



***Central Puget Sound
Regional Transit Authority***

*Schedule of Sources and Uses of Funds by
Subarea*

Year Ending December 31, 2017

This page intentionally left blank

TABLE OF CONTENTS

Sound Transit – Service and Capital Program Overview	1
Subarea Equity	3
Sound Transit District Map	4
Sound Transit District Subareas	5
Statement of Management’s Responsibility	7
Independent Accountants’ Report on Applying Agreed Upon Procedures.....	9
2017 Schedule of Sources and Uses of Funds by Subarea	15
Notes to Schedule of Sources and Uses of Funds by Subarea	17
Appendix A: Financial Statement Reconciliation to Subarea Sources and Uses	21
Appendix B: Subarea Drivers	23

This page intentionally left blank

SOUND TRANSIT - SERVICE AND CAPITAL PROGRAM OVERVIEW

The Central Puget Sound Regional Transit Authority, a public corporation acting under the service name of Sound Transit, is a regional transit authority implementing and operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties including commuter rail (Sounder), light rail (Link) and a regional express bus system (ST Express). Established by the legislature in 1993, in 1996 voters approved the initial phase of its System Plan, *Sound Move* – a 10-year regional transit system plan, which authorized tax collections for funding of its operations and the first set of regional transit projects.

Then in 2008, the region’s voters approved a second phase of the System Plan, *ST2* – a 15-year program authorizing additional tax collections to fund additional bus and commuter rail service, as well as 36 miles of new Link light rail service. The final elements of *Sound Move* were completed with the opening of the University and South 200th (Angle Lake) light rail extensions in 2016.

In November of 2016, the region’s voters authorized additional tax collections, including a property tax, for a third phase of system expansion. *ST3* – a 25-year program, funds 62 new miles of light rail, bus rapid transit, expanded capacity and service on Sounder south line, ST Express bus service and improved access to stations.

Sound Transit Service Program

Currently Sound Transit operates the following services:

- 82 miles of commuter rail service providing 13 round-trip trains daily between downtown Seattle and Tacoma, of which 8 trips continue to Lakewood, and 4 round-trip trains daily between Seattle and Everett serving 4.4 million annual passengers;
- 28 regional express bus routes with a fleet of 317 buses serving 18.4 million annual passengers;
- 20 miles of light rail line from University of Washington to Angle Lake serving 23 million annual passengers;
- A 1.8 mile light rail line in Tacoma serving a million annual passengers; and
- Associated stations, park-and-ride lots and transit access ramps.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Sound Transit Capital Program

Sound Transit's capital program consists of new construction, capital replacement and other new projects included in the voter approved system plan scheduled for completion starting 2023. Significant elements of the current plan, by subarea, consist of:

Snohomish County subarea –

- Extension of light rail north from the Lynnwood Transit Center to downtown Everett via the Southwest Everett Industrial Center. Additional parking will be provided at Mariner and Everett stations.
- Bus Rapid Transit service expansion on the I-405 corridor from the Lynnwood Transit Center to the Snohomish / King County line.
- New parking and access improvements at Sounder north line's Edmonds and Mukilteo stations.

North King County subarea –

- Extension of light rail from Ballard to downtown Seattle and downtown Seattle to West Seattle, including service from West Seattle to the sports stadiums, SODO, Delridge, Avalon, and Alaska Junction, while the segment from Ballard will connect through International District/Chinatown, Midtown, Westlake, Denny, South Lake Union, Seattle Center, Smith Cove, Interbay and Ballard. Additional infill stations will be added serving Northeast 130th Street, South Graham Street and South Boeing Access Road near I-5, with parking provided.
- Bus Rapid Transit service expansion on SR 522 and Northeast 145th Street BRT connecting to the 145th Street Link light railstation.

South King County subarea –

- Extension of light rail from Kent / Des Moines to Federal Way Transit Center with an infill station at South Boeing Access Road. From there, light rail will continue south to connect Federal Way to the Pierce County line. Parking will be added at the South 272nd, Federal Way Transit Center, and South Federal Way stations.
- Sounder commuter rail improvement projects, including platform expansion to accommodate longer trains and carry more riders, and parking expansion at existing stations.
- Bus Rapid Transit service expansion on I-405 / SR 518 connecting Renton to the Burien Transit Center.

East King County subarea –

- Extension of light rail connecting Redmond, Bellevue, south Kirkland and Issaquah, with one station serving Redmond and downtown Redmond, as well as a new line from south Kirkland to Issaquah serving the Richards Road area, Eastgate near Bellevue College and central Issaquah.
- Bus Rapid Transit service expansion on I-405 / SR 522 connecting to the NE 145th Street BRT.

Pierce County subarea –

- Expansion of Tacoma light rail service from Tacoma Dome to Tacoma General Hospital. Extension of light rail from Pierce County line with stations in Fife, east Tacoma and at the Tacoma Dome. This segment includes expansion of Tacoma Link to Tacoma Community College and parking will be added at the Fife station.
- Sounder commuter rail extension with a station at Tillicum to serve Joint Based Lewis-McChord and a second at DuPont.

SUBAREA EQUITY

In 1992 when the state legislature created the regional transit authority for the Puget Sound area, it embedded within the enabling legislation, RCW 81.112, an equity element whereby the agency system plan presented to the voters identifies revenues anticipated by corridor and county within Sound Transit's district boundary, the phasing of construction and operation of high capacity system facilities, services and benefits in each corridor and how revenues generated within each county shall benefit the residents of that county and when such benefits will accrue.

This equity principle is further embedded within *Sound Move*, *ST2*, and *ST3* together with accountability principles as described in Appendix B of those voter approved plans. Corridors have been defined within the plans as subareas, which includes three in King County (North, East and South), Pierce County and Snohomish. Subarea accountability principles require subarea reporting within the financial plan, annual forecast updates to the Financial Plan based on actual receipts and expenditures as the plan progresses and monitoring requirements. This report of the annual results by subarea, on which certain procedures are performed by independent auditors, has been prepared in satisfaction of those requirements.

