



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Seattle Transportation Benefit District

King County

For the period January 1, 2015 through December 31, 2016

Published February 22, 2018

Report No. 1020822





Office of the Washington State Auditor

Pat McCarthy

February 22, 2018

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

Pat McCarthy
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, 2015 through December 31, 2016**

Director
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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2018.

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.



Pat McCarthy

State Auditor

Olympia, WA

February 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Seattle Transportation Benefit District King County January 1, 2015 through December 31, 2016

Director
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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

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 respective financial position of the governmental activities and each major fund of the Seattle Transportation Benefit District, as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 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 February 14, 2018 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.

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

Pat McCarthy
State Auditor
Olympia, WA

February 14, 2018

FINANCIAL SECTION

**Seattle Transportation Benefit District
King County
January 1, 2015 through December 31, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016
Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Net Position – 2015
Statement of Activities – 2016
Statement of Activities – 2015
Balance Sheet – 2016
Balance Sheet – 2015
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2016
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2015
Notes to the Financial Statements – 2016
Notes to the Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2016
Budgetary Comparison Schedule – General Fund – 2015

Seattle Transportation Benefit District
Management's Discussion and Analysis
Year Ended December 31, 2016

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, 2016. 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 imposes 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 started in April 2015 and will expire on December 31, 2020.

In July 2016, the District was absorbed by the City through Ordinance 125070 and it is no longer a legally separate entity. The City of Seattle assumes the rights, powers, immunities, functions, and obligations of the District. This consolidation simplifies administration and government, eliminates the need for separate Board meeting, budget, and legislation. Starting in 2017 the new budget cycle, the financials will be reported as a special revenue fund and included in the City's Comprehensive Annual Financial Report.

Financial Highlights

At the fiscal year end of 2016 the assets of the District exceeded its liabilities by \$28.91 million. The net position increased by \$8.10 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

1. 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, 2016. 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.

Seattle Transportation Benefit District
Management's Discussion and Analysis
Year Ended December 31, 2016

2. 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.

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.

3. 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, 2016 and 2015.

Statement of Net Position

Governmental Activities:

	2016	2015
Total Assets and Deferred		
Outflows of Resources	\$ 39,831,436	\$ 28,849,073
Total liabilities and Deferred		
Inflows of Resources	<u>10,920,552</u>	<u>8,040,017</u>
Total net position (Restricted)	<u>\$ 28,910,884</u>	<u>\$ 20,908,056</u>

Statement of Activities

Governmental Activities:

	2016	2015
General Revenues		
Excise Taxes	\$ 56,154,674	\$ 38,422,491
Investment Earnings	<u>238,312</u>	<u>72,795</u>
Total Revenues	\$ 56,392,986	\$ 38,495,286
Expenses		
Transportation	<u>\$ 48,291,158</u>	<u>\$ 21,290,446</u>
Total Expenses	<u>\$ 48,291,158</u>	<u>\$ 21,290,446</u>
Change in Net Position	\$ 8,101,828	\$ 17,204,840
Net Position-Beginning	<u>20,809,056</u>	<u>3,604,216</u>
Net Position-Ending	<u>\$ 28,910,884</u>	<u>\$ 20,809,056</u>

Seattle Transportation Benefit District
Management's Discussion and Analysis
Year Ended December 31, 2016

Overall Analysis of Financial Position & Result of Operations

The District's net position as of December 31, 2016 increased \$8,101,828 from \$20,809,056 to \$28,910,884. The overall increase in financial position from the prior year reflects the full year of revenue from the additional \$60 vehicle license fee, and one-tenth of one percent sales and use tax from the Proposition 1 passed by voters on November 4, 2014. Cash is the most significant asset, as the District does not maintain ownership of any capital assets. The cash balance at the fiscal year end of 2016 was \$32,848,667.

Fund Analysis

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

The District's revenue is primarily generated from the collection of vehicle license fee and a one-tenth of one percent sales and use tax. In 2016, revenue from these taxes was \$56,154,673. At December 31, 2016, the District's revenues exceeded expenditures by \$8,101,828 for the year ended December 31, 2016 thus increasing fund balance by the same amount. The entire ending fund balance is restricted to transportation improvements by RCW 36.73.

