

**NEW ISSUE
BOOK-ENTRY ONLY
NOT BANK QUALIFIED**

**Moody's Rating: A1
S&P's Rating: AA
Fitch's Rating: A
See "RATINGS"**

In the opinion of Pacifica Law Group LLP, Seattle, Washington ("Bond Counsel"), assuming compliance with certain covenants of the City, interest on the 2015A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2015A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2015A Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX MATTERS" herein. Interest on the 2015B Bonds is not excludable from gross income for federal income tax purposes. See "CERTAIN INCOME TAX CONSEQUENCES" herein.



CITY OF TACOMA, WASHINGTON

\$12,735,000	\$20,215,000
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015A	LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015B (TAXABLE)

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), Limited Tax General Obligation Refunding Bonds, 2015A (the "2015A Bonds") and Limited Tax General Obligation Refunding Bonds, 2015B (Taxable) (the "2015B Bonds," and together with the 2015A Bonds, the "Bonds"), will be issued as fully registered bonds in the name of Cede & Co., as Registered Owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof within a series and maturity. Purchasers will not receive certificates representing their interest in the Bonds. See "THE BONDS."

The Bonds bear interest payable semiannually on each June 1 and December 1 to maturity or prior redemption, as applicable, beginning June 1, 2016. The principal of and interest on the Bonds are payable by the fiscal agent of the state of Washington (the "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to DTC participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein under APPENDIX D—"BOOK-ENTRY SYSTEM."

The 2015A Bonds are subject to redemption prior to maturity as described herein. The 2015B Bonds are not subject to redemption prior to maturity. See "THE BONDS—Redemption."

The Bonds are being issued for the purpose of providing funds to refund and defease a portion of the City's outstanding limited tax general obligation bonds and to pay costs of issuance for the Bonds. See "USE OF PROCEEDS."

Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices and CUSIP Numbers on Inside Cover

The Bonds are limited tax general obligations of the City. The City has covenanted and agreed irrevocably that it will include in its budget and levy an ad valorem tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds as the same become due. The City has irrevocably pledged that such tax will be within and as a part of the tax permitted to cities without a vote of the people. The full faith, credit and resources of the City have been pledged irrevocably for the annual levy and collection of such taxes and for the prompt payment of such principal and interest. The City has also pledged lodging taxes to the payment of the principal of and interest on the 2015A Bonds. The City's ability to raise taxes is subject to certain limitations as described herein. The Bonds do not constitute a debt or indebtedness of the State of Washington, or any political subdivision thereof other than the City. See "SECURITY FOR THE BONDS."

The City has not designated the 2015A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered by the Underwriter when, as and if issued, subject to the approving legal opinions of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. Forms of Bond Counsel's opinions are attached hereto as Appendix A. Certain matters will be passed upon for the Underwriter by its counsel, K&L Gates LLP, Seattle, Washington. It is anticipated that the Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about December 29, 2015.



RBC Capital Markets

CITY OF TACOMA, WASHINGTON

\$12,735,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015A

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP** Nos. (873465)
2016	\$ 15,000	2.000%	0.52%	101.359	ZC5
2017	405,000	3.000	0.93	103.934	ZD3
2018	420,000	4.000	1.15	108.166	ZE1
2019	435,000	4.000	1.35	110.089	ZF8
2020	450,000	5.000	1.56	116.236	ZG6
2021	475,000	5.000	1.75	118.206	ZH4
2022	500,000	5.000	1.95	119.658	ZJ0
2023	525,000	5.000	2.15	120.656	ZK7
2024	545,000	5.000	2.32	121.485	ZL5
2025	575,000	5.000	2.47	122.141	ZM3
2026	605,000	5.000	2.64	120.480*	ZN1
2027	635,000	5.000	2.77	119.228*	ZP6
2028	670,000	5.000	2.90	117.992*	ZQ4
2029	705,000	5.000	2.98	117.238*	ZR2
2030	735,000	5.000	3.06	116.491*	ZS0
2031	775,000	3.250	3.42	97.924	ZT8
2032	800,000	3.250	3.47	97.200	ZU5
2033	825,000	3.250	3.52	96.431	ZV3
2034	855,000	3.375	3.57	97.332	ZW1
2035	875,000	3.375	3.62	96.541	ZX9
2036	910,000	3.500	3.67	97.530	ZY7

\$20,215,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015B (TAXABLE)

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP** Nos. (873465)
2016	\$ 290,000	0.979%	0.979%	100.000	ZZ4
2017	240,000	1.457	1.457	100.000	A24
2018	705,000	1.782	1.782	100.000	A32
2019	3,725,000	2.092	2.092	100.000	A40
2020	3,805,000	2.392	2.392	100.000	A57
2021	3,930,000	2.680	2.680	100.000	A65
2022	4,030,000	2.930	2.930	100.000	A73
2023	650,000	3.150	3.150	100.000	A81
2024	670,000	3.300	3.300	100.000	A99
2025	695,000	3.450	3.450	100.000	B23
2026	725,000	3.600	3.600	100.000	B31
2027	750,000	3.750	3.750	100.000	B49

* Priced to the par call date of December 1, 2025.

** CUSIP is a registered trademark of the American Bankers Association. These CUSIP numbers were provided by CUSIP Global Services and are not intended to create a database and do not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. The City takes no responsibility for the accuracy of such CUSIP numbers.

CITY OF TACOMA, WASHINGTON
747 MARKET STREET
TACOMA, WASHINGTON 98402
(253) 591-5000
www.cityoftacoma.org⁽¹⁾

MAYOR AND TACOMA CITY COUNCIL

Elected Officials

Name	Position	Term Expires
Marilyn Strickland	Mayor	December 31, 2017
David Boe	Deputy Mayor	December 31, 2015 ⁽²⁾
Marty Campbell	Councilmember	December 31, 2017
Anders Ibsen	Councilmember	December 31, 2015 ⁽³⁾
Joe Lonergan	Councilmember	December 31, 2017
Ryan Mello	Councilmember	December 31, 2015 ⁽³⁾
Robert Thoms	Councilmember	December 31, 2017
Lauren Walker	Councilmember	December 31, 2015 ⁽⁴⁾
Victoria Woodards	Councilmember	December 31, 2017

City Officials

T.C. Broadnax	City Manager
Andy Cherullo	Finance Director
Teresa Sedmak	City Treasurer
Elizabeth A. Pauli	City Attorney
Doris Sorum	City Clerk

Bond and Disclosure Counsel

Pacifica Law Group LLP
Seattle, Washington

Financial Advisor

Piper Jaffray & Co.
Seattle, Washington

Bond Registrar

Fiscal Agent for the State of Washington, currently:
U.S. Bank National Association
Seattle, Washington

⁽¹⁾ The City's website is not part of this Official Statement, and investors should not rely on information presented in the City's website in determining whether to purchase the Bonds. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website by reference.

⁽²⁾ Conor McCarthy was elected to council position number 7 (replacing David Boe) effective January 1, 2016.

⁽³⁾ Re-elected.

⁽⁴⁾ Keith Blocker was elected to council position number 3 (replacing Lauren Walker) effective January 1, 2016.

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

No quotations from or summaries or explanations of the provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The cover page hereof and appendices attached hereto are part of this Official Statement.

The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable but is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof.

Certain statements contained in this Official Statement reflect not historical facts but are forecasts and “forward-looking statements.” The forecasts, projections, and estimates are based upon expectations and assumptions that existed at the time such forecasts, projections, and estimates were prepared. No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Such risks and uncertainties include, among others, general economic conditions, change in political conditions, weather conditions, social and economic conditions, regulatory initiatives, and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. All estimates, projections, forecasts, assumptions and other forward-looking statements speak only as of the date they were prepared and are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement.

