



Washington State Auditor's Office

Government that works for citizens

## Financial Statements Audit Report

# Seattle Transportation Benefit District

King County

For the period January 1, 2012 through December 31, 2014

Published May 12, 2016

Report No. 1016463





## Washington State Auditor's Office

May 12, 2016

Board of Directors  
Seattle Transportation Benefit District  
Seattle, Washington

### Report on Financial Statements

Please find attached our report on the Seattle Transportation Benefit District's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Seattle Transportation Benefit District  
King County  
January 1, 2012 through December 31, 2014**

Board of Directors  
Seattle Transportation Benefit District  
Seattle, 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 governmental activities and each major fund of the Seattle Transportation Benefit District, King County, Washington, as of and for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 28, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large 'X' between the first and last names.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

April 28, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Seattle Transportation Benefit District King County January 1, 2012 through December 31, 2014

Board of Directors  
Seattle Transportation Benefit District  
Seattle, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Seattle Transportation Benefit District, King County, Washington, as of and for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

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

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Seattle Transportation Benefit District, as of December 31, 2014, 2013 and 2012, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21 and budgetary comparison information on pages 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our



inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

April 28, 2016

## FINANCIAL SECTION

**Seattle Transportation Benefit District  
King County  
January 1, 2012 through December 31, 2014**

### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014  
Management's Discussion and Analysis – 2013  
Management's Discussion and Analysis – 2012

### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014  
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Statement of Activities – 2014  
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Balance Sheet – Governmental Funds – 2014  
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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
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### REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – 2014  
Budgetary Comparison Information – 2013  
Budgetary Comparison Information – 2012

**Seattle Transportation Benefit District  
Management's Discussion and Analysis**  
Year Ended December 31, 2014

Seattle Transportation Benefit District's (District) Annual Financial Report presents management's overview and analysis of its financial performance for the fiscal year ended December 31, 2014. It should be read in conjunction with the financial statements and notes to the financial statements that follow.

The District was established on September 20, 2010 by Seattle City Council. The District operates within the boundaries of City of Seattle (City), and generates revenue by imposing a \$20 vehicle license fee to support local transportation improvement projects.

As authorized by the voters in the City at the November 4, 2014 election, the District Governing Board will impose an additional \$60 vehicle license fee and a one-tenth of one percent sales and use tax increase within the District to fund Metro Transit service in the City. Both increases will start in June 2015 and expire on December 31, 2020.

**Financial Highlights**

At the fiscal year end of 2014 the assets of the District exceeded its liabilities by \$3.60 million. The net position increased by \$1.87 million during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of the following components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

**Government-Wide Financial Statements**

Government-wide financial statements provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, this is just one indicator of financial health of the District. Other indicators include the general economic conditions within the City and its surrounding region.

The statement of activities presents changes in the District's net position for the year ended December 31, 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The District uses a single fund accounting system to ensure and demonstrate compliance with finance-related requirements and to provide management with information for controlling spending activities.

**Seattle Transportation Benefit District  
Management's Discussion and Analysis  
Year Ended December 31, 2014**

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual basis of accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. This information is useful in evaluating the District's near-term financing requirements in comparison to near-term resources available.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

**Condensed Comparative Financial Data**

The following are condensed financial information related to the District's Net Position for the years ended December 31, 2014 and 2013.

**Statement of Net Position**

Governmental Activities:	<b>2014</b>	<b>2013</b>
Total Assets and Deferred Outflows of Resources	\$ 4,621,179	\$ 1,972,641
Total liabilities and Deferred Inflows of Resources	1,016,963	242,061
Total net position (Restricted)	<u>\$ 3,604,216</u>	<u>\$ 1,730,580</u>

**Statement of Activities**

Governmental Activities:	<b>2014</b>	<b>2013</b>
General Revenues		
Excise Taxes	\$ 7,624,900	\$ 7,365,550
Investment Earnings	30,827	2,686
Total Revenues	<u>\$ 7,655,727</u>	<u>\$ 7,368,236</u>
Expenses		
Transportation	\$ 5,782,091	\$ 7,129,367
Total Expenses	<u>\$ 5,782,091</u>	<u>\$ 7,129,367</u>
Change in Net Position	\$ 1,873,636	\$ 238,869
Net Position-Beginning	1,730,580	1,491,711
Net Position-Ending	<u>\$ 3,604,216</u>	<u>\$ 1,730,580</u>

**Seattle Transportation Benefit District  
Management's Discussion and Analysis  
Year Ended December 31, 2014**

**Overall Analysis of Financial Position & Result of Operations**

The District's overall financial position has improved from prior year. Net position as of December 31, 2014 was \$3,604,216. This amount is restricted in full by Revised Code of Washington (RCW) 36.73 for transportation improvements. The District's most significant asset is cash, as the District does not maintain ownership of any capital assets. The cash balance at the fiscal year end of 2014 was \$3,971,774. The increase in net position in 2014 was \$1,873,636. This continuing positive net position in 2014 reflects the District's ability to meet current and future obligations in the course of its activities.

**Fund Analysis**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal documents. The District has only one governmental type fund, the general fund.

The District's revenue is almost entirely generated from the collection of excise taxes (also identified in this report as vehicle registration fees). In 2014, revenue from these taxes was approximately \$260 thousand higher, indicating 13 thousand additional vehicles were registered in the City during the year. At December 31, 2014, the District's revenues exceeded expenditures by \$1,873,636 for the year ended December 31, 2014 thus increasing fund balance by the same amount. The entire ending fund balance is restricted for transportation improvements by RCW 36.73.

**Budgetary Highlights**

The District's 2014 adopted budget of \$7,789,000 was approved on November 25, 2013 in Resolution 11. The summary of budget to actual amounts is shown below.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Budgetary Fund Balance, January 1			\$ 1,730,580	
Resources (Inflows):	\$ 7,851,309	\$ 7,851,309	\$ 7,655,727	\$ 195,582
Charges to Appropriations (Outflows):	\$ 7,789,000	\$ 8,998,129	\$ 5,782,091	\$ 3,216,038
Budgetary Fund Balance, December 31			\$ 3,604,216	

Despite the budget for resources (revenues) was over projected by \$196 thousand, the actual revenues for the year were \$260 thousand higher than the prior year.

The final budget for appropriations (expenditures) included the original budget, budget carried forward from prior year and budget revision (resolution 15) to pay for election costs.

Majority of the variance between the final budget and actual for appropriations is due to underspending in capital projects. The remainder budget for capital projects will be carried forward to the subsequent year.

Additional information can be found in the Budgetary Comparison Schedule at the end of this report.

**Seattle Transportation Benefit District  
Management's Discussion and Analysis**  
Year Ended December 31, 2014

**Economic Factors and Future Outlook**

Because of a boom in construction, employment and an expansion in the technology sector, 2014 marked a year of strong growth in the Seattle and regional economy. Continued population growth is expected to result in steady or increased revenues for the District in coming years.

