



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Whatcom Transportation Authority

For the period January 1, 2020 through December 31, 2021

Published June 9, 2022

Report No. 1030685



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

June 9, 2022

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,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Whatcom Transportation Authority January 1, 2021 through December 31, 2021

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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, 2020 through December 31, 2021

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 2, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies. 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 or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 2, 2022

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, 2021 through December 31, 2021

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Whatcom Transportation Authority, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Programs

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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 2, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Whatcom Transportation Authority January 1, 2020 through December 31, 2021

Board of Directors
Whatcom Transportation Authority
Bellingham, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Whatcom Transportation Authority, as of and for the year ended December 31, 2021 and comparative year 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Whatcom Transportation Authority, as of the year ended December 31, 2021 and comparative year 2020 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 4 to the 2021 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The 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) are presented for purposes of additional analysis and are 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, this 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 June 2, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

June 2, 2022

FINANCIAL SECTION

Whatcom Transportation Authority January 1, 2020 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021 and 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021 and 2020

Statement of Revenues, Expenses and Changes in Net Position – 2021 and 2020

Statement of Cash Flows – 2021 and 2020

Notes to Financial Statements – 2021 and 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2021
and 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021 and 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

Overview

The management of Whatcom Transportation Authority (WTA) provides the readers of WTA's Financial Statements with this narrative as an overview and analysis of the financial activities for the year ended December 31, 2021.

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 dial-a-ride 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.
- On-Demand Service – A new service that allows passengers to hail a ride anywhere within the City of Lynden. Rides can be booked via our mobile app or by calling WTA. Rides are open to all passengers and vehicles are ADA compliant.

WTA continues to provide essential transportation to our community during the COVID-19 pandemic; Financial Statement Note 4 details WTA's response.

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 2021 while responding to a rapidly changing environment resulting from the world-wide pandemic. The 2021 accomplishments are shown below.

Safety

- Worked with the Lummi Nation to provide a COVID vaccine clinic for WTA employees.
- Provided safe, reliable service during the extreme heat wave, multiple flood events and snowstorms.
- Partnered with City and County officials on extreme heat response, flood evacuations, transportation for flood response-volunteers and provision of warming buses.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

Advocacy/Partnerships

- Delivered food boxes from the Bellingham Food Bank to local families.
- Worked with several jurisdictions to secure a reliable multi-agency radio communications system.
- Worked with school districts, non-profits, and others to introduce the Youth Ride Free program.
- Provided same day free rides to vaccination clinics when possible.

Fiscal Stewardship

- Ended the year within approved budget parameters, with growth in sales tax and reduced expenditures.
- Received the 24th consecutive clean financial and accountability audit from the Washington State Auditor's Office.
- Received funding through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA).
- Implemented multi-factor authentication for system access to address potential cyber security threats.

Succession Planning

- Continued to train and develop staff via remote learning opportunities.
- Reviewed and updated various job descriptions to reflect current duties.
- Two employees completed the Washington State Transit Association's (WSTA) Transit Next Leadership Institute (TNLI).

Carbon Impacts

- Received WSDOT's Green Transportation Grant for two (2) electric buses and two (2) charging stations.
- Launched two (2) electric buses into service to begin testing performance.
- Continued to convert the paratransit fleet from gasoline to propane fuel. Twelve (12) propane buses are on order and delayed due to supply chain issues.

Innovation

- Implemented paratransit automated "call aheads" to alert passengers when the bus is on its way.
- Installed GPS tracking units on vanpool vehicles to assist with monitoring and claim investigations.
- Launched a new on-demand pilot project, funded by an FTA Integrated Mobility Innovations grant.

Looking Forward

- WTA's first Long Range Transit Plan was completed and approved by the Board of Directors in February 2022. This plan provides a framework for service improvements between now and 2040.
- Completed the purchase of the adjacent "North Lot" and began planning for future development.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

- Developed an internal Innovation Team to generate and evaluate new service models to respond to changing community demand.

The passage of the Move Ahead Washington Transportation package and the Infrastructure Investment and Jobs Act (IIJA) provide historic funding for the transportation industry including \$3 billion for public transportation. With guidance from our Board of Directors, WTA will assess how these funds can best be used to support our communities, address equity concerns, face environmental concerns and continue providing safe, accessible, and reliable transportation.

Financial Highlights

The assets and total deferred outflows of resources of WTA exceeded its liabilities and deferred inflows of resources at December 31, 2021, by \$91.5 million. Of this amount, \$47.5 million represents WTA's net position invested in capital assets. In the unrestricted amount, the WTA Board has designated reserves of \$14.2 million for operations, fleet replacement and expansion and cash designated for additional capital projects.

WTA's Total Net Position increased by \$18.1 million or 24.7% over 2020. Nonoperating revenues, including sales tax and grant revenue totaling \$16.8 million is not included in the \$33.6 million operating loss before Nonoperating Revenues and Expenses. This is the first year WTA shows a Restricted Net Position relating to the new Pension Asset resulting from the State's PERS Plan 2/3 being fully funded.

WTA continues to fund operations via current cash flow and remains debt free during the year. Cash balances, less designated reserves, are planned for future operating and capital expenses.

