



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Seattle Southside Regional Tourism
Authority

King County

For the period January 13, 2015 through December 31, 2015

Published March 16, 2017

Report No. 1018761





Office of the Washington State Auditor
Pat McCarthy

March 16, 2017

Board of Directors
Seattle Southside Regional Tourism Authority
SeaTac, Washington

Report on Financial Statements

Please find attached our report on the Seattle Southside Regional Tourism Authority's financial statements.

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

Sincerely,

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 Southside Regional Tourism Authority King County January 13, 2015 through December 31, 2015

Board of Directors
Seattle Southside Regional Tourism Authority
SeaTac, 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 Southside Regional Tourism Authority, King County, Washington, as of and for the period ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 9, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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.

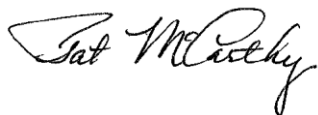
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

February 9, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Seattle Southside Regional Tourism Authority King County January 13, 2015 through December 31, 2015

Board of Directors
Seattle Southside Regional Tourism Authority
SeaTac, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Seattle Southside Regional Tourism Authority, King County, Washington, as of and for the period ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Southside Regional Tourism Authority, as of December 31, 2015, and the respective changes in financial position thereof for the year 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 on pages 10 through 16 and budgetary comparison information on page 34 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 9, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

February 9, 2017

FINANCIAL SECTION

**Seattle Southside Regional Tourism Authority
King County
January 13, 2015 through December 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – 2015

Management's Discussion & Analysis December 31, 2015

INTRODUCTION

Seattle Southside Regional Tourism Authority's (RTA's) Management's Discussion & Analysis (MD&A) provides a narrative overview and analysis of the RTA's financial activities for the fiscal period ended December 31, 2015. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities, changes in financial position and currently known facts. This information should be read in conjunction with both the financial statements and the notes to the financial statements.

Although the RTA's Board of Directors were appointed by the SeaTac City Council on January 13, 2015, the RTA had no funding until the first TPA special assessments were received on June 30, 2015. In July 2015, the RTA began to incur operating costs and in September 2015 the President/CEO was hired. Due to this mid-2015 start, the financial statements, the related notes to the financial statements and the MD&A only reflect the operating results for the period of April 1, 2015 through December 31, 2015.

The RTA is considered a component unit of the City of SeaTac and its financial information is discretely presented in the City's financial statements.

BASIS OF FINANCIAL INFORMATION

The RTA's government-wide financial statements have been prepared on the full accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). The RTA's fund financial statements for the governmental fund have been prepared on the modified accrual basis of accounting in conformity with GAAP. A detailed discussion of the government-wide and fund financial statements can be found in later sections of the MD&A.

FINANCIAL HIGHLIGHTS

- The RTA's 2015 Ending Net Position on the government-wide Statement of Net Position was \$2.4 million. The Ending Fund Balance in the General Fund also ended the year at approximately \$2.4 million exceeding the RTA's 2015 adopted Budget's Ending Fund Balance of \$1.3 million by \$1.1 million or 84.3%.
- Tourism Promotion Area special assessments totaled \$2.7 million for the period ended December 31, 2015 and included TPA special assessment receivables of \$492 thousand due to a two-month accrual period; TPA special assessment revenues were collected for a period of nine months beginning in April 2015.
- Governmental fund expenditures totaled \$357 thousand for the six-month period which ended December 31, 2015; The RTA had only one full-time employee from September 2015 until December 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The RTA's financial statements are prepared on both a government-wide and an individual fund basis. Both perspectives allow for annual comparisons against other governments, improve the RTA's accountability and provide a comprehensive user friendly format to use in understanding the RTA's financial condition.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with an overview of the RTA's financial condition and activities as a whole. This broad overview is similar to the financial reporting for a private-sector business. The RTA's government-wide financial statements have only one column for governmental activities reporting only one type of function which is Tourism, categorized functionally as "Natural and Economic Environment."

The Statement of Net Position presents information on the difference between the RTA's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, highlighting the difference as net position. The Statement of Net Position is like the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as a useful indicator of improvement or deterioration in the RTA's overall financial position.

The Statement of Activities was designed to show how the RTA's net position changed during the year. Similar to the Statement of Net Position, this financial statement includes only governmental activities. Revenues in the areas of charges for services, operating grants, and capital grants are matched to the proper program. The revenues generated by the program are then compared to the expenses for the program. The end result is the net expense or net revenue for that program. The net expense or net revenue shows if the program is self-supporting or if the program relies on general revenues. As required by GAAP, the RTA's main revenue source, TPA special assessments, is presented in the General Revenue section even though the law mandates that these funds be spent exclusively for tourism purposes. GAAP requires this presentation because these revenues are classified as "nonexchange" revenues.

All activity on the Statement of Activities is reported on the accrual basis of accounting. This means that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items like unused vacation leave are included in the Statement of Activities as an expense even though no cash has changed hands. The government-wide statements are located immediately following the Management's Discussion & Analysis.