The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, in reliance upon a specific exemption contained in such act. The Bonds may, however, be subject to registration or qualification under the securities laws of various states, and may not be transferred in violation of such state laws. The registration or qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified, if any, and exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. No state nor any state or federal agency has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

TABLE OF CONTENTS

	Page	Page
INTRODUCTION	1	
THE BONDS	1	
General	1	
Bond Registrar	1	
Redemption	2	
Open Market Purchase	3	
Defeasance	3	
USE OF PROCEEDS	3	
Purpose	3	
Sources and Uses of Funds	3	
Refunding Plan	4	
Verification of Mathematical Calculations	5	
SECURITY AND SOURCES OF PAYMENT FOR		
THE BONDS	5	
General	5	
Lodging Taxes	5	
CITY INDEBTEDNESS	6	
Debt Capacity	6	
Summary of Limited Tax General Obligation Bonds		
Debt Service Requirements	9	
Summary of Overlapping Debt	9	
Direct and Overlapping Debt	11	
Debt Payment Record	11	
Future Financings	11	
TAXING AUTHORITY	11	
Authorized Property Tax Levies	11	
Overlapping Taxing Districts	12	
Local Improvement Guaranty Fund	12	
General Property Tax Levies	13	
Regular Property Tax Information	13	
Assessed Value	14	
Property Tax Collection Procedure	15	
Assessed Valuation and Historical Property		
Tax Collection Record	15	
Collection of Other Taxes	17	
AUTHORIZED INVESTMENTS	20	
CITY FINANCIAL AND BUDGETARY		
INFORMATION	21	
THE CITY OF TACOMA	23	
City Officials	24	
Administration	24	
Financial Policies	25	
Budgetary Policies	25	
		25
		25
		28
		28
		29
		31
INITIATIVE AND REFERENDUM	31	
TAX MATTERS	32	
Not Bank Qualified	33	
Premium	33	
Original Issue Discount	33	
Proposed Tax Legislation; Miscellaneous	33	
CERTAIN INCOME TAX CONSEQUENCES	34	
ERISA CONSIDERATIONS	35	
CONTINUING DISCLOSURE UNDERTAKING	35	
RATINGS	37	
UNDERWRITING	37	
FINANCIAL ADVISOR	37	
CERTAIN LEGAL MATTERS	38	
LITIGATION	38	
No Litigation Concerning the Bonds	38	
Other Litigation	38	
POTENTIAL CONFLICTS OF INTEREST	38	
LIMITATIONS ON REMEDIES	38	
No Acceleration	39	
Bankruptcy	39	
OFFICIAL STATEMENT	39	
APPENDIX A — FORMS OF BOND COUNSEL		
OPINIONS		
APPENDIX B — AUDITED FINANCIAL		
STATEMENTS OF THE CITY		
AS OF DECEMBER 31, 2014		
APPENDIX C — ECONOMIC AND		
DEMOGRAPHIC		
INFORMATION		
APPENDIX D — BOOK-ENTRY SYSTEM		

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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON

\$12,735,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015A

\$20,215,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015B (TAXABLE)

INTRODUCTION

The City of Tacoma, Washington (the “City”), a municipal corporation duly organized and existing under the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of \$12,735,000 aggregate principal amount of Limited Tax General Obligation Refunding Bonds, 2015A (the “2015A Bonds”) and \$20,215,000 aggregate principal amount of Limited Tax General Obligation Refunding Bonds, 2015B (Taxable) (the “2015B Bonds” and together with the 2015A Bonds, the “Bonds”). This Official Statement, which includes the cover page, the inside cover page and appendices, provides information concerning the City and the Bonds.

The Bonds are to be issued pursuant to Ordinance No. 28329, passed by the City Council (the “Council”) on November 17, 2015 (the “Bond Ordinance”), and under and in accordance with the City Charter and the laws and provisions of the State, including chapters 39.36, 39.46, 39.53, and 67.28 of the Revised Code of Washington (“RCW”) with respect to the 2015A Bonds, and chapters 39.36, 39.46, and 39.53 RCW with respect to the 2015B Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Ordinance, a form of which is available from the City.

THE BONDS

General

The Bonds will be dated their date of delivery and will be issued in fully registered form in denominations of \$5,000 each or integral multiples thereof within a series and maturity. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement and will bear interest from their date, payable on June 1, 2016 and semiannually thereafter on December 1 and June 1 of each year, until maturity or prior redemption, as applicable, at the rates set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

The Bonds will be issued in registered form, initially registered in the name Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds will be made initially in book-entry form only and purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners or bond owners will mean Cede & Co. and will not mean the “Beneficial Owners” of the Bonds. In this Official Statement, the term “Beneficial Owner” will mean the person for whom a DTC participant acquires an interest in the Bonds. See APPENDIX D—“BOOK-ENTRY SYSTEM.”

Bond Registrar

The City has adopted the system of registration for the Bonds approved, from time to time, by the State Finance Committee (the “Committee”). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agents for bonds issued within the State. The State’s fiscal agent, currently U.S. Bank National Association (the “Bond Registrar”), will authenticate the Bonds and act as the paying agent and registrar for the purpose of paying the principal of and interest on the Bonds, recording the purchase and registration, exchange or transfer, and payment of Bonds and performing the other respective obligations of the paying agent and registrar. No resignation or removal of the Bond Registrar shall become effective until a successor has been appointed and has accepted the duties of Bond Registrar.

To pay the principal of and interest on the Bonds when due, the City will remit money from the City’s Limited Tax General Obligation Bond Debt Service Fund, 2015 (the “Bond Fund”) to the Bond Registrar. The Bond Registrar is obligated to remit such payments to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds as described in APPENDIX D—“BOOK-ENTRY SYSTEM.” In the event that the Bonds are no longer in fully

immobilized form, interest on the Bonds will be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date (a “record date”), and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

Redemption

Optional Redemption. The 2015A Bonds maturing in years December 1, 2016 through 2025, inclusive, are not subject to optional redemption prior to maturity. The 2015A Bonds maturing on or after December 1, 2026 are subject to redemption at the option of the City, in whole or in part (and if in part, with maturities to be selected by the City) on any date on or after December 1, 2025 at a price equal to 100 percent of the principal amount to be redeemed, without premium, plus accrued interest, if any, to the date fixed for redemption.

The 2015B Bonds are not subject to redemption prior to maturity.

Selection of 2015A Bonds for Redemption. For as long as the 2015A Bonds are held in book-entry only form, the selection of particular 2015A Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. If the 2015A Bonds are no longer held in uncertificated form, the selection of such 2015A Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the Bond Ordinance. If the City redeems at any one time fewer than all of the 2015A Bonds having the same maturity date, the particular 2015A Bonds or portions of 2015A Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a 2015A Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each 2015A Bond as representing such number of separate 2015A Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such 2015A Bond by \$5,000. In the event that only a portion of the principal sum of a 2015A Bond is redeemed, upon surrender of such 2015A Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then-unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a 2015A Bond or Bonds of like maturity and interest rate in any of the denominations authorized in the Bond Ordinance.

Notice of Redemption. For so long as the 2015A Bonds are held in uncertificated form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the 2015A Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner as provided in the Bond Ordinance. Unless waived by any owner of 2015A Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the 2015A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the 2015A Bonds or portions of 2015A Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of 2015A Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the 2015A Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

If notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the 2015A Bonds or portions of 2015A Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such 2015A Bonds at the redemption price, then from and after such date such 2015A Bonds or portions of 2015A Bonds shall cease to bear interest. Upon surrender of such 2015A Bonds for redemption in accordance with said notice, such 2015A Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as provided in the Bond Ordinance. All 2015A Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

Open Market Purchase

The City reserves the right at any time to purchase any of the Bonds from amounts available for such purchase.

Defeasance

In the event that the City, to effect the payment, retirement or redemption (in the case of the 2015A Bonds) of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable “Government Obligations,” as defined in chapter 39.53 RCW, as it may be amended, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of the Bond Ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under the Bond Ordinance.

