



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Tacoma Transportation Benefit District

For the period January 1, 2020 through December 31, 2021

*Published June 15, 2023*

Report No. 1032223



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**Office of the Washington State Auditor  
Pat McCarthy**

June 15, 2023

Mayor and City Council  
Tacoma Transportation Benefit District  
Tacoma, Washington

**Report on Financial Statements**

Please find attached our report on the Tacoma Transportation Benefit District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Tacoma Transportation Benefit District January 1, 2020 through December 31, 2021**

Mayor and City Council  
Tacoma Transportation Benefit District  
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Tacoma Transportation Benefit District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 6, 2023.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

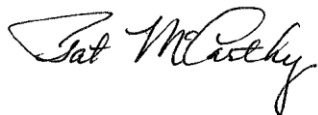
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 6, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Tacoma Transportation Benefit District January 1, 2020 through December 31, 2021**

Mayor and City Council  
Tacoma Transportation Benefit District  
Tacoma, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tacoma Transportation Benefit District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Tacoma Transportation Benefit District, as of December 31, 2021 and 2020, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matters of Emphasis**

As discussed in Notes 3 and 5 to the 2021 and 2020 financial statements, as a result of the COVID-19 pandemic, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 3 and 5. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on



compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

June 6, 2023

## **FINANCIAL SECTION**

### **Tacoma Transportation Benefit District January 1, 2020 through December 31, 2021**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2021

Management's Discussion and Analysis – 2021

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2021

Statement of Net Position – 2020

Statement of Activities – 2021

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2021

Balance Sheet – Governmental Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2020

Notes to Financial Statements – 2021

Notes to Financial Statements – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual –  
2021

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual –  
2020

## **Management's Discussion and Analysis**

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

The following is an overview and analysis of the financial activities of the Tacoma Transportation Benefit District (the District) for the year ended December 31, 2021. This management discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any changes in the financial position. Please read this information in conjunction with the District's financial statements.

### **Financial Highlights**

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.6 million at December 31, 2021.
- The net position increased by \$0.2 million primarily due to a decrease in contributions to Public Works projects funded by the District.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Financial Statements.

Government-wide financial statements provide 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 the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. 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.

The statement of activities presents changes in the District's net position for the year ended December 31, 2021. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Fund financial statements are a grouping of related accounts that are used to maintain control over resources that are segregated to specific activities or objectives. The District uses a single fund accounting system to ensure and demonstrate compliance with finance-related requirements.

The notes to the financial statements 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 financials statements in this report.

## Management's Discussion and Analysis

*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### Condensed Comparative Financial Data

The following are condensed financial information related to the District's net position for the years ended December 31, 2021 and 2020.

#### Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>% Change</u>
Current and other assets	\$ 7,576,007	\$ 7,345,811	\$ 230,196	3.1%
Total Assets	<u>7,576,007</u>	<u>7,345,811</u>	<u>230,196</u>	<u>3.1%</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	
Liabilities	<u>-</u>	<u>8,606</u>	<u>8,606</u>	<u>100.0%</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	
Total net position (restricted)	<u>\$ 7,576,007</u>	<u>\$ 7,337,205</u>	<u>\$ 238,802</u>	<u>3.3%</u>

#### Condensed Statements of Activities

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>% Change</u>
Revenues	\$ 9,896,094	\$ 9,190,256	\$ 705,838	7.7%
Expenses	<u>9,657,292</u>	<u>5,449,460</u>	<u>4,207,832</u>	<u>77.2%</u>
Change in Net Position	<u>238,802</u>	<u>3,740,796</u>	<u>(3,501,994)</u>	<u>-93.6%</u>
Net Position - Beginning	7,337,205	3,596,409	3,740,796	104.0%
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	
Net Position - Beginning (restated)	<u>7,337,205</u>	<u>3,596,409</u>	<u>3,740,796</u>	<u>104.0%</u>
Net Position - Ending	<u>\$ 7,576,007</u>	<u>\$ 7,337,205</u>	<u>\$ 238,802</u>	<u>3.3%</u>

## **Management's Discussion and Analysis**

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### **Overall Analysis of Financial Position and Result of Operations**

The District's net position as of December 31, 2021 increased \$0.2 million from \$7.3 million to \$7.5 million.

The overall increase in financial position for 2021 reflects the decrease in contributed funds to Capitalized Public Works projects as a result of COVID-19 and weather constraints.

The District's Sales and Use Tax is used to support the overall purpose of the Voter Approved Street Initiative Package. This work funds Citywide Street Maintenance as well as provides grant match for capital projects and programs.

