedule of Employer Contributions  
PERS 2/3**

**For the year ended December 31:**

	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	1,444,165	1,389,803	1,256,296	1,055,358	865,216	727,640	620,275
Contributions in relation to the statutorily or contractually required contributions	(1,444,165)	(1,389,803)	(1,256,296)	(1,055,358)	(865,216)	(727,640)	(620,275)
Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered payroll	18,234,395	18,004,064	16,750,321	15,353,706	13,874,771	12,917,257	12,418,906
Contributions as a percentage of covered payroll	7.92%	7.72%	7.50%	6.87%	6.24%	5.63%	4.99%

## 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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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