Defeasance of any 2015B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder’s adjusted tax basis in the 2015B Bond. See “CERTAIN INCOME TAX CONSEQUENCES” herein.

As currently defined in chapter 39.53 RCW, the term “Government Obligations” means (a) direct obligations of or obligations the principal and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (b) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-import Bank of the United States, federal land banks or the Federal National Mortgage Association; (c) public housing bonds and project notes fully secured by contracts with the United States; and (d) obligations of financial institutions insured by the Federal Deposit Insurance Corporation to the extent insured or guaranteed as permitted under any other provision of State law.

USE OF PROCEEDS

Purpose

The proceeds from the sale of the 2015A Bonds will be used (i) to refund and defease a portion of the City’s outstanding Limited Tax General Obligation Bonds, Series 2006A (the “2006A Bonds”) to obtain the benefit of debt service savings and (ii) to pay costs of issuance for the 2015A Bonds.

The proceeds of the 2015B Bonds will be used to refund and defease a portion of the City’s outstanding Limited Tax General Obligation Refunding Bonds, Series 2006B (the “2006B Bonds”) and Limited Tax General Obligation Bonds, 2007 (Taxable) (the “2007 Bonds”) to obtain the benefit of debt service savings and (ii) to pay costs of issuance for the 2015B Bonds. See “Refunding Plan” below.

Sources and Uses of Funds

The table below sets forth the sources and uses of funds in connection with the issuance of the Bonds and the plan of refunding (amounts in table are rounded to the nearest dollar).

Sources of Funds	2015A Bonds	2015B Bonds	Total
Principal Amount of the Bonds	\$ 12,735,000	\$ 20,215,000	\$ 32,950,000
Net Original Issue Premium	1,170,796	—	1,170,796
Total Sources:	\$ 13,905,796	\$ 20,215,000	\$ 34,120,796
Uses of Funds			
Escrow Deposit	\$ 13,792,335	\$ 20,033,134	\$ 33,825,469
Costs of Issuance ⁽¹⁾	113,461	181,866	295,327
Total Uses:	\$ 13,905,796	\$ 20,215,000	\$ 34,120,796

⁽¹⁾ Includes legal fees, rating agency fees, printing costs, escrow fees, Financial Advisor fees, Underwriter’s discount, additional proceeds, and other costs associated with the issuance of the Bonds.

Refunding Plan

The City will use proceeds of the Bonds to refund all of the outstanding 2006A Bonds maturing on or after December 1, 2017 (the “2006A Refunded Bonds”), the 2006B Bonds maturing on or after December 1, 2019 (the “2006B Refunded Bonds”), and the 2007 Bonds maturing on or after December 1, 2018 (the “2007 Refunded Bonds,” and together with the 2006A Refunded Bonds and the 2006B Refunded Bonds, the “Refunded Bonds,”). Information on the Refunded Bonds is provided in the following tables.

2006A Refunded Bonds

Maturity Years (December 1)	Principal Amounts	Interest Rates	Call Date (100% of Par)	CUSIP Numbers (873465)
2017	\$ 435,000	3.800%	December 1, 2016	TA6
2018	455,000	3.900	December 1, 2016	TB4
2019	470,000	4.000	December 1, 2016	TC2
2020	490,000	4.100	December 1, 2016	TD0
2021	510,000	4.125	December 1, 2016	TE8
2022	530,000	4.250	December 1, 2016	TF5
2023	555,000	4.250	December 1, 2016	TG3
2024	575,000	4.250	December 1, 2016	TH1
2025	600,000	4.250	December 1, 2016	TJ7
2027*	1,280,000	4.375	December 1, 2016	TL2
2029*	1,400,000	4.375	December 1, 2016	TN8
2031*	1,525,000	4.500	December 1, 2016	TQ1
2036*	4,450,000	4.500	December 1, 2016	TV0

* Term bonds.

2006B Refunded Bonds

Maturity Years (December 1)	Principal Amounts	Interest Rates	Call Date (100% of Par)	CUSIP Numbers (873465)
2019	\$ 3,010,000	4.250%	December 1, 2016	TW8
2020	3,130,000	4.125	December 1, 2016	TX6
2021	3,290,000	5.000	December 1, 2016	TY4
2022	3,455,000	5.000	December 1, 2016	TZ1

2007 Refunded Bonds

Maturity Years (December 1)	Principal Amounts	Interest Rates	Call Date (100% of Par)	CUSIP Numbers (873465)
2018	\$ 465,000	5.375%	December 1, 2017	UL0
2019	490,000	5.400	December 1, 2017	UM8
2020	520,000	5.400	December 1, 2017	UN6
2024*	2,395,000	5.625	December 1, 2017	US5
2027*	2,200,000	5.750	December 1, 2017	UV8

* Term bonds.

A portion of the proceeds of the Bonds will be escrowed to the applicable redemption date, at which time such Refunded Bonds will be redeemed at a price of par plus accrued interest to the date of redemption.

From a portion of the proceeds of the Bonds, the City will purchase certain direct non-callable United States Government Obligations (“Acquired Obligations”). These Acquired Obligations will be deposited in the custody of U.S. Bank National Association, Seattle, Washington (the “Escrow Agent”). The maturing principal of the Acquired Obligations, interest earned thereon, and necessary cash balance, if any, will provide payment of interest and principal on the respective series of Refunded Bonds when due up to and including the call date, and the redemption price on the call date.

The Acquired Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the Refunded Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the City and the Escrow Agent.

Verification of Mathematical Calculations

Causey Demgen & Moore P.C. will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Government Obligations, to be placed together with other escrowed money in the escrow account to pay when due, pursuant to the call for redemption, the principal of and interest on the Refunded Bonds. The verification will also confirm the mathematical computations supporting the conclusion of Bond Counsel that the 2015A Bonds are not “arbitrage bonds” as defined by Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”).

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are limited tax general obligation bonds of the City. The City, as authorized by law and the Bond Ordinance, has covenanted and agreed irrevocably that it will include in its budget and levy an ad valorem tax upon all the property within the City subject to taxation an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds as the same become due. The City has irrevocably pledged that such tax will be within and as a part of the tax levy permitted to cities without a vote of the people. The full faith, credit and resources of the City have been pledged irrevocably for the annual levy and collection of such taxes and for the prompt payment of such principal and interest. There are limitations on the amount of property taxes the City may levy. See “TAXING AUTHORITY.” There also are limits on the amount of non-voted indebtedness the City may incur. See “CITY INDEBTEDNESS—Debt Capacity.”

The City has also pledged lodging taxes to the payment of the principal of and interest on the 2015A Bonds. See “Lodging Taxes” below.

The City may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds.

Bond owners do not have a security interest in particular revenues or assets of the City. The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City. See “LIMITATION ON REMEDIES.”

Lodging Taxes

The 2015A Bonds are also secured by a pledge of lodging taxes levied by the City pursuant to RCW 67.28.180 and RCW 67.28.181 (the “Lodging Taxes”). The City has irrevocably covenanted in the Bond Ordinance that for so long as the 2015A Bonds remain outstanding and unpaid, to levy the Lodging Taxes at a rate not less than the maximum allowable rate at the time the 2015A Bonds are issued.

The City has pledged in accordance with statutes authorizing the Lodging Taxes to apply amounts collected thereunder, subject to their use for other authorized purposes, to the extent necessary for the payment of the principal of and interest on the 2015A Bonds.

Generally, Washington cities are authorized to levy a 2% basic lodging tax (RCW 67.28.180) and an additional lodging tax of 2% (RCW 67.28.181). These basic and additional taxes on the sale of lodging are in addition to State and local sales taxes that apply more generally to taxable retail sales.