The District's Vehicle Fee is used to fund overall Street Maintenance as performed by City crew. The funds are not allocated by location but instead combined with the other dedicated funding sources to provide Citywide street maintenance such as surface treatment, preventative maintenance, and overlays.

Through the District's funding, Public Works has completed the following work:

- Residential Surface Treatment – 193 Blocks done in 2021 compared to 56 blocks in 2020.
- Residential Preventive Maintenance – 5 blocks done in 2021 compared to 64 blocks in 2020.
- Residential Overlay – 69 blocks done in 2021 compared to 30 blocks in 2020
- ADA Compliant Curb Ramp Upgrades – 74 Curb Ramps done in 2021 compared to 85 Curb Ramps in 2020.
- Locations – 172 blocks in 2021

Aside from cash and cash equivalents, due from other governments is the most significant asset, as the District does not maintain ownership of any capital assets. The due from other government balance at year-end was \$1.7 million.

## Management's Discussion and Analysis

*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### Fund Analysis

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District's revenue is primarily generated from the collection of vehicle license fee and one-tenth of one percent sales tax authorized by voters. Vehicle license fee revenue collected in 2021 was \$3.1 million compared to \$3.2 million in 2020. The Sales Tax revenue collected in 2021 was \$6.8 million compared to \$5.9 million in 2020. The District's expenditures are from the 2021-2022 Transportation Benefit District spending plan consisting of Street Rehabilitation, Non-motorized & Sidewalk Curb Ramp and Traffic Signal/Signal Upgrade programs approved by City Council. Expenditures total \$9.7 million in 2021 compared to \$5.4 million in 2020, primarily the result of the increase in the amount of work completed during 2021 as outlined above.

For the year ended December 31, 2021, revenues exceeded expenditures by \$0.2 million thus increasing fund balance by the same amount. The entire ending fund balance is restricted to transportation improvements per RCW 36.73.

### Budgetary Highlights

The District amended the adopted 2021-2022 biennial budget to \$21.2 million on November 16, 2021 for the period of January 1, 2021 through December 31, 2022. The summary of budget to actual amounts is shown below.

	Approved Original Budget 2021-2022 Biennium	Approved Revised Budget 2021-2022 Biennium	Actual Biennium- To-Date Thru 12/31/2020	Variance With Approved Revised Budget Over (Under)
Fund Balance January 1			\$ 7,337,205	\$ 7,337,205
Resources (Inflows)	\$ 19,507,418	\$ 21,243,893	9,896,094	(11,347,799)
Charges to Appropriations (Outflows)	19,507,418	21,243,893	9,657,292	(11,586,601)
Fund Balance December 31			\$ 7,576,007	\$ 7,576,007

## **Management's Discussion and Analysis**

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### **Economic Factors and Future Outlook**

Due to unforeseeable future economic constraints, the District is conservatively forecasting the revenues and expenses to remain the same in the coming year.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tacoma Transportation Benefit District, 747 Market Street, Room 132 Tacoma, WA 98402.

## **Management's Discussion and Analysis**

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

The following is an overview and analysis of the financial activities of the Tacoma Transportation Benefit District (the District) for the year ended December 31, 2020. This management discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any changes in the financial position. Please read this information in conjunction with the District's financial statements.

### **Financial Highlights**

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.3 million at December 31, 2020.
- The net position increased by \$3,740,796 primarily due to a reduction in Public Works projects funded by the District.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Financial Statements.

Government-wide financial statements provide 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 the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. 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.

The statement of activities presents changes in the District's net position for the year ended December 31, 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Fund financial statements are a grouping of related accounts that are used to maintain control over resources that are segregated to specific activities or objectives. The District uses a single fund accounting system to ensure and demonstrate compliance with finance-related requirements.

The notes to the financial statements 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 financials statements in this report.



## Management's Discussion and Analysis

*Transportation Benefit District*

*For the Year Ended December 31, 2020*

### Condensed Comparative Financial Data

The following are condensed financial information related to the District's net position for the years ended December 31, 2020 and 2019.