Benefits may directly accrue within a subarea, however other subareas may benefit from projects outside their subarea. For example, the Snohomish County subarea is responsible for a portion of Sounder commuter trains and track improvements in King County because Snohomish County residents directly benefit from the North Corridor service into Seattle and back.

System-wide elements that improve mobility throughout the region are funded through a percent of local tax revenues contributed by each of the five subareas and interest earnings. For example, system-wide elements include regional fare programs (the *ORCA* smart card), research and development of new transit-related technology and planning and environmental analysis for future capital programs.

Additional information on the system established to report on subarea performance is described in the section titled *Statement of Management's Responsibility* (page 7) and Note 4 to the *Summary of Significant Sources and Uses of Funds by Subarea* (page 18).

Maintaining Subarea Equity

Sound Transit is governed by an eighteen member board, seventeen of whom are local city and county elected officials appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population from the portion of each county that lies within Sound Transit's service area, one representative per 164,000. Representation on the board includes an elected official representing the largest city in each county and ensures proportional representation from other cities and from unincorporated areas of each county. The final board position is held by the Secretary of Transportation, Washington State Department of Transportation. Currently, there are 10 representatives from King County, 4 from Pierce County and 3 from Snohomish County.

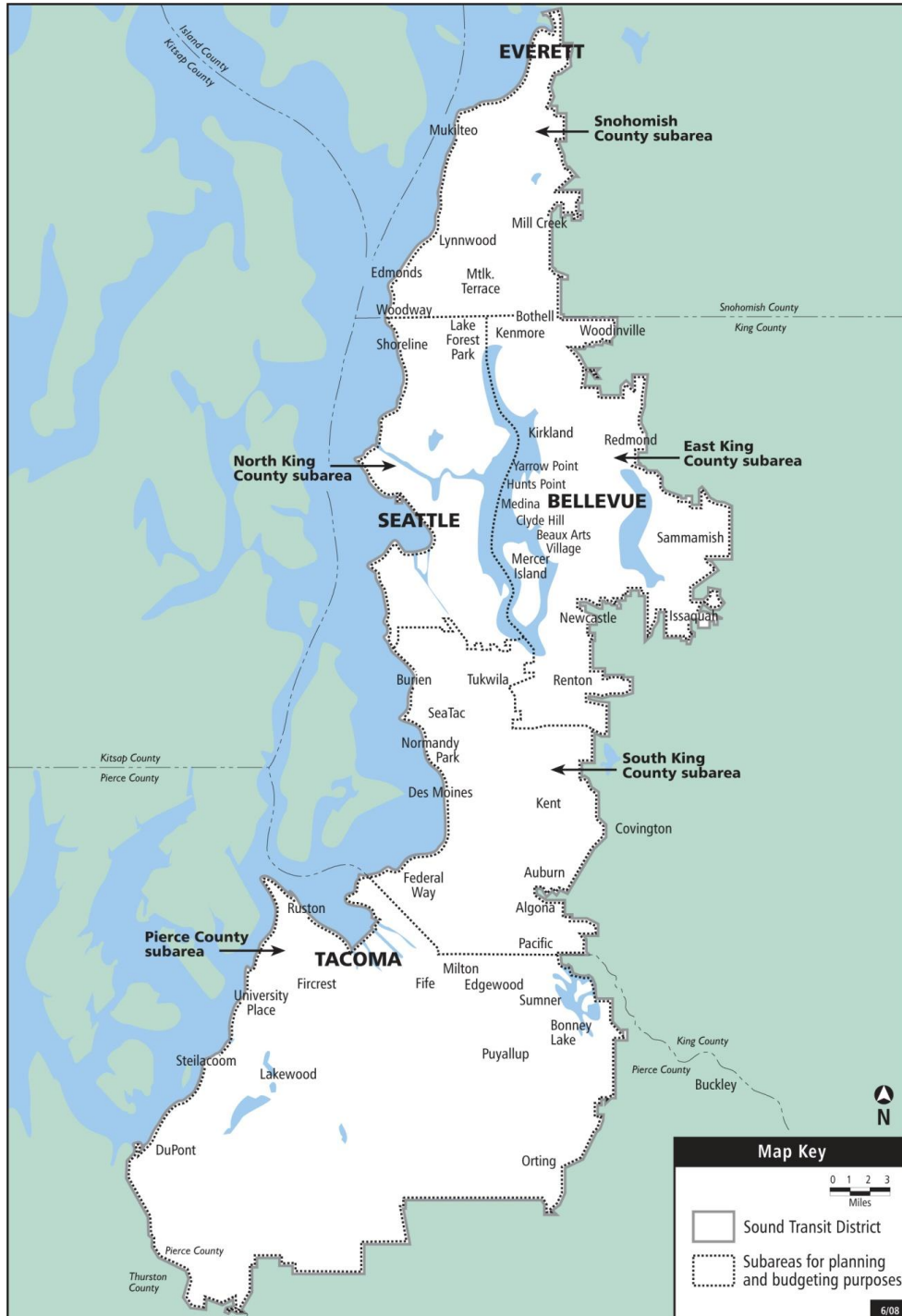
Changing the subarea equity principle would take two-thirds, or 12 votes, of the 18-member Sound Transit board. In addition, there is strong financial oversight federally and by independent auditors, as well as accountability measures over subarea, that include an independent Citizen Oversight Panel and annual completion of agreed upon procedures by an independent auditor to assist in the monitoring of subarea results.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

SOUND TRANSIT DISTRICT MAP

Sound Transit's transportation district comprises five subareas within the contiguous urbanized areas of King, Pierce and Snohomish counties (see Figure 1 below). The district is home to approximately 3.1 million people or 80.3% of the three-county population.

Figure 1: Sound Transit District and Subareas



SOUND TRANSIT DISTRICT SUBAREAS

Snohomish County

The Snohomish County subarea includes the cities of Brier, Edmonds, Everett, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo and Woodway. In 2017 the Snohomish County subarea had an estimated population of 462,800 residents, accounting for 58.6% of the Snohomish County population.

North King County

The North King County subarea includes the cities of Seattle, Shoreline and Lake Forest Park. In 2017 the North King subarea had an estimated population of 782,800 residents, accounting for 36.3% of King County's population.