A number of statutory limitations apply to Lodging Taxes. In general, cities and counties may impose the additional 2% Lodging Tax as long as the total sales tax rate when combined with other lodging, convention center, and state and local sales taxes, does not exceed 12 percent. A “grandfather clause”, however, allows certain municipalities, including the City, to impose basic and additional lodging taxes at grandfathered rates. As a result, the City levies Lodging Taxes in the total amount of 7% (consisting of basic tax of 2%, and an additional tax of 5%).

The following table reflects historical collections of the City’s 7% Lodging Tax:

**TABLE 1:
HISTORICAL LODGING TAX COLLECTIONS**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Basic 2% Tax	\$ 904,912	\$ 801,883	\$ 891,108	\$ 917,203	\$ 1,011,334
Additional Tax ⁽¹⁾	2,227,088	1,979,117	2,203,892	2,268,797	2,502,666
Total	\$ 3,132,000	\$ 2,781,000	\$ 3,095,000	\$ 3,186,000	\$ 3,514,000

⁽¹⁾ The additional tax is levied in the City at a rate of 5%. The 2% portion of the additional tax is collected on room revenues in all properties. The 3% portion is collected at properties with 26 or more rooms.

Source: *The City of Tacoma*.

CITY INDEBTEDNESS

As prescribed by State statutes, the unlimited tax general obligation indebtedness permitted for cities, *subject to a 60 percent majority vote of registered voters*, is limited to 2.5 percent of assessed value (or “A.V.”) for general purposes, 2.5 percent for certain utility purposes and 2.5 percent for open space, park facilities and capital facilities associated with economic development. Within the 2.5 percent of assessed value for general purposes, the City may, *without a vote of the electors*, incur general obligation indebtedness (such as the Bonds) in an amount not to exceed 1.5 percent of assessed value. Additionally, within the 2.5 percent of assessed value for general purposes, the City may, also without a vote of the electors, enter into leases if the total principal component of the lease payments, together with the other nonvoted general obligation indebtedness of the City, does not exceed 1.5 percent of assessed value. The combination of unlimited tax and limited tax general obligation debt for general purposes, including leases, cannot exceed 2.5 percent of assessed value and for all purposes cannot exceed 7.5 percent of assessed value.

Without a vote of the electorate, the City may incur debt as follows:

- (1) Pursuant to an ordinance specifying the amount and object of the expenditure of the proceeds, the City may borrow money for corporate purposes and issue bonds and notes within the constitutional and statutory limitations on indebtedness.
- (2) The City may execute conditional sales contracts for the purchase of real or personal property.
- (3) The City may execute leases with or without an option to purchase.

Bonds issued to refund outstanding general obligation indebtedness of either type may be issued without voter approval. In an emergency, the City Council may put a plan into effect and authorize indebtedness outside the current budget.

A Washington municipal corporation may borrow money and issue short-term obligations the proceeds of which may be used for any lawful purpose. Such obligations may be issued in anticipation of the receipt of revenues, taxes, or grants or the sale of (i) general obligation bonds, if the bonds may be issued without the consent of the voters or if previously ratified by the voters; (ii) revenue bonds if the bonds have been authorized by ordinance or resolution; or (iii) local improvement district bonds if the bonds have been authorized by ordinance or resolution. Short-term obligations issued in anticipation of taxes must be repaid within six months after the end of the fiscal year in which they are issued.

Debt Capacity

As noted above, the City may, without a vote of the electors, incur general obligation indebtedness (such as the Bonds) in an amount not to exceed 1.5 percent of assessed value. RCW 39.36.030 provides an exception to the City’s statutory debt limitation if refinancing indebtedness does not increase the total amount of the City’s indebtedness. In an emergency, the City may put a plan into effect and authorize indebtedness outside of the current budget.

In computing total general obligation indebtedness, the following “assets” may be deducted against the principal amount of indebtedness outstanding: (i) money and investments on deposit in general obligation bond retirement funds; (ii) taxes (both current and delinquent) levied for the payment of general obligation indebtedness; and (iii) delinquent (but not current) taxes due the general fund.

**TABLE 2:
OUTSTANDING GENERAL OBLIGATION DEBT
(AS OF OCTOBER 1, 2015)**

Limited Tax General Obligation Bonds⁽¹⁾	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
LTGO Bonds, 1997B	06/15/01	12/01/18	\$ 6,050,315	\$ 10,300,000 ⁽²⁾
LTGO Bonds, 2006A ⁽³⁾	09/28/06	12/01/16	16,475,000	420,000
LTGO Bonds, 2007 ⁽⁴⁾	12/21/07	12/01/17	9,610,000	855,000
LTGO Bonds, 2009A	12/18/09	12/01/35	15,380,000	14,890,000
LTGO Bonds, 2009B	12/18/09	12/01/35	3,320,000	3,320,000
LTGO Bonds, 2009C	12/18/09	12/01/34	4,975,000	4,975,000
LTGO Bonds, 2009E	12/18/09	12/01/35	13,526,023	43,995,000 ⁽²⁾
LTGO Bonds, 2009F	12/18/09	12/01/26	6,680,900	19,510,000 ⁽²⁾
LTGO Bonds, 2010B	11/10/10	12/01/22	7,355,000	7,355,000
LTGO Bonds, 2010C	11/10/10	12/01/22	7,355,000	7,355,000
LTGO Bonds, 2010D	11/10/10	12/01/33	30,225,000	30,225,000
LTGO Bonds, 2010E	11/10/10	12/01/40	9,130,000	9,130,000
LTGO Refunding Bonds, 2013	03/05/13	12/01/34	44,170,000	44,170,000
2015A Bonds	12/29/15	12/01/36	12,735,000	12,735,000
2015B Bonds	12/29/15	12/01/36	20,215,000	20,215,000
Total LTGO Bonds				\$229,450,000
Other Nonvoted General Obligation Debt				
CTED Public Works Trust Fund Loan ⁽⁵⁾	08/17/98	07/01/18	\$ 10,000,000	\$ 1,621,053
CTED Public Works Trust Fund Loan ⁽⁵⁾	06/02/04	07/01/24	10,000,000	5,133,983
Grant Anticipation Note ⁽⁶⁾			20,000,000	3,000,000
Total Other Nonvoted Debt				\$ 9,755,036
Total Nonvoted General Obligation Debt⁽⁷⁾				\$239,205,036
Unlimited Tax General Obligation Bonds				
UTGO Refunding Bonds, 2010A	11/10/10	12/01/22	\$ 21,870,000	\$ 18,105,000
Total Voted General Obligation Debt⁽⁸⁾				\$ 18,105,000
Total General Obligation Direct Debt of the City				\$257,310,036

(1) Excludes all of the Refunded Bonds. Amounts in table rounded to the nearest dollar.

(2) Zero coupon bonds; reflects accreted value at maturity.

(3) The December 1, 2016 maturity will remain outstanding, after the refunding of the Refunded Bonds.

(4) The December 1, 2016 and 2017 maturities will remain outstanding after the refunding of the Refunded Bonds.

(5) The Community Trade and Economic Development Public Works Trust Fund loans listed are obligations of the General Fund.

(6) The Grant Anticipation Loan is payable from federal Surface Transportation Program funds awarded to the City and is also secured by a general obligation pledge of the City. The City expects to pay the outstanding balance of this loan in March 2016.

(7) After taking into account principal payments made on December 1, 2015, the total amount of outstanding nonvoted general obligation debt of the City is \$222,000,000.

(8) After taking into account the principal payment made on December 1, 2015, the total amount of outstanding voted general obligation debt of the City is \$16,140,000.

Source: The City of Tacoma.