#### Condensed Statements of Net Position

	2020	2019	Increase (Decrease)	% Change
Current and other assets	\$ 7,345,811	\$ 3,596,409	\$ 3,749,402	104.3%
Total Assets	7,345,811	3,596,409	3,749,402	104.3%
Deferred outflows of resources	-	-	-	
Liabilities	8,606	-	8,606	100.0%
Deferred inflows of resources	-	-	-	
Total net position (restricted)	<u>\$ 7,337,205</u>	<u>\$ 3,596,409</u>	<u>\$ 3,740,796</u>	<u>104.0%</u>

#### Condensed Statements of Activities

	2020	2019	Increase (Decrease)	% Change
Revenues	\$ 9,190,256	\$ 9,008,096	\$ 182,160	2.0%
Expenses	5,449,460	9,583,164	(4,133,704)	-43.1%
Change in Net Position	3,740,796	(575,068)	4,315,864	-750.5%
Net Position - Beginning	3,596,409	4,414,334	(817,925)	-18.5%
Prior Period Adjustment	-	(242,857)	242,857	
Net Position - Beginning (restated)	3,596,409	4,171,477	(575,068)	-13.8%
Net Position - Ending	<u>\$ 7,337,205</u>	<u>\$ 3,596,409</u>	<u>\$ 3,740,796</u>	<u>104.0%</u>

## **Management's Discussion and Analysis**

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

### **Overall Analysis of Financial Position and Result of Operations**

The District's net position as of December 31, 2020 increased \$3.7 million from \$3.6 million to \$7.3 million.

The overall increase in financial position for 2020 reflects the decrease in contributed funds to public works projects as a result of COVID-19, weather and uncertainty of the I-976 initiative judicial decision. The City of Tacoma anticipated having to return vehicle tab revenue if I-976 became law.

The District's Sales and Use Tax is used to support the overall purpose of the Voter Approved Street Initiative Package. This work funds Citywide Street Maintenance as well as provides grant match for capital projects and programs.

The District's Vehicle Fee is used to fund overall Street Maintenance as performed by City crew. The funds are not allocated by location but instead combined with the other dedicated funding sources to provide Citywide street maintenance such as surface treatment, preventative maintenance, and overlays.

Through the District's funding, Public Works has completed the following work:

- Residential Surface Treatment – 56 Blocks done in 2020 compared to 355 blocks in 2019.
- Residential Preventive Maintenance – 64 blocks done in 2020 compared to 73 blocks in 2019.
- Residential Overlay – 30 blocks done in 2020 compared to 75 blocks in 2019
- ADA Compliant Curb Ramp Upgrades – 85 Curb Ramps done in 2020 compared to 138 Curb Ramps in 2019.

Aside from cash and cash equivalents, due from other governments is the most significant asset, as the District does not maintain ownership of any capital assets. The due from other government balance at year-end was \$1.7 million.

### **Fund Analysis**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District's revenue is primarily generated from the collection of vehicle license fee and one-tenth of one percent sales tax authorized by voters. Vehicle license fee revenue collected in 2020 was \$3.2 million compared to \$3.0 million in 2019. The Sales Tax revenue collected in 2020 was \$5.9 million compared to \$6.0 million in 2019. The District's expenditures are from the 2019-2020 Transportation

## Management's Discussion and Analysis

### *Transportation Benefit District*

*For the Year Ended December 31, 2020*

Benefit District spending plan consisting of Street Rehabilitation, Nonmotorized & Sidewalk Curb Ramp and Traffic Signal/Signal Upgrade programs approved by City Council. Expenditures total \$5.4 million in 2020 compared to \$9.6 million in 2019, primarily the result of the decrease in the amount of work completed during 2020 as outlined above.

For the year ended December 31, 2020, revenues exceeded expenditures by \$3.7 million thus increasing fund balance by the same amount. The entire ending fund balance is restricted to transportation improvements per RCW 36.73.

### **Budgetary Highlights**

The District amended the adopted 2019-2020 biennial budget of \$19.5 million on May 21, 2019 for the period of January 1, 2019 through December 31, 2020. The summary of budget to actual amounts is shown below.

	<b>Approved Original Budget 2019-2020 Biennium</b>	<b>Approved Revised Budget 2019-2020 Biennium</b>	<b>Actual Biennium- To-Date Thru 12/31/2020</b>	<b>Variance With Approved Revised Budget Over (Under)</b>
Fund Balance January 1			\$ 4,414,334	\$ 4,414,334
Prior Period Adjustmnet			(242,857)	(242,857)
Resources (Inflows)	\$ 17,921,498	\$ 19,476,936	18,198,352	(1,278,584)
Charges to Appropriations (Outflows)	17,921,498	19,476,936	15,032,624	(4,444,312)
Fund Balance December 31			\$ 7,337,205	\$ 7,337,205

### **Economic Factors and Future Outlook**

On October 15, 2020, The Washington State Supreme Court struck down I-976 \$30 Car Tab Initiative. While I-976 was being pending litigation throughout the majority of 2020, the City of Tacoma had resolved to hold Vehicle Tab Revenue received in the event these revenues would need to be refunded as required by State of Washington. Therefore, less funds were used for street projects during 2020.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tacoma Transportation Benefit District, 747 Market Street, Room 132 Tacoma, WA 98402.