South King County

The South King County subarea includes the cities of Algona, Auburn, Burien, Des Moines, Federal Way, Kent, Normandy Park, Pacific, SeaTac and Tukwila. In 2017 the South King subarea had an estimated population of 511,800 residents, accounting for 23.7% of King County's population.

East King County

The East King County subarea includes the cities of Beaux Arts, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Renton, Sammamish, Woodinville and Yarrow Point. In 2017 the East King subarea had an estimated population of 578,600 residents, accounting for 26.9% of King County's population.

The combined three King County subareas account for 87.0% of the total King County population.

Pierce County

The Pierce County subarea includes the cities of Bonney Lake, DuPont, Edgewood, Fife, Fircrest, Lakewood, Milton, Orting, Puyallup, Ruston, Steilacoom, Sumner, Tacoma and University Place. In 2017 the Pierce County subarea had an estimated population of 717,900 residents, accounting for 83.5% of the Pierce County population.

Population Source: Washington State OFM small area estimates.
Methodology: RTA population estimated using percentage of land area

This page intentionally left blank

STATEMENT OF MANAGEMENT’S RESPONSIBILITY

The Central Puget Sound Regional Transit Authority (Sound Transit) has implemented an accounting and reporting system consistent with the financial policies approved in the *ST3* voter approved program. Annually, Sound Transit (the Agency) prepares a Schedule of Sources and Uses of Funds by Subarea (the Schedule), that is based on the Agency’s audited financial statements and long-term Finance Plan. The Schedule reports actual tax revenues received by subarea and an allocation to each subarea of other sources and uses earned and incurred. The results presented in the Schedule of Sources and Uses by Subarea, presented separately, are incorporated into the Agency’s Finance Plan.

Subarea reporting is prepared from the Agency’s system of financial reporting on a modified cash basis, ensuring the integrity of the information reported and provides management, the Board of Directors (the Board) and the Citizen Oversight Panel required information to monitor progress against Sound Transit’s subarea commitments to its voters. The integrity and objectivity of information prepared herein, including the establishment of equity rules consistent with the voter approved plan and direction from its Board, are the responsibility of management.

Annually, the Agency’s financial statement auditors perform agreed-upon procedures which look at the allocation of sources and uses of funds presented. These procedures were developed by management and are agreed to by the Citizens Oversight Panel and have been approved by the Audit and Reporting Committee of the Sound Transit Board. All results are presented to the Board of Directors.

Based on the methodology developed, the use of information from the agency’s financial reporting system and the results of the agreed upon procedures performed to date, management believes the Schedule of Sources and Uses of Funds by Subarea is fairly presented. The auditor’s agreed-upon procedure report on current and prior year subarea allocations may be obtained upon request to the Agency.



Peter M. Rogoff
Chief Executive Officer



Tracy Butler
Interim Chief Financial Officer



Kelly A. Priestley
Deputy Executive Director - Accounting

This page intentionally left blank



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Accountants' Report on Applying Agreed-Upon Procedures

Audit and Reporting Committee
Central Puget Sound Regional Transit Authority:

We have performed the procedures enumerated below, which were agreed to by the Audit and Reporting Committee, the Citizens Oversight Panel, and management of Central Puget Sound Regional Transit Authority (Sound Transit), on the accompanying Schedule of Sources and Uses of Funds by Subarea (the Schedule) (prepared in accordance with the criteria specified therein) for the year ended December 31, 2017. Sound Transit's management is responsible for the Schedule. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this report, we have applied a materiality threshold that was set at \$100,000 for a single variance and \$250,000 for a combined variance for each report line item. The procedures that we performed on the accompanying schedule and our findings are as follows:

Schedule of Sources and Uses

1. We verified the 2017 information as reported in the Subarea Sources and Uses – Version Mode/Project Detail report (not attached within this Subarea Report) was derived from the underlying general ledger balances for 2017 by performing the following:
 - a. We agreed the Subarea Sources and Uses – Version Mode/Project Detail report to the subarea ledger reconciliation, without exception.
 - b. We agreed the subarea ledger reconciliation to the general ledger upon which the Sound Transit audited financial statements have been prepared, without exception.
2. We verified the mathematical accuracy of the totals and subtotals shown on the Schedule, without exception.

Subarea Rules

3. We obtained the 2017 authorized and approved subarea rule list and verified the mathematical accuracy of changes in each rule type as compiled from supporting documentation provided by management for:
 - a. Each new rule, without exception.
 - b. Each change in existing rules, without exception.



4. We agreed the rule detail in the E1 Allocation Module, used to allocate general ledger amounts between subareas, to the 2017 authorized and approved subarea rule list:
 - a. For all new and changed rules allocated to more than one subarea and tested in procedure 3 above, without exception.
 - b. For a sample of 25 existing rules from the 2017 authorized and approved subarea rule list, without exception.
5. We verified the subarea rule drivers as presented in Appendix B by comparing it to the 2017 authorized and approved subarea rule list, without exception.

Subarea Rule Allocation

6. For each new or changed rule we verified the mathematical accuracy of the allocation of each source or use balance to each subarea in accordance with the rules, without exception.
7. We selected a sample of existing rules, including location based rules, for not less than a combined total of 30 rules for procedures 6 and 7. We selected this sample based on geographic location of project, facility or designation from voter approved plan, and verified it is recorded in the appropriate subarea, without exception.