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.

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.

WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021

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, 2021, 2020 and 2019, follows:

Condensed Statement of Net Position

	2021	2020	2019
Current Assets	\$ 47,983,525	\$ 43,664,195	\$ 37,506,822
Noncurrent Assets	15,253,813	-	-
Capital Assets	47,469,810	40,553,644	41,267,687
Total Assets	\$ 110,707,148	\$ 84,217,839	\$ 78,774,509
Total Deferred Outflows of Resources	\$ 2,036,733	\$ 2,266,437	\$ 2,095,589
Current Liabilities	\$ 3,855,661	\$ 4,807,855	\$ 3,799,348
Noncurrent Liabilities	1,698,412	6,548,499	6,396,918
Total Liabilities	\$ 5,554,073	\$ 11,356,354	\$ 10,196,266
Total Deferred Inflows of Resources	\$ 15,728,359	\$ 1,760,354	\$ 3,520,430
Invested in capital assets (net of debt)	\$ 47,469,810	\$ 40,553,644	\$ 41,267,687
Restricted	2,818,227	-	-
Unrestricted	41,173,412	32,813,924	25,885,715
Total Net Position	\$ 91,461,449	\$ 73,367,568	\$ 67,153,402

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

Assets

2021 current assets increased \$4.3 million or 9.9% over 2020 primarily due to funds received from the CRSSA Act, an increase in taxes receivable at year end and a larger accounts receivable balance due to higher pass sales. 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.

The federal relief funds were distributed to WTA to cover operating and specific COVID-19 response expenses incurred during both years. WTA used these funds to reimburse wages and benefits allowing the agency to keep all employees on the payroll for 2021 and 2020.

The noncurrent pension asset increased \$15.3 million or 100% over 2020. The asset results from PERS Retirement Plans 2 and 3 becoming fully funded during 2021 and the required entry from GASB 68.

Net capital assets for 2021 increased \$6.9 million or 17.1% from the prior year due to the addition of two (2) electric fixed route buses, nine (9) paratransit vehicles, eight (8) fixed route diesel buses, and the purchase of the North Lot property. During 2020, net capital assets decreased \$714 thousand, or 1.7% from 2019 resulting from depreciation expense and disposals of assets outpacing additions.

Deferred Outflows of Resources

Deferred outflows of resources decreased \$230 thousand or 10.1% from 2020 and \$171 thousand, or 8.2% over 2019 due to the required pension adjustments resulting from Governmental Accounting Standards Board (GASB) Statement 68 requirements.

Liabilities

2021 current liabilities decreased \$952 thousand or 19.8% from the prior year as all bus orders had been received and paid. 2020 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.

Noncurrent liabilities in 2021 declined \$4.9 million or 74.1% from the prior year primarily due to a \$4.8 million pension liability adjustment required by GASB 68. During 2020, noncurrent liabilities increased \$152 thousand or 2.4% over 2019 due to the GASB 68 adjustment and an increase in compensated absences from additional pandemic leave granted and reduced vacations taken.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

Deferred Inflows of Resources

Deferred inflows of resources increased dramatically in 2021, \$14.0 million or 793.5% over 2020 related to the net pension asset balance for PERS pension plans 2/3 required by GASB 68. During 2020, deferred inflows of resources decreased \$1.8 million, or 50.0% over 2019 due to pension adjustments required by GASB 68.

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.

For 2021, net position increased \$18.1 million, or 24.7% over the prior year primarily due to the growth in sales tax, grant revenues and the receipt of \$9.3 million in federal relief funds. WTA's 2020 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 utilized to support the agency providing safe, ongoing service during the pandemic.

Net position is reported in the following three 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 Whatcom County.

Restricted: WTA funds restricted for the pension asset resulting from PERS Plans 2 and 3 becoming fully funded during 2021.

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.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

A summarized comparison of WTA's revenues, expenses, and changes in net position for the years ended December 31, 2021, 2020 and 2019, follows:

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

	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Operating Revenues	\$ 684,831	\$ 746,629	\$ 2,684,705
Operating Expenses	<u>34,254,339</u>	<u>36,410,572</u>	<u>36,648,256</u>
Operating (Loss)	(33,569,508)	(35,663,943)	(33,963,551)
Non-operating Revenue	51,866,900	42,096,437	35,646,509
Non-operating Expense	-	(1,558)	-
Special Item	(49,018)	-	-
(Loss) / Gain on Disposal of Assets	<u>(154,493)</u>	<u>(216,770)</u>	<u>9,736</u>
Increase / (Decrease) in Net Position	18,093,881	6,214,166	1,692,694
Net Position - Beginning of Period	<u>73,367,568</u>	<u>67,153,402</u>	<u>65,460,708</u>
Net Position - End of Period	<u><u>\$ 91,461,449</u></u>	<u><u>\$ 73,367,568</u></u>	<u><u>\$ 67,153,402</u></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. For 2021, operating revenues declined \$62 thousand or 8.3% from 2020 as fares suspension continued until July 1st and ridership has not fully recovered to pre-pandemic levels. During 2020, operating revenues decreased \$1.9 million, or 72.2% primarily due to the suspension of fare collection on March 18th to support continued safe operations during the pandemic.