**Tacoma Transportation Benefit District**  
**Statement of Net Position**  
**December 31, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,859,176
Due from other governments	<u>1,716,831</u>
Total Assets	<u>7,576,007</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>LIABILITIES</b>	
Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>NET POSITION</b>	
Restricted for Transportation Improvements	<u>7,576,007</u>
Total Net Position	<u><u>\$ 7,576,007</u></u>

The accompanying notes are an integral part of this statement

**Tacoma Transportation Benefit District**  
**Statement of Net Position**  
**December 31, 2020**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,678,101
Due from other governments	<u>1,667,710</u>
Total Assets	7,345,811
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>LIABILITIES</b>	
Liabilities	<u>8,606</u>
Total Liabilities	8,606
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>NET POSITION</b>	
Restricted for Transportation Improvements	<u>7,337,205</u>
Total Net Position	<u><u>\$ 7,337,205</u></u>

The accompanying notes are an integral part of this statement

**Tacoma Transportation Benefit District**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

	<b>Governmental Activities</b>
<b>PROGRAM EXPENSES</b>	
Transportation	\$ 9,656,280
General	1,012
Total Program Expenses	<u>9,657,292</u>
<b>GENERAL REVENUES</b>	
Excise Taxes	9,920,355
Investment Earnings	(24,261)
Total General Revenues	<u>9,896,094</u>
<b>CHANGE IN NET POSITION</b>	238,802
<b>NET POSITION</b>	
Net Position - Beginning	7,337,205
Prior Period Adjustment	-
Net Position - Beginning (Restated)	<u>7,337,205</u>
Net Position - Ending	<u><u>\$ 7,576,007</u></u>

The accompanying notes are an integral part of this statement

**Tacoma Transportation Benefit District**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	<b>Governmental Activities</b>
<b>PROGRAM EXPENSES</b>	
Transportation	\$ 5,440,333
General	9,127
Total Program Expenses	<u>5,449,460</u>
<b>GENERAL REVENUES</b>	
Excise Taxes	9,105,259
Investment Earnings	84,997
Total General Revenues	<u>9,190,256</u>
<b>CHANGE IN NET POSITION</b>	3,740,796
<b>NET POSITION</b>	
Net Position - Beginning	3,596,409
Prior Period Adjustment	<u>-</u>
Net Position - Beginning (Restated)	<u>3,596,409</u>
Net Position - Ending	<u><u>\$ 7,337,205</u></u>

The accompanying notes are an integral part of this statement

**Tacoma Transportation Benefit District  
Balance Sheet  
Governmental Funds  
For the Year Ended December 31, 2021**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,859,176
Due from other governments	1,716,831
Total Assets	<u>7,576,007</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 7,576,007</u>
<b>LIABILITIES</b>	
Liabilities	<u>-</u>
Total Liabilities	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>FUND BALANCE</b>	
Restricted for Transportation Improvements	<u>7,576,007</u>
Total Fund Balance	<u>7,576,007</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 7,576,007</u>

The accompanying notes are an integral part of this statement



**Tacoma Transportation Benefit District  
Balance Sheet  
Governmental Funds  
For the Year Ended December 31, 2020**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,678,101
Due from other governments	1,667,710
Total Assets	<u>7,345,811</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 7,345,811</u></u>
<b>LIABILITIES</b>	
Liabilities	8,606
Total Liabilities	<u>8,606</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>FUND BALANCE</b>	
Restricted for Transportation Improvements	7,337,205
Total Fund Balance	<u>7,337,205</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 7,345,811</u></u>

The accompanying notes are an integral part of this statement

**Tacoma Transportation Benefit District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2021**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 9,920,355
Interest and Other Earnings	(24,261)
Total General Revenues	<u>9,896,094</u>
<b>EXPENDITURES</b>	
Current:	
Transportation	9,656,280
General	1,012
Total Program Expenses	<u>9,657,292</u>
Excess (Deficiency) of Revenues over Expenditures	238,802
<b>OTHER FINANCING SOURCES (USES)</b>	
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	238,802
<b>FUND BALANCE</b>	
Fund Balance - Beginning	7,337,205
Prior Period Adjustment	-
Fund Balance - Beginning (Restated)	<u>7,337,205</u>
Fund Balance - Ending	<u>\$ 7,576,007</u>