**TABLE 3:
COMPUTATION OF DEBT CAPACITY**

2015 Tax Collection Year Assessed Value ⁽¹⁾	\$ 17,887,171,078
<u>Nonvoted Debt Capacity</u>	
1.5% of Assessed Value	268,307,566
Less: Outstanding Nonvoted Debt ⁽²⁾	(206,255,036)
Less: 2015A Bonds	(12,735,000)
Less: 2015B Bonds	(20,215,000)
Remaining Nonvoted Debt Capacity	\$ 29,102,530
<u>Voted and Nonvoted Debt Capacity for General Purposes</u>	
2.5% of Assessed Value	447,179,277
Less: Outstanding Nonvoted Debt ⁽²⁾	(206,255,036)
Less: 2015A Bonds	(12,735,000)
Less: 2015B Bonds	(20,215,000)
Less: Outstanding Voted Debt	(18,105,000)
Total Remaining Voted and Nonvoted Debt Capacity for General Purposes	\$ 189,869,241

⁽¹⁾ Preliminary assessed value of the City for tax collection year 2016 is \$18,876,328,585.

⁽²⁾ Includes outstanding limited tax general obligation bonds, Public Works Trust Fund loans, and the State Department of Transportation grant anticipation loan; excludes all of the Refunded Bonds. See Table 2 titled "OUTSTANDING GENERAL OBLIGATION DEBT" above. Zero coupon bonds reflect accreted value at maturity.

Source: *The City of Tacoma*.

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Summary of Limited Tax General Obligation Bonds Debt Service Requirements

The following table shows the scheduled debt service for the Bonds and other nonvoted limited tax general obligation bonds of the City.

**TABLE 4:
LIMITED TAX GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS⁽¹⁾**

Year ⁽³⁾	Outstanding LTGO Bonds ⁽²⁾		2015A Bonds		2015B Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 8,580,000	\$ 5,627,356	\$ 15,000	\$ 494,207	\$ 290,000	\$ 490,652	\$15,497,215
2017	8,325,000	5,424,666	405,000	535,588	240,000	529,193	15,459,447
2018	8,080,000	5,195,081	420,000	523,438	705,000	525,696	15,449,215
2019	5,290,000	4,953,055	435,000	506,638	3,725,000	513,133	15,422,826
2020	5,470,000	4,750,095	450,000	489,238	3,805,000	435,206	15,399,539
2021	5,645,000	4,514,927	475,000	466,738	3,930,000	344,191	15,375,855
2022	5,860,000	4,280,725	500,000	442,988	4,030,000	238,867	15,352,579
2023	9,780,000	4,003,429	525,000	417,988	650,000	120,788	15,497,204
2024	9,995,000	3,786,411	545,000	391,738	670,000	100,313	15,488,461
2025	10,210,000	3,558,394	575,000	364,488	695,000	78,203	15,481,084
2026	10,455,000	3,319,359	605,000	335,738	725,000	54,225	15,494,321
2027	10,705,000	3,057,532	635,000	305,488	750,000	28,125	15,481,144
2028	10,975,000	2,782,064	670,000	273,738	—	—	14,700,801
2029	11,210,000	2,539,577	705,000	240,238	—	—	14,694,814
2030	11,505,000	2,237,197	735,000	204,988	—	—	14,682,184
2031	11,770,000	1,966,963	775,000	168,238	—	—	14,680,200
2032	12,075,000	1,656,631	800,000	143,050	—	—	14,674,681
2033	12,425,000	1,301,348	825,000	117,050	—	—	14,668,398
2034	10,615,000	926,904	855,000	90,238	—	—	12,487,141
2035	7,685,000	471,336	875,000	61,381	—	—	9,092,717
2036	440,000	141,300	910,000	31,850	—	—	1,523,150
2037	455,000	114,900	—	—	—	—	569,900
2038	470,000	87,600	—	—	—	—	557,600
2039	485,000	59,400	—	—	—	—	544,400
2040	505,000	30,300	—	—	—	—	535,300
Total	\$189,010,000	\$66,786,548	\$12,735,000	\$6,605,039	\$20,215,000	\$3,458,590	\$298,810,176

(1) Totals may not foot due to rounding.

(2) Principal and interest payments on limited tax general obligation bonds outstanding as of the date of delivery of the Bonds, as adjusted to exclude all of the Refunded Bonds. Also excludes the Public Works Trust Fund loans and the State Department of Transportation grant anticipation loan. Includes the accreted value at maturity of the City’s deferred interest bonds. See Table 2 titled “OUTSTANDING GENERAL OBLIGATION DEBT.”

(3) Calendar years ending December 31.

Source: City of Tacoma.

Summary of Overlapping Debt

The table on the following page sets forth the outstanding principal amount of general obligation debt of the City including the Bonds (the “Direct Debt”) and the outstanding principal amount of general obligation debt incurred by other governmental entities whose taxing jurisdiction includes a part or all of the City and the estimated portion of that debt which is applicable to the property within the City (the “Overlapping Debt”). The estimate of the percentage of a governmental entity’s debt which is applicable to property within the City is based on the proportion of the overlapping jurisdiction that lies within the City.

The City has obtained the information regarding the Overlapping Debt from the overlapping taxing districts, Pierce County (the “County”) and other sources the City believes to be reliable, but the City has not independently verified the accuracy or completeness of such information. No person should rely upon such information as being accurate or complete. Furthermore, the amounts described below relate only to general obligation bonds issued by the various taxing districts and may not reflect certain leases or other contracts that may constitute indebtedness under State law. The table below does not reflect any special revenue obligations (e.g., utility revenue bonds) issued by any taxing district. The taxing districts listed below may have issued additional general obligation debt since the dates indicated below and may have plans for future general obligation debt issuances.

**TABLE 5:
ESTIMATED OVERLAPPING DEBT
(as of September 30, 2015)**

<u>Overlapping Taxing Districts</u>	<u>2015 Assessed Value</u>	<u>Percent Overlap</u>	<u>Outstanding General Obligation Debt</u>	<u>Estimated Overlapping Debt</u>
Tacoma Metropolitan Park District	\$18,254,065,447	97.99%	\$113,545,000	\$111,262,822
Tacoma School District No. 10	18,827,396,629	92.88	335,710,000	311,822,199
Port of Tacoma	77,383,384,063	23.12	184,465,000	42,639,089
Pierce County	77,383,384,063	23.12	155,876,008	36,030,743
Fife School District No. 417	2,456,675,488	7.44	20,871,758	1,551,908
University Place School District No. 83	2,746,440,466	3.83	70,812,738	2,715,313
Clover Park School District No. 400	4,729,950,377	2.14	141,080,000	3,015,217
Franklin Pierce School District No. 402	3,021,400,122	0.69	14,096,800	96,782
Total			<u>\$1,036,457,304</u>	<u>\$509,134,075</u>

Source: Pierce County Assessor’s and Treasurer’s Offices, and certain other issuers listed.

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Direct and Overlapping Debt

The following table presents information regarding the City's direct debt (including the Bonds and excluding all of the Refunded Bonds) and the estimated portion of the debt of overlapping taxing districts allocated to the City's residents.

**TABLE 6:
DIRECT AND OVERLAPPING DEBT**

Regular Assessed Value (2015 Tax Collection Year) ⁽¹⁾	\$17,887,171,078
Estimated 2015 Population ⁽²⁾	202,300
Debt Information	
Direct Debt ⁽³⁾	\$ 257,310,036
Estimated Overlapping Debt (as previously detailed herein)	509,134,075
Total Direct Debt and Overlapping Debt	\$ 766,444,111
Bonded Debt Ratios	
Direct Debt to Assessed Value	1.44%
Direct Debt and Overlapping Debt to Assessed Value	4.28%
Per Capita Assessed Value	88,419
Per Capita Direct Debt	\$ 1,272
Per Capital Total Direct and Overlapping Debt	\$ 3,789

⁽¹⁾ Preliminary assessed value of the City for tax collection year 2016 is \$18,876,328,585.