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

2021 sales tax revenues, \$5.5 million or 18.7% over 2020, grew with continued home projects, growing local construction and increased travel and hospitality once the Canadian border reopened. During 2020, sales tax receipts declined \$504 thousand, or 1.7% from

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

2019 – a remarkably small decline with the Canadian border closed to non-essential traffic for 9 months of the year due to the pandemic.

WTA received approximately \$9.3 and \$8.8 million in federal CRRSSA and CARES Act funds during 2021 and 2020 respectively, to support continued operations during COVID-19.

WTA was granted \$5,000 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 only offered during 2020 to assist members in offsetting pandemic response expenses.

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 2021 and 2020.

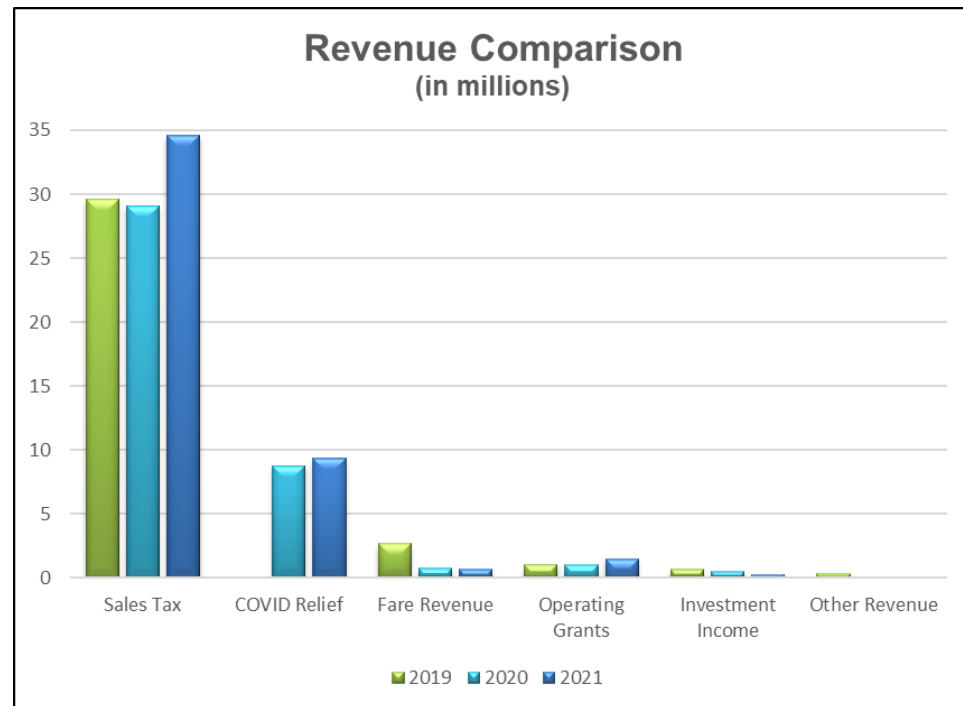
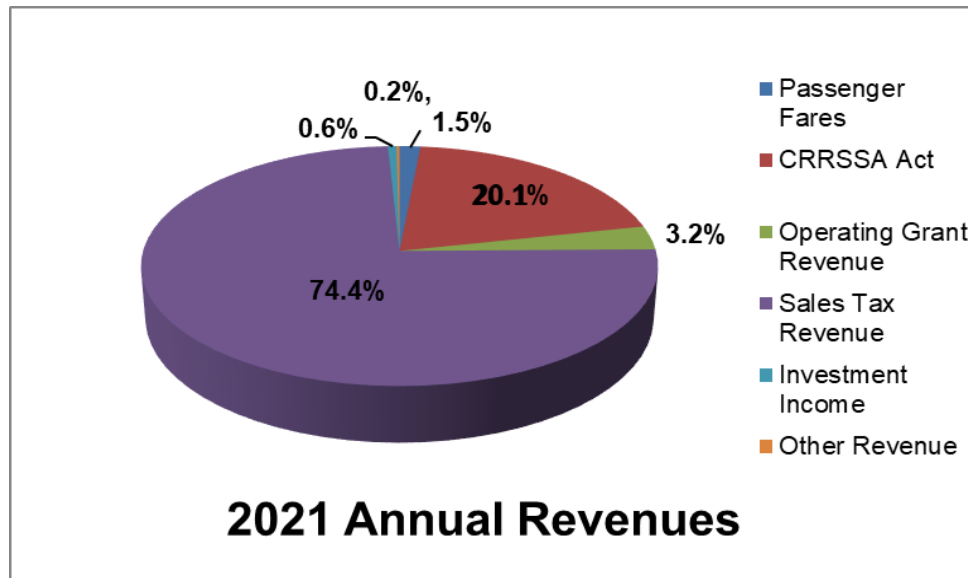
Despite larger cash holdings in 2021, interest income declined \$218 thousand or 43.9% from the prior year. During 2020, investment income declined \$153 thousand, or 23.5% over the prior year despite larger cash holdings. Interest rates for both years were at record lows as the market reacted to the concerns surrounding the pandemic and the Federal Reserve Board attempted to energize the economy.