The accompanying notes are an integral part of this statement

**Tacoma Transportation Benefit District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2020**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 9,105,259
Interest and Other Earnings	84,997
Total General Revenues	<u>9,190,256</u>
<b>EXPENDITURES</b>	
Current:	
Transportation	5,440,333
General	9,127
Total Program Expenses	<u>5,449,460</u>
Excess (Deficiency) of Revenues over Expenditures	3,740,796
<b>OTHER FINANCING SOURCES (USES)</b>	
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	3,740,796
<b>FUND BALANCE</b>	
Fund Balance - Beginning	3,596,409
Prior Period Adjustment	-
Fund Balance - Beginning (Restated)	<u>3,596,409</u>
Fund Balance - Ending	<u><u>\$ 7,337,205</u></u>

The accompanying notes are an integral part of this statement

## Notes to the Financial Statements

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Tacoma Transportation Benefit District (the 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**

The District was created on November 20, 2012 by the City of Tacoma upon passage of City Ordinance No. 28099 and operates under the laws of the State of Washington applicable to transportation benefit districts. As required by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39 and No. 80, the financial statements present activity of the District as if it were part of the City.

The District was established for the purposes of acquiring, constructing, improving, providing, and funding transportation improvements within the District consistent with any state, regional, or local transportation plans, and necessitated by existing or reasonably foreseeable congestion levels.

On November 27, 2012, The Tacoma Transportation Benefit District Board authorized a vehicle license fee of \$20. In June of 2013, the Washington State Department of Licensing began collecting vehicle license fees on behalf of the District to fund local transportation improvements within the district. The \$20 vehicle license fee generated \$3.1 million in 2021.

On November 3, 2015, Tacoma residents voted and passed Transportation Benefit District Proposition A, which permits the District to levy an additional sales tax of 1/10 of 1% for a period of ten-years (for more information visit the Tacoma Streets Initiative webpage at [www.cityoftacoma.org/government/city\\_council/transportation\\_benefit\\_district](http://www.cityoftacoma.org/government/city_council/transportation_benefit_district)). Proposition A was projected to generate \$4.5 million per year, or \$45 million over the ten-year period. In 2021, it generated \$6.8 million. The additional funding will go towards transportation projects outlined in the Comprehensive Transportation Program including permanent pothole repair, street resurfacing, maintenance and improvements to arterials and freight access roads, installation of school crossing beacons, and building missing sidewalks.

#### **Blended Component Unit**

Although a legally separate entity, the District itself is reported as a blended component unit of the City because its sole purpose is to finance transportation improvement projects carried out by the City. The District Board of Directors are made up of the City of Tacoma Council members with the Finance Director serving as District Treasurer. City employees perform all operational and administrative functions of the District.

## Notes to the Financial Statements

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### **B. Basis of Presentation – Government-Wide and Fund Financial Statements**

#### **1. Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given governmental function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenues.

The District reports a single governmental fund, the general fund, which is the District's operating fund. It accounts for all financial resources of the District. Therefore, no interfund activity or separate fund statements are presented.

#### **2. Government Fund Financials**

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 thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when incurred.

### **C. New GASB Pronouncements**

Effective for the fiscal year 2021, the District reviewed the impact of the following new accounting and reporting standards issued by the Governmental Accounting Standard Board (GASB).

**GASB Statement No. 98 – *The Annual Comprehensive Financial Report*.** This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The District has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 98.

## **Notes to the Financial Statements**

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### **D. Budgetary Information**

#### **1. Scope of Budget**

Biennial appropriated budgets are adopted for the District's general fund on the modified accrual basis of accounting. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Total fund appropriation includes expenditures and other financing uses. Appropriations for the general fund lapse at the end of the biennium.

#### **2. Amending Budget**

Any revisions to the District's approved budget in total or at the individual budget control level must be approved by the Board of Directors by ordinance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. 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 reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

### **E. Assets, Liabilities and Fund Balance**

#### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are maintained by the City of Tacoma Treasurer. It is the District as well as the City's policy to invest all temporary cash surpluses. The City on behalf of the District, invests temporary cash surpluses.

The monthly remittances from the District to the City of Tacoma are controlled by an adopted budget; therefore, only budgeted amounts are remitted.

The District's cash and cash equivalents include cash on hand and short term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments are stated at fair value. The City of Tacoma uses a pooled investment portfolio. Interest earned on the pooled investments is prorated based on each member's cash balance share of the total cash invested. Portfolio earnings are distributed daily based on cash balances of the participating funds.

## Notes to the Financial Statements

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### 2. Receivables and Due from Other Governments

Amounts due from other governments consist of amounts owed at year end from the State of Washington related to the District's vehicle license fee and sales and use tax.