Future monthly collections are expected to be much higher than 2014. To fund Metro Transit service in the City, voters approved in November 2014 the additional \$60 vehicle license fee on all vehicles and one-tenth of one percent sales and use tax increase within the District. Both increases start in June 2015 and will expire on December 31, 2020. The District will act as a pass-through agency by transferring the additional tax revenues to King County Metro and the City to restore Metro Transit service in the City of Seattle and to fund the related administrative costs, respectively.

The District has the ability to propose future fee changes to voters. In addition, future decisions made by the State Legislature could result in changes to local transportation funding options, and provide additional flexibility to the District collection authority or funding sources.

**Financial Contact**

This financial report is designed to provide a general overview of the District's finances as well as to demonstrate the City's accountability to its citizens and other customers. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Seattle Transportation Benefit District, PO Box 34025 Seattle, WA 98124-4025 or by calling 206-233-5005.

**Seattle Transportation Benefit District  
Management's Discussion and Analysis**  
Year Ended December 31, 2013

Seattle Transportation Benefit District's (District) Annual Financial Report presents management's overview and analysis of its financial performance for the fiscal year ended December 31, 2013. It should be read in conjunction with the financial statements and notes to the financial statements that follow.

The District was established on September 20, 2010 by Seattle City Council. The District operates within the boundaries of City of Seattle (City), and generates revenue by imposing a \$20 vehicle license fee to support local transportation improvement projects.

**Financial Highlights**

At the fiscal year end of 2013 the assets of the District exceeded its liabilities by \$1.7 million. The net position increased by \$239 thousand during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of the following components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

**Government-Wide Financial Statements**

Government-wide financial statements provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, this is just one indicator of financial health of the District. Other indicators include the level of change in federal, state and local governmental support for transportation improvements that the District revenue provides, as well as the general economic conditions within the City and its surrounding areas.

The statement of activities presents changes in the District's net position for the year ended December 31, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The District uses a single fund accounting system to ensure and demonstrate compliance with finance-related requirements and to provide management with information for controlling spending activities.

The Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance present a single column of financial data for the General Fund.

**Seattle Transportation Benefit District  
Management's Discussion and Analysis  
Year Ended December 31, 2013**

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual basis of accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. This information is useful in evaluating the District's near-term financing requirements in comparison to near-term resources available.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

**Condensed Comparative Financial Data**

The following are condensed financial information related to the District's Net Position for the years ended December 31, 2013 and 2012.

**Statement of Net Position**

Governmental Activities:	<b>2013</b>	<b>2012</b>
Total Assets and Deferred Outflows of Resources	\$ 1,972,641	\$ 2,120,666
Total liabilities and Deferred Inflows of Resources	242,061	628,955
Total net position (Restricted)	\$ 1,730,580	\$ 1,491,711

**Statement of Activities**

Governmental Activities:	<b>2013</b>	<b>2012</b>
General Revenues		
Excise Taxes	\$ 7,365,550	\$ 7,179,226
Investment Earnings	2,686	20,080
Total Revenues	\$ 7,368,236	\$ 7,199,306
Expenses		
Transportation	\$ 7,129,367	\$ 6,274,433
Total Expenses	7,129,367	6,274,433
Change in Net Position	\$ 238,869	\$ 924,873
Net Position-Beginning	1,491,711	566,838
Net Position-Ending	\$ 1,730,580	\$ 1,491,711

**Overall Analysis of Financial Position & Result of Operations**

The District's overall financial position has improved from prior year. Net position as of December 31, 2013 was \$1,730,580. This amount is restricted in full by RCW 36.73 for transportation improvements. The District's most significant asset is cash, as the district does not maintain ownership of any capital assets. The cash balance at the fiscal year end of 2013 was \$1,366,869. The increase in net position in



**Seattle Transportation Benefit District  
Management's Discussion and Analysis  
Year Ended December 31, 2013**

2013 was \$238,869. This continuing positive net position in 2013 reflects the District's ability to meet current and future obligations in the course of its activities.

**Fund Analysis**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal documents. The District has only one governmental type fund, the general fund.

The District's revenue is almost entirely generated from the collection of excise taxes (also identified in this report as vehicle registration fees). In 2013, average monthly revenue from these taxes was \$613,800, an increase of 2.6% from 2012. At December 31, 2013, the District's revenues exceeded expenditures by \$238,869 for the year ended December 31, 2013 thus increasing fund balance by the same amount. The entire ending fund balance is restricted for transportation improvements by RCW 36.73.

**Budgetary Highlights**

The District's 2013 adopted budget of \$7,406,000 was approved on November 19, 2012 in Resolution 9. The final budget was increased by \$20,000 in Resolution 10 due to additional administrative costs not included in the adopted budget. A summary of budget to actual amounts is shown below.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Budgetary Fund Balance, January 1			\$ 1,491,711	
Resources (Inflows):	\$ 7,406,000	\$ 7,406,000	\$ 7,368,236	\$ 37,764
Charges to Appropriations (Outflows):	\$ 8,115,065	\$ 8,135,065	\$ 7,129,367	\$ 1,005,698
Budgetary Fund Balance, December 31			\$ 1,730,580	

Additional information can be found in the Budgetary Comparison Schedule at the end of this report.

**Economic factors and Future Outlook**

The Seattle metro area (King and Snohomish Counties) has rebounded from the recession at a much quicker pace than the nation as a whole; regional employment growth has improved since 2011 and expected to continue, but at a slower rate of growth. During the early stages of recovery, the City was one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused largely in multi-family housing. Continued population growth as a result of the ongoing economic recovery is expected to result in steady or increased revenues for the District in coming years.

Future monthly collections are expected to remain similar to 2013 figures on average. Actual amounts collected will continue to provide the District with data to improve planning for anticipated revenue.

The District has the ability to propose future fee changes to voters. In addition, future decisions made by the State Legislature could result in changes to local transportation funding options, and provide additional flexibility to the District collection authority or funding sources.

**Seattle Transportation Benefit District  
Management's Discussion and Analysis**  
Year Ended December 31, 2013

**Financial Contact**

This financial report is designed to provide a general overview of the District's finances as well as to demonstrate the City's accountability to its citizens and other customers. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Seattle Transportation Benefit District, PO Box 34025 Seattle, WA 98124-4025 or by calling 206-233-5005.

**Seattle Transportation Benefit District**  
**Management Discussion & Analysis**  
Year Ended December 31, 2012

This section of Seattle Transportation Benefit District's (referred to as "STBD" or "District" throughout this report) Annual Financial Report presents management's overview and analysis of the STBD's financial performance for the fiscal year ended December 31, 2012. This section should be read in conjunction with the financial statements and notes to the financial statements that follow this section.