The Federal Reserve has indicated plans to raise rates up to seven (7) times during 2022 to combat the nation's growing inflation rate. The first increase of .25% occurred in March 2022. These increased rates and the level of WTA's cash holdings should have a positive impact on the agency's interest income in 2022.

Revenue Analysis

Revenues	2021	2020	2019	2021 % of Total	2021 vs. Prev Yr
Operating	\$ 684,831	\$ 746,629	\$ 2,684,705	1.31%	\$ (61,798)
Invest. Income	279,227	497,328	650,122	0.53%	(218,101)
Sales Tax	34,563,375	29,107,689	29,611,528	65.96%	5,455,686
Operating Grants	10,826,322	9,795,432	1,054,875	20.66%	1,030,890
Capital Grants	5,946,169	2,509,685	3,981,364	11.35%	3,436,484
Other Revenue	251,807	186,303	348,620	0.48%	65,504
(Loss) / Gain on Disposal of Assets	(154,493)	(216,770)	9,736	-0.29%	62,277
Total Revenue	\$ 52,397,238	\$ 42,626,296	\$ 38,340,950	100.00%	\$ 9,770,942

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**



Expenses

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

Wages and salaries paid to employees during 2021 increased \$813 thousand or 4.4% over 2020 with all employees receiving a cost-of-living adjustment (COLA) between 3.00% and 3.25%; and many employees also receiving 5% step increase from one pay rate to the next higher rate within the established salary range for the class or position. During 2020, wages

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

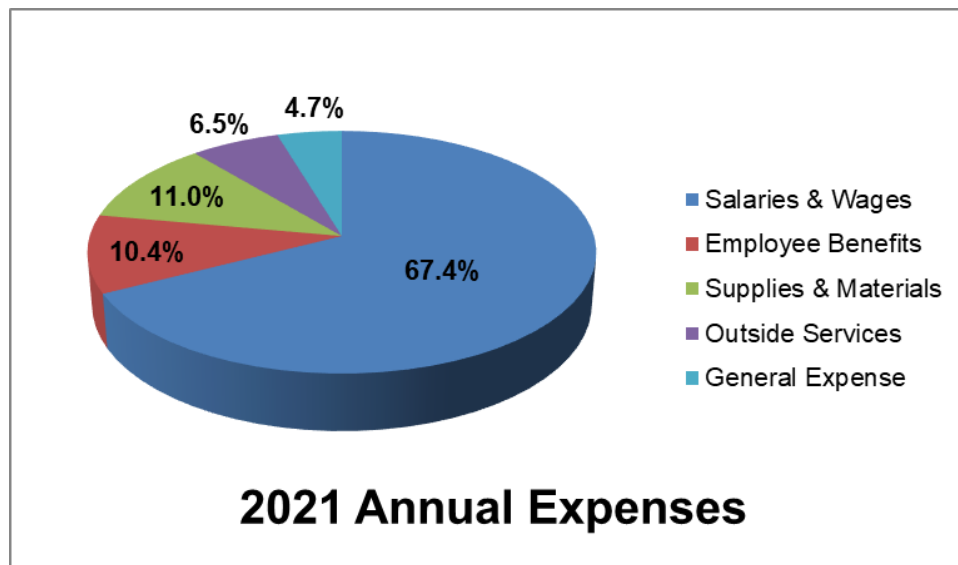
and salaries decreased \$266 thousand or 1.5% from 2019 as all employees received a 3.25% COLA and many also received a step increase.

During 2021, benefit costs decreased by \$3.8 million or 56.0% primarily due to the reduction in pension expense required by GASB 68. For 2020, benefits decreased by \$268 thousand or 3.8% primarily due to the required adjustment for GASB 68. The adjustment to pension expense (included in benefits expense) can vary each year depending on the State of Washington's actuarial values of the PERS pension plans.

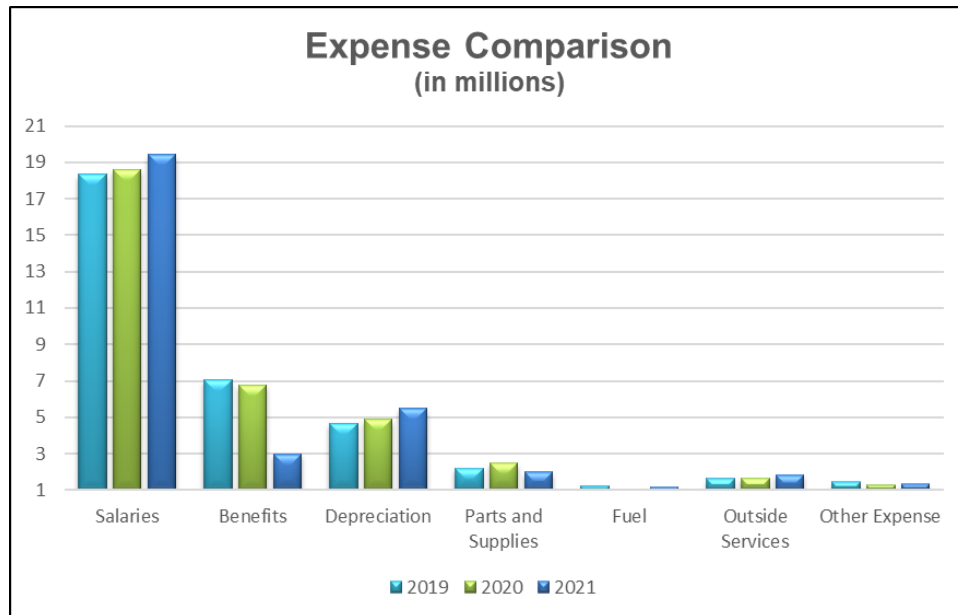
Supplies and services expense increased \$252 thousand or 4.1% over 2020 as WTA began a return to full service and projects restarted. During 2020, these expenses decreased \$446 thousand or 6.8% from 2019 as service was reduced and projects put on hold.