Fund Financial Statements

The RTA's annual financial report also includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the RTA's finances based on the type of activity (governmental only for the RTA), the fund financial statements are presented in columns by major fund. For the RTA, there is only one fund, a General Fund, and General Funds are always considered to be a major fund per GAAP. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities and in the case of the RTA that activity is tourism.

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, the basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues and expenditures, while the government-wide financial statements include both near

term and long term revenues and expenses. The information in the governmental fund statements can be used to evaluate the RTA's near term funding requirements and fiscal health. Comparing the governmental fund statements with the government-wide statements can assist the reader in understanding the long-term impact of the RTA's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide statements are included in the Reconciliation of the Fund Balances of Governmental Funds to the Net Position of the Governmental Activities and in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

In 2015, the RTA maintained budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level under Washington State law. A budgetary comparison schedule is presented for the General Fund in the Required Supplementary Information (RSI) section of this Annual Report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements:

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Over a period of time, net position can be a useful indicator of the RTA's financial position. The table below is a condensed version of the RTA's Statement of Net Position:

Seattle Southside Regional Tourism Authority
Statement of Net Position

Assets:	2015
Current & other assets	\$ 2,455,858
Capital assets, net	37,447
Total Assets	2,493,305
Deferred Outflow of Resources:	
Total Deferred Outflows of Resources	-
Liabilities:	
Long-term liabilities	15,419
Other liabilities	86,517
Total Liabilities	101,936
Deferred Inflow of Resources:	
Total Deferred Inflows of Resources	-
Net Position:	
Investment in capital assets	37,447
Unrestricted	2,353,922
Total Net Position	\$ 2,391,369

The RTA's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$2.4 million. The majority (98.4%) of total net position is unrestricted while only 1.6% reflects the RTA's investment in capital assets. The unrestricted portion is available for ongoing tourism operations and activities of the RTA. Since the RTA was established in 2015, no year over year comparisons can be made.

Changes in Net Position

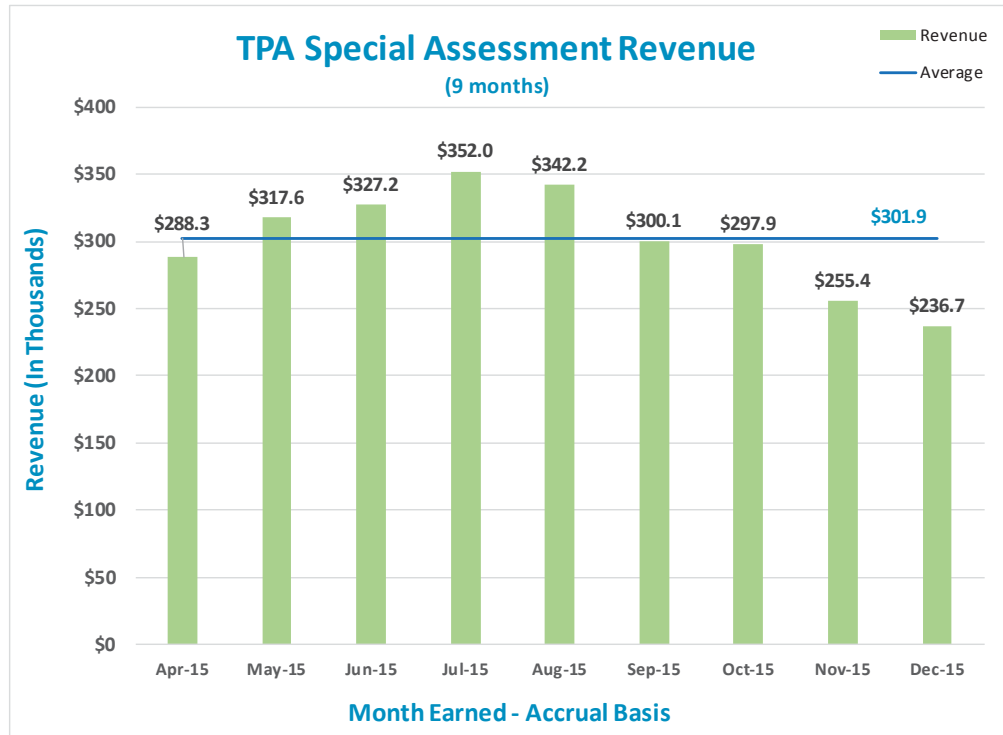
On the government-wide Statement of Activities, changes in net position shows the net change or the difference between the total revenue activity and the total expense activity that took place during the current reporting period. The change in net position figure is added to the beginning net position figure to derive an accumulated ending net position figure for the RTA since incorporation. This is quick way to evaluate the RTA's financial condition.

The table below represents a condensed version of the RTA's Statement of Activities. The table designates revenues as either program revenues or as general revenues. Program revenues are revenues generated by a specific function. Expenses are listed by program or a specific function. The change in net position is derived from netting the revenues against the expenses.