Sound Transit Tax Revenue

8. **Sales tax cash revenues:** On a test basis we verified taxes received have been correctly recorded to the subarea ledger without exception as follows:
 - a. For sales tax revenue, we selected three months from throughout the year, March, June and September:
 - i. We agreed the gross tax amount collected by Subarea in the workbook to the RTA Distribution Analysis report received from the Department of Revenue;
 - ii. We re-computed that miscellaneous pool revenue has been allocated on a pro-rata basis of taxes received by subarea;
 - iii. We re-computed the gross amount by subarea reported within the workbook (gross taxes from step (i) above plus the allocated share of miscellaneous pool revenue from step (ii) above).
 - b. For each subarea we agreed the amount of Sales Tax Revenue reported in the Schedule to the Tax Revenue Cash Basis Schedule prepared by Sound Transit.
 - c. For quarterly sales tax mitigation payments, we selected one quarter from the year, Q2 2017 (note that mitigation payments terminated July 1, 2017):
 - i. We agreed the total amount of mitigation payment received to the Summary of Mitigation Payments report received from the Department of Revenue.
 - ii. We recalculated the amount allocated by the subarea allocation percentage for that quarter.
 - iii. We verified the subarea allocation percentage has been calculated correctly based on the prorata share of locations within Sound Transit's district receiving mitigation payments and that King County unincorporated mitigation payments have been allocated between East King County and South King County in accordance with the tax distribution methodology as documented within the Subarea Allocation of Tax Revenue Rule.
 - d. For each subarea we agreed the amount of Mitigation Tax Revenue reported in the Schedule of Sources and Uses by Subarea to the Tax Revenue Cash Basis Schedule prepared by Sound Transit.



9. **Rental car tax cash revenues:** On a test basis we verified taxes received have been correctly recorded to the subarea ledger as follows:
- a. We selected three months from throughout the year, March, June and September:
 - i. We agreed the amount of rental car tax payment received to the Rental Car Tax Detail Payor file received from the Department of Revenue without exception for:
 - 1. Total rental car tax payment;
 - 2. Snohomish County
 - 3. Pierce County
 - 4. King County
 - ii. For the allocation of rental car tax payment received to each King County subarea:
 - 1. We verified the 2017 King County subarea rental car tax allocation percentage has been calculated correctly based on the proportion of sales tax received from the six largest rental car tax payors in the accumulation months of July and August using the Six Largest Rental Car Tax Payor Reports provided by the Department of Revenue, without exception.
 - 2. We recalculated the amount of rental car tax payment allocated to each King County subarea using the rule computed in step 9.a.ii.1 multiplied by the annual amount of rental car tax payments received from King County as reported in the Rental Car Tax Detail Payor file received from the Department of Revenue, without exception.
 - b. For each subarea we agreed the amount of Rental Car Tax Revenue reported in the Schedule of Sources and Uses by Subarea to the Tax Revenue Cash Basis Schedule prepared by Sound Transit Personnel, without exception.

10. **Motor vehicle excise tax cash revenues:**

- a. We selected three months from throughout the year, March, June and September, of motor vehicle excise tax cash revenues recorded:
 - i. We agreed the location amount reported on DOL's RTA Excise Tax Collected Report to the MVET Revenue Report, without exception.
 - ii. We re-computed the monthly subarea percentage derived from the Department of Licensing's (DOL) RTA Excise Tax Collected Report. We applied the subarea percentage to the Department of Revenue Treasury Remittance Advice amount, and agreed the amount to the MVET revenue report, without exception.
 - iii. For any new locations on DOL's RTA Excise Tax Collected Report, we agreed the subarea assignment to the boundary map, without exception.
- b. For each subarea we agreed the amount of motor vehicle excise tax revenue reported for the year in the Schedule of Sources and Uses by Subarea to the MVET Revenue Report remittance amount, without exception.



11. Property tax cash revenues:

- a. We obtained the Property Tax Revenue by Subarea report and performed the following:
 - i. We agreed the 2 daily cash receipts per month for a total of 24 receipts for King County (note that property tax payments started February 1, 2017 so no selections were made for January 2017 and 4 selections were made for December 2017 for a total of 24 receipts), to general ledger cash receipts entries and to the King County Property Tax Deposits reports, without exception.
 - ii. We selected and agreed 3 monthly cash receipts from Pierce County to the general ledger cash receipts entries and to Sound Transit Bank Statement – Wells Fargo, without exception.
 - iii. We selected and agreed 3 monthly cash receipts from Snohomish County to the general ledger cash receipts entries and to Sound Transit Bank Statement – Wells Fargo, without exception.
 - iv. For each subarea we agreed the amount of property tax revenue reported for the year in the Schedule of Sources and Uses by Subarea, without exception.

Grant Revenues

12. We selected a sample of 5 individual grant draw down item requests from the monthly U.S. Department of Transportation Federal Transit Administration Echo-Web Payment Reports.
 - a. We traced the total amount on the draw down request to the Detail Grant Outlay Report to identify each capital project the draw down is associated with, without exception.
 - b. We identified each capital project associated with the draw down on the authorized and approved subarea rule list and the related subarea rule, without exception.
 - c. We verified the grant draw down was recorded to the subarea(s) in which the related capital project disbursements were recorded in accordance with the authorized and approved subarea rules list by:
 - i. Agreeing the total on the Detail Grant Outlay Report to the Actual Grant Reimbursements Revenues report, without exception.
 - ii. Tracing the total grant draw down amount to the posted journal entry associated with the recognition of the grant draw down in the general ledger for location based rules or by tracing to the subarea allocation detail report for non-location based rules, without exception.

TIFIA Loan

13. There were no TIFIA Loan draw downs in 2017. As such, this procedure is not applicable for 2017.

Bond Interest

14. For the change in basis of reporting interest on Sound Transit's outstanding bonds from accrual to cash basis within the Schedule of Sources and Use of Funds by Subarea we verified the interest reported in the Schedule by:
 - a. Obtaining bond amortization schedules for each bond series outstanding during the year, without exception for all outstanding bonds except for the 2015S-2A and 2015S-2B bonds, which have variable interest rates. For the 2015S-2A and 2015S-2B bonds we verified the interest by agreeing to the debt confirmation received as part of our audit of the financial statements for Sound Transit.
 - b. Tracing the payments to the general ledger distribution entry, without exception.



- c. Agreeing the bond interest payment schedule gross amount to the amount reported on the Statement of Cash Flows.
- d. Agreeing the interest paid as calculated in step 14.a to the interest expense reported in the Schedule of Sources and Uses of Funds by Subarea.

Bond Proceeds

15. There were no new bonds issued in 2017. As such, this procedure is not applicable for 2017.

Prior Year Adjustments

16. There were no changes or corrections in rules or methodology for recording amounts by subarea impacting prior years. As such, this procedure is not applicable for 2017.