Budgetary Highlights

The District's 2016 adopted budget of \$52,635,976 was approved on November 23, 2015 in Resolution 19. The summary of budget to actual amounts is shown below.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Budgetary Fund Balance, January 1		\$ 20,809,056	
Resources (Inflows):	\$ 52,635,976	\$ 56,392,986	\$ 3,757,010
Charges to Appropriations (Outflows):	\$ 52,635,976	\$ 48,291,158	\$ 4,344,818
Budgetary Fund Balance, December 31		\$ 28,910,884	

The variance between the final budget and actual appropriations is primarily related to the new transit services underspending about \$3 million. The remainder of the budget 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, 2016**

Economic Factors and Future Outlook

Because of a boom in construction, employment and an expansion in the technology sector, 2016 marked a year of strong growth in the Seattle and regional economy. Continued population growth is expected to result in steady or increased revenues in coming years. To fund Metro Transit service in the City, voters approved the additional \$60 vehicles license fee on all vehicles and one-tenth of one percent sales and use tax increase with the District. Both started in April 2015 and will expire on December 31, 2020.

The District acts 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, 2015**

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, 2015. 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 imposes 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 started in April 2015 and will expire on December 31, 2020.

Financial Highlights

At the fiscal year end of 2015 the assets of the District exceeded its liabilities by \$20.81 million. The net position increased by \$17.20 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, 2015. 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, 2015

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, 2015 and 2014.

Statement of Net Position

Governmental Activities:

	2015	2014
Total Assets and Deferred		
Outflows of Resources	\$ 28,849,073	\$ 4,621,179
Total liabilities and Deferred		
Inflows of Resources	<u>8,040,017</u>	<u>1,016,963</u>
Total net position (Restricted)	<u><u>\$ 20,809,056</u></u>	<u><u>\$ 3,604,216</u></u>

Statement of Activities

Governmental Activities:

	2015	2014
General Revenues		
Excise Taxes	\$ 38,422,491	\$ 7,624,900
Investment Earnings	<u>72,795</u>	<u>30,827</u>
Total Revenues	\$ 38,495,286	\$ 7,655,727
Expenses		
Transportation	<u>\$ 21,290,446</u>	<u>\$ 5,782,091</u>
Total Expenses	<u>\$ 21,290,446</u>	<u>\$ 5,782,091</u>
Change in Net Position	\$ 17,204,840	\$ 1,873,636
Net Position-Beginning	<u>3,604,216</u>	<u>1,730,580</u>
Net Position-Ending	<u><u>\$ 20,809,056</u></u>	<u><u>\$ 3,604,216</u></u>

**Seattle Transportation Benefit District
Management's Discussion and Analysis
Year Ended December 31, 2015**

Overall Analysis of Financial Position & Result of Operations

The District's net position as of December 31, 2015 increased \$17,204,840 from \$3,604,216 to \$20,809,056. The overall increase in financial position from the prior year reflects revenue from the additional \$60 vehicle license fee, and one-tenth of one percent sales and use tax pursuant to the Seattle Transportation Benefit District Proposition 1 ballot measure approved by voters on November 4, 2014. Cash is the most significant asset, as the District does not maintain ownership of any capital assets. The cash balance at the fiscal year end of 2015 was \$21,827,369.

Fund Analysis

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

The District's revenue is primarily generated from the collection of vehicle license fee and a one-tenth of one percent sales and use tax authorized by voters on November 4, 2014. In 2015, revenue from these taxes was \$30,797,591 higher reflecting the additional \$60 vehicle license fee and a one-tenth of one percent sales and use tax increase. At December 31, 2015, the District's revenues exceeded expenditures by \$17,204,840 for the year ended December 31, 2015 thus increasing fund balance by the same amount. The entire ending fund balance is restricted to transportation improvements by RCW 36.73.

Budgetary Highlights

The District's 2015 adopted budget of \$8,002,427 was approved on November 7, 2014 in Resolution 13. 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			\$ 3,604,216	
Resources (Inflows):	\$ 8,002,427	\$ 38,827,249	\$ 38,495,286	\$ 331,963
Charges to Appropriations (Outflows):	\$ 8,002,427	\$ 31,198,924	\$ 21,290,446	\$ 9,908,478
Budgetary Fund Balance, December 31			\$ 20,809,056	

The final budget for resources (revenue) increased reflecting the additional \$60 vehicle license fee and a one-tenth of one percent sales and use tax increase approved by voters in November 2014 to primarily expand Metro Transit services in Seattle. The variance between the final budget and actual appropriations is primarily related to the new transit services approved by voters in 2014 and the implementation of the low income access, regional partnerships and vehicle license fee rebates. The remainder of the budget 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, 2015**

Economic Factors and Future Outlook

Because of a boom in construction, employment and an expansion in the technology sector, 2015 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 2015. 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 started in April 2015 and will expire on December 31, 2020. The District acts 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
Statement of Net Position
December 31, 2016