Seattle Southside Regional Tourism Authority Statement of Activities

Revenue:	2015
Program Revenues:	
Charges for services	\$ 7,220
Operating grants & contributions	1,616
Capital grants & contributions	-
General Revenues:	
Tourism Promotion Area special assessments	2,717,423
Investment earnings	856
Total Revenues	2,727,115
Expenses:	
Natural & Economic Environment	335,746
Total Expenses	335,746
Increase (Decrease) in Net Position	2,391,369
Net Position-Beginning	-
Net Position-Ending	\$ 2,391,369

TPA special assessment revenues totaled \$2.7 million for a period of nine months. As shown in the chart below, TPA special assessments averaged \$302 thousand in 2015 with July 2015 being the highest month at \$352 thousand and December 2015 being the lowest month at \$237 thousand.



In 2015, 37 hotels with 6,917 rooms participated in the collection of the TPA special assessments. Special assessment revenue was budgeted at \$1.9 million but actual revenues exceeded this amount by over \$800 thousand. The original budget was created on a cash basis, operationally the RTA is reporting on a modified accrual/accrual basis, which accounts for part of the variance in budgeted verses actual revenue.

Expenditures were not incurred until July 2015 and covered a period of approximately six months. The RTA hired its first employee in September 2015, the CEO/President, and the remaining employees were hired in early 2016. The 2015 expenditure budget was \$600 thousand while actual expenditures were \$336 thousand or 60% of the budget. The scheduled remodel of the office space took much longer than anticipated so many projects were delayed resulting in reduced 2015 expenditures.

CAPITAL ASSETS & LONG-TERM DEBT

Capital Assets

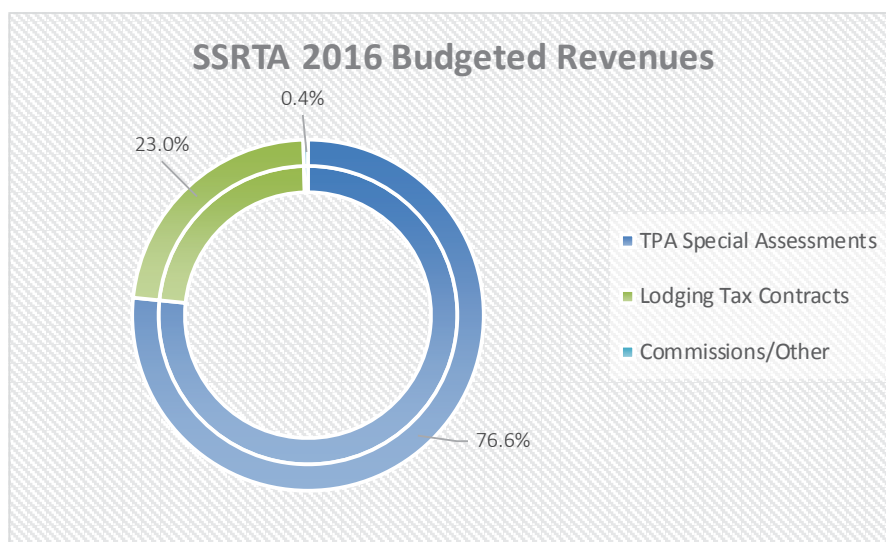
For 2015, the only capital assets purchased by the RTA was workstation furniture in the amount of \$37 thousand (net of depreciation). For 2016, the RTA budgeted \$50 thousand for equipment. At this time, no additional acquisitions of capital assets are planned for purchase outside of the budgeted \$50 thousand for equipment. Additional information on capital assets is presented in *Note 1 – Summary of Significant Accounting Policies, Item F – Assets, Liabilities, Fund Balance & Net Position, #4- Capital Assets*.

Long-Term Debt

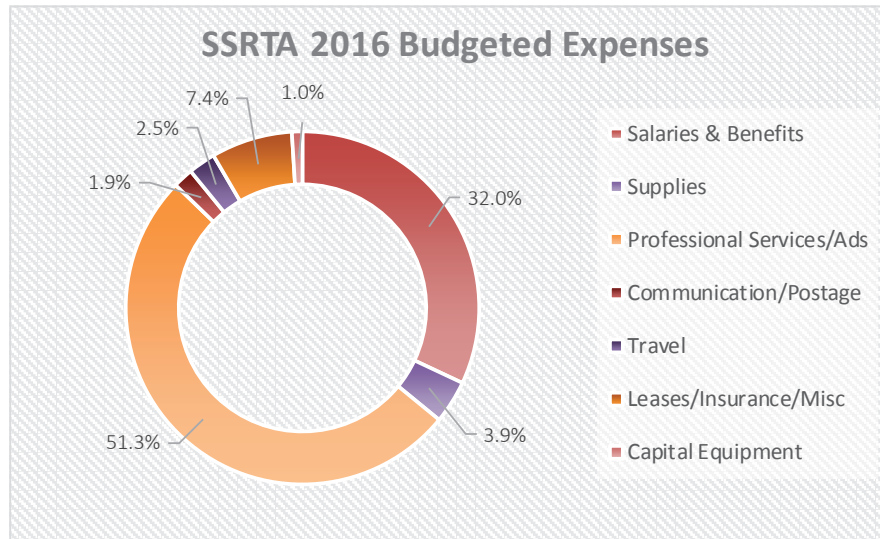
Other than compensated absence liability balances for vacation and sick leave, the RTA has no outstanding long-term debt. In addition, the RTA does not currently have the power to issue negotiable bonds or notes per City of SeaTac Ordinance No. 14-1014 which established the RTA. In order to issue debt, a formal amendment to this Ordinance would be required which would be allowed by RCW 35.21.745. Additional information on long-term debt is presented in *Note 7 – Long-term Debt & Changes in Long-term Liabilities*.