Depreciation expense grew by \$580 thousand or 11.9% as WTA added new assets to its books. For 2020, depreciation increased slightly at \$210 thousand or 4.5%.

Capital expenses increased during 2021 as the agency received, paid for, and put into service buses and other projects delayed in 2020. WTA continues to assess and determine future capital projects necessary to support the WTA 2040 plan and our community needs.



**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**



2021 Budgetary Analysis

WTA's 2021 actual operating revenues were below budget by \$73 thousand or 9.7% due to lower-than-expected fare revenues. Fare collection resumed on July 1, 2022, versus a planned date of March 1, 2022. Nonoperating revenues exceeded the budget by \$11.66 million or 29.0%. This was primarily due to receipt of the unbudgeted Federal Transit Authority CRRSSA Act Grant of \$9.34 million in 2021.

Operating expenses also ended the year favorably compared with the 2021 budget. WTA expended \$8.0 million less than budget or 19.0%. This variance occurred primarily due to overall lower benefit costs resulting from the required pension expense credit, lower supplies and materials expense, and lower outside services expense. These reductions in costs reflect the continued impact of the COVID-19 pandemic on WTA.

The comparison of the 2021 actuals to 2021 budget is on the following page.

**WHATCOM TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
For the Year Ended December 31, 2021**

**2021 Condensed Statement of
Actual to Budgeted Results**

(including depreciation)

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>% CHANGE</u>
Operating Revenues	\$ 684,831	\$ 758,100	\$ (73,269)	-9.7%
Operating Expenses	<u>34,254,339</u>	<u>42,266,539</u>	<u>(8,012,200)</u>	-19.0%
Operating (Loss)	(33,569,508)	(41,508,439)	7,938,931	-19.1%
Non-operating Revenue	51,866,900	40,208,081	11,658,819	29.0%
Special Item	(49,018)	-	(49,018)	100.0%
(Loss) / Gain on Disposal of Assets	<u>(154,493)</u>	<u>-</u>	<u>(154,493)</u>	100.0%
Increase / (Decrease) in Net Position	18,093,881	(1,300,358)	19,394,239	-1491.5%
Net Position - Beginning of Period	<u>73,367,568</u>	<u>73,367,568</u>	<u>-</u>	0.0%
Net Position - End of Period	<u><u>\$ 91,461,449</u></u>	<u><u>\$ 72,067,210</u></u>	<u><u>\$ 19,394,239</u></u>	<u>26.9%</u>

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, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents	\$ 38,800,480	\$ 35,001,538
Taxes Receivable	6,026,316	5,560,140
Grants Receivable	1,210,473	1,369,598
Interest Receivable	21,918	36,026
Accounts Receivable	418,104	155,045
Inventories	1,213,100	1,241,127
Prepayments	<u>293,134</u>	<u>300,721</u>
Total Current Assets	<u>47,983,525</u>	<u>43,664,195</u>
Noncurrent assets:		
Pension Asset	15,253,813	-
Capital Assets not Being Depreciated:		
Land	7,170,167	6,130,578
Work in Progress	327,075	3,204,289
Capital Assets Being Depreciated:		
Buildings	24,263,281	23,880,804
Improvements	6,501,589	6,460,068
Transportation Equipment	43,972,280	35,676,705
Other Equipment	3,938,978	3,978,961
Maintenance/Shop Equipment	2,007,320	2,001,886
Communications Equipment	8,904,491	4,806,008
Less: Accumulated Depreciation	<u>(49,615,371)</u>	<u>(45,585,655)</u>
Total Noncurrent Assets	62,723,623	40,553,644
 TOTAL ASSETS	 <u>\$ 110,707,148</u>	 <u>\$ 84,217,839</u>
 DEFERRED OUTFLOWS of RESOURCES		
Deferred Outflows Related to Pensions	\$ 2,036,733	\$ 2,266,437
 TOTAL DEFERRED OUTFLOWS of RESOURCES	 <u>\$ 2,036,733</u>	 <u>\$ 2,266,437</u>