The Seattle Transportation Benefit District was established on September 20, 2010 by the Seattle City Council. The District operates within the boundaries of the City of Seattle, and generates revenue by imposing a \$20 vehicle license fee to support local transportation improvement projects.

**Discussion of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of the following components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

**Government-wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement serves the purpose similar to that of a balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, this is just one indicator of financial health of the District. Other indicators include the level of change in federal, state and local governmental support for transportation improvements that the District revenue provides, as well as the general economic conditions within the City of Seattle and surrounding areas.

The statement of activities presents information showing how the District's net position changed for the year ended December 31, 2012. All changes in net position are reported as soon as the underlying event gives rise to the change to occur, regardless of the timing of related cash flows.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses a single fund accounting system to ensure and demonstrate compliance with finance-related requirements and to provide management with information for controlling spending activities.

The Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance present a single column of financial data for the General Fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. This information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

**Seattle Transportation Benefit District**  
**Management Discussion & Analysis**  
Year Ended December 31, 2012

**Condensed Comparative Financial Data**

The following tables present condensed financial information related to the District's Net Position for the years ended December 31, 2012 and 2011.

Statement of Net Position

	2012	2011
Governmental Activities:		
Total Assets	\$ 2,120,666	\$ 1,607,520
Total liabilities	\$ 628,955	\$ 1,040,682
Total net position (Restricted)	<u>\$ 1,491,711</u>	<u>\$ 566,838</u>

Statement of Activities

	2012	2011
Governmental Activities:		
Program Revenues		
Charges for Services	\$ 0	\$ 4,665,355
General Revenues		
Excise Taxes	\$ 7,179,226	\$ 0
Investment Earnings	\$ 20,080	\$ (864)
Total Revenues	\$ 7,199,306	\$ 4,664,491
Expenses		
Transportation	\$ 6,274,433	\$ 4,097,653
Total Expenses	\$ 6,274,433	\$ 4,097,653
Change in Net Position	\$ 924,873	\$ 566,838
Net Position-Beginning	\$ 566,838	\$ -
Net Position-Ending	<u>\$ 1,491,711</u>	<u>\$ 566,838</u>

**Overall Analysis of Financial Position & Result of Operations**

The District's overall financial position has improved from the prior year. Net position as of December 31, 2012 was \$1,491,711. This amount is restricted in full by RCW 36.73 for transportation improvements. The District's most significant asset is cash, as the district does not maintain ownership of any capital assets. From 2011 to 2012, the cash balance increased by \$573,096 to \$1,547,109. The District's increase to net position in 2012 was \$924,873, an increase from the prior year's \$566,838. These increases are in part due to the fact that 2012 was the District's first full year in operation. This continuing positive net position in 2012 reflects the District's ability to meet current and future obligations in the course of its activities.

**Fund Analysis**

The STBD uses fund accounting to ensure and demonstrate compliance with finance-related legal documents. The District has only one governmental type fund, the general fund.

The District's revenue is almost entirely (99.7%) generated from the collection of excise taxes (also identified in this report as vehicle registration fees). As noted previously, the District began collecting this revenue in May 2011 (in 2011, this revenue stream was reported as charges for services). In 2012, average monthly revenue from these taxes was \$598,000, an increase of 2.6% from 2011. Actual collections exceeded anticipated 2012 revenue by \$379,226. At December 31, 2012, the District's revenues exceeded expenditures by \$924,873 for the year ending December 31, 2012 thus increasing fund balance by the same amount. The entire ending fund balance is restricted for transportation improvements by RCW 36.73.

**Seattle Transportation Benefit District  
Management Discussion & Analysis  
Year Ended December 31, 2012**

**Budget Variances in the General Fund**

The STBD originally adopted a budget of \$6,800,000 on November 21, 2012 (Resolution 6) for the period ending December 31, 2012. The final budget increased by \$587,692 due to additional administrative costs not included in the original version. A summary of budget to actual amounts is shown below.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Budgetary Fund Balance, January 1			\$ 566,838	
Resources (Inflows):	\$ 6,800,000	\$ 6,800,000	\$ 7,199,306	\$ 399,306
Charges to Appropriations (Outflows):	\$ 6,800,000	\$ 7,387,692	\$ 6,274,433	\$ 1,113,259
Budgetary Fund Balance, December 31			\$ 1,491,711	

Additional information can be found in the Required Supplementary Information section of this report.

**Other Potentially Significant Matters**

**Economic Factors and Future Outlook**

In 2012, the Seattle metro area (King and Snohomish County) saw increased employment, expected to continue, but at a very slow rate of growth. The City of Seattle has been one of the fastest growing parts of the region, in part because of a construction boom focused largely in multi-family housing. 2012 finally brought signs of a turnaround in the area's housing market, not only in home construction, but also in home sales and prices. Continued population growth as a result of the ongoing economic recovery is expected to result in steady or increased revenues for the District in coming years.

Future monthly collections are expected to remain similar to 2012 figures on average. Actual amounts collected will continue to provide the District with data to improve planning for anticipated revenue.

The District has the ability to propose future fee changes to voters, although at this time no such measure is planned. Additionally, future decisions made by the State Legislature could result in changes to local transportation funding options and provide additional flexibility to STBD collection authority or funding sources.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Seattle Transportation Benefit District, PO Box 34025 Seattle, WA 98124-4025 or by calling 206-233-5005.

**Seattle Transportation Benefit District**  
**Statement of Net Position**  
**December 31, 2014**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$3,971,774	\$1,366,869
Interest Receivable	3,089	648
Due from Other Governments	<u>646,316</u>	<u>605,124</u>
Total Assets	4,621,179	1,972,641
DEFERRED OUTFLOWS OF RESOURCES	-	-
Total Assets and Deferred Outflows of Resources	4,621,179	1,972,641
<b>LIABILITIES</b>		
Vouchers Payable	756,093	-
Due to Other Governments	<u>260,870</u>	<u>242,061</u>
Total Liabilities	1,016,963	242,061
DEFERRED INFLOWS OF RESOURCES	-	-
Total Liabilities and Deferred Inflows of Resources	1,016,963	242,061
<b>NET POSITION</b>		
Restricted for Transportation Improvements	<u>3,604,216</u>	<u>1,730,580</u>
Total Net Position	<u><u>\$3,604,216</u></u>	<u><u>\$1,730,580</u></u>

The accompany notes are an integral part of these financial statements.