### 3. Fund Balance Classification

As required by GASB Statement No. 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, 2021, the entire fund balance is classified as restricted for transportation improvement projects as prescribed by RCW 36.73. Restricted fund balance is defined as restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.

It is the District's policy that if revenues with varying levels of constraints become available for use, the most restricted resources will be used first.

### Note 2 – Investments

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- Level 2 – Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.
- Level 3– Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data. Interactive Data utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and

## Notes to the Financial Statements

*Transportation Benefit District*

*For the Year Ended December 31, 2021*

for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, Interactive Data's evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, Interactive Data uses model processes, such as the Option Adjusted Spread model to assess interest rate impact and development payment scenarios. Their models and processes take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models. Data regarding the City's investments, valued and categorized according to the above outlined levels is included below:

Debt Securities:	As of 12/31/2021	(Level 1)	(Level 2)	(Level 3)
Agency	375,740,028		375,740,028	-
Municipal Bonds	5,094,110		5,094,110	-
Supranationals	25,416,670		25,416,670	-
U.S. Corporate	56,527,275		56,527,275	-
U.S. Treasury	549,528,777		549,528,777	-
Total	1,012,306,860	-	1,012,306,860	-

The District's share of the City investments:

	As of 12/31/2021
Cash and equity in pooled investments	4,909,341
Total City pooled investments	1,012,306,860
	0.5%
Total cash	\$ 949,835
Total pooled investments	4,909,341
Total cash and pooled investments	\$ 5,859,176

Custodial credit risk – All bank deposits are covered 100% by federal depository insurance and pledged collateral on deposit with WSPDPC.

All certificates of deposit held by the City are in the City's name and are insured by FDIC up to \$250,000 and by the Washington State Public Deposit Protection Commission (WSPDPC) for amounts over \$250,000. Under Washington State statute, members of the WSPDPC, a multiple financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.



## **Notes to the Financial Statements**

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*Transportation Benefit District*

*For the Year Ended December 31, 2021*

### **Note 3 – COVID-19 Pandemic**

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City and the District took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not limited to, the following: reduction of 2020 revenue projections, eliminated discretionary spending, cancelled planned projects, established purchasing and contract freezes, established a hiring freeze, put certain staff on temporary furloughs and did targeted lay-offs. The City estimates that the 2020 revenue impacts from COVID-19 to be approximately \$60 million. During the 2021-2022 budget development process the City took quick action to reduce the expenses through program eliminations, reduced hiring, and temporary furloughs to address the projected revenue losses. In 2021, the City's tax revenues performed better than projections and the City was able to return funding for a limited number of one-time programs and investments. The City and the District will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

### **Note 4 – Subsequent Events**

While the full impact of the COVID-19 pandemic on the City, the District and the regional economy is currently uncertain, the City and the District currently believe that the measures they have taken will help mitigate its anticipated revenue shortfall. The City and the District, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the City and the District. Management will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the full financial impact.

## Notes to the Financial Statements

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Tacoma Transportation Benefit District (the 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**

The District was created on November 20, 2012 by the City of Tacoma upon passage of City Ordinance No. 28099 and operates under the laws of the State of Washington applicable to transportation benefit districts. As required by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39 and No., 80, the financial statements present activity of the District as if it were part of the City.

The District was established for the purposes of acquiring, constructing, improving, providing, and funding transportation improvements within the District consistent with any state, regional, or local transportation plans, and necessitated by existing or reasonably foreseeable congestion levels.

On November 27, 2012, The Tacoma Transportation Benefit District Board authorized a vehicle license fee of \$20. In June of 2013, the Washington State Department of Licensing began collecting vehicle license fees on behalf of the District to fund local transportation improvements within the district. The \$20 vehicle license fee generated \$3.2 million in 2020.

On November 3, 2015, Tacoma residents voted and passed Transportation Benefit District Proposition A, which permits the District to levy an additional sales tax of 1/10 of 1% for a period of ten-years (for more information visit the Tacoma Streets Initiative webpage at [www.cityoftacoma.org/government/city\\_council/transportation\\_benefit\\_district](http://www.cityoftacoma.org/government/city_council/transportation_benefit_district)). Proposition A was projected to generate \$4.5 million per year, or \$45 million over the ten-year period. In 2020, it generated \$5.9 million. The additional funding will go towards transportation projects outlined in the Comprehensive Transportation Program including permanent pothole repair, street resurfacing, maintenance and improvements to arterials and freight access roads, installation of school crossing beacons, and building missing sidewalks.

