

ANNUAL REPORT

**STANWOOD TRANSPORTATION BENEFIT
DISTRICT**

MCAG 3053

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Certified correct this twenty-eighth day of May, 2015

to the best of my knowledge and belief:

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STANWOOD TRANSPORTATION BENEFIT DISTRICT
2014 ANNUAL REPORT

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**ANNUAL REPORT CERTIFICATION
STANWOOD TRANSPORTATION DISTRICT
MCAG No. 3053**

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office
For the Fiscal Year Ended December 31, 2014

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PREPARER INFORMATION and CERTIFICATION:

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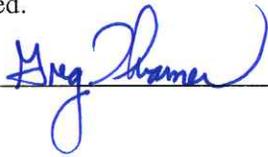
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I do hereby certify this 27th day of May, 2015, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification.

Moreover, I acknowledge and understand that management and the governing body are responsible for:

- The design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.
- Compliance with applicable state and local laws and regulations.
- Immediately submitting corrected annual report information if any error in submitted information is subsequently identified.

Preparer Signature: 

NOTES TO FINANCIAL STATEMENTS

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Stanwood Transportation District
Notes to the Financial Statements
January 1, 2014 through December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Stanwood Transportation Benefit District reports financial activity using the revenue and expenditure classifications, statements, and schedules 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 Stanwood Transportation Benefit District was established as a quasi-municipal corporation, an independent taxing district on November 19, 2012. The District is a governmental special purpose entity governed by a Board of Directors, created as a separate legal entity for the purpose of acquiring, constructing, improving, providing and funding transportation improvements within the District, which has identical boundaries as the City of Stanwood limits.

On February 12, 2013 the citizens passed a ballot measure to enact a 0.2% (two tenths of one percent) sales tax increase to be collected within the District effective July 1, 2013. The District operates under the laws of the State of Washington applicable to transportation benefit districts. The District uses single-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. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the District:

GOVERNMENTAL FUND TYPES:

General (Current Expense) 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 only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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 capital assets are expensed during the year of acquisition. There is no capitalization of capital 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 an annual appropriated budget for the TBD general fund. This budget is appropriated at the fund level and constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund (001)	\$203,304	\$49,430	\$153,874

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's legislative body.

D. Cash

The District has an interlocal agreement with the City of Stanwood to make the most efficient use of public monies, to avoid duplication of effort and to coordinate efforts. As such, the City of Stanwood manages the District's cash. Beginning and ending cash amounts are reported on the statements of fund resources and uses from cash transactions. The interest on these investments is prorated to the various funds between the City and the District, based on ending fund balance.

E. Deposits

The District deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3, *Investments*.

G. Capital Assets

The District has no capital assets. According to the interlocal agreement between the District and the City of Stanwood, streets and related transportation infrastructure preserved and maintained with District funds are and shall remain the property of the City of Stanwood. Under the City's policy, capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two (2) years. These items are recorded as expenditures when purchased.

H. Compensated Absences

The District has no compensated absences because the District has no employees and its officers are City Council members serving in an ex officio capacity. According to the interlocal agreement between the District and the City of Stanwood, the City will provide all staff and necessary related support to the District.

I. Long-Term Debt

The District incurred no long term debt in its first year of operation and has no long term debt as of December 31, 2013.

J. Risk Management

The Stanwood Transportation Benefit 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 175 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 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.

K. Reserved Fund Balance

Effective for 2010 ending fund balances, the State Auditor’s 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 projects as allowed by state law and in accordance with the interlocal agreement between the District and the City of Stanwood as reflected in the adopted annual budget and annual TBD report. Therefore, the ending fund balance of \$252,945 is reserved.

Note 2 – Investments

The City of Stanwood manages the investments of the District on its behalf in an agency fund. The District’s investments are either insured, registered or held by the City or its agent in the District’s name.

Investments are presented at cost.

Investments by type at December 31, 2014 are as follows:

Type of Investment	Balance
Local Government Investment Pool	\$ 88,159
Bank Certificates of Deposit	\$ 22,662
Money Market Accounts	\$ 3,895
Total	\$ 114,716

Note 3 – Sales Tax

In 2013 the citizens of Stanwood voted to authorize a sales and use tax of two-tenths of one percent (.2%) to be collected within the District from all taxable retail sales in accordance with RCW 82.14.0455. The tax may be collected for a term of 10 years for the purpose of paying or financing costs of transportation improvement projects consistent with existing state, regional and local transportation plans. The tax became effective July 1, 2013 and the District received its first tax distribution from the Washington State Department of Revenue in September 2013. In 2014 the District received \$259,856 in sales tax.

Note 4 – Interlocal Agreement

In 2012 the District entered into an interlocal agreement with the City of Stanwood in order to make the most efficient use of resources, to avoid duplication of effort and to coordinate efforts. The City of Stanwood is empowered to construct, reconstruct, maintain and preserve city streets and other related public infrastructure. The District was constituted in accordance with state law to provide a source of funding for the maintenance and preservation of streets and related infrastructure within the City limits. According to the interlocal agreement between the District and the City of Stanwood, the City will provide all staff and necessary related support to the District. Services provided by the City of Stanwood

may be those provided by the City Attorney, the City Clerk, the City's Finance Director and other employees of the City that serve the District including but not limited to the preparation of the annual work plan, reporting, advertising, design, contracting, construction management, accounting and any and all other actual charges agreed upon and in accordance with law and ordinance. In 2014 the District paid the City of Stanwood \$10,000 in management fees in accordance with the interlocal agreement.

**Stanwood Transportation Benefit District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014**

		001 General
Beginning Cash and Investments		
30810	Reserved	42,388
30880	Unreserved	-
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	259,856
330	Intergovernmental Revenues	-
360	Miscellaneous Revenues	131
Total Operating Revenues:		259,987
Operating Expenditures		
540	Transportation	49,430
Total Operating Expenditures:		49,430
Net Operating Increase (Decrease):		210,557
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
Total Nonoperating Revenues:		-
Nonoperating Expenditures		
591-593	Debt Service	-
594-595	Capital Expenditures	-
Total Nonoperating Expenditures:		-
Net Increase (Decrease) in Cash and Investments:		210,557
Ending Cash and Investments		
50810	Reserved	252,945
50880	Unreserved	-

The accompanying notes are an integral part of this statement.