**Seattle Transportation Benefit District**  
**Statement of Net Position**  
**December 31, 2013**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$1,366,869	\$1,547,109
Interest Receivable	648	900
Due from Other Governments	<u>605,124</u>	<u>572,657</u>
Total Assets	1,972,641	2,120,666
DEFERRED OUTFLOWS OF RESOURCES	-	-
Total Assets and Deferred Outflows of Resources	1,972,641	2,120,666
<b>LIABILITIES</b>		
Vouchers Payable	-	392,018
Due to Other Governments	<u>242,061</u>	<u>236,937</u>
Total Liabilities	242,061	628,955
DEFERRED INFLOWS OF RESOURCES	-	-
Total Liabilities and Deferred Inflows of Resources	242,061	628,955
<b>NET POSITION</b>		
Restricted for Transportation Improvements	<u>1,730,580</u>	<u>1,491,711</u>
Total Net Position	<u>\$1,730,580</u>	<u>\$1,491,711</u>

The accompany notes are an integral part of these financial statements.

SEATTLE TRANSPORTATION BENEFIT DISTRICT  
Statement of Net Position  
Year Ended December 31, 2012

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,547,109
Interest Receivable	\$ 900
Due From Other Governments	\$ 572,657
Total Assets	\$ 2,120,666
<b>LIABILITIES</b>	
Other Current Liabilities	\$ 628,955
Total Liabilities	\$ 628,955
<b>NET POSITION</b>	
Restricted for Transportation Improvements	\$ 1,491,711
Total Net Position	\$ 1,491,711

The notes to financial statements are an integral part of this statement.



**Seattle Transportation Benefit District  
Statement of Activities  
For the Year Ended December 31, 2014**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>PROGRAM EXPENSES</b>		
Transportation	<u>\$5,782,091</u>	<u>\$7,129,367</u>
Total Program Expenses	5,782,091	7,129,367
<b>GENERAL REVENUES</b>		
Excise Taxes	7,624,900	7,365,550
Investment Earnings	<u>30,827</u>	<u>2,686</u>
Total General Revenues	7,655,727	7,368,236
Change in Net Position	1,873,636	238,869
Net Position – Beginning	<u>1,730,580</u>	<u>1,491,711</u>
Net Position - Ending	<u>\$3,604,216</u>	<u>\$1,730,580</u>

The accompany notes are an integral part of these financial statements.

**Seattle Transportation Benefit District  
Statement of Activities  
For the Year Ended December 31, 2013**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>PROGRAM EXPENSES</b>		
Transportation	<u>\$7,129,367</u>	<u>\$6,274,433</u>
Total Program Expenses	7,129,367	6,274,433
<b>GENERAL REVENUES</b>		
Excise Taxes	7,365,550	7,179,226
Investment Earnings	<u>2,686</u>	<u>20,080</u>
Total General Revenues	7,368,236	7,199,306
Change in Net Position	238,869	924,873
Net Position – Beginning	<u>1,491,711</u>	<u>566,838</u>
Net Position - Ending	<u>\$1,730,580</u>	<u>\$1,491,711</u>

The accompany notes are an integral part of these financial statements.

SEATTLE TRANSPORTATION BENEFIT DISTRICT  
Statement of Activities  
Year Ended December 31, 2012

Governmental Activities:

Expenses

Transportation	\$ 6,274,433
Total Program Expenses	\$ 6,274,433
Net Expenses and Change in Net Position	\$ 6,274,433

General Revenues

Excise Taxes	\$ 7,179,226
Investment Earnings	\$ 20,080
Total General Revenues	\$ 7,199,306
Change in Net Position	\$ 924,873
Net Position Beginning	\$ 566,838
Net Position-Ending	\$ 1,491,711

The notes to financial statements are an integral part of this statement.

**Seattle Transportation Benefit District  
Balance Sheet  
Governmental Funds  
December 31, 2014**

	<b>General Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$3,971,774	\$1,366,869
Interest Receivable	3,089	648
Due from Other Governments	<u>646,316</u>	<u>605,124</u>
Total Assets	4,621,179	1,972,641
DEFERRED OUTFLOWS OF RESOURCES	-	-
Total Assets and Deferred Outflows of Resources	4,621,179	1,972,641
<b>LIABILITIES</b>		
Vouchers Payable	756,093	-
Due to Other Governments	<u>260,870</u>	<u>242,061</u>
Total Liabilities	1,016,963	242,061
DEFERRED INFLOWS OF RESOURCES	-	-
<b>FUND BALANCE</b>		
Restricted for Transportation Improvements	<u>3,604,216</u>	<u>1,730,580</u>
Total Fund Balance	<u>3,604,216</u>	<u>1,730,580</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$4,621,179</u>	<u>\$1,972,641</u>

The accompanying notes are an integral part of these statements.

**Seattle Transportation Benefit District  
Balance Sheet  
Governmental Funds  
December 31, 2013**

	<b>General Fund</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$1,366,869	\$1,547,109
Interest Receivable	648	900
Due from Other Governments	<u>605,124</u>	<u>572,657</u>
Total Assets	1,972,641	2,120,666
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	-	-
Total Assets and Deferred Outflows of Resources	1,972,641	2,120,666
 <b>LIABILITIES</b>		
Vouchers Payable	-	392,018
Due to Other Governments	<u>242,061</u>	<u>236,937</u>
Total Liabilities	242,061	628,955
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
 <b>FUND BALANCE</b>		
Restricted for Transportation Improvements	<u>1,730,580</u>	<u>1,491,711</u>
Total Fund Balance	<u>1,730,580</u>	<u>1,491,711</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$1,972,641</u>	<u>\$2,120,666</u>

The accompanying notes are an integral part of these statements.

SEATTLE TRANSPORTATION BENEFIT DISTRICT  
 Balance Sheet  
 Governmental Funds  
 For the Year Ending December 31, 2012

	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,547,109
Interest Receivable	\$ 900
Due From Other Governments	\$ 572,657
Total Assets	\$ 2,120,666
<b>LIABILITIES and FUND BALANCE</b>	
Liabilities:	
Vouchers Payable	\$ 392,018
Due to Other Governments	\$ 236,937
Total Liabilities	\$ 628,955
Fund Balance:	
Restricted for Transportation Improvements	\$ 1,491,711
Total Fund Balance	\$ 1,491,711
Total Liabilities and Fund Balance	\$ 2,120,666

The notes to financial statements are an integral part of this statement.

**Seattle Transportation Benefit District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	<b>General Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Excise Taxes	\$7,624,900	\$7,365,550
Investment Earnings	<u>30,827</u>	<u>2,686</u>
Total Revenues	7,655,727	7,368,236
 <b>EXPENDITURES</b>		
Transportation	<u>5,872,091</u>	<u>7,129,367</u>
Total Expenditures	5,872,091	7,129,367
 Excess of Revenues over Expenditures	 1,873,636	 238,869
 Net Change in Fund Balance	 1,873,636	 238,869
Fund Balance - Beginning	<u>1,730,580</u>	<u>1,491,711</u>
Fund Balance - Ending	<u>\$3,604,216</u>	<u>\$1,730,580</u>

The accompanying notes are an integral part of these statements.