2016 BUDGET

For 2016, the RTA projected a \$1.1 million ending fund balance. It is currently anticipated that the actual ending fund balance for 2016 will be higher at approximately \$2 million. TPA special assessment revenues were budgeted at \$3.6 million and there are no expected revisions to this figure at this time. The second largest revenue source will be intergovernmental contracts for local lodging tax revenues from the cities of SeaTac, Tukwila and Des Moines totaling \$1.1 million. Commissions are the smallest revenue budget at \$20 thousand. The chart below depicts the RTA's 2016 revenue budget:



For 2016 expenditures, the RTA budget includes \$2.7 million for professional services which includes advertising and promotions. This comprises the largest portion of the budget at 51.3%. The second highest expenditure budget is salaries & benefits at 32% and includes 14.5 full-time equivalent employees. Actual salary and benefit expenses will be lower because a Sales Manager position was not filled and employees were hired after the first of year. Other budgeted expenses for the RTA include supplies (3.9%), capital equipment (1%), communication & postage (1.9%), travel (2.5%), and operating leases, insurance and miscellaneous services which includes registration and memberships (7.4%). The chart below depicts the RTA's 2016 budgeted expenditures as approved by the RTA Board via Resolution No. 2015-021 and includes any line item transfer adjustments approved by the President/CEO of the RTA:



ECONOMIC FACTORS & OUTLOOK

In its Sustainable Airport Master Plan (SAMP), Seattle-Tacoma International Airport has estimated an increase in its annual passenger count from 42 million in 2015 to 66 million in 2034. The SAMP will provide for long-term development of the Airport over the next five, ten and twenty year timeframes. In addition, this Plan will support airline expansion and address improvement projects like a cargo facility modernization, airfield enhancements, and expansion of new aircraft gates.

For 2016, in addition to the new 225-room hotel that opened in the City of Des Moines, it is anticipated that an existing hotel that was sold will be redeveloped in the Tourism Promotion Area. For 2017, a preliminary look at a new supply of planned hotels shows that an estimated eight new hotels with approximately 1,109 rooms will be developed in the TPA in support of the future growth in passenger travel.

In addition to the forecasted growth at Seattle-Tacoma International Airport and hotel development, the RTA is developing a strategic plan with the goal of marketing the region, increasing the number of tourists and tourist spending while enhancing economic development.

REQUESTS FOR INFORMATION

This financial report was designed to provide a general overview of the RTA's finances for interested readers. Questions regarding any of the information in this report, or requests for additional information should be addressed to the Seattle Southside Regional Tourism Authority, Attention: CFO, 3100 S 176th Street, Suite 200, Seattle, WA 98188.

Seattle Southside Regional Tourism Authority

Statement of Net Position

December 31, 2015

	Governmental Activities
Assets	
Cash & cash equivalents	\$ 1,932,547
Receivables (net)	
Other current receivables-commissions	4,580
Due from other governments	492,137
Inventory-tickets	1,616
Prepaid items	14,978
Contract receivable-security deposit	10,000
Capital assets (net of accumulated depreciation):	
Furniture	37,447
Total Assets	\$ 2,493,305
Liabilities	
Accounts payable	37,748
Accrued wages & benefits	7,850
Accrued expenses & rent	40,107
Noncurrent Liabilities (Note 7):	
Due within one year	812
Due in more than one year	15,419
Total Liabilities	101,936
Net Position	
Investment in capital assets	37,447
Restricted	-
Unrestricted	2,353,922
Total Net Position	\$ 2,391,369

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

Seattle Southside Regional Tourism Authority

Statement of Activities

For the Period Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities:					
Natural & Economic Environment	\$ 335,746	\$ 7,220	\$ 1,616	\$ -	\$ (326,910)
Total Governmental Activities	<u>\$ 335,746</u>	<u>\$ 7,220</u>	<u>\$ 1,616</u>	<u>\$ -</u>	<u>\$ (326,910)</u>
General Revenues					
					2,717,423
Tourism Promotion Area special assessments					856
Investment earnings					<u>2,718,279</u>
Total General Revenues					
					2,391,369
Change in Net Position					<u>-</u>
Net Position - Beginning					<u>\$ 2,391,369</u>
Net Position - Ending					

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

Seattle Southside Regional Tourism Authority

Balance Sheet Governmental Fund December 31, 2015

Assets	General Fund
Cash & cash equivalents	\$ 1,932,547
Receivables (net):	
Other current receivables-commissions	4,580
Due from other governments	492,137
Inventory-tickets	1,616
Prepaid items	14,978
Contract receivable-security deposit	10,000
Total Assets	\$ 2,455,858