⁽²⁾ Estimate derived from the State of Washington, Office of Financial Management, Forecasting Division.

⁽³⁾ Includes the Bonds, outstanding limited and unlimited tax general obligation bonds, Public Works Trust Fund loans and the State Department of Transportation grant anticipation loan; excludes all of the Refunded Bonds. Zero coupon bonds reflect accreted value at maturity.

Debt Payment Record

The City has promptly met all debt service payments on outstanding obligations. No refunding bonds have been issued to prevent an impending default.

Future Financings

Other than the Bonds, the City has no authorized but unissued general obligation bonds outstanding. The City does not have current plans to issue any general obligation bonds within the next 12 months.

TAXING AUTHORITY

Authorized Property Tax Levies

The City is authorized to impose (i) a regular property tax levy and (ii) excess property tax levies (unlimited as to rate or amount). RCW 84.52.043 generally allows a city to levy regular property taxes of up to \$3.375 per \$1,000 of assessed valuation on all taxable property in the city. In addition, any city that is annexed into a library district or a fire district is authorized to levy taxes at rates not exceeding \$3.60 per \$1,000 of assessed valuation, less the rates levied in any given year by the library and/or fire district. The City is not annexed into either a library district or fire district. RCW 41.16.060 allows an additional \$0.225 per \$1,000, for any municipal purpose, if the city is required to maintain certain firefighter pension programs but those programs are fully funded and therefore is not being levied (see footnote 5 to Table 7 titled "CITY LEVY CODE DETAIL AND STATUTORY LIMITATIONS" herein). The City's regular levy for the 2015 collection year is \$3.053146 per \$1,000 of assessed value. The City also levies an emergency medical services levy and an excess levy. See Table 9 titled "AD VALOREM TAX LEVIES." The regular levy is imposed without a vote of the people for general purposes, including payment of debt service on the Bonds, and is subject to limitations (see "Regular Property Tax Limitations" herein).

Excess levies are imposed, upon voter approval, to pay debt service on unlimited tax general obligation bonds. An excess levy also may be imposed without a vote to prevent the impairment of a contract (RCW 84.52.052).

Overlapping Taxing Districts

The overlapping taxing districts within the City have the statutory power to levy regular property taxes at the following rates subject to the limitations provided by chapter 84.55 RCW, and levy excess voter approved property taxes. For purposes of demonstration, representative levy rates for “levy code 005” of the County, as well as the statutory levy authority of each type of potential overlapping district, are listed below. Levy code 005 does not include all of the property within the City; as a result, additional taxing districts, not listed below, levy taxes within the City. The information in the following table does not reflect all approved property tax adjustments that are expected to be levied in future years.

**TABLE 7:
CITY LEVY CODE DETAIL AND STATUTORY LIMITATIONS**

	2015 Representative Levy Rates Per \$1,000 of <u>Assessed Value</u>	Statutory Levy Authority Per \$1,000 of <u>Assessed Value</u>
Pierce County	\$ 1.481 ⁽¹⁾	\$1.800 ⁽²⁾
County (Road Levy)	n/a ⁽³⁾	2.250
Rural Library District	n/a ⁽³⁾	0.500
Fire Protection District	n/a ⁽³⁾	1.500
Port of Tacoma	0.184	0.450
The City	3.211 ⁽⁴⁾	3.375
Cities and Towns	n/a	0.225 ⁽⁵⁾
Hospital Districts	n/a ⁽³⁾	0.750
State Schools	2.386	3.600 ⁽⁶⁾
Tacoma Metropolitan Park District	1.796 ⁽⁷⁾	0.750
Tacoma School District No. 10	7.692	n/a ⁽⁸⁾
Emergency Medical Services	<u>0.500</u>	
Total rate for Pierce County levy code 005:	<u>\$ 17.352</u>	

⁽¹⁾ Includes levy of \$0.053 per \$1,000 for conservation futures.

⁽²⁾ Pursuant to RCW 84.52.043(1), a county may increase its levy from \$1.80 per \$1,000 to a rate not to exceed \$2.475 per \$1,000 for general county purposes if (i) the total levies for both the county and any road district within the county do not exceed \$4.05 per \$1,000 and (ii) no other taxing district has its levy reduced as a result of the increased county levy.

⁽³⁾ Pierce County levy code 005 is included within the incorporated portion of the County and therefore does not have a road levy. Likewise, it does not contain either a rural library district, fire protection district or a hospital district.

⁽⁴⁾ Includes voter-approved bond levy of \$0.158 per \$1,000. The City also levies an emergency medical services levy of \$0.50 per \$1,000 as shown in the table.

⁽⁵⁾ RCW 41.16.060. To be used for pension funding purposes, if required; otherwise this tax may be levied and used for any other municipal purpose.

⁽⁶⁾ RCW 84.52.043(1). The levy by the State shall not exceed \$3.60 per \$1,000 assessed value adjusted to the State equalized value in accordance with the indicated ratio fixed by the State Department of Revenue to be used exclusively for the support of the common schools.

⁽⁷⁾ Includes a voter-approved levy of \$1.046 per \$1,000.

⁽⁸⁾ Washington school districts do not have nonvoted regular levy authority.

Source: *Pierce County Assessor's Office.*

Local Improvement Guaranty Fund

The City has outstanding \$28,757,523 in local improvement district bonds and anticipates issuing approximately \$2.4 million in local improvement district bonds in 2016. In addition, the City maintains a bond anticipation note (revolving line of credit) in the current amount of \$10.975 million which is used as interim financing for local improvement projects prior to the formation and sale of local improvement bonds. Under Washington law, cities are required to establish a local improvement district guaranty fund (the “Guaranty Fund”) for the purpose of guaranteeing the payment of principal of and interest on its local improvement district bonds, notes and warrants. The balance in the City’s Guaranty Fund, as of November 1, 2015, was approximately \$3 million. The City is required to provide for the annual

levy of a sum sufficient, together with other sources of the Guaranty Fund, to pay warrants issued against the Guaranty Fund during the preceding fiscal year, if any, and to establish a balance therein; provided that the levy in any one year will not exceed the greater of either (i) 12 percent of the outstanding obligations guaranteed by the Guaranty Fund, or (ii) the total amount of delinquent assessments before the levy, as of September 1 (RCW 35.54.060). The taxes levied for the maintenance of the Guaranty Fund will be in addition to and, if need be, in excess of all statutory and charter limitations applicable to tax levies in the City.

General Property Tax Levies

The following sections provide a general description of the City's authority to levy property taxes and limitations thereon, the method of determining the assessed value of real and personal property, tax collection procedures, and tax collection information.

Authorized Property Taxes. The City is authorized to levy both "regular" property taxes and "excess" property taxes.

- (1) *Regular Property Taxes.* Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts and commonly are imposed by taxing districts for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, such as the Bonds. Regular property taxes do not require voter approval except as described below.
- (2) *Excess Property Taxes.* Excess property taxes are not subject to limitation as to rates or amounts but must be authorized by a 60 percent approving popular vote, as provided in Article VII, Section 2 of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last City general election, except that one-year excess tax levies also are valid if the turnout is less than 40 percent and the measure receives a number of affirmative votes equal to or greater than 24 percent of the number who voted at the last City general election. Excess levies may be imposed without a popular vote when necessary to prevent impairment of the obligations of contracts.

Regular Property Tax Information

The authority of a city to levy taxes without a vote of the people for general city purposes, including the payment of debt service on limited tax general obligation indebtedness, such as the Bonds, is subject to the limitations described below. Information relating to regular property tax limitations is based on existing statutes and constitutional provisions and is subject to change by the State Legislature at any time. Changes in such laws could alter the impact of other interrelated tax limitations on the City.