**Seattle Transportation Benefit District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	<b>General Fund</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
Excise Taxes	\$7,365,550	\$7,179,226
Investment Earnings	<u>2,686</u>	<u>20,080</u>
Total Revenues	7,368,236	7,199,306
 <b>EXPENDITURES</b>		
Transportation	<u>7,129,367</u>	<u>6,274,433</u>
Total Expenditures	7,129,367	6,274,433
 Excess of Revenues over Expenditures	 238,869	 924,873
 Net Change in Fund Balance	 238,869	 924,873
Fund Balance - Beginning	<u>1,491,711</u>	<u>566,838</u>
Fund Balance - Ending	<u>\$1,730,580</u>	<u>\$1,491,711</u>

The accompanying notes are an integral part of these statements.



SEATTLE TRANSPORTATION BENEFIT DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2012

	General Fund
<b>REVENUES</b>	
Excise Taxes	\$ 7,179,226
Investment Earnings	\$ 20,080
Total Revenues	\$ 7,199,306
 <b>EXPENDITURES</b>	
Current:	
Transportation	\$ 6,274,433
Total Expenditures	\$ 6,274,433
Excess of Revenues over Expenditures	\$ 924,873
Net Change in Fund Balance	\$ 924,873
Fund Balance-Beginning	\$ 566,838
Fund Balance-Ending	\$ 1,491,711

The notes to financial statements are an integral part of this statement.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2014

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP). 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. Financial Reporting Entity and Blended Component Unit**

The District was incorporated on September 20, 2010 and operates under the laws of the State of Washington applicable to transportation benefit districts. As required by GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements present activity of the District as if it were part of the City. The District's reporting entity does not include any component units.

Although legally separate, the District itself is reported as a blended component unit of the City because its sole purpose is to finance transportation improvement projects carried out by the City. The District Board of Directors is made up of the Seattle City Council Members, with the City's Director of Finance acting as District Treasurer. City employees perform all operational and administrative functions of the District.

**B. Accounting Standards**

Effective January 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify certain items previously reported as assets to be segregated as deferred outflows of resources, and certain items previously reported as liabilities to be segregated as deferred inflows of resources. This statement is also applicable to the District.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not report any program revenues. Taxes and other items not properly included among program revenues are reported as general revenues.

The District reports a single governmental fund, the general fund, which is the District's operating fund. It accounts for all financial resources of the District. Therefore, no interfund activity or separate fund statements are presented.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred.

Interest associated within the current period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

E. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the District's general fund on the modified accrual basis of accounting. Expenditures may not exceed appropriations at the established "budget control level" (a budget object level more specific than the fund as a whole) and the budget constitutes the legal authority for expenditures at that level.

Appropriations lapse at year-end except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Amending the Budget

Any revisions to the District's approved budget in total or at the individual budget control level must be approved by the Board of Directors through resolution. Additionally, pursuant to RCW 36.73.160, the Board already approved a material change policy in Resolution 3 to address major changes that affect project delivery or the ability to finance transportation projects, and to address major changes to cost, scope, and schedule.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

F. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

The District's cash and cash equivalents are maintained by the City within its investment pool that is managed by Department of Finance and Administrative Services. It is the District as well as the City's policy to invest all temporary cash surpluses. The pool operates like a demand deposit account in that all participating funds may deposit cash at any time and also withdraw cash up to the respective fund's cash balance out of the pool without prior notice or penalty. Interest earned on the investment pool is prorated at the end of each month on the basis of average daily cash balances during the month when interest was earned. At December 31, 2014,

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2014

the District's share of pooled investments was \$3,971,774 in short-term residual investments of surplus cash classified on the balance sheet as cash and cash equivalents.

Pooled investments are recorded at fair market value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For various risks related to investments, please see Note 3 Cash and Investments.

**2. Receivables and Due from Other Governments**

Interest receivable represents accrued interest earned on the District's investments at the end of the year. Amounts due from other governments consist of amounts owed from the State of Washington related to the District's excise taxes at year end.

**3. Fund Balance Classification**

As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its governmental fund balances as Non-Spendable, Restricted, Committed, Assigned or Unassigned.

For the year ended December, 31, 2014, the District's entire fund balance of \$3,604,216 is classified as restricted for transportation improvement projects as prescribed by RCW 36.73. Restricted fund balance is defined as restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.

It is the District's policy that if revenues with varying levels of constraints become available for use, the most restricted resources will be used first.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There are no violations of finance-related legal or contractual provisions.

**NOTE 3 – CASH AND INVESTMENTS**

Cash resources of the District are combined into the City's common investment pool that is managed by Department of Finance and Administrative Services. The pool operates like a demand deposit account for the participating funds. Interest income earned on pooled cash and investment is allocated monthly.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2014

The table below presents the District's share of the City's pooled investments as of December 31, 2014.

**SEATTLE TRANSPORTATION BENEFIT DISTRICT**  
**SHARE OF THE CITY OF SEATTLE'S POOLED INVESTMENTS**  
*(In Thousands)*

	<b>Fair Value as of 12/31/2014</b>
Transportation Benefit District Cash in City Pool	\$ 3,972
<u>Total City Pooled Investments (rounded)</u>	<u>\$ 1,624,346</u>
<u>TBD Balance as a Percentage of City Pool</u>	<u>0.245%</u>

As of December 31, 2014, the City's investment pool held the following investments.

**CITY OF SEATTLE**  
**INVESTMENTS AND MATURITIES**  
**TREASURY RESIDUAL POOLED INVESTMENTS**  
*(In Thousands)*

<u>Investments</u>	<u>Fair Value as of December 31, 2014</u>	<u>Weighted Average Maturity (Days)</u>
Repurchase Agreements	\$ 73,812	2
U.S. Treasury and U.S. Government-Backed Securities	252,188	800
U.S. Government Agency Securities	550,290	1,208
U.S. Government Agency Mortgage-Backed Securities	171,390	2,054
Commercial Paper	319,418	44
Municipal Bonds	227,248	976
Non-negotiable CD	<u>30,000</u>	30
Total	<u>\$ 1,624,346</u>	
Weighted Average Maturity of the Treasury Residual Pooled Investments		894

Custodial Credit Risk – Deposits. The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2014, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2014

**Custodial Credit Risk – Investments.** The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk for its investments by having its investment securities held by the City’s contractual custodial agent, BNY Mellon, and not by the trading counterparty or the trading counterparty’s trust department or agent. Additionally, the City mitigates counterparty risk by settling its trades delivery-versus-payment through the City’s contractual custodial agent.

By investment policy, the City maintains a list of approved securities dealers for transacting business. For repurchase agreements, the City transacts only with large primary dealers with investment grade credit ratings provided by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. The City did not transact in Tri-Party repo during 2014.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair market value of an investment. The City’s investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years which mitigates interest rate risk.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City mitigates credit risk in many ways as described below.

