

Kenmore Transportation Benefit District

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		001 Transportation Benefit District
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	0
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	150,698
330	Intergovernmental Revenues	0
360	Miscellaneous Revenues	480
Total Operating Revenues:		151,178
Operating Expenditures		
540	Transportation	5,000
Total Operating Expenditures:		5,000
Net Operating Increase (Decrease):		146,178
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
Total Nonoperating Revenues:		
Nonoperating Expenditures		
591-593	Debt Service	0
594-595	Capital Expenditures	0
Total Nonoperating Expenditures:		
Increase (Decrease) in Cash and Investments		146,178
Ending Cash and Investments		
50810	End Fund Bal-Reserved	146,178
50880	End Fund Balance-Unreserved	0

The accompanying notes are an integral part of this Statement.

KENMORE TRANSPORTATION BENEFIT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kenmore Transportation Benefit District reports financial activity using the revenue and expenditure classifications contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Kenmore Transportation Benefit District was incorporated on July 23, 2012 and operates under the laws of the state of Washington applicable to transportation benefit districts. The financial statements present activity of the District, the primary government. The District's reporting entity does not include any component units. Although legally separate, the District itself is reported as an Agency Fund of the City of Kenmore because its sole purpose is to finance transportation improvements carried out by the City. The District Board of Directors is made up of the City of Kenmore City Council Members, with the City Finance Director acting as District Treasurer. City employees perform all operational and administrative functions of the district.

The District was created to provide adequate funding for ongoing transportation improvements that are consistent with existing state, regional and local transportation plans and necessitated by existing or reasonably foreseeable congestion levels, and to preserve and maintain transportation infrastructure, improve public safety, or implement projects identified in Kenmore's Transportation Improvement Program, pursuant to and consistent with Chapter 36.73 RCW. The boundaries of the District are identical with the City of Kenmore limits.

The District uses double-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District accounted for all activity in 2013 in one fund which has a separate set of accounts that comprises its cash, investments, revenues, expenditures, as appropriate. The District's resources are allocated to and accounted for in this fund based on its intended purpose. The following fund type is used by the District:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

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In accordance with state law, the District also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The District adopts a biennial appropriated budget for the TBD General Fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for the fund lapse at the end of the two year fiscal period.

The biennial appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget is as follows for 2013-2014:

Fund	2013-2014 Appropriated Expenditures	2013 Actual Expenditures	Variance
General Fund	535,000	5,000	530,000

D. Cash

The District has an Interlocal agreement with the City of Kenmore to manage the District's cash in order to make the most efficient use of public monies, to avoid duplication of effort and to coordinate their efforts. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds between the City and the District, based on fund balance.

E. Deposits

The District's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission (WPDPC).

F. Investments

See Note 3.

G. Derivatives and Similar Transactions

The District has not used, held, or sold any derivatives or similar instruments during the period covered by the financial statements.

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H. Capital Assets

The District has no capital assets. According to the Interlocal Agreement, streets and related transportation infrastructure preserved and maintained with District funds are and shall remain the property of Kenmore. No joint property ownership is contemplated under the terms of the agreement.

I. Compensated Absences

The District has no obligations related to compensated absences because the District has no employees. Its officers are either City Council members serving in an ex officio capacity or are City employees designated to serve under the provisions of state law. According to the Interlocal agreement between the District and the City of Kenmore, the City will provide all staff and necessary related support to the District.

J. Long-Term Debt

The District has no long term debt.

K. Other Financing Sources or Uses

The City's "Other Financing Sources or Uses" consist of operating transfers in, operating transfers out, insurance recoveries, and sale of property. There were no operating transfers during 2013.

L. Risk Management

The District is a member of the Washington Cities Insurance Authority (WCIA).

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 162 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, police, 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 sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, 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

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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.

M. Reserved Fund Balance

Effective for 2010 ending fund balances, the State Auditors Office requires cash basis entities to classify fund balances as either reserved or unreserved. Reserved balances are the amounts of cash and investments not available due to the restrictions imposed on them by external parties (e.g., grantors, creditors, etc) and/or due to internal commitments. Internally committed resources are those with limitations imposed by the highest level of government (e.g. City Council, Board of Directors) through a formal action (ordinance, resolution, etc.) The revised Code of Washington (RCW 36.73) establishes restrictions on the use of the funds generated by Transportation Benefit Districts. Additionally, the governing body of the District imposed restrictions on the use of these funds by ordinance. All funds generated by the District are restricted to a) projects identified in the City of Kenmore's Transportation Improvement Program, as adopted annually, b) street repair and maintenance. Therefore, the ending fund balance of \$146,178 is reserved.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

There have been no expenditures exceeding legal appropriations in the funds of the District.

NOTE 3 – CASH AND INVESTMENTS

The City's investments are insured, registered or held by the City or its agent in the City's name. There were no investments held by the City of Kenmore as an agent for other local governments, individuals, or private organizations.

Cash held as of December 31, 2013 was \$146,178.

NOTE 4 – VEHICLE FEE

On November 20, 2012 the Governing Board of the District established an annual vehicle fee in the amount of \$20.00 for the purpose of making transportation improvements that preserve and maintain transportation infrastructure, improve public

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safety and implement projects identified in the City's Transportation Improvement Program. These fees can only be used for those purposes. The fee became effective for licenses renewing on or after June 1, 2013 and the District received its first distribution from the Washington State Department of Revenue in May, 2013.

NOTE 5 – INTERLOCAL AGREEMENT

In 2012 the District entered into an Interlocal agreement with the City of Kenmore in order to make the most efficient use of resources, to avoid duplication of effort and to coordinate efforts. The City of Kenmore is empowered to construct, reconstruct, maintain and preserve Kenmore streets and other related public infrastructure. The District has been constituted in accordance with state law to provide a source of funding for the maintenance and preservation of streets and related infrastructure within the Kenmore city limits. According to the Interlocal agreement, the City will provide all staff and necessary related support to the District. The costs of such support shall be accounted for as a part of Kenmore's annual report to the District. District funding will first be applied to the reasonable charges incurred in establishing and staffing the District. Annual services provided may include the services provided by the Kenmore City Attorney, the Kenmore Clerk when serving as the Clerk of the District, Kenmore's Finance Director when serving as Treasurer of the District, and any associated costs, included but not limited to the preparation of an annual work plan, reporting, advertising, design, contracting, construction management, accounting and any and all other actual charges associated with proper application of District funding to the preservation and maintenance of Kenmore streets and infrastructure in accordance with law and ordinance. In consideration of the benefits derived by Kenmore, overhead charges such as utilities, information technology, office supplies, and equipment shall be a contribution of Kenmore to the parties' joint goals and objectives and need not be directly charged to the District.