Uniformity Requirement. Article VII, Section 1 of the Washington Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district levying such taxes. With certain limited exceptions, all real estate constitutes one class of property for purposes of this uniformity requirement. Aggregate property tax levy rates vary within the City due to its different overlapping taxing districts. In the event that the maximum permissible levy rate by a taxing district varies within the taxing district, the lowest permissible rate for any part of the taxing district must be applied throughout the entire taxing district.

Maximum Rate Limitation. Title 84 RCW authorizes the imposition of regular tax levies to various statutory maximums (See "Authorized Property Tax Levies" and "Overlapping Taxing Districts" herein).

The One Percent Aggregate Regular Levy Limitation. Article VII, Section 2 of the Washington Constitution, as amended in 1973, limits aggregate regular property tax levies by the State (which may not exceed \$3.60 per \$1,000 of assessed value, as it may be adjusted, to be used exclusively for the support of the common schools) and all taxing districts, except port districts and public utility districts, to one percent of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute. See "Prioritization of Levies" below.

\$5.90/\$1,000 Aggregate Regular Levy Limitation. Within the one percent limitation described above, RCW 84.52.043(2) imposes an aggregate limitation on regular tax levies by all taxing districts, other than the State, of \$5.90/\$1,000 of assessed value, except levies for any port or public utility district; excess levies authorized in Article VII, Section 2 of the State Constitution; certain levies for acquiring conservation futures, for emergency medical services or care, to finance affordable housing, for ferry districts, for criminal justice purposes and for transit-related purposes; and certain protected portions of levies for metropolitan park districts, for fire protection districts and for

flood control zone districts. Beginning January 1, 2018, flood control zone districts will no longer be excluded from the limitation and levies by regional transit authorities will be excluded. See “Prioritization of Levies” below.

Prioritization of Levies. RCW 84.52.010 provides that if aggregate levies certified by all taxing districts exceed the aggregate levy limitations described above, levies certified by junior taxing districts will be reduced or eliminated in order to bring the aggregate levy into compliance with the statutory maximum prescribed by RCW 84.52.050 and 84.52.043. The regular levies of the State, counties, road districts, cities, towns, port districts, and public utility districts are considered “senior” levies; the regular levies of all other taxing districts are considered “junior” levies. Senior levies, such as the City’s, are not subject to reduction or elimination based on aggregate rate limitations.

The tax levy for unlimited tax general obligation bonds is a special excess levy approved by the voters, and as such, is not subject to the limitations on regular levies described above. The Bonds are not unlimited tax general obligation bonds.

Regular Levy Increase Limitation. The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amount of regular property taxes levied by an individual local taxing district, such as the City, to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, annexations, improvements and State-assessed property at the previous year’s rate. The limit factor is the lesser of 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or 100 percent plus inflation, unless a greater amount is approved by a simple majority of the voters. With a supermajority vote of the Council, the limit factor is a flat 101 percent.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as “banked” levy capacity. The City does not currently have any banked levy capacity.

Within the rate limitations described above and only after so authorized by a majority vote of its electors, a taxing district may levy, indefinitely or for a limited period or to satisfy a limited purpose, an amount greater than otherwise would be allowed by the tax increase limitation, as allowed by RCW 84.55.050. This is known as a “levy lid lift.” A newly created taxing district can initiate its levy at the maximum permitted statutory levy rate, unless that rate would exceed any of the limitations described above. On November 3, 2015, voters in the City approved Proposition No. 3 authorizing a levy lid lift of \$0.20 per \$1,000 of assessed value for collection for ten years beginning in 2016, and authorizing the City to levy an additional 1.5% earnings tax on utility companies for ten years beginning in 2016, to fund various street improvements.

Since the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction, improvements and State-assessed property) which exceed the rate of growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy or the taxing district uses banked levy capacity. Decreases in the assessed value of all property in the taxing district (including new construction, improvements and State-assessed property) or increases in such assessed value that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates.

Assessed Value

The Pierce County Assessor (the “Assessor”), determines the value of all real and personal property throughout Pierce County (the “County”) that is subject to ad valorem taxation, except certain utility properties which are valued by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of its market value. Three approaches may be used to determine real property value: market data, replacement cost and income generating capacity. In the County, all property is subject to an annual property valuation and an on-site revaluation at least once every six years. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor’s office. The Assessor’s determinations are subject to revisions by the County Board of Equalization and, for certain property, subject to further revisions by the State Board of Tax Appeals.

Property Tax Collection Procedure

Property taxes are levied in specific amounts and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor specifies the taxes to be levied within each taxing district on a tax roll that contains the total amount of taxes to be so levied and collected. By January 15 of each year, the tax roll is delivered to the County Treasurer, or equivalent thereof, who creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account. All such taxes are due and payable on April 30 of each year, but if the amount due from a taxpayer exceeds \$50, one-half may be paid then and the balance no later than October 31 of that year. Delinquent taxes are subject to interest at the rate of 12 percent per year computed on a monthly basis from the date of delinquency until paid. In addition, a penalty of three percent is assessed on June 1st of the year in which the tax was due and eight percent on December 1st of the year due. All collections of interest on delinquent taxes are credited to the County’s current expense fund.

The method of giving notice of payment of taxes due, the accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien on property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law the City may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency. The State’s courts have not decided whether the Homestead Law (chapter 6.13 RCW) may give the occupying homeowner a right to retain the first \$125,000 (effective July 22, 2007) of proceeds of the forced sale of the family residence or other “homestead” property for delinquent general property taxes. (*See Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982)), holding the homestead right superior to the improvement district assessments). The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Assessed Valuation and Historical Property Tax Collection Record

Set forth in the following table are the historical and current assessed valuation of taxable property located within the City. Assessed valuation within the City is based upon 100% of estimated actual valuation.

**TABLE 8:
TRENDS IN ASSESSED VALUE**

<u>Tax Collection Year</u>	<u>Regular Assessed Valuation</u>	<u>Percent Change</u>
2016 ⁽¹⁾	\$ 18,876,328,585	5.530%
2015	17,887,171,078	7.796
2014	16,593,506,428	3.619
2013	16,013,945,690	-9.272
2012	17,650,446,292	-7.266
2011	19,033,502,788	8.127
2010	20,717,200,634	—

⁽¹⁾ Preliminary.

Source: Pierce County Assessor’s Office.

The following table shows the City's levy rates and dollar amounts levied since 2010.

**TABLE 9:
AD VALOREM TAX LEVIES
(dollars per \$1,000 of Assessed Valuation)**

Collection Year	Levy Rates				Levy Amounts			
	Regular	Bond ⁽¹⁾	EMS ⁽²⁾	Total ⁽³⁾	Regular	Bond ⁽¹⁾	EMS ⁽²⁾	Total ⁽³⁾
2015	\$3.05315	\$0.15782	\$0.50000	\$3.71097	\$54,612,137	\$2,789,240	\$8,943,586	\$66,344,962
2014	3.23105	0.16986	0.50000	3.90091	53,614,528	2,784,502	8,296,753	64,695,783
2013	3.26216	0.17612	0.50000	3.93828	52,240,093	2,785,443	8,006,973	63,032,509
2012	2.96669	0.14912	0.50000	3.61581	52,363,395	2,600,000	8,825,223	63,788,618
2011	2.62934	0.11517	0.50000	3.24451	50,045,520	2,167,040	9,516,751	61,729,311

⁽¹⁾ For voter-approved general obligation bonds.

⁽²⁾ Emergency medical service levy.

⁽³⁾ Totals may not foot due to rounding

Source: Pierce County Assessor's Office.

The following table shows the City's regular property tax levy and property tax collection record for the years shown.