Liabilities	
Accounts payable	37,748
Accrued wages & benefits	7,850
Accrued expenses & rent	40,107
Total Liabilities	85,705

Fund Balances	
Nonspendable:	
Inventory	1,616
Prepayments	14,978
Non-current receivable	10,000
Assigned:	
2016 excess budget appropriation	535,268
Unassigned	1,808,291
Total Fund Balances	\$ 2,370,153

Reconciliation of Fund Balances of Governmental Funds to the Net Position of Governmental Activities:

Governmental funds total fund balance	\$ 2,370,153
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Capital assets used in governmental activities are not financial resources and are not reported in the individual governmental funds. These assets consist of:

Furniture	37,762
Less: accumulated depreciation	(315)
Capital assets (net)	37,447

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in an individual governmental fund.

Compensated absences payable	(16,231)
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Net position of governmental activities (as shown on the Government-wide Statement of Net Position)	\$ 2,391,369
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The notes to the financial statements are an integral part of this statement.

Seattle Southside Regional Tourism Authority

Statement of Revenues, Expenditures & Changes in Fund Balance

Governmental Fund

For the Period Ended December 31, 2015

Revenues	General Fund
Intergovernmental	\$ 1,616
Special assessments	2,717,423
Interest earnings	856
Miscellaneous	7,220
Total Revenues	2,727,115
Expenditures	
Natural & Economic Environment	319,200
Capital Outlay - Natural & Economic Environment	37,762
Total Expenditures	356,962
Excess (deficiency) of revenues over (under) expenditures	2,370,153
Other Financing Sources (Uses)	-
Total Other Financing Sources (Uses)	-
Net Change in Fund Balance	2,370,153
Fund Balance-Beginning	-
Fund Balance-Ending	\$ 2,370,153

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Net change in fund balance for governmental fund \$ 2,370,153

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expense. This is the difference for the current period:

Capital outlays	37,762
Depreciation expense	(315)
Difference	37,447

Some expenses reported on the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

These expenses consist of:

Net increase in compensated absences	(16,231)
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Change in net position of governmental activities (as shown on the Government-wide Statement of Net Activities)	\$ 2,391,369
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The notes to the financial statements are an integral part of this statement.

Notes to Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Seattle Southside Regional Tourism Authority (RTA) 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. Organization

In May 2014, under the State's Tourism Promotion Area (TPA) Act (RCW 35.101) and the Interlocal Cooperation Act (RCW 39.34), the cities of SeaTac, Tukwila and Des Moines entered into an Interlocal Agreement for the joint establishment of a Tourism Promotion Area (TPA). The Interlocal Agreement established the purpose of the TPA to include receiving special assessment and lodging tax revenues, managing and operating the TPA, serving as a destination marketing organization and providing tourism promotion services. On October 14, 2014, Seattle Southside Regional Tourism Authority ("RTA") was chartered as a public development authority by City of SeaTac Ordinance No. 14-1014. This Ordinance authorized the creation of the RTA as a public corporation and a separate legal entity pursuant to RCW 35.21.730(5).

On January 13, 2015, the City Council of the City of SeaTac passed Resolution No. 15-001 appointing the initial Board of Directors for the RTA, formally commencing the existence of the RTA. The first Board of Director's meeting was held January 16, 2015 with the initial Board Officers being selected by the RTA Board Members.

B. Reporting Entity

For financial reporting purposes, in conformance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion & Analysis for State and Local Governments*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statement No. 14 and 34*, the RTA is considered a discretely presented component unit of the City of SeaTac. Although the RTA is an independent legal entity responsible for its own debts, obligations and liabilities, the City of SeaTac, as the "Legislative Authority" for the RTA, has the responsibility for approving the RTA's Annual Budget, and confirming the appointments of RTA Board Members as recommended for appointment by current RTA Board Members.

C. Basis of Presentation - 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 the nonfiduciary activities of the primary government. Any fiduciary activities would be reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The RTA has no fiduciary activities and no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or a segment. The RTA has only one program, Tourism, which is has been classified as “Natural and Economic Environment” for reporting purposes. Program revenues include the following: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function or segment. Taxes, and in the case of the RTA, special assessments, interest, and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements have been provided for the RTA’s only governmental fund, a General Fund. The General Fund is an operating fund that accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The RTA’s fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

The principal revenues of the RTA are Tourism Promotion Area special assessments imposed on lodging units of \$2.00 per occupied room per day for Lodging Businesses that are either hotel, motel, or bed and breakfast facilities, with 90 or more lodging units located in the cities of SeaTac, Des Moines and Tukwila. In addition, the RTA continues to negotiate Interlocal Agreements with the three cities to transfer city lodging taxes to the RTA to use for tourism promotion services pursuant to Chapter 67.28 RCW. The RTA also receives commissions on the sales of tickets for tourism related attractions and these are recognized as program revenue. Interest earnings and non-capital asset transfers (intergovernmental revenue) have also been collected. Expenditures for the RTA include salaries and benefits, supplies, services and capital outlay for furniture.