2017 Reserve Contributions

17. Operating and maintenance reserve contribution: We recalculated the contribution to the reserve and verified the amount has been recorded and the funds segregated within the general ledger are equal to two months of operating and maintenance expenses, without material exception. Also, we verified the actual contribution was made to the reserve for the appropriate amount, without exception. We agreed the change in the reserve per the general ledger to the change in the reserve per the Schedule of Sources and Uses of Funds by Subarea, without exception.

18. Capital reserve contribution: We verified that a minimum balance of \$300 million was maintained in the capital replacement reserve in accordance with Resolution No. R2015-32. We verified the amount has been recorded and the invested funds restricted within the general ledger. We agreed the change in the reserve per the general ledger, including investment income earned, to the change in the reserve per the Schedule of Sources and Uses of Funds by Subarea, without exception.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying schedules. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Audit and Reporting Committee, the Citizens Oversight Panel, and management of Sound Transit, and is not intended to be and should not be used by anyone other than the specified parties.

KPMG LLP

September 7, 2018

This page intentionally left blank

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Schedule of Sources and Uses of Funds by Subarea For the year ending December 31, 2017 (in thousands)

	Snohomish	North King	South King	East King	Pierce	System-wide	Total
Sources							
Tax revenues	\$ 172,666	\$ 436,756	\$ 204,226	\$ 365,384	\$ 249,971	\$ -	\$ 1,429,003
Grant revenue	2,748	13,713	9,333	14,935	69,953	792	111,474
Fares and other operating revenues	8,054	32,354	16,567	22,680	14,779	2,122	96,556
Interest earnings	-	-	-	-	-	21,986	21,986
Unallocated bond proceeds draws (note 6)	-	48,529	-	-	-	-	48,529
Total Sources	183,468	531,352	230,126	402,999	334,703	24,900	1,707,548
Uses							
Capital							
System expansion	90,408	365,410	61,785	565,338	94,214	13,473	1,190,628
Enhancement	163	2,842	1,314	400	1,923	1,030	7,672
State of good repair	2,568	2,176	4,860	4,531	4,883	229	19,247
Administrative	-	18	14	5	-	7,159	7,196
Total Capital	93,139	370,446	67,973	570,274	101,020	21,891	1,224,743
Operating and Maintenance							
Link light rail	-	68,713	26,854	-	4,514	-	100,081
Souder commuter rail	6,756	-	21,259	-	18,497	-	46,512
ST Express bus	19,673	-	12,664	59,873	32,830	-	125,040
System-wide activities	13	178	152	14	14	25,864	26,235
Total Operating and Maintenance	26,442	68,891	60,929	59,887	55,855	25,864	297,868
Debt Service and Changes in Reserve							
Debt service payments (note 5)	7,844	81,449	32,946	-	8,498	-	130,737
Unallocated bond proceed draws (note 6)	-	-	-	-	-	48,529	48,529
Capital reserve contribution	824	647	709	1,107	1,438	67	4,792
Emergency loss reserve contribution	-	-	-	-	-	3,171	3,171
Operating and maintenance reserve contribution	753	1,961	1,736	1,705	1,589	-	7,744
Total Changes in Debt Service and Reserve	9,421	84,057	35,391	2,812	11,525	51,767	194,973
Systemwide Cost Allocation	3,157	7,958	3,731	6,680	4,566	(26,092)	-
Total Uses	132,159	531,352	168,024	639,653	172,966	73,430	1,717,584
Excess Sources / (Uses)	51,309	-	62,102	(236,654)	161,737	(48,530)	(10,036)
Opening Net Position	266,270	-	-	446,569	205,871	330,297	1,249,007
Closing Net Position	\$ 317,579	\$ -	\$ 62,102	\$ 209,915	\$ 367,608	\$ 281,767	\$ 1,238,971

Unaudited – see Independent Accountants’ Report on Applying Agreed-Upon Procedures. See accompanying notes to schedule.

This page intentionally left blank

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO SCHEDULE OF SOURCES AND USES OF FUNDS BY SUBAREA For the Year Ending December 31, 2017

NOTE 1: ORGANIZATION AND REPORTING ENTITY

As provided under the Revised Code of Washington (RCW) Chapter 81.112 applicable to a regional transit authority, the Central Puget Sound Regional Transit Authority, a public corporation acting under the service name of Sound Transit, was established in 1993. Sound Transit was formed to implement a high-capacity transportation system throughout parts of King, Pierce, and Snohomish counties in the State of Washington through the design, construction, and implementation of a commuter rail (Sounder), light rail (Link) and regional express bus system (ST Express).

Reporting Entity – Sound Transit is a special purpose government supported primarily through sales and use, motor vehicle excise, rental car sales and property tax assessed in Sound Transit’s operating jurisdiction (the District). In addition, Sound Transit receives capital and operating funding from federal, state and local agencies.

Sound Transit is governed by an eighteen-member Board, seventeen of whom are appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population from the portion of each county that lies within Sound Transit’s service area. Representation on the board includes an elected official representing the largest city in each county and ensures proportional representation from other cities and from unincorporated areas of each county. The final board position is held by the Secretary of Transportation, Washington State Department of Transportation.

NOTE 2: SUBAREA REPORTING BASIS

Sound Transit has implemented an accounting and reporting system consistent with the financial policies approved in the *ST2* voter approved program. The Schedule of Sources and Uses of Funds by Subarea (Schedule) is prepared from this system on a modified cash basis and does not incorporate non-cash items such as gain on sale of fixed assets and depreciation and amortization expense. See Appendix A for a reconciliation from of the changes from the financial statements to the modified cash basis used in the Schedule Sources and Uses by Subarea.