#### **Blended Component Unit**

Although a legally separate entity, the District itself is reported as a blended component unit of the City because its sole purpose is to finance transportation improvement projects carried out by the City. The District Board of Directors are made up of the City of Tacoma Council members with the Finance Director serving as District Treasurer. City employees perform all operational and administrative functions of the District.

## Notes to the Financial Statements

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

### **B. Basis of Presentation – Government-Wide and Fund Financial Statements**

#### **1. Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given governmental function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenues.

The District reports a single governmental fund, the general fund, which is the District's operating fund. It accounts for all financial resources of the District. Therefore, no interfund activity or separate fund statements are presented.

#### **2. Government Fund Financials**

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 thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when incurred.

### **C. New GASB Pronouncements**

Effective for the fiscal year 2020, the District reviewed the impact of the following new accounting and reporting standards issued by the Governmental Accounting Standard Board (GASB).

**GASB Statement No. 95 – *Postponement of Effective Dates of Certain Authoritative Guidance***). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in States and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later

## **Notes to the Financial Statements**

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

### **D. Budgetary Information**

#### **1. Scope of Budget**

Biennial appropriated budgets are adopted for the District's general fund on the modified accrual basis of accounting. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Total fund appropriation includes expenditures and other financing uses. Appropriations for the general fund lapse at the end of the biennium.

#### **2. Amending Budget**

Any revisions to the District's approved budget in total or at the individual budget control level must be approved by the Board of Directors by ordinance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. 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 reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

### **E. Assets, Liabilities and Fund Balance**

#### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are maintained by the City of Tacoma Treasurer. It is the District as well as the City's policy to invest all temporary cash surpluses. The City on behalf of the District, invests temporary cash surpluses.

The monthly remittances from the District to the City of Tacoma are controlled by an adopted budget; therefore, only budgeted amounts are remitted.

The District's cash and cash equivalents include cash on hand and short term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments are stated at fair value. The City of Tacoma uses a pooled investment portfolio. Interest earned on the pooled investments is prorated based on each member's cash balance share of the total cash invested. Portfolio earnings are distributed daily based on cash balances of the participating funds.

## Notes to the Financial Statements

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

### 2. Receivables and Due from Other Governments

Amounts due from other governments consist of amounts owed at year end from the State of Washington related to the District's vehicle license fee and sales and use tax.

### 3. Fund Balance Classification

As required by GASB Statement No. 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, 2020, the entire fund balance is classified as restricted for transportation improvement projects as prescribed by RCW 36.73. Restricted fund balance is defined as restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.

It is the District's policy that if revenues with varying levels of constraints become available for use, the most restricted resources will be used first.

### Note 2 – Investments

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- Level 2 – Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.
- Level 3– Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

## Notes to the Financial Statements

*Transportation Benefit District*

*For the Year Ended December 31, 2020*

The fair value evaluations are provided by Interactive Data. Interactive Data utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, Interactive Data's evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, Interactive Data uses model processes, such as the Option Adjusted Spread model to assess interest rate impact and development payment scenarios. Their models and processes take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models. Data regarding the City's investments, valued and categorized according to the above outlined levels is included below:

Debt Securities:	As of 12/31/2020	Level 1	Level 2	Level 3
Agency	491,827,203		491,827,203	
Municipal Bonds	11,664,518		11,664,518	
Supranationals	10,065,910		10,065,910	
U.S. Corporate	62,803,670		62,803,670	
U.S. Treasury	371,578,276		371,578,276	
Total	<u>\$ 947,939,577</u>	<u>\$ -</u>	<u>\$ 947,939,577</u>	<u>\$ -</u>

The District's share of the City investments:

	As of 12/31/2020
Cash and equity in pooled investments	4,703,038
Total City pooled investments	<u>928,796,128</u>
	<u>0.5%</u>

Custodial credit risk – All bank deposits are covered 100% by federal depository insurance and pledged collateral on deposit with WSPDPC.

All certificates of deposit held by the City are in the City's name and are insured by FDIC up to \$250,000 and by the Washington State Public Deposit Protection Commission (WSPDPC) for amounts over \$250,000. Under Washington State statute, members of the WSPDPC, a multiple financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

## Notes to the Financial Statements

*Transportation Benefit District*

*For the Year Ended December 31, 2020*

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### Note 3 – Prior Period Adjustment

#### Detailed Information regarding restatement of beginning balance

Net Position - January 1, 2019	\$ 4,414,334
Prior Period Adjustment	\$ (242,857)
Net Position -January 1, 2019 Restated	<u>\$ 4,171,477</u>

The Transportation Benefit District (TBD) Vehicle Fees revenue from the State of Washington for November and December are received January and February of the following year. An accrual is booked in order to follow the Revenue Recognition Principle of modified accrual accounting for the first sixty days of the year. These accruals are then reversed out the following year. In 2017, an accrual amount of \$242,857 was booked but not reversed in 2018. As a result, 2018 vehicle fees revenue was overstated. This was discovered in 2019 and an entry to recognize the prior period revenue adjustment was booked.