D. Measurement Focus, Basis of Accounting

1. Government-wide

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Governmental Funds

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 the liabilities of the current period. For this purpose, the RTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, judgments, and other post-employment benefits, are recorded only when a payment is due. General capital acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

TPA special assessments are susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the RTA.

E. Revenue Recognition

RTA operations commenced during 2015 upon receipt of the TPA special assessments. The first special assessment payment was received on June 30, 2015. TPA assessments are earned two months prior to being remitted by the State's Department of Revenue through the State Treasurer's Office. As such, there is a receivable and related accrued revenue in the amount of \$492,137 from TPA assessments earned during November and December 2015 that were not collected until January and February 2016.

F. Budgetary Information

1. Scope of the Budget

The RTA's 2015 budget was prepared on the cash basis of accounting and included amounts for current year operating revenues and expenditures. The Board of Directors approved the RTA's first annual operating budget with a \$600,000 expenditure appropriation and \$1.9 million in estimated special assessment revenues through the passage of Resolution No. 2015-011. In addition to RTA Board approval, the City of SeaTac, the Legislative Authority, approved the RTA's Annual Budget for the use of the special assessments. This approval was done on July 28, 2015 by Resolution No. 15-011.

2. Amending the Budget

The President/CEO is authorized to transfer budgeted amounts between departments and object classes within departments; however, any revisions that alter the total expenditure appropriation of the General Fund or that effect the number of authorized employee positions or employment conditions must be approved by the Board.

RSI includes a budget schedule that contains the RTA's original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by any legally authorized Board approved changes during the year. The RTA's original budget was not amended by the Board in 2015.

3. Excess of Expenditures over Appropriations

In 2015, expenditures did not exceed appropriations in the RTA's General Fund.

F. Assets, Liabilities, Fund Balance, Net Position

1. Cash, Cash Equivalents & Investments

In 2015, the RTA's cash and cash equivalents consisted only of checking and savings accounts with U.S. Bank. These demand deposits were entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). While the RTA does not have a formal policy regarding custodial credit risk separate from State law, the RTA does not assume any custodial credit risk because all of its cash balances are held in the U.S. Bank accounts, which are not an investment evidenced by securities.

Although the RTA held no investments in 2015, State law allows agencies to invest its surplus funds in U.S. Treasuries and Agency securities, certificates of deposits, commercial paper, bankers' acceptances, and repurchase agreements secured by eligible securities.

The amounts reported as cash and cash equivalents also include a collected balance maintained with U.S. Bank in lieu of payments for services rendered. The average collected balance maintained during 2015 was approximately \$889,752.

As of December 31, 2015, the RTA's total cash and cash equivalents consisted of the following:

U.S. Bank, Checking account	\$ (43,595)
U.S. Bank, Savings account	<u>1,976,142</u>
Total Cash & Cash Equivalents.....	<u>\$1,932,547</u>

2. Receivables & Amounts Due from Other Governments

The RTA's receivables consist of commissions receivable, revenues due from other governments and a long-term security deposit receivable. The security deposit being held is from the RTA's operating lease for office space while the commissions are from contractual agreements like ticket sales. The due from other governments receivable is for two months of special assessments earned in 2015 which were due to the RTA from the State.

3. Inventories

The RTA holds in inventory a small quantity of tickets for sale to visitor attractions. The tickets in inventory were originally purchased by the City of Tukwila but were transferred to the RTA. The RTA recorded the ticket inventory at cost which was equivalent to acquisition value on the date of donation. The tickets are sold as a convenience to area visitors at cost or for a small commission. The first-in first-out (FIFO) method will be used to value the cost of future RTA ticket inventory. All other RTA inventory consists of expendable supplies held for consumption and are recorded as an expenditure when purchased. The amount of these supplies are considered immaterial.

4. Capital Assets

Capital assets are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are defined as an asset with an initial cost of more than \$5,000 and an estimated useful life greater than four years. Such assets are recorded at historical cost when purchased. Donated capital assets are recorded at the acquisition value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Costs for normal maintenance and repairs are not capitalized.

In 2015, the only capital assets purchased by the RTA was furniture. The estimated useful life for furniture is 10 years with no salvage value. Assets are depreciated using straight-line depreciation.

