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Michael A. Riley, Assistant Director of  
Financial Services

September 26, 2016

To the Members of the Bremerton City Council and the Citizens of the City of Bremerton:

The Department of Financial Services is pleased to provide you with the Annual Financial Report of the Bremerton Transportation Benefit District (TBD) for the fiscal year ended December 31, 2015. State statute and financial best practices require the TBD issue annually a report on its financial position and activity. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management based upon a comprehensive framework of internal controls that have been established to provide assurances that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the TBD.

Generally Accepted Accounting Principles (GAAP) in the United States of America requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The TBD's MD&A can be found in the Financial Section of this report.

### **Profile of the Government**

The Bremerton Transportation Benefit TBD was established on February 4, 2009, and operates under the laws of the State of Washington applicable to a Transportation Benefit District. The TBD is governed by the seven member City of Bremerton Council. The City Council members are part-time elected officials who exercise the legislative powers of the TBD and determine matters of policy. Per the Charter of the TBD, the Board is comprised of two officers, the Board President and the Vice President. In addition, the City's Financial Services Director shall act as Treasurer of the TBD pursuant to RCW 36.73.020(4)

The TBD is coextensive with the boundaries of the City of Bremerton which is located in Kitsap County and lies east of the Olympic Mountains directly across Puget Sound from Seattle. As the largest city in the County, Bremerton had a 2015 population of 38,180 and serves as the urban center for the Bremerton-Silverdale Metropolitan Statistical Area (MSA). For over a century, Bremerton has been home to Puget Sound Naval Shipyard which continues to service U.S. Naval vessels and its personnel.

The TBD adopts an annual (calendar year) budget and the Board is required to adopt the final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the TBD's financial planning and control. Periodic amendments to the adopted budget are approved by the Board.

On March 17, 2016, The Bremerton City Council adopted Ordinance 5297 assuming the rights, powers, functions and obligations of the Bremerton Transportation Benefit District.


### **Major Initiatives**

The TBD operates as an independent taxing District and was created to benefit the City of Bremerton. On February 15, 2012 the TBD entered into an inter-local agreement with the City of Bremerton to preserve, maintain, construct and reconstruct City streets and other related public infrastructure either by contract or through the use of City forces. The TBD enacted a \$20 per vehicle license fee to fund appropriate projects. In 2015 the TBD collected \$480,625 in fees. The Board approved a final operating budget of \$618,000 to maintain selected roadways in the City of Bremerton. The TBD used \$345,577 of the proposed budget.

### **Acknowledgments**

We would like to express our appreciation to all those who assisted and contributed to the preparation of this report.

Respectfully submitted,



Dino Davis  
Board President



Cathy Johnson  
Treasurer

**Bremerton Transportation Benefit District  
Management Discussions and Analysis  
Year Ended December 31, 2015**

This section of Bremerton Transportation Benefit District's (referred to as "District" throughout this report) Annual Financial Report presents management's overview and analysis of the District's financial performance for the fiscal year ended December 31, 2015. This section should be read in conjunction with the financial statements and notes to the financial statements that follow this section.

The Bremerton Transportation Benefit District was established on February 4, 2009 by the Bremerton City Council. The District operates within the boundaries of the City of Bremerton, and revenue generated by the District through an imposed \$20 vehicle license fee supports local transportation improvement projects. The MD&A presents comparative financial information.

**Discussion of the Basic Financial Statements**

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

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

Government-wide Financial Statements

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

The statement of activities presents information showing how the District's net position changed for the year ended December 31, 2015. It separates program revenue generated by its functions and programs. All changes in net position are reported as soon as the underlying event gives rise to the change to occur, regardless of the timing of related cash flows.

Fund Financial Statements

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

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

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

Notes to Financial Statements

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

**Condensed Financial Data**

The following tables present condensed financial information related to the District's Net Position for the year ended December 31, 2015.