The beginning net position in 2019 was restated from \$4,414,334 to \$4,171,477.

### Note 5 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not limited to, the following: reduction of 2020 revenue projections, eliminated discretionary spending, cancelled planned projects, established purchasing and contract freezes, established a hiring freeze, put certain staff on temporary furloughs and did targeted lay-offs. Other actions the City took in response to COVID-19 included, but are not limited to, the following: instituted telework for all non-frontline service staff, health screening for employees reporting to City facilities, implemented an Emergency Leave Program for employees impacted by COVID-19, provided additional funding for Rental Assistance programs, and provided additional funding for utility bill assistance. The City and the District will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

## **Notes to the Financial Statements**

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*Transportation Benefit District*

*For the Year Ended December 31, 2020*

The COVID-19 pandemic has created an estimated revenue shortfall of \$3,679,715. The scope of work in 2020 decreased in both the Street Rehabilitation program and the Non-motorized program. The Street Rehabilitation program's scope of work was reduced by 220 blocks of Residential Surface Treatment and 50 blocks of Residential Overlay. The Non-motorized program's scope of work was reduced to 150 ADA Compliant Curb Ramps Upgrades.

### **Note 6 – Subsequent Events**

On March 11, 2021, the American Rescue Plan Act (“ARPA”) was signed into law. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City expects to receive approximately \$63 million in ARPA assistance. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

The District, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the District. Management will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the financial impact.



## Required Supplementary Information

### Tacoma Transportation Benefit District Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual For the Year Ended December 31, 2021

	Approved Original Budget 2021-2022 Biennium	Approved Revised Budget 2021-2022 Biennium	Actual Biennium- To-Date Thru 12/31/2021	Variance With Approved Revised Budget Over (Under)
<b>REVENUES</b>				
Taxes	\$ 19,507,418	\$ 21,243,893	\$ 9,920,355	\$ (11,323,538)
Interest and Other Earnings	-	-	(24,261)	(24,261)
Total General Revenues	<u>19,507,418</u>	<u>21,243,893</u>	<u>9,896,094</u>	<u>(11,347,799)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	19,507,418	21,243,893	\$ 9,656,280	(11,587,613)
General			1,012	1,012
Total Program Expenses	<u>19,507,418</u>	<u>21,243,893</u>	<u>9,657,292</u>	<u>(11,586,601)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	238,802	238,802
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	238,802	238,802
<b>FUND BALANCE</b>				
Fund Balance - Beginning	-	-	7,337,205	7,337,205
Prior Period Adjustment	-	-	-	-
Fund Balance - Beginning (Restated)	<u>-</u>	<u>-</u>	<u>7,337,205</u>	<u>7,337,205</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,576,007</u>	<u>\$ 7,576,007</u>

## Required Supplementary Information

### Tacoma Transportation Benefit District Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual For the Year Ended December 31, 2020

	Approved Original Budget 2019-2020 Biennium	Approved Revised Budget 2019-2020 Biennium	Actual Biennium- To-Date Thru 12/31/2020	Variance With Approved Revised Budget Over (Under)
<b>REVENUES</b>				
Taxes	\$ 17,921,498	\$ 19,476,936	\$ 18,088,944	\$ (1,387,992)
Interest and Other Earnings	-	-	109,408	109,408
Total General Revenues	<u>17,921,498</u>	<u>19,476,936</u>	<u>18,198,352</u>	<u>(1,278,584)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	17,921,498	19,476,936	\$ 15,023,497	(4,453,439)
General			9,127	9,127
Total Program Expenses	<u>17,921,498</u>	<u>19,476,936</u>	<u>15,032,624</u>	<u>(4,444,312)</u>
Excess (Deficiency) of Revenues over Expenditures	-	(0)	3,165,728	3,165,728
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(0)	3,165,728	3,165,728
<b>FUND BALANCE</b>				
Fund Balance - Beginning	-	-	4,414,334	4,414,334
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(242,857)</u>	<u>(242,857)</u>
Fund Balance - Beginning (Restated)	<u>-</u>	<u>-</u>	<u>4,171,477</u>	<u>4,171,477</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 7,337,205</u>	<u>\$ 7,337,205</u>

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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