NOTE 3: SUBAREA DRIVERS AND RULES

For purposes of subarea reporting, sources and uses directly associated with a particular location are directly credited or charged to the corresponding subarea. Sources and uses benefiting more than one subarea are classified according to pre-established drivers and allocation rules that reflect the Agency’s assumptions regarding multiple subarea and project benefit, expressed as percentages, except proceeds from debt issuance which are allocated based on actual dollars as determined in the Financial Plan. See Appendix B for the drivers that are used to allocate sources and uses to subareas.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO SCHEDULE OF SOURCES AND USES OF FUNDS BY SUBAREA For the Year Ending December 31, 2017

NOTE 4: SUMMARY OF SIGNIFICANT SOURCES AND USES OF FUNDS

Tax revenues: Sound Transit is funded primarily by three types of taxes. These taxes are levied within the district at the following rates:

Tax	Rate
Sales and Use	1.4%
Motor Vehicle Excise	1.1%
Rental Car Sales	0.8%
Property	\$0.25 per \$1,000 of assessed value

On November 2, 2016, voters approved an increase in the sales tax of 0.5%, an additional motor vehicle excise tax of 0.8% and a property tax in the amount of \$0.25 per \$1,000 of assessed value. These additional taxes were implemented in 2017.

Grant revenue: Sound Transit is the recipient of multiple competitively awarded grants from federal agencies. The primary source of federal grants is the Federal Transit Authority, including New Starts program full funding grant agreements (FFGA) and formula funds. State and local sources are generated through direct grants to Sound Transit and through agreements with other jurisdictions for funding various capital projects in their areas.

Fares and other operating revenues: Sound Transit collects fares for its services, with the exception of Tacoma Link. Transit riders pay distance-based fares that vary by mode. The agency also collects other miscellaneous revenues such as advertising and rental income.

Interest earnings: Interest earnings are generated from cash and investments that are invested in accordance with Sound Transit's asset and liability management policy.

Bond proceeds: Sound Transit issues debt from time to time as authorized and necessary to implement its program. Under state law, issuance of bonds payable from any type of taxes is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing voter approval for bonds. With the approval of 60% of the region's voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area.

Other: Other non-operating sources includes proceeds from sales of retired vehicles and surplus land, net of selling expenses.

Total sources: Total sources is the sum of tax revenues, grants, bonds, fares, other operating revenues, interest earnings, bond proceeds and other sources.

Capital: Sound Transit incurs capital costs to build the voter-approved regional transit system. These costs include the administration expenditures, design and engineering, right of way, vehicle, systems and construction costs for system expansion, enhancement, rehabilitation and replacement, and administrative capital projects.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO SCHEDULE OF SOURCES AND USES OF FUNDS BY SUBAREA

For the Year Ending December 31, 2017

Operating and maintenance: Operating and maintenance costs consist of expenditures related to providing service, maintaining revenue vehicles and operating and maintaining transit facilities within Sound Transit's transportation district. System-wide activities consists of costs incurred to support fare administration programs, general and administrative, and other expenses essential for the planning and maintenance of a regional transit system.

Debt service payments: Debt service payments include all amounts associated with the payment of interest and principal on outstanding bonds.

Unallocated bond proceeds: Bond proceeds are allocated to subareas based on subarea borrowing needs. Should bond proceeds on issuance exceed subarea borrowing needs in that year, the excess amount is set aside in unallocated bond proceeds in System-wide to be allocated in future years based on subarea borrowing needs.

Capital reserve contribution: Sound Transit is required to maintain a minimum balance of \$300 million in an internally restricted cash and investment fund to provide for future capital replacement.

Emergency loss reserve contribution: Annually, an amount is contributed to an internally restricted cash fund to cover retention, deductible or excess loss due to uninsured loss or portion of loss.

Operating and maintenance reserve contribution: Sound Transit's financial policies require the agency to maintain an operating expense reserve in the amount of two months average annual spending expenses.

Total uses: Total uses is the sum of expenses and outlays related to capital, operations and maintenance, debt service and changes in reserves.

NOTE 5: DEBT SERVICE PAYMENTS

Debt service payments include all amounts associated with the payment of interest and principal on outstanding bonds. The following table summarizes the components included as debt service in the Schedule:

Schedule of Debt Service Payments (in thousands)

Interest expense	\$	104,119
Build America rebate		(6,617)
Principal payments		33,235
Total Debt Service Payments	\$	130,737

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO SCHEDULE OF SOURCES AND USES OF FUNDS BY SUBAREA For the Year Ending December 31, 2017

NOTE 6: LONG TERM DEBT – UNALLOCATED BOND PROCEEDS

In December 2016, Sound Transit issued additional Parity Bonds of \$400 million of Series 2016S-1 Sales Tax and Motor Vehicle Excise Tax Bonds. Net proceeds were \$477 million (gross proceeds of \$478.8 million net of debt issuance costs of \$1.8 million). Proceeds of \$146.7 million were used during the year to finance subarea borrowing needs in North and South King County, with the remaining proceeds of \$330.3 million to be used for future subarea borrowing needs. In 2017, \$48.5 million was utilized by the North King County subarea.

The following table summarizes the components included as unallocated bond proceeds in the Schedule and activity during the year:

Schedule of Unallocated Bond Proceeds (in thousands)	
2016 Unallocated Proceeds	\$ 330,297
2017 Excess Sources / (Uses)	(48,530)
Remainng Unallocated Proceeds	\$ 281,767

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX A

Financial Statement Reconciliation to Subarea Sources and Uses For the Period Ended December 31, 2017

(in thousands)

Change in Net Position per Statement of Revenue, Expenses and Changes in Net Position	\$ 1,292,202
Sources and uses related to statement of net position items	
Additions to capital assets	(1,224,743)
Reclass O&M expenses to construction in progress	3,125
Capitalized interest	(81,941)
Proceeds from sales of assets	35
Contribution to emergency loss reserve	(3,171)
Contribution to capital reserve	(4,792)
Contribution to operations and maintenance reserve	(7,744)
Principal repayment of outstanding bonds	(33,235)
	<u>(1,352,466)</u>
Difference in reporting basis	
Interest expense	(115,516)
Tax revenues	2,113
	<u>(113,403)</u>
Add (deduct) non cash items included in above	
Depreciation and amortization	160,428
Discontinued projects	1,919
Bond premium amortization, net	(8,655)
Change in fair market value of investments	5,089
Reclass operational startup costs to construction in progress	54
Expense and landbank transfers from construction in progress	(269,856)
Capital contributions to other governments	274,281
Gain on disposal of assets	371
	<u>163,631</u>
Net change in general reserve per Schedule of Sources and Uses	\$ (10,036)