**TABLE 10:
REGULAR LEVY
TAX COLLECTION RECORD**

Collection Year	Regular Assessed Valuation ⁽¹⁾	Ad Valorem Levy Rate	Ad Valorem Tax Levy	Tax Collection	
				Percent Collected in the Year of the Levy	Percent Collected to Date (As of September 30, 2015)
2015	\$17,887,171,078 ⁽²⁾	\$3.71097	\$54,612,136	54.87% ⁽³⁾	54.87% ⁽³⁾
2014	16,593,506,428	3.90091	53,614,528	97.64	98.92
2013	16,013,945,690	3.93828	52,240,093	96.99	98.96
2012	17,650,446,292	3.61581	52,363,395	96.82	99.21
2011	19,033,502,788	3.24451	50,045,520	95.88	98.57
2010	20,717,200,634	2.99019	48,988,602	96.05	98.88

⁽¹⁾ Assessed value is based upon 100 percent of estimated actual valuation.

⁽²⁾ Preliminary assessed value of the City for tax collection year 2016 is \$18,876,328,585.

⁽³⁾ In process of collection.

NOTE: Taxes are due and payable on April 30 of each year of the levy. The entire tax or first half must be paid on or before April 30, otherwise the total amount becomes delinquent on May 1. The second half of the tax is payable on or before October 31, becoming delinquent November 1.

Source: Pierce County Assessor's and Treasurer's Offices.

**TABLE 11:
MAJOR PROPERTY TAXPAYERS**

City Taxpayer	Assessed Valuation ⁽¹⁾	% of Total City Assessed Valuation
Rock-Tenn CP LLC	\$ 216,102,715	1.21%
Tacoma Mall Partnership #9600	200,016,113	1.12
US Oil and Refining Co.	124,408,100	0.70
Targa Sound Terminal LLC	88,004,100	0.49
Puget Sound Energy & Gas	84,376,105	0.47
AT&T Mobility LLC	79,737,957	0.45
CSC of Tacoma LLC	72,338,500	0.40
WestRock ⁽²⁾	61,415,200	0.34
Westridges Apartments Property Owner LLC	59,316,700	0.33
Qwest Corporation	52,807,655	0.30
Subtotal—The City’s Top 10 Largest Taxpayers	\$ 1,038,523,145	5.81
All other City Taxpayers	16,848,647,933	94.19
Total City Taxpayers	\$ 17,887,171,078	100.00%

⁽¹⁾ Assessed valuation for 2015 as of December 31, 2014.

⁽²⁾ Formerly Simpson Tacoma Kraft Co.

Source: Pierce County Assessor’s Office.

Collection of Other Taxes

In addition to regular property tax levies, the City is authorized to impose various other taxes, including those described below. Neither the State nor any municipal corporation of the State has the authority to nor has ever collected a tax on net income.

Lodging Taxes. As noted above under “SECURITY FOR THE BONDS—Lodging Taxes,” chapter 67.28 RCW authorizes Washington cities to levy a lodging tax for the purpose of tourism promotion or for the acquisition or operation of tourism-related facilities. The City is currently authorized to levy the 2% basic lodging tax and an additional lodging tax of 5%, for a total lodging tax of 7%.

Local Sales and Use Tax. The State currently imposes a sales and use tax of 6.5 percent. Cities, counties and certain other municipal corporations are authorized to levy incremental local sales and use taxes (also called “local option” sales and use taxes) for various purposes. The sales tax currently is applied to a broad base of tangible personal property and selected services purchased by consumers, including construction (labor and materials), machinery and supplies used by businesses, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and by taxing the use of certain personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion, and this may occur again in the future. See “INITIATIVE AND REFERENDUM.” Sales taxes upon applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon applicable rendering of services or uses of personal property. Each seller is required to hold taxes collected in trust until remitted to the State Department of Revenue (“DOR”), which usually occurs on a monthly basis. DOR collects and distributes all sales and use tax revenue in the State and retains 1% of the taxes collected to offset administration costs. Distribution to local governments occurs on a monthly basis and lags approximately two months behind collection. State law does not provide a general exemption for businesses, nonprofits, or governmental entities from payment of sales and use taxes.

In 2003, the State Legislature approved legislation authorizing the State’s membership in the Streamlined Sales and Use Tax Agreement (the “SSUTA”), in an effort to make sales and use taxes in the State more uniform with other states. Congress has required that state sales taxes be more uniform before Congress will permit taxation of interstate catalogue and Internet sales. In 2007, the State Legislature adopted legislation fully conforming to the SSUTA. Effective July 1,

2008, the sales tax system changed in the State from an origin-based system to a destination-based system. Under destination sourcing, sales taxes on goods delivered to customers in the State are credited to the taxing jurisdiction where the goods are delivered (as opposed to the point of sale) and the rate of the tax is determined by the local rate in the destination taxing jurisdiction. As a result of this legislation, the City has received mitigation payments from the State, including \$117,387 in 2012, \$79,128 in 2013 and \$106,865 in 2014. Although the City cannot predict its future sales tax receipts, if the City is negatively impacted by the legislation in the future, it intends to continue seeking mitigation payments to offset any losses so long as it is eligible.

Real Estate Excise Tax. The City is authorized to impose a real estate excise tax (“REET”) on each sale of real property at the rate of 0.5 percent of the selling price. This is in addition to the real estate excise tax imposed by the State at the rate of 1.28 percent.

Of the 0.50 percent REET tax, the first 0.25 percent tax (“REET 1”) is imposed pursuant to RCW 82.46.010 and may be used for financing certain “capital projects” specified in a capital facilities plan element of the City’s comprehensive plan or, within certain limitations, maintenance and operating expenses. Eligible “capital projects” for REET 1 include: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and judicial facilities. A limited amount of REET 1 revenue may be used for maintenance and operation expenses of capital facilities if certain conditions are satisfied.

Of the 0.50 percent REET tax, the second 0.25 percent tax (“REET 2”) is imposed pursuant to RCW 82.46.035(2) and may be used for certain capital projects specified in a capital facilities plan element of the City’s comprehensive plan or, within certain limitations, maintenance and operating expenses. Eligible “capital projects” for REET 2 include: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks. REET 2 excludes the use of funds to acquire land for parks. A limited amount of REET 2 revenue may be used for maintenance and operation expenses of capital facilities if certain conditions are satisfied.

The City must deposit and account for real estate excise tax proceeds in a separate capital projects fund or account. REET 1 and REET 2 revenues must be tracked separately because the uses to which they may be put are different. Real estate excise taxes are collected by the County Treasurer and distributed to the City periodically. Distributions may be suspended if the City is in noncompliance under RCW 36.70A.340 (relating to growth management planning).

Business and Occupation Tax. The City’s Business and Occupation (“B&O”) tax is a gross receipts tax, measured on the value of products, gross proceeds of sale, or gross income of the business. The City charges a B&O tax for work conducted within the City limits by the following industries during any tax year.

**TABLE 12:
B&O TAX DETAIL**

<u>Type of Business</u>	<u>Tax Rate</u>
Service and Other/Retail Services	0.400%
Retailing	0.153
Public Road Construction	0.110
Manufacturing/Extraction	0.110
Wholesaling	0.102

Source: The City of Tacoma.

Utility Taxes. Utility taxes are taxes applied to utilities providing services in the City including City-owned and privately-owned utilities. The City imposes a gross receipts utility business and occupation tax on investor and City-owned utilities, also known as a utility tax. The following table displays the maximum utility tax rate permitted under State law without voter approval and the City’s current utility tax rate.

**TABLE 13:
UTILITY TAX DETAIL**

<u>Utility</u>	<u>Maximum Statutory Limit</u>	<u>Current Rate</u>
Investor-owned		
Telephone	6%	6%
Electric	6	6
Natural Gas	6	6
Cable Television	None	8 ⁽¹⁾
Solid Waste	None	8
City-owned		
Water	None	8
Sewer	None	8
Stormwater	None	8
Electric	6	6
Solid Waste	None	8

⁽¹⁾ The rate must not be unduly discriminatory against cable operators and subscribers and