Capital asset activity for the year ended December 31, 2015 was as follows:

Type of Assets	Beg Balance 01/01/15	Additions	Deletions	Ending Balance 12/31/15
Depreciable Assets:				
Furniture	\$0	\$37,762	\$0	\$37,762
Less: Accumulated Dep	0	(315)	0	(315)
Total Depreciable Assets	\$0	\$37,447	\$0	\$37,447
Total Capital Assets (net)	\$0	\$37,447	\$0	\$37,447

Depreciation expense was charged to the following activity of the RTA as follows:

Governmental Activities:	
Natural & Economic Environment	\$315
Total Depreciation Expense-Governmental Activities	\$315

5. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation. RTA employees accrue 12 days (96 hours) of sick leave per year with a maximum accrual of 480 hours. Upon separation, sick leave cannot be cashed out. For vacation, employees accrue in the range of 12 days (96 hours) to 24 days (192 hours) per year, depending on the employee's length of service. The maximum vacation accrual is equal to two times an employee's annual yearly vacation accrual amount. An employee separating from the RTA will be paid for all unused vacation provided a two week notice period has been given to the RTA. The RTA has a five (5) year employment agreement with the President/CEO that provides distinct vacation and sick leave benefits through December 31, 2020. At the end of 2015, total compensated absences liability was \$16,230 and included accumulated unused vacation and sick leave. It is estimated that \$812 of this liability will be due in one year.

6. Pensions (See Note 4 - Pension Plans)

In 2015, the RTA did not implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, because the RTA did not join the Public Employees' Retirement System (PERS) until September 2015, after the Washington State Department of Retirement System's (DRS) June 30, 2015 pension measurement date; therefore, the RTA has not reflected a proportional share of pension liabilities or a proportional share of deferred inflows and outflows in the financial statements.

7. Other Accrued Liabilities

These accounts consist of accrued wages, employee benefits and rent.

8. Long-term Debt (See Note 7 - Long-term Debt & Changes in Long-term Liabilities)

9. Fund Balance Classification

Fund balance in governmental funds represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, states that governmental funds should report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the RTA is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

Governments, such as the RTA, that do not have policies or procedures comparable to the GASB Statement No. 54 policies that underlie the classifications, would not report such amounts in all possible fund balance classifications. Since the RTA does not have fund balance classification policies or procedures, no amounts were reported as committed. Therefore, the flow assumption or order of spending within unrestricted fund balance would be assigned then unassigned since the RTA does not have anything reported as committed.

The following are the fund balance classifications as defined by GASB Statement No. 54:

Nonspendable: Amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash like inventories and prepaid amounts. It may also include long-term amounts of loans and notes receivable.

Restricted: Fund balance should be reported as restricted when 1) constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Although the RTA's primary revenue sources are legally restricted for tourism-related purposes, the RTA was established solely to promote tourism; therefore, the restrictions on these revenues establishes "no purpose restrictions narrower than the general restriction of the activity" as prescribed by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and the residual fund balance in the General Fund was classified as unassigned.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (passage of a resolution) to establish (and to modify or to rescind) the commitments of the RTA's highest level of decision-making authority which is the RTA Board of Directors. At this time, the RTA has no written policy or procedure on committing fund balance.

Assigned: Amounts that are restrained by the RTA's intent to be used for a specific purpose, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by the governing body (the RTA Board), or a body or official to which the governing body has delegated the authority to assign amounts to, be used for specific purposes. Assigned fund balance includes amounts in the General Fund that are intended to be used for a specific purpose. At this time, the RTA has no written policy or procedure on assigning fund balance and the authority to make assignments has not been delegated to anyone.

Unassigned: Residual classification to the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

NOTE 2 – VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

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

NOTE 3 – SIGNIFICANT COMMITMENTS

In December 2015, the RTA signed a three (3) year contract for professional services that includes strategic planning, research and analysis, marketing action plan, sales strategy and plan, campaign concept development and implementation, social media strategy, public relations, and media services. For the first year, beginning in December 2015, service fees are estimated at \$550,000 while media and campaign production expenses are estimated at \$1.45 million. In 2015, the RTA paid \$42 thousand in professional services fees on this contract.

NOTE 4 – PENSION PLANS

A. Public Employees' Retirement System (PERS) Plans 1, 2 & 3

1. State Sponsored Pension Plan Overview

Currently, all RTA's employees participate in the PERS statewide retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

2. General Information about the PERS Plan

Plan Description: PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is comprised of three separate pension plans for membership purposes. PERS Plans 1 and 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional

cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions: The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at .18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1 Actual Contribution Rates		
Date Range	Employer	Employee
Jan – June 2015	9.21%	6.00%
July – Dec 2015	11.18%	6.00%

The RTA had no employees in PERS Plan 1 in 2015; therefore, no contributions were made to this Plan. (Note: PERS Plan 2/3 contributions include a component for PERS Plan 1 UAAL.)

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15

percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions: The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3 Actual Contribution Rates		
Date Range	Employer 2/3	Employee 2*
Jan – June 2015	9.21%	4.92%
July – Dec 2015	11.18%	6.12%
Employee PERS Plan 3	N/A	Varies

*For employees participating in JBM, the contribution rate was 15.3%.

The RTA's actual contributions to PERS Plan 2/3 were \$4,565 (includes the .18 percent administration fee) for the year ended December 31, 2015.

The RTA Board of Directors approved participation in the PERS Plan in fiscal year 2015. Admission into PERS was effective September 2015 with the RTA's first employee.