This page intentionally left blank

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: SUBAREA DRIVERS

SOURCES

Description	Driver
Bond Proceeds	Financial Plan*
Capital Grants	Project Costs or Board Designation
Interest Earnings	Financial Plan
Motor Vehicle Excise Tax	Department of Licensing Zip Code Location
Operating Grants	Operating Use Drivers
Other Revenue	Location / Modal Operating Use Drivers (see Operating Uses section below)
Regional Mobility Grant for Routes 522 and 577	Boardings for Routes 522 and 577
Rental Car Tax	Department of Revenue Location Code / County Level
Sales & Use Tax	Department of Revenue Location Code
Property Tax	Location

*Applicable to bond issue after 2016

Passenger Fares

Description	Driver
Central Link Light Rail Fares	Station Boardings
Souder Fares	Cash Equivalent Full Fare Value
ST Express Bus Fares	Route Boardings / Platform Hours

OPERATING AND MAINTENANCE USES

Souder Commuter Rail Operating and Maintenance Uses

Description	Driver
BNSF North Line	Track Miles
BNSF South Line	Track Miles
All Other Souder Operations	Vehicle Miles

ST Express Bus Services Operating and Maintenance Uses

Description	Driver
Bus Operations	Platform Hours
DSTT Operations	DSTT Platform Hours

Link Light Rail Operating and Maintenance Uses

Description	Driver
Central Link Operations	Boardings / Track Miles
Tacoma Link Operations	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: Subarea Drivers, *continued*

Other Uses

Description	Driver
Agency Administration	Financial Policies
Art Maintenance	Location
All Other Expenses	Location or Board Designation or Project rule
Pre-project cost expensed	Project Rule

CAPITAL USES

System Expansion – Sounder Commuter Rail Projects	Driver
Auburn Station Improvements	Location
D Street-M Street Track & Signal	Location
Eastside Rail Partnership	Location
Edmonds Station	Location
Kent Station Improvements	Location
Lakewood Station	Location
Lakewood Station Improvement	Location
Layover	Vehicle Miles
M St.-Lakewood Track & Signal	Location
Mukilteo Station South Platform	Location
Permitting/Environmental Mitigation	Location
Pt. Defiance Bypass	Location
Puyallup Station Improvement	Location
Sounder Fleet Program	2009 Sound Move Reported Rules
Sounder Program Reserve	Location
Sounder South Expanded Service	ST2 Financial Plan
Sounder ST2 Fleet Expansion	ST2 Financial Plan
Sounder Maintenance Base	ST2 Financial Plan
Sounder Yard Expansion	Track Miles
South Tacoma Station	Location
Station Access & Demand Study	ST2 Financial Plan
Sumner Station Improvement	Location
Tacoma Trestle Track & Signal	Location
Tukwila Station	Location
Willow Creek Environmental Mitigation	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: Subarea Drivers, *continued*

System Expansion – ST Express Bus Projects	Driver
85 th Corridor, Kirkland	Location
Ash Way Transit Access	Location
Bus on Shoulder	Location
Bothell Transit Related Improvements	Location
Burien Transit Center Parking Expansion	Location
Canyon Park Freeway Station/I-405	Location
Federal Way HOV Access/S. 317 th	Location
Federal Way Transit Center/S. 317 th	Location
I-405 Bus Rapid Transit	Service Miles
I-90 Two-Way Transit & HOV Opr, stage 1	Location
I-90 Two-Way Transit & HOV Opr, stage 2	Location
I-90 Two-Way Transit & HOV Opr, stage 3	Location
Issaquah Transit Center/SR-900	Location
Kirkland Transit Center/3 rd	Location
Mercer Island P&R	Location
Mountlake Terrace Freeway Station/236 th SW	Location
Newcastle Transit Improvements	Location
Rainier Avenue Arterial Improvements	Location
Renton HOV Access/N 8 th	Location
S. Everett Freeway Station/112 th	Location
SR 522 Bus Rapid Transit	Service Miles
SR 522 HOV Enhancements/Bothell	Location
ST Express Bus Base	ST2 Financial Plan
ST Express Fleet Expansion	Service Hours
ST Express Fleet Expansion ST2	ST2 Financial Plan
ST Express Midday Bus Storage	Financial Policies
Strander Boulevard Extension	Location
Totem Lake Freeway Station/NE 128 th	Location
Totem Lake Transit Center/Evergreen Med Ctr	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: Subarea Drivers, *continued*

Airport Link	Location
Downtown Redmond Link Extension	Location
Downtown Tunnel	ST3 Financial Plan
East Link Extension	ST2 Financial Plan
Enhancement to Tacoma Link Extension	Location
Federal Way to Tacoma Dome Link Extension	Track Miles
First Hill Streetcar	Location
Initial Segment	2009 Sound Move Reported Rules
Link O&M Facility East	ST2 Financial Plan
Lynnwood Link Extension	ST2 Financial Plan
Northgate Link Extension	Location
S. 200th Link Extension	Location
Federal Way Link Extension	Location
ST2 Light Rail Vehicle Fleet Expansion	Fleet Requirements
ST3 Light Rail Vehicle Fleet Expansion	ST3 Financial Plan
Tacoma Link Expansion	Location
University Link Extension	Location
West Seattle to Ballard Link Extension	Track Miles

System Expansion – Other	Driver
E-Citations Fare Enforcement – Light Rail	Boardings / Track Miles
E-Citations Fare Enforcement – Sounder	Vehicle Miles
Fare / System Integration	Financial Policies
Fare Administration	Financial Policies
ORCA Next Generation	Financial Policies
Passenger Information System / CCTV	Location
Research & Business Development Program	Financial Policies
Research & Technology	Financial Policies
South Corridor Alternatives Planning	Location
<i>STart</i>	Location
Ticket Vending Machines	Location
Ticket Vending Machines Full System	Location
Ticket Vending Machines-Address Verification Upgrade	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: Subarea Drivers, *continued*