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

WHATCOM TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION

December 31, 2021 and 2020

LIABILITIES	<u>2021</u>	<u>2020</u>
Current liabilities:		
Accounts Payable	\$ 482,489	\$ 1,618,698
Accrued Compensated Absences	2,145,108	2,068,733
Accrued Wages	766,954	682,046
Other Accrued Liabilities	404,609	430,045
Due to other governmental agencies	49,018	-
Unearned Revenue	<u>7,483</u>	<u>8,333</u>
Total Current Liabilities	<u>3,855,661</u>	<u>4,807,855</u>
Noncurrent Liabilities:		
Pension Liability	1,469,230	6,350,706
Accrued Long-Term Compensated Absences	219,121	192,367
Other Noncurrent Liabilities	<u>10,061</u>	<u>5,426</u>
Total Noncurrent Liabilities	<u>1,698,412</u>	<u>6,548,499</u>
 TOTAL LIABILITIES	 <u>\$ 5,554,073</u>	 <u>\$ 11,356,354</u>
 DEFERRED INFLOWS of RESOURCES		
Deferred Inflows Related to Pensions	\$ 15,728,359	\$ 1,760,354
 TOTAL DEFERRED INFLOWS of RESOURCES	 <u>\$ 15,728,359</u>	 <u>\$ 1,760,354</u>
 NET POSITION		
Net Investment in Capital Assets	47,469,810	40,553,644
Restricted for Pension Asset	2,818,227	-
Unrestricted	<u>41,173,412</u>	<u>32,813,924</u>
TOTAL NET POSITION	<u>\$ 91,461,449</u>	<u>\$ 73,367,568</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Passenger Fares	\$ 684,831	\$ 746,629
Total Operating Revenues	<u>684,831</u>	<u>746,629</u>
OPERATING EXPENSES:		
Salaries	19,421,203	18,608,624
Benefits	2,988,913	6,789,258
Supplies	2,615,170	2,579,975
Services	3,759,091	3,542,310
Depreciation	5,469,962	4,890,405
Total Operating Expenses	<u>34,254,339</u>	<u>36,410,572</u>
Operating Loss	<u>(33,569,508)</u>	<u>(35,663,943)</u>
NONOPERATING REVENUES (EXPENSES):		
Sales Tax	34,563,375	29,107,689
External Subsidies - Grant Revenue	16,772,491	12,305,117
Investment Income	279,227	497,328
Other Nonoperating Revenues	251,807	186,303
Interest Expense	-	(1,558)
Total Nonoperating Revenues (Expenses)	<u>51,866,900</u>	<u>42,094,879</u>
Gain before Contributions, Gains and Losses	18,297,392	6,430,936
Special item	(49,018)	-
(Loss) / Gain on asset disposal	<u>(154,493)</u>	<u>(216,770)</u>
Increase in net position	18,093,881	6,214,166
Net Position - Beginning of Period	<u>73,367,568</u>	<u>67,153,402</u>
Net Position - End of Period	<u>\$ 91,461,449</u>	<u>\$ 73,367,568</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS from OPERATING ACTIVITIES		
Receipts from customers	\$ 421,772	\$ 619,707
Payments to suppliers	(7,601,430)	(5,335,361)
Payments to employees	(28,068,699)	(26,943,203)
Other receipts	(293,793)	(1,274,957)
Other payments	<u>14,813</u>	<u>(72,002)</u>
Net cash used by operating activities	(35,527,337)	(33,005,816)
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
Sales Tax receipts	34,563,375	29,107,689
Operating contributions - grants	10,826,322	9,795,432
Other noncapital financing activities	<u>251,807</u>	<u>186,303</u>
Net cash provided by noncapital financing activities	45,641,504	39,089,424
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Capital contributions - grants	5,946,169	2,509,685
Purchases of capital assets	(12,386,128)	(4,176,363)
Other payments	(154,493)	(216,770)
Interest paid on capital debt	<u>-</u>	<u>(1,558)</u>
Net cash used by capital and related financial activities	(6,594,452)	(1,885,006)
CASH FLOWS from INVESTING ACTIVITIES		
Interest and dividends	<u>279,227</u>	<u>497,328</u>
Net cash provided by investing activities	<u>279,227</u>	<u>497,328</u>
Net increase in cash and cash equivalents	3,798,942	4,695,930
Balances - beginning of the year	<u>35,001,538</u>	<u>30,305,608</u>
Balances - end of the year	<u>\$ 38,800,480</u>	<u>\$ 35,001,538</u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	\$ (33,569,508)	\$ (35,663,943)
Adjustments to reconcile operating loss to net cash used:		
Depreciation expense	5,469,962	4,890,405
Change in assets and liabilities:		
Receivables	(556,002)	(1,401,879)
Inventories and other current assets	35,614	(59,564)
Accounts and other payables	(952,194)	1,008,507
Accrued expenses	<u>(5,955,209)</u>	<u>(1,779,342)</u>
Net cash used by operating activities	<u>\$ (35,527,337)</u>	<u>\$ (33,005,816)</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, 2021**

(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, 2021, Whatcom Transportation Authority was holding \$38,800,480, in short-term residual investments of surplus cash, of which \$38,299,239 was held in the Whatcom

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

(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 2020 year-end balance was \$35,001,538.

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, 2021, consist of \$5,988,382 in state sales tax receivable for the months of November and December 2021, and \$37,934 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, 2020, were \$5,542,145 and \$17,995, respectively.