B. Deferred Compensation Plan (457(b) Plan)

In lieu of Social Security, the RTA Board of Directors passed Resolution #2015-023 authorizing employee participation in the Washington State Department of Retirement Systems Deferred Compensation Program (DCP) which is an Internal Revenue Code (IRC) 457(b) defined contribution plan. Employees who voluntarily elect to participate in the DCP, can defer up to \$18,000 (maximum in 2015.) Employees who are aged 50 or older have the option of contributing up to an additional \$6,000 in catch-up contributions. In addition, special 457(b) contributions (twice the annual limit in the amount of \$36,000) may be allowed for participants for three years prior to the normal retirement age. The RTA provides a 5% maximum employer DCP match and there is no vesting period. All funds deferred by employees are held in trust by the Washington State Investment Board for the exclusive benefit of program participants and eligible beneficiaries. As such, amounts deferred and placed in trust have not been reflected as assets or liabilities of the RTA in the accompanying financial statements.

In 2015, voluntary employee contributions were made in the amount of \$1,750. The RTA provided a 5% match in the amount \$1,750 of which \$583 was included in other current liabilities payable.

NOTE 5 - RISK MANAGEMENT

A. Liability Insurance

The RTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The RTA is a member of the Washington Cities Insurance Authority (WCIA) which provides liability coverage for these types of risks.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 176 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the Interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

There have been no settlements regarding purchased insurance policies. As such, settlements of claims did not exceed insurance coverage for the period ended December 31, 2015. In addition, since this is the first year of operations for the RTA, there has been no reduction in insurance coverage from the previous year.

B. Payroll Benefit Insurance

The RTA's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour.

The RTA's unemployment insurance is administered in Washington State by the Employment Security Department in accordance with the provisions of the Employment Security Act. The RTA's employer status for unemployment insurance is as a "reimbursable" employer. The RTA is billed by Employment Security for any unemployment benefits paid to former employees every three months. As a political subdivision, the RTA is exempt from federal unemployment taxes.

Association of Washington Cities Employer Benefit Trust (“Trust”)

Seattle Southside Regional Tourism Authority is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

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

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

NOTE 6 – SHORT TERM DEBT

As of December 31, 2015, the RTA had no short-term debt outstanding. Additionally, there was no short term debt activity during the year.

NOTE 7 – LONG-TERM DEBT & CHANGES IN LONG-TERM LIABILITIES

Although RCW 35.21.745 provides that public corporations may be empowered to issue bonds, per City of SeaTac Ordinance No. 14-1014, creation of a public corporation, the RTA has no power to issue negotiable bonds or notes.

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

Type of Debt	Beginning Balance 1/1/15	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
Compensated Absences	\$0	\$22,089	\$5,859	\$16,230	\$812
Total Long-term Liabilities	\$0	\$22,089	\$5,859	\$16,230	\$812

NOTE 8 – LEASES

The RTA signed a sixty-six (66) month noncancelable lease agreement for office space which includes space for a visitor center on the first floor of the building. This lease agreement was effective August 1, 2015 and expires on January 31, 2023. Under the building lease agreement, the first six months of the lease were free to the RTA providing for a "rent holiday" under GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*. It is also anticipated that an additional six months of rent will be free due to a delay in the completion of the tenant improvements. For 2015, the rent expenses/expenditures for the lease agreement were measured on the straight-line basis and totaled \$35,773 as required by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The future minimum lease payments for the office space lease are as follows:

2016	\$ 85,855
2017	85,855
2018	85,855
2019	85,855
2020	85,855
2021-2023	<u>178,865</u>
Total	<u>\$608,140</u>

NOTE 9 – CONTINGENCIES AND LITIGATIONS

The RTA is not aware of any material liabilities or unresolved situations requiring the recording of an estimated liability accrual in the financial statements. In the opinion of management, the RTA's liability insurance is adequate to cover any claims that may arise.

NOTE 10 – RESTRICTED COMPONENT OF NET POSITION

The Government-wide State of Net Position reports no restricted net assets and no restrictions from enabling legislation.

Seattle Southside Regional Tourism Authority

Required Supplementary Information (RSI)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Period Ended December 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,616	\$ 1,616
Special assessments	1,900,000	1,900,000	2,717,423	817,423
Interest earnings	-	-	856	856
Miscellaneous	-	-	7,220	7,220
Total Revenues	1,900,000	1,900,000	2,727,115	827,115
Expenditures				
Natural & Economic Environment	600,000	600,000	319,200	280,800
Capital Outlay- Natural & Economic Env	-	-	37,762	(37,762)
Total Expenditures	600,000	600,000	356,962	243,038
Excess (deficiency) of revenues over (under) expenditures	1,300,000	1,300,000	2,370,153	1,070,153
Other Financing Sources (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	1,300,000	1,300,000	2,370,153	1,070,153
Fund Balance-Beginning	-	-	-	-
Fund Balance-Ending	\$ 1,300,000	\$ 1,300,000	\$ 2,370,153	\$ 1,070,153

Notes:

Special assessments were budgeted on a cash basis; Therefore, the actual column includes two additional months of accrued TPA special assessments totaling \$492,137.

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.

Contact information for the State Auditor's Office	
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