By state statutes and investment policy, the City may purchase securities that carry the highest credit ratings issued by Moody’s Investor Service, Standard & Poor’s and/or Fitch Ratings. Securities purchased must have the following ratings at the time of purchase: Securities backed by issuers with long-term credit ratings of Aaa, Aa1, and Aa2 by Moody’s Investors Service; AAA, AA+, and AA by Standard & Poor’s; and AAA, AA+, and AA by Fitch Ratings; and securities backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody’s Investors Service; A1+ and A1 by Standard & Poor’s; and F1+ and F1 by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). The City also invests in securities issued by U.S. government sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank. Material credit risk in the City’s investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody’s Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an “approved list” of commercial paper issuers based upon internal and external credit research. Finally,

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2014

the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

Concentration Risk. Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 25 percent maximum allocation of the portfolio to certificates of deposit, with a 10 percent maximum allocation per bank; 25 percent maximum allocation of the portfolio to bankers' acceptances, with a 5 percent maximum per issuer; 25 percent maximum allocation of the portfolio to commercial paper, with a 5 percent maximum per issuer; and 25 percent maximum allocation of the portfolio to municipal securities, with a 5 percent maximum allocation per issuer. The City is not limited in its asset allocation to obligations of the following: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government. U.S. government agency collateralized mortgage obligations and pass-through securities combined are limited to a maximum asset allocation of 25 percent of the total portfolio without a maximum allocation per issuer.

Foreign Currency Risk. The City's pooled investments do not include securities denominated in foreign currencies.

**NOTE 4 - RISK MANAGEMENT**

The District does not have any real or personal property and employees. Its Board of Directors and Treasurer are also officers and employees of the City. The City's policies cover claims against City property and/or employees.

**NOTE 5 - CONTINGENCIES AND LITIGATIONS**

The District does not have any contingent liabilities.

**NOTE 6 – COMMITMENT**

The City is sole provider of services to the District as they entered into an interlocal agreement on May 9, 2011, Resolution 2.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2013

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP). 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. Financial Reporting Entity and Blended Component Unit**

The District was incorporated on September 20, 2010 and operates under the laws of the State of Washington applicable to transportation benefit districts. As required by GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements present activity of the District as if it were part of the City. The District's reporting entity does not include any component units.

Although legally separate, the District itself is reported as a component unit of the City because its sole purpose is to finance transportation improvement projects carried out by the City. The District Board of Directors is made up of the Seattle City Council Members, with the City's Director of Finance acting as District Treasurer. City employees perform all operational and administrative functions of the District.

**B. Accounting Standards**

Effective January 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify certain items previously reported as assets to be segregated as deferred outflows of resources, and certain items previously reported as liabilities to be segregated as deferred inflows of resources. This statement is also applicable to the District.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not report any program revenues. Taxes and other items not properly included among program revenues are reported as general revenues.

The District reports a single governmental fund, the general fund, which is the District's operating fund. It accounts for all financial resources of the District. Therefore, no interfund activity or separate fund statements are presented.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.



**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2013

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred.

Interest associated within the current period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**E. Budgetary Information**

**1. Scope of Budget**

Annual appropriated budgets are adopted for the District's general fund on the modified accrual basis of accounting. Expenditures may not exceed appropriations at the established "budget control level" (a budget object level more specific than the fund as a whole) and the budget constitutes the legal authority for expenditures at that level.

Appropriations lapse at year-end except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

**2. Amending the Budget**

Any revisions to the District's approved budget in total or at the individual budget control level must be approved by the Board of Directors through resolution. Additionally, pursuant to RCW 36.73.160, the Board already approved a material change policy in Resolution 3 to address major changes that affect project delivery or the ability to finance transportation projects, and to address major changes to cost, scope, and schedule.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

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

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are maintained by the City within its investment pool that is managed by Department of Finance and Administrative Services. It is the District as well as the City's policy to invest all temporary cash surpluses. The pool operates like a demand deposit account in that all participating funds may deposit cash at any time and also withdraw cash up to the respective fund's cash balance out of the pool without prior notice or penalty. Interest earned on the investment pool is prorated at the end of each month on the basis of average daily cash balances during the month when interest was earned. At December 31, 2013,

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2013

the District's share of pooled investments was \$ 1,366,869 in short-term residual investments of surplus cash classified on the balance sheet as cash and cash equivalents.

Pooled investments are recorded at fair market value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For various risks related to investments, please see Note 3 Cash and Investments.

**2. Receivables and Due from Other Governments**

Interest receivable represents accrued interest earned on the District's investments at the end of the year. Amounts due from other governments consist of amounts owed from the State of Washington related to the District's excise taxes at year end.

**3. Fund Balance Classification**

As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its governmental fund balances as Non-Spendable, Restricted, Committed, Assigned or Unassigned.

For the year ended December, 31, 2013, the District's entire fund balance of \$1,730,580 is classified as restricted for transportation improvement projects as prescribed by RCW 36.73. Restricted fund balance is defined as restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.

It is the District's policy that if revenues with varying levels of constraints become available for use, the most restricted resources will be used first.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There are no violations of finance-related legal or contractual provisions.

**NOTE 3 – CASH AND INVESTMENTS**

Cash resources of the District are combined into the City's common investment pool that is managed by Department of Finance and Administrative Services. The pool operates like a demand deposit account for the participating funds. Interest income earned on pooled cash and investment is allocated monthly.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2013

The table below presents the District's share of the City's pooled investments as of December 31, 2013.

**SEATTLE TRANSPORTATION BENEFIT DISTRICT**  
**SHARE OF THE CITY OF SEATTLE'S POOLED INVESTMENTS**  
*(In Thousands)*

	<b>Fair Value as of 12/31/2013</b>
Transportation Benefit District Cash in City Pool	\$ 1,367
Total City Pooled Investments (rounded)	\$ 1,437,823
TBD Balance as a Percentage of City Pool	0.095%

As of December 31, 2013, the City's investment pool held the following investments.

**CITY OF SEATTLE**  
**INVESTMENTS AND MATURITIES**  
**TREASURY RESIDUAL POOLED INVESTMENTS**  
*(In Thousands)*

<b>Investments</b>	<b>Fair Value as of December 31, 2013</b>	<b>Weighted Average Maturity (Days)</b>
Repurchase Agreements	\$ 44,756	2
U.S. Treasury and U.S. Government-Backed Securities	227,660	902
U.S. Government Agency Securities	666,790	880
U.S. Government Agency Mortgage-Backed Securities	186,841	2,077
Commercial Paper	154,963	47
Municipal Bonds	156,813	818
Total	\$ 1,437,823	
Weighted Average Maturity of the Treasury Residual Pooled Investments		915

**Custodial Credit Risk – Deposits.** The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2013, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

**Custodial Credit Risk – Investments.** The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2013

collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent, BNY Mellon, and not by the counterparty or the counterparty's trust department or agent. Additionally, the City mitigates counterparty risk by settling its trades delivery-versus-payment through the City's contractual custodial agent.