Grants receivable at December 31, 2021, consist of \$324,463 due from the Washington State Department of Transportation, \$864,165 due from the Federal Transit Administration, and \$21,845 due from the Federal Emergency Management Agency. Grants receivable at December 31, 2020, were \$252,149 due from the Washington State Department of Transportation and \$1,117,449 due from the Federal Transit Administration.

Interest receivable at December 31, 2021, totaled \$21,918. 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, 2020, was \$36,026.

Accounts receivable at December 31, 2021, of \$418,104 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 2020 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, 2020, were \$155,045.

3. Inventories are valued by the weighted average method. Inventories were valued at \$1,213,100 at December 31, 2021, and \$1,241,127 at December 31, 2020.

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, 2021

(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, 2021, a liability of \$2,364,229 has been accrued for vacation, sick leave, and related benefits. The liability at year end 2020 was \$2,261,100.

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

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

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

have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net pension related to the net pension asset, the Authority includes the net pension asset and the related deferred outflows and deferred inflows.

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. As of December 31, 2021, \$7,483 was recognized for advertising and rent revenue received but not earned at year end. \$8,333 for unearned advertising revenue was recognized in 2020.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 6,130,578	\$ 1,039,589	\$ -	\$ 7,170,167
Work in progress	3,204,289	284,116	3,161,330	327,075
Total Capital Assets, Not being Depreciated	9,334,867	1,323,705	3,161,330	7,497,242
Capital assets, being depreciated:				
Buildings	23,880,804	382,477	-	24,263,281
Improvements other than buildings	6,460,068	41,521	-	6,501,589
Transportation equipment	35,676,705	9,914,672	1,619,097	43,972,280
Communications equipment	4,806,008	4,098,483	-	8,904,491
Maintenance/shop equipment	2,001,886	5,434	-	2,007,320
Other equipment	3,978,961	-	39,983	3,938,978
Total Capital Assets being Depreciated	76,804,432	14,442,587	1,659,080	89,587,939
Less accumulated depreciation for:				
Buildings	14,641,493	1,196,938	-	15,838,431
Improvements other than buildings	3,043,219	337,167	-	3,380,386
Transportation equipment	21,007,774	3,239,909	1,400,262	22,847,421
Communications equipment	2,300,271	456,698	-	2,756,969
Maintenance/shop equipment	1,392,456	86,022	-	1,478,478
Other equipment	3,200,442	153,228	39,984	3,313,686
Total Accumulated Depreciation	45,585,655	5,469,962	1,440,246	49,615,371
Total Capital Assets, Net	\$ 40,553,644	\$ 10,296,330	\$ 3,380,164	\$ 47,469,810

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(These notes are an integral part of these financial statements)

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
Total Capital Assets, Not being Depreciated	7,510,153	3,201,328	1,376,614	9,334,867
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
Total Capital Assets being Depreciated	76,618,274	2,582,086	2,395,928	76,804,432
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
Total Accumulated Depreciation	42,860,740	4,890,399	2,165,484	45,585,655
Total Capital Assets, Net	\$41,267,687	\$ 893,015	\$1,607,058	\$40,553,644

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

NOTE 3 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Pension obligations	\$ 6,350,706	-	4,881,476	\$ 1,469,230	-
Compensated absences	192,367	26,754	-	219,121	-
Other noncurrent liabilities	5,426	4,635	-	10,061	-
Total Long-Term Liabilities	\$6,548,499	\$31,389	4,881,476	\$1,698,412	-

NOTE 4 – COVID-19 PANDEMIC

WTA continued to follow the requirements under the February 2020 declared state of emergency by the Governor, in response to the spread of the deadly 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, this declaration is still active.
- Maintained an Incident Management Team, this team is still active.
- Suspended fare collection from March 18, 2020, through June 30, 2021.
- Implemented reduced service from March 29, 2020, through June 12, 2021.
- Encouraged riders to practice safe social distancing on the bus and at all WTA facilities.
- Limited the number of passengers on buses; discontinued.
- Provided additional “trailer” buses to accommodate need; discontinued.
- Allowed staff to work remotely when possible.
- Utilized federal stimulus funds for operations.
- Developed multiple pandemic response strategies.
- Worked with local agencies to coordinate vaccine access for employees.
- Followed all CDC and Department of Labor and Industries guidelines.

The length of time these measures will continue to be in place, and the full, long-term fiscal impact on the Authority is unknown at this time. The emergency for the State of Washington and the agency remained in effect as of December 31, 2021.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

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 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (1,469,230)
Pension assets	\$15,253,813
Deferred outflows of resources	\$2,036,733
Deferred inflows of resources	\$(15,728,359)
Pension expense/expenditures	\$ (3,734,967)

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

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

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS)

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

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

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(These notes are an integral part of these financial statements)

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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2021:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July - December 2021:		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%

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

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(These notes are an integral part of these financial statements)

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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

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

The Authority's actual PERS plan contributions were \$831,028 to PERS Plan 1 and \$1,371,588 to PERS Plan 2/3 for the year ended December 31, 2021.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

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

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% 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 of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

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

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 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 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, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

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.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$2,502,916	\$1,469,230	\$567,749
PERS 2/3	(4,345,515)	(15,253,813)	(24,236,802)

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, 2021, the Authority reported its proportionate share of the net pension liabilities and net pension assets as follows:

	Liability (or Asset)
PERS 1	\$1,469,230
PERS 2/3	\$(15,253,813)

At June 30, 2021, the Authority's proportionate share of the collective net pension liabilities and net pension assets was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.122642%	0.120307%	-0.002335%
PERS 2/3	0.158004%	0.153126%	0.004878%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, 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*.

WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

Pension Expense

For the year ended December 31, 2021, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (354,251)
PERS 2/3	(3,380,717)
TOTAL	\$ (3,734,967)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$ (1,630,354)
Contributions subsequent to the measurement date	\$374,314	\$0
TOTAL	\$374,314	\$ (1,630,354)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$740,856	\$(186,997)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(12,748,610)
Changes of assumptions	\$22,291	\$(1,083,273)
Changes in proportion and differences between contributions and proportionate share of contributions	\$263,495	\$(79,125)
Contributions subsequent to the measurement date	\$635,778	\$0
TOTAL	\$1,662,419	\$(14,098,005)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2022	\$(431,881)
2023	\$ (395,760)
2024	\$(374,207)
2025	\$(428,505)
2026	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2021	\$ (3,413,041)
2022	\$(3,183,991)
2023	\$ (3,065,917)
2024	\$ (3,355,030)
2025	\$(52,408)
Thereafter	\$(976)

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

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

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, 2021, and 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 Cooperation Act. The Pool was formed by Interlocal Agreement on January 1, 1989. To date, 25 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 months' notice 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.

**WHATCOM TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

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

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 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, 2021, 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

**WHATCOM TRANSPORTATION AUTHORITY
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For the Year Ended December 31, 2021**

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

with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

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

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

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

NOTE 11 – SPECIAL ITEM – SALE OF FTA FUNDED VEHICLES

During 2021, WTA sold at auction, surplus revenue vehicles that had reached the end of their useful lives. These vehicles were originally purchased using Federal Transit Administration (FTA) grant funding. Per FTA Circular 5010.1E, Page IV-42, when a vehicle is sold for greater than \$5,000, FTA is entitled to an amount calculated by multiplying the proceeds from sale by FTA's percentage of participation in the cost of the original purchase. With FTA approval, WTA has been authorized to keep the federal share of \$49,018 in a restricted account to be applied to a future eligible capital transit project.

**WHATCOM TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021**

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

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.120307%	0.122642%	0.123276%	0.121820%	0.116134%	0.113245%	0.114870%	0.114069%
Employer's proportionate share of the net pension liability	\$ 1,469,230	\$ 4,329,925	\$ 4,740,400	\$ 5,440,523	\$ 5,510,649	\$ 6,081,790	\$ 6,008,769	\$ 5,746,279
Covered payroll	\$18,446,099	\$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	7.96%	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	88.74%	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 (Asset)
PERS 2/3
As of June 30:**

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.153126%	0.158004%	0.157717%	0.154941%	0.147940%	0.142251%	0.143104%	0.141492%
Employer's proportionate share of the net pension liability (asset)	(15,253,813)	2,020,781	1,531,968	2,645,480	5,140,208	7,162,225	5,113,187	2,860,064
Covered payroll	18,380,000	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 (asset) as a percentage of covered payroll	-82.99%	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	120.29%	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, 2021**

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

For the year ended December 31:

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	831,028	882,692	898,146	856,033	759,821	672,192	577,964	523,496
Contributions in relation to the statutorily or contractually required contributions	(831,028)	(882,692)	(898,146)	(856,033)	(759,821)	(672,192)	(577,964)	(523,496)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	19,354,561	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	4.29%	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:

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	1,371,588	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	(1,371,588)	(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	0
Covered payroll	19,287,027	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	7.11%	7.92%	7.72%	7.50%	6.87%	6.24%	5.63%	4.99%

Whatcom Transportation Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2019-069	-	22,144	22,144	-	1, 2, 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2020-095	-	61,270	61,270	-	1, 2, 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2020-102	-	3,609,378	3,609,378	-	1, 2, 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	WA-2021-051	-	9,342,245	9,342,245	-	1, 2, 3
		Total CFDA 20.507:		-	13,035,037	13,035,037	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2020-093	-	1,739,799	1,739,799	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2020-095	18,349	-	18,349	-	1, 2, 3
		Total CFDA 20.526:		18,349	1,739,799	1,758,148	-	
		Total Federal Transit Cluster:		18,349	14,774,836	14,793,185	-	

The accompanying notes are an integral part of this schedule.

Whatcom Transportation Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0071	26,935	-	26,935	-	1, 2, 3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0387	24,052	-	24,052	-	1, 2, 3
Total Transit Services Programs Cluster:				50,987	-	50,987	-	
Research & Development Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Public Transportation Innovation	20.530	WA-2020-069	-	353,135	353,135	-	1, 2, 3
Total Research & Development Cluster:				-	353,135	353,135	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-613	-	218,452	218,452	-	1, 2, 3
Total Federal Awards Expended:				69,336	15,346,423	15,415,759	-	

The accompanying notes are an integral part of this schedule.

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.

ABOUT THE STATE AUDITOR'S OFFICE

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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.

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