Statement of Net Position

**Governmental Activities:**

	<b>2015</b>	<b>2014</b>
Total Assets	467,242	313,750
Total Liabilities	65,174	47,455
<b>Total Net Position Restricted</b>	<u>\$402,068</u>	<u>\$266,295</u>

Statement of Activities

**Governmental Activities:**

	<b>2015</b>	<b>2014</b>
Revenues		
Vehicle Fees Tax	480,625	444,012
Investment Interest	725	659
<b>Total Revenues</b>	<u>\$481,350</u>	<u>\$444,671</u>
Expenses		
Transportation	345,577	746,326
<b>Total Expenses</b>	<u>345,577</u>	<u>746,326</u>
Change in Net Position	135,773	(301,655)
Net Position-Beginning	266,295	567,950
<b>Net Position-Ending</b>	<u>\$402,068</u>	<u>\$266,295</u>

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

The District's net position as of December 31, 2015 was \$402,068. This amount is restricted in full by RCW 36.73 for transportation improvements. The District's most significant asset is cash, as the District does not maintain ownership of any capital assets. While the District has only been in operation for three years, a positive net position in 2015 reflects the District's ability to meet current and future obligations in the course of its activities. Over time, once the District has been in operation for multiple years, changes in net position may be used to analyze financial operations. In addition, since the TBD is used as a

mechanism to finance street restoration, costs are controlled by the budget adoption and not adversely affected by changes in the financial environment.

### **Fund Analysis**

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

The District's program revenue is entirely generated for the collection of vehicle registration fees, recorded as taxes. The General Fund revenues exceeded General Fund expenditures by \$135,773 resulting in an ending fund balance of \$402,068. Average monthly revenue from these fees was \$40,000. Actual collections exceeded anticipated 2015 revenue by \$50,625. The entire fund balance is restricted for transportation improvements by RCW 36.73.

### **Budget Variances in the General Fund**

	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Budgetary Fund Balance, January 1	\$ 266,295	\$ 266,295	\$ -
Resources (inflows):	\$ 430,000	\$ 481,350	\$ 51,350
Charges to appropriations (outflows):	\$ (618,000)	\$ (345,577)	\$ 272,423
Budgetary Fund Balance December 31	<u>\$ 78,295</u>	<u>\$ 402,068</u>	<u>\$ 323,773</u>

**Bremerton Transportation Benefit District**  
**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash & Cash Equivalents	\$ 430,384
Investments	-
Receivables	36,858
Interest receivable	-
Total assets	\$ 467,242
<b>Deferred outflows of resources</b>	\$ -
<b>Liabilities</b>	
Accounts payable and other current liabilities	\$ 65,174
Other non current liabilities	-
Total liabilities	\$ 65,174
<b>Deferred inflows of resources</b>	\$ -
<b>Net Position</b>	
Restricted for:	
Transportation Improvements	402,068
Unrestricted	-
Total Net Position	\$ 402,068

**Bremerton Transportation Benefit District**  
**Statement of Activities**  
**December 31, 2015**

	Governmental Activities
<b>Governmental Activities</b>	
Expenses	
Transportation	345,577
Total Program Expenses	\$ 345,577
Program Revenues	
Charges for Services	-
Total Program Revenues	\$ -
General Revenues	
Taxes	480,625
Interest	725
Total General Revenues	\$ 481,350
Change in Net Position	135,773
Net Position Beginning	266,295
Net Position Ending	\$ 402,068

See accompanying notes to the financial statements

**Bremerton Transportation Benefit District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	<b>General</b>
<b>ASSETS</b>	
Cash and equivalents	430,384
Investments	-
Receivables, net	36,858
Total assets	467,242
Deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ 467,242
<b>LIABILITIES, DEFERRED INFLOW of RESOURCES and FUND BALANCES</b>	
Liabilities:	
Accounts/contracts payable	65,174
Total liabilities	65,174
Deferred inflows of resources	-
Fund balances:	
Nonspendable	-
Restricted	402,068
Committed	-
Assigned	-
Unassigned	-
Total fund balances	402,068
Total liabilities, deferred inflows of resources and fund balances	\$ 467,242

See accompanying notes to the financial statements.