By investment policy, the City maintains a list of approved securities dealers for transacting business. For repurchase agreements, the City transacts only with large primary dealers with investment grade credit ratings provided by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. The City did not transact in Tri-Party repo during 2013.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair market value of an investment. The City's investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years which mitigates interest rate risk.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City mitigates credit risk in many ways as described below.

By state statutes, the City may purchase only eligible investments as authorized by RCW 39.58, 39.59, and 43.84.080. Eligible investments include: obligations of the U.S. government; obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government; obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve; banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two NRSROs, at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations; commercial paper adherent with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)); certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; and obligations of the State of Washington or its political subdivisions. Non-U.S. government securities purchased must have the following ratings at the time of purchase: securities backed by issuers with long-term credit ratings of Aaa, Aa1, and Aa2 by Moody's Investors Service; AAA, AA+, and AA by Standard & Poor's; and AAA, AA+, and AA by Fitch Ratings; and securities backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody's Investors Service; A1+ and A1 by Standard & Poor's; and F1+ and F1 by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). The City also invests in securities issued by U.S. government

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2013

sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank. Material credit risk in the City's investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody's Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an "approved list" of commercial paper issuers based upon internal and external credit research. Finally, the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

**Concentration Risk.** Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 25 percent maximum allocation of the portfolio to certificates of deposit, with a 10 percent maximum allocation per bank; 25 percent maximum allocation of the portfolio to bankers' acceptances, with a 5 percent maximum per issuer; 25 percent maximum allocation of the portfolio to commercial paper, with a 5 percent maximum per issuer; and 25 percent maximum allocation of the portfolio to municipal securities, with a 5 percent maximum allocation per issuer. The City is not limited in its asset allocation to obligations of the following: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government. U.S. government agency collateralized mortgage obligations and pass-through securities combined are limited to a maximum asset allocation of 25 percent of the total portfolio without a maximum allocation per issuer.

**Foreign Currency Risk.** The City's pooled investments do not include securities denominated in foreign currencies.

**NOTE 4 - RISK MANAGEMENT**

The District does not have any real or personal property and employees. Its Board of Directors and Treasurer are also officers and employees of the City. The City's policies cover claims against City property and/or employees.

**NOTE 5 - CONTINGENCIES AND LITIGATIONS**

The District does not have any contingent liabilities.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District 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

The District was incorporated on September 20, 2010 and operates under the laws of the State of Washington applicable to transportation benefit districts. As required by the generally accepted accounting principles the financial statements present activity of the District, the primary government. The District's reporting entity does not include any component units. Although legally separate, the District itself is reported as a component unit of the City of Seattle because its sole purpose is to finance transportation improvement projects carried out by the City. The District Board of Directors is made up of the Seattle City Council Members, with the City's Director of Finance acting as District Treasurer. City employees perform all operational and administrative functions of the District.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not report any program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District reports a single governmental fund (the general fund) and therefore no interfund activity or additional separate fund statements are presented.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest associated within the current period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The general fund is the District's operating fund. It accounts for all financial resources of the District.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2012

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the District's general fund on the modified accrual basis of accounting. Expenditures may not exceed appropriations at the established "budget control level" (a budget object level more specific than the fund as a whole) and the budget constitutes the legal authority for expenditures at that level.

Appropriations lapse at year-end except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Amending the Budget

Any revisions to the District's approved budget in total or at the individual budget control level must be approved by the Board of Directors through resolution. Additionally, pursuant to RCW 36.73.160, the Board has developed a Material Change Policy to address Board and potential public involvement should significant changes to budgeted costs and/or scope occur.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

The District's cash and cash equivalents are maintained by the City of Seattle within the City's pooled investments which are managed by the City's Department of Finance and Administrative Services. It is the District as well as the City's policy to invest all temporary cash surpluses. The pool operates like a demand deposit account in that all funds may be deposited at any time and also withdrawn up to the respective fund's cash balance out of the pool without prior notice or penalty. Interest earned on pooled investments is prorated at the end of each month on the basis of average daily cash balances during the month when interest was earned. At December 31, 2012, the District's share of pooled investments was \$ 1,547,109 in short-term residual investments of surplus cash classified on the balance sheet as cash and cash equivalents.

Pooled investments are recorded at fair market value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For various risks related to the investments see Deposits and Investments Note 3.

2. Receivables and Amounts Due From Other Governments

Interest receivable represents accrued interest earned on the District's investments at the end of the year. Amounts due from other governments consist of amounts owed from the State of Washington related to the District's excise taxes at year end.

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2012

3. Fund Balance Classification

The District, in accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, classifies governmental fund balances as Non-Spendable, Restricted, Committed, Assigned or Unassigned.

For the year ended December, 31, 2012, the entire fund balance of \$1,491,711 in the District's General Fund is classified as restricted. It is only available for transportation improvement projects as prescribed by RCW 36.73.

It is the District's policy that if revenues with varying levels of constraints become available for use, the most restricted resources will be used first.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions

NOTE 3 - DEPOSITS AND INVESTMENTS

As identified in Note 1(E), cash resources of the District are combined into a cash pool which also maintains the City of Seattle's funds and is managed by the City's Department of Finance and Administrative Services. The pool functions as a demand deposit account where the District receives an allocation of its proportionate share of pooled earnings. As of December 31, 2012, the district had pooled investments totaling \$ 1,547,109 at fair value. The table below presents the District's share of the City's pooled investments as of December 31, 2012.

**SEATTLE TRANSPORTATION BENEFIT DISTRICT**  
**SHARE OF THE CITY OF SEATTLE'S POOLED INVESTMENTS**  
*(In Thousands)*

	Fair Value as of <u>12/31/2012</u>
Transportation Benefit District Cash in City Pool	\$ 1,547
Total City Pooled Investments (rounded)	\$ 1,392,815
<hr/>	
TBD Balance as a Percentage of City Pool	0.11%



**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2012

The table below shows the types of investments held by the City and the weighted average maturity by type of investment.

**CITY OF SEATTLE**  
**INVESTMENTS AND MATURITIES**  
**TREASURY RESIDUAL POOLED INVESTMENTS**  
*(In Thousands)*

<b>Investments</b>	<b>Fair Value as of December 31, 2012</b>	<b>Weighted Average Maturity (Days)</b>
Repurchase Agreements	\$ 162,391	4
U.S. Treasury and U.S. Government-Backed Securities	\$ 67,448	482
U.S. Government Agency Securities	\$ 647,690	535
U.S. Government Agency Mortgage-Backed Securities	\$ 156,167	2,162
Commercial Paper	\$ 176,955	40
Municipal Bonds	\$ 182,164	549
<b>Total</b>	<b>\$ 1,392,815</b>	
Weighted Average Maturity of the Treasury Residual Pooled Investments		592

**Custodial Credit Risk – Deposits.** The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City’s depository institutions, the City’s deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2012, the City did not have custodial credit risk. The City’s deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

**Custodial Credit Risk – Investments.** The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk for its investments by having its investment securities held by the City’s contractual custodial agent and not by the counterparty or the counterparty’s trust department or agent. Additionally, the City mitigates custodial risk by settling its trades delivery-versus-payment through the City’s contractual custodial agent.