Enhancement Projects	Driver
Auburn Garage Lighting Retrofit	Location
Bike Locker Program	Location
Bus Maintenance Facility	Platform Hours
Central Link Benchtest Equipment	Boardings / Track Miles
Central Link Card Readers	Boardings / Track Miles
Central Link HVAC for Traction Power Substation (TPSS)	Boardings / Track Miles
Central Link HVAC-Instrument House & UPS Room	Boardings / Track Miles
Central Link OMF UPS Room Improvement	Boardings / Track Miles
Central Link Overhead Catenary System Tie Switch	Track Miles
Central Link Switch Heaters	2009 Sound Move Reported Rules; Vehicle Maintenance
DSTT Mitigation	Location
DSTT South Access Security	Location
Federal Way Transit Center Lighting Retrofit	Location
Kent Station Parking Lot Paving	Location
Kent Station Platform Lighting	Location
King Street Station Platform Improvement	Track Miles
Link LRV On Board Energy Storage	Location
Link LRV Wash Bay Doors	Boardings / Track Miles
Link OMF Laydown Area Improvements	Boardings / Track Miles
Link Ops System Enhancement/Upgrade	Track Miles
Link Remote Switch Heaters	2009 Sound Move Reported Rules; Vehicle Maintenance
Locomotive Inboard Cameras	Vehicle Miles
LRV Between Car Barriers	Locations
Network Phones at Link Control Center	Boardings / Track Miles
Noise Abatement	Location
Non-Revenue Support Vehicles	Track Miles
OMF Enhancements	Track Miles
OMF Light Rail Vehicle Wash Heater System	Boardings / Track Miles
OMF Light Rail Vehicle Lift	LRV Fleet
Opensidewalks Data Development	Financial Policies
Parking Enhancements	Location
Positive Train Control	Location / Track Miles
PT 2-Way Radio System Upgrade	Location
Puyallup Station LED Lighting	Location
Radio Upgrade	Boardings / Track Miles
Regional Parking Pilot Project	Financial Policies
Security Enhancements	Location
Security Radios	Securitas Service
Signage Improvement	Location
Sounder CCTV	Location
ST Express Mobile Communications	Platform Hours
ST Express Security Camera Retrofit	Platform Hours
Sumner Station LED Lighting	Location
Tacoma Link Fare Collection	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: Subarea Drivers, *continued*

Enhancement Projects, continued	Driver
TOD Ashway Capital	Location
TOD Property Disposition	Location
TOD Woodinville	Location
Union Station Garden Level Remodel	Location

Rehabilitation & Replacement Projects	Driver
Automatic Passenger Counter Upgrade - Sounder and Tacoma Link	Vehicle Miles
Beacon Ave. Paving	Location
Central Link Control Center Phone Network	Boarding / Track Miles
Convention Place System Retrofit	Location
E-3 Bike Path Lighting	Location
Federal Way Post Tension Cable Repair	Location
Link CCTV System Upgrade	Boardings / Track Miles
IT Infrastructure	Financial Policies
IT LRT SCADA Lab	Adtl New Link Track
IT LRT Emcomm Upgrade (SCADA)	Boarding / Track Miles
IT Transit Systems	Financial Policies
Link Bridge Repairs	Track Miles
Link LRV Overhaul	Boarding / Track Miles
Link Station Paver Replacement	Location
Small Works Program	Location
Small Works Airport Generator Tap	Location
Small Works Program – Airport Station Traffic Gates	Location
Small Works Mt Baker Generator Tap	Location
Small Works Capitol Hill Bollards	Location
Small Works Program – DSTT/Surface Street Signal Improvements	Location
Small Works Program – Eastgate HOV Bus Shelters	Location
Small Works Program – Federal Way TC Ped Path Lighting	Location
Small Works Program – OMF Boiler	Boardings / Track Miles
Small Works Program – OMF Electric Vehicle Chargers	Boardings / Track Miles
Small Works Program – OMF LRV Wash Drainage	Boardings / Track Miles
Small Works Program – OMF Macton Lift System	Boardings / Track Miles
Small Works Program – OMF Pit Fall Restraint	Boardings / Track Miles
Small Works Program – OMF S. Trailer Tenant	Boardings / Track Miles
Small Works Program – OMF SCADA & Signals Lab	Boardings / Track Miles
Small Works Program – OMF Wash Bay Heating	Boardings / Track Miles
Small Works Program – Othello TPSS Parking Lot	Location
Small Works Safety Fence	Location

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

APPENDIX B: Subarea Drivers, *continued*

Rehabilitation & Replacement Projects, continued	Driver
Small Works Program – Seatac Airport Station Leak Repairs	Location
Small Works Program – Seatac Airport Station Sub-Metering	Location
Small Works Program – Single Procurement	Location
Small Works Program – South Tacoma Station LED Lighting	Location
Small Works Program – ST Express Security Cameras	Platform Hours
Small Works TIBS Generator Tap	Location
Small Works Tacoma Trestle Track Replacement	Location
Small Works Program – Tukwila Escalator	Location
Sounder Passenger Announcement Upgrades in Stations	Location
Sounder Vehicle Maintenance Program	Vehicle Miles
ST Express Fleet Replacement	Platform Hours
Station Midlife Maintenance	Location
Tacoma Link Auxiliary Power Supply Replacement	Location
Tacoma Link Light Rail Vehicle Overhaul	Location
Tacoma Link LRV Communications Upgrade	Location

Administrative Projects	Driver
Administrative Capital	Financial Policies
Environmental Monitoring / Mitigation	Modal Operating Expense Rules
Information Technology Program	Financial Policies
Service Integration & Forecasting	Financial Policies
Surplus Property Disposition	Location

DEBT SERVICE USE

Description	Driver
Debt Service	Financial Plan

RESERVE CONTRIBUTIONS / DRAWS

Description	Driver
Amtrak Reserve	Financial Plan
Bond Reserve	Related Debt
Capital Replacement	Financial Plan
Emergency Loss	Financial Plan
Operation & Maintenance Reserve	Financial Plan
System Wide	Tax Revenue