**Bremerton Transportation Benefit District**  
**Statement of Revenues, Expenditures and Change in Fund Balance**  
**Governmental Funds**  
**December 31, 2015**

	<u>General</u>
<b>Revenues</b>	
Taxes	480,625
Investment Earnings	725
Total Revenues	<u>481,350</u>
<b>Expenditures</b>	
Transportation	<u>345,577</u>
Total Expenditures	<u>345,577</u>
Excess of Revenues over Expenditures	<u>135,773</u>
<b>Net Change in Fund Balance</b>	135,773
Fund Balance - Beginning	<u>266,295</u>
Fund Balance - Ending	<u>\$ 402,068</u>

**Bremerton Transportation Benefit District**  
**Notes to Financial Statements**  
**Year Ended December 31, 2015**

**1. Summary of significant accounting policies**

The financial statements of the Bremerton Transportation Benefit District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

On February 4, 2009 the City authorized and approved the creation of a Transportation Benefit District (TBD) coextensive with the boundaries of the City in order to exercise the powers available under RCW 36.73. This blended component unit is governed by a board composed of the seven members of the Bremerton City Council, who serve in an ex-officio and independent capacity, with the City's Director of Financial Services acting as District Treasurer. City employees perform all operational and administrative functions of the District. The primary purpose of the District is the acquisition, construction, improvement, provision and/or funding of the maintenance of City streets and related infrastructure. The TBD is an independent taxing district and was established to benefit the City of Bremerton satisfying GASB Statement No. 14's criteria for the recognition of the TBD as a blended component unit of the City. Beginning fiscal year 2012, the TBD has enacted a \$20 per vehicle license fee to fund appropriate projects. In 2015, the TBD received total collections from vehicle license fees of \$480,625. There were no capital assets to report in 2015.

**B. Government-wide and fund financial statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Our policy is to not allocate indirect costs to a specific function. Program revenues are those items that are applicable to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions that are restricted to meeting the operational or capital requirement of a particular function are also included. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the following major governmental fund:

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

#### **D. Budgetary Information**

##### 1. Scope of Budget

Annual appropriated budgets are adopted for the District's general fund on the modified accrual basis of accounting. Expenditures may not exceed appropriations

Appropriations lapse at year-end

##### 2. Amending the Budget

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

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all supplemental appropriations authorized for the fiscal year. The budget was amended once during the year.

#### **E. Assets, Liabilities and Net Assets**

##### 1. Cash and Cash Equivalents

It is the District as well as the City's policy to invest all temporary cash surpluses. At December 31, 2015, the District was holding \$430,384 in cash and cash equivalents. The interest on these investments is distributed back into the fund.

##### 2. Receivables

Taxes receivable consists of fees earned by the City but not yet received from the State.

##### 3. Fund Balance Classification

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

For the year ended December 31, 2015, the entire fund balance of \$402,068 in the District's General Fund is classified as restricted. It is only available for transportation improvement projects as prescribed by RCW 36.73.

#### **NOTE 2- Stewardship, Compliance and Accountability**

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

**NOTE 3- Cash and Equivalents****A. Cash and Equivalents**

The District's deposits are 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). The District invests excess funds in the Washington State Investment Pool. Due to the short term nature of the investments in the Pool, the funds are reported as cash and equivalents.

**NOTE 4- Risk Management**

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

**NOTE 5- Contingencies and Litigations**

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

**NOTE 6- Restricted Component of Net Position**

The government-wide statement of net position reports \$402,068 of restricted component of net position which is restricted by enabling legislation.

**NOTE 7- Subsequent Events**

In the February 3, 2016 public meeting, the Transportation Benefit District Board notified the public of its intent, per Senate Bill 5987, dated July 1, 2015, to have the City of Bremerton assume its rights, powers, functions and obligations. The City of Bremerton on March 17, 2016, adopted Ordinance 5297 assuming the rights, powers, functions and obligations of the Bremerton Transportation Benefit District.

**Bremerton Transportation Benefit District 2015  
Completed Work per Approved TBD Workplan**

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<u>Category</u>	<u>Budgeted</u>	<u>Completed</u>	
Crack Seal Roads	115,000.00	\$	2,720
Hot Applied Street Markings	120,000.00	\$	65,274
Grind & Patch	250,000.00	\$	282,250
Austin Drive Overlay	108,000.00	\$	- *Wintered over to 2016
Contingency	25,000.00	\$	-
<b>Not to exceed</b>	<b>\$ 618,000</b>	<b>\$</b>	<b>350,244</b>