By investment policy, the City maintains a list of approved securities dealers for transacting business. For repurchase agreements, the City transacts only with large primary dealers with investment grade credit ratings provided by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). The City also conducts its own due diligence as to the financial health of its counterparties.

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2012, the collateral

**Seattle Transportation Benefit District**  
**Notes to the Financial Statements**  
Year Ended December 31, 2012

underlying the City's repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair market value of an investment. The City's investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years which mitigates interest rate risk.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City mitigates credit risk in many ways as described below.

By state statutes and investment policy, the City may purchase securities that carry the highest credit ratings issued by Moody's Investors Service, Standard & Poor's, and/or Fitch Ratings. Securities purchased must have the following ratings at the time of purchase: Securities backed by issuers with long-term credit ratings of Aaa, Aa1, and Aa2 by Moody's Investors Service; AAA, AA+, and AA by Standard & Poor's; and AAA, AA+, and AA by Fitch Ratings; and securities backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody's Investors Service; A1+ and A1 by Standard & Poor's; and F1 and F1+ by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). The City also invests in securities issued by U.S. government sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank. Material credit risk in the City's investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody's Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an "approved list" of commercial paper issuers based upon internal and external credit research.

**Concentration Risk.** Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 10 percent of the portfolio per bank for certificates of deposit or bankers' acceptances; 5 percent per commercial paper or municipal bond issuer.; U.S. government agency collateralized mortgage obligations and pass-through securities are limited to a maximum asset allocation of 25 percent of the total portfolio.

#### NOTE 4 - RISK MANAGEMENT

The District retains no rights to any real or personal property, maintains no employees, and its Board of Directors and Treasurer are also officers/employees of the City of Seattle. The City's policies cover claims against City property and/or employees.

#### NOTE 5 - CONTINGENCIES AND LITIGATIONS

The District's financial statements include all material liabilities. There are no material contingent liabilities to record.

#### NOTE 6 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$1,491,711 of restricted component of net position which is restricted by enabling legislation.

**Seattle Transportation Benefit District**  
**Budgetary Comparison Schedule**  
 General Fund  
 Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1			\$ 1,730,580	
Resources (Inflows):				
Excise Taxes (Vehicle License Fees)	\$ 7,851,309	\$ 7,851,309	\$ 7,624,900	\$ 226,409
Interest Received	-	-	30,827	(30,827)
Amounts Available for Appropriation	<u>\$ 7,851,309</u>	<u>\$ 7,851,309</u>	<u>\$ 7,655,727</u>	<u>\$ 195,582</u>
Charges to Appropriations (Outflows):				
Transportation:				
Mobility-Capital	\$ 3,275,000	\$ 3,559,129	\$ 1,883,105	\$ 1,676,024 <sup>1</sup>
Major Maintenance/Replacement	1,200,000	1,200,000	149,894	1,050,106 <sup>1</sup>
Mobility-Operations	973,000	1,223,000	696,214	526,786 <sup>2</sup>
Street Maintenance	2,321,000	2,321,000	2,296,785	24,215 <sup>2</sup>
Transportation Benefit District Admin	20,000	695,000	756,093	(61,093) <sup>2</sup>
Total Charges to Appropriations	<u>\$ 7,789,000</u>	<u>\$ 8,998,129</u>	<u>\$ 5,782,091</u>	<u>\$ 3,216,038</u>
Budgetary Fund Balance, December 31			<u>\$ 3,604,216</u>	

<sup>1</sup> The remaining budget in total of \$2,726,130 as of December 31, 2014 is automatically carried forward to subsequent year(s) until fully expended or the appropriation has been accomplished or abandoned.

<sup>2</sup> The remaining budget in total of \$489,908 as of December 31, 2014 is lapsable.

**Seattle Transportation Benefit District**  
**Budgetary Comparison Schedule**  
 General Fund  
 Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1			\$ 1,491,711	
Resources (Inflows):				
Excise Taxes (Vehicle License Fees)	\$ 7,406,000	\$ 7,406,000	\$ 7,365,550	\$ 40,450
Interest Received	-	-	2,686	(2,686)
Amounts Available for Appropriation	<u>\$ 7,406,000</u>	<u>\$ 7,406,000</u>	<u>\$ 7,368,236</u>	<u>\$ 37,764</u>
Charges to Appropriations (Outflows):				
Transportation:				
Mobility-Capital	\$ 2,929,063	\$ 2,929,063	\$ 2,013,437	\$ 915,626
Major Maintenance/Replacement	2,258,002	2,258,002	2,225,399	32,603
Mobility-Operations	322,000	322,000	317,351	4,649
Street Maintenance	2,606,000	2,606,000	2,568,373	37,627
Transportation Benefit District Admin	-	20,000	4,807	15,193
Total Charges to Appropriations	<u>\$ 8,115,065</u>	<u>\$ 8,135,065</u>	<u>\$ 7,129,367</u>	<u>\$ 1,005,698</u>
Budgetary Fund Balance, December 31			<u>\$ 1,730,580</u>	

**Seattle Transportation Benefit District**  
**Budgetary Comparison Schedule**  
 General Fund  
 For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1			\$ 566,838	
Resources (Inflows):				
Excise Taxes (Vehicle License Fees)	\$ 6,800,000	\$ 6,800,000	\$ 7,179,226	\$ 379,226
Interest Received	\$ -	\$ -	\$ 20,080	\$ 20,080
Amounts Available for Appropriation	\$ 6,800,000	\$ 6,800,000	\$ 7,199,306	\$ 399,306
Charges to Appropriations (Outflows):				
Transportation:				
Mobility-Capital	\$ 2,278,000	\$ 2,278,000	\$ 1,626,937	\$ 651,063
Major Maintenance/Replacement	\$ 1,950,000	\$ 2,068,644	\$ 2,010,642	\$ 58,002
Mobility-Operations	\$ 322,000	\$ 413,283	\$ 372,600	\$ 40,683
Street Maintenance	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ -
Transportation Benefit District Admin	\$ -	\$ 377,765	\$ 14,254	\$ 363,511
Total Charges to Appropriations	\$ 6,800,000	\$ 7,387,692	\$ 6,274,433	\$ 1,113,259
Budgetary Fund Balance, December 31			\$ 1,491,711	

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>