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Cash Equivalents	\$32,653,501	\$21,827,369
Interest Receivable	34,592	17,537
Due from Other Governments	<u>7,143,344</u>	<u>7,004,167</u>
Total Assets	39,831,437	28,849,073
 DEFERRED OUTFLOWS OF RESOURCES	 -	 -
Total Assets and Deferred Outflows of Resources	39,831,437	28,849,073
 LIABILITIES		
Vouchers Payable	-	-
Due to Other Governments	<u>10,920,552</u>	<u>8,040,017</u>
Total Liabilities	10,920,552	8,040,017
 DEFERRED INFLOWS OF RESOURCES	 -	 -
Total Liabilities and Deferred Inflows of Resources	10,920,552	8,040,017
 NET POSITION		
Restricted for Transportation Improvements	<u>28,910,885</u>	<u>20,809,056</u>
Total Net Position	<u>\$28,910,885</u>	<u>\$20,809,056</u>

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

Seattle Transportation Benefit District
Statement of Net Position
December 31, 2015

	Governmental Activities	
	2015	2014
ASSETS		
Cash and Cash Equivalents	\$21,827,369	\$3,971,774
Interest Receivable	17,537	3,089
Due from Other Governments	<u>7,004,167</u>	<u>646,316</u>
Total Assets	28,849,073	4,621,179
 DEFERRED OUTFLOWS OF RESOURCES	 -	 -
Total Assets and Deferred Outflows of Resources	28,849,073	4,621,179
 LIABILITIES		
Vouchers Payable	-	756,093
Due to Other Governments	<u>8,040,017</u>	<u>260,870</u>
Total Liabilities	8,040,017	1,016,963
 DEFERRED INFLOWS OF RESOURCES	 -	 -
Total Liabilities and Deferred Inflows of Resources	8,040,017	1,016,963
 NET POSITION		
Restricted for Transportation Improvements	<u>20,809,056</u>	<u>3,604,216</u>
Total Net Position	<u>\$20,809,056</u>	<u>\$3,604,216</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, 2016

	Governmental Activities	
	2016	2015
PROGRAM EXPENSES		
Transportation	<u>\$48,291,158</u>	<u>\$21,290,446</u>
Total Program Expenses	48,291,158	21,290,446
 GENERAL REVENUES		
Excise Taxes	56,154,674	38,422,491
Investment Earnings	<u>238,312</u>	<u>72,795</u>
Total General Revenues	56,392,986	38,495,286
 Change in Net Position	8,101,828	17,204,840
Net Position – Beginning	<u>20,809,056</u>	<u>3,604,216</u>
Net Position - Ending	<u>\$28,910,885</u>	<u>\$20,809,056</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, 2015

	Governmental Activities	
	2015	2014
PROGRAM EXPENSES		
Transportation	<u>\$21,290,446</u>	<u>\$5,782,091</u>
Total Program Expenses	21,290,446	5,782,091
 GENERAL REVENUES		
Excise Taxes	38,422,491	7,624,900
Investment Earnings	<u>72,795</u>	<u>30,827</u>
Total General Revenues	38,495,286	7,655,727
 Change in Net Position	17,204,840	1,873,636
Net Position – Beginning	<u>3,604,216</u>	<u>1,730,580</u>
Net Position - Ending	<u>\$20,809,056</u>	<u>\$3,604,216</u>

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

Seattle Transportation Benefit District
Balance Sheet
December 31, 2016

	General Fund	
	2016	2015
ASSETS		
Cash and Cash Equivalents	\$32,653,501	\$21,827,369
Interest Receivable	34,592	17,537
Due from Other Governments	<u>7,143,344</u>	<u>7,004,167</u>
Total Assets	39,831,437	28,849,073
 DEFERRED OUTFLOWS OF RESOURCES	 -	 -
 Total Assets and Deferred Outflows of Resources	 39,831,437	 28,849,073
 LIABILITIES		
Vouchers Payable	-	-
Due to Other Governments	<u>10,920,552</u>	<u>8,040,017</u>
Total Liabilities	10,920,552	8,040,017
 DEFERRED INFLOWS OF RESOURCES	 -	 -
 Total Liabilities and Deferred Inflows of Resources	 10,920,552	 8,040,017
 NET POSITION		
Restricted for Transportation Improvements	<u>28,910,885</u>	<u>20,809,056</u>
Total Net Position	<u>\$28,910,885</u>	<u>\$20,809,056</u>

The accompanying notes are an integral part of these statements.

Seattle Transportation Benefit District
Balance Sheet
December 31, 2015

	General Fund	
	2015	2014
ASSETS		
Cash and Cash Equivalents	\$21,827,369	\$3,971,774
Interest Receivable	17,537	3,089
Due from Other Governments	<u>7,004,167</u>	<u>646,316</u>
Total Assets	28,849,073	4,621,179
 DEFERRED OUTFLOWS OF RESOURCES	 -	 -
Total Assets and Deferred Outflows of Resources	28,849,073	4,621,179
 LIABILITIES		
Vouchers Payable	-	756,093
Due to Other Governments	<u>8,040,017</u>	<u>260,870</u>
Total Liabilities	8,040,017	1,016,963
 DEFERRED INFLOWS OF RESOURCES	 -	 -
Total Liabilities and Deferred Inflows of Resources	8,040,017	1,016,963
 NET POSITION		
Restricted for Transportation Improvements	<u>20,809,056</u>	<u>3,604,216</u>
Total Net Position	<u>\$20,809,056</u>	<u>\$3,604,216</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, 2016

	General Fund	
	2016	2015
REVENUES		
Excise Taxes	\$56,154,674	\$38,422,491
Investment Earnings	<u>238,312</u>	<u>72,795</u>
Total Revenues	56,392,986	38,495,286
 EXPENDITURES		
Transportation	<u>48,291,158</u>	<u>21,290,446</u>
Total Expenditures	48,291,158	21,290,446
 Excess of Revenues over Expenditures	8,101,828	17,204,840
 Net Change in Fund Balance	8,101,828	17,204,840
Fund Balance - Beginning	<u>20,809,056</u>	<u>3,604,216</u>
Fund Balance - Ending	<u>\$28,910,885</u>	<u>\$20,809,056</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, 2015

	General Fund	
	2015	2014
REVENUES		
Excise Taxes	\$38,422,491	\$7,624,900
Investment Earnings	<u>72,795</u>	<u>30,827</u>
Total Revenues	38,495,286	7,655,727
EXPENDITURES		
Transportation	<u>21,290,446</u>	<u>5,872,091</u>
Total Expenditures	21,290,446	5,872,091
Excess of Revenues over Expenditures	17,204,840	1,873,636
Net Change in Fund Balance	17,204,840	1,873,636
Fund Balance - Beginning	<u>3,604,216</u>	<u>1,730,580</u>
Fund Balance - Ending	<u>\$20,809,056</u>	<u>\$3,604,216</u>

The accompanying notes are an integral part of these statements.

Seattle Transportation Benefit District
Notes to the Financial Statements
Year Ended December 31, 2016

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, 2016

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, 2016,

Seattle Transportation Benefit District
Notes to the Financial Statements
Year Ended December 31, 2016

the District's share of pooled investments was \$32,653,501 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, 2016, the District's entire fund balance of \$28,910,885 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.

The table below presents the District's share of the City's pooled investments as of December 31, 2016.

Seattle Transportation Benefit District
Notes to the Financial Statements
Year Ended December 31, 2016

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

	Fair Value as of 12/31/2016
Transportation Benefit District Cash in City Pool	\$ 3,659
<u>Total City Pooled Investments (rounded)</u>	<u>\$ 1,768,479</u>
TBD Balance as a Percentage of City Pool	0.207%

As of December 31, 2016, the City's investment pool held the following investments.

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

Investments	Fair Value as of December 31, 2016	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 50,446	4
Local Government Investment Pool	45,382	4
U.S. Treasury and U.S. Government-Backed Securities	263,833	475
U.S. Government Agency Securities	560,938	1,371
U.S. Government Agency Mortgage-Backed Securities	288,491	1,878
Commercial Paper	204,555	90
Municipal Bonds	306,960	1,699
Bank Notes	<u>48,143</u>	658
Total	<u>\$ 1,768,479</u>	
Weighted Average Maturity of the Treasury Residual Pooled Investments		1,116

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, 2016, 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, 2016

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 2016.

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, 2016

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. In July 2016, the District was absorbed by the City through Ordinance 125070. The City of Seattle assumes the rights, powers, immunities, functions, and obligations of the District.

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, and January 30, 2015, Resolution 16, an amendment to Resolution 2.

Seattle Transportation Benefit District
Notes to the Financial Statements
Year Ended December 31, 2015

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, 2015

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, 2015,

Seattle Transportation Benefit District
Notes to the Financial Statements
Year Ended December 31, 2015

the District's share of pooled investments was \$21,827,369 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, 2015, the District's entire fund balance of \$20,809,056 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, 2015

The table below presents the District's share of the City's pooled investments as of December 31, 2015.

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

	Fair Value as of 12/31/2015
Transportation Benefit District Cash in City Pool	\$ 4,771
<u>Total City Pooled Investments (rounded)</u>	<u>\$ 1,762,276</u>
<u>TBD Balance as a Percentage of City Pool</u>	<u>0.270%</u>

As of December 31, 2015, the City's investment pool held the following investments.

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

Investments	Fair Value as of December 31, 2015	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 55,063	4
U.S. Treasury and U.S. Government-Backed Securities	456,044	488
U.S. Government Agency Securities	484,370	1,218
U.S. Government Agency Mortgage-Backed Securities	220,461	1,909
Commercial Paper	219,945	25
Municipal Bonds	276,891	1,081
Bank Notes	<u>49,503</u>	879
Total	<u>\$ 1,762,276</u>	
Weighted Average Maturity of the Treasury Residual Pooled Investments		898

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, 2015, 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, 2015

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 2015.

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, 2015

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, and January 30, 2015, Resolution 16, an amendment to Resolution 2.

Seattle Transportation Benefit District
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2016

	<u>Budgeted</u> <u>Amounts</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive (Negative)</u>	
Budgetary Fund Balance, January 1		\$ 20,809,056		
Resources (Inflows):				
Excise Taxes (Vehicle License Fees)	\$ 52,635,976	\$ 56,154,674	\$ 3,518,698	
Interest Received	-	238,312	238,312	
Amounts Available for Appropriation	\$ 52,635,976	\$ 56,392,986	\$ 3,757,010	
Charges to Appropriations (Outflows):				
Transportation:				
Mobility-Capital	\$ 2,578,000	\$ 2,931,837	\$ (353,837)	2
Major Maintenance/Replacement	1,950,000	1,228,721	721,279	1
Mobility-Operations	749,468	410,426	339,042	1
Street Maintenance	2,390,194	2,394,551	(4,357)	2
Transit Service	39,965,320	37,836,574	2,128,746	1
Regional Partnership	1,100,000	1,210,520	(110,520)	2
Low Income Access	2,000,000	1,697,005	302,995	1
VLF Rebate	1,828,000	491,725	1,336,275	1
Transportation Benefit District Admin	74,994	89,799	(14,805)	2
Total Charges to Appropriations	\$ 52,635,976	\$ 48,291,158	\$ 4,344,818	
Budgetary Fund Balance, December 31		<u>\$ 28,910,885</u>		

¹ The remaining budget of December 31, 2016 is automatically carried forward to subsequent year(s) until fully expended or the appropriation has been accomplished or abandoned.

² The remaining budget of December 31, 2016 is lapsable.

Seattle Transportation Benefit District
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (<u>Budgetary Basis</u>)	Variance with Final Budget Positive (<u>Negative</u>)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1			\$ 3,604,216	
Resources (Inflows):				
Excise Taxes (Vehicle License Fees)	\$8,002,427	\$38,827,249	\$38,422,491	\$ 404,758
Interest Received	-	-	72,795	(72,795)
Amounts Available for Appropriation	<u>\$8,002,427</u>	<u>\$38,827,249</u>	<u>\$38,495,286</u>	<u>\$ 331,963</u>
Charges to Appropriations (Outflows):				
Transportation:				
Mobility-Capital	\$3,700,000	\$ 4,302,000	\$ 3,638,701	\$ 663,299 ¹
Major Maintenance/Replacement	1,200,000	1,200,000	741,826	458,174 ¹
Mobility-Operations	737,050	737,050	950,792	(213,742) ²
Street Maintenance	2,365,377	2,365,377	2,344,431	20,946 ²
Transit Service		13,500,000	13,033,774	466,226 ¹
Regional Partnership		3,000,000	-	3,000,000 ¹
Low Income Access		2,000,000	291,614	1,708,386 ¹
VLF Rebate		4,000,000	214,812	3,785,188 ¹
Transportation Benefit District Admin		94,497	74,497	20,000 ²
Total Charges to Appropriations	<u>\$8,002,427</u>	<u>\$31,198,924</u>	<u>\$21,290,446</u>	<u>\$9,908,478</u>
Budgetary Fund Balance, December 31			<u><u>\$20,809,056</u></u>	

¹ The remaining budget of December 31, 2015 is automatically carried forward to subsequent year(s) until fully expended or the appropriation has been accomplished or abandoned.

² The remaining budget of December 31, 2015 is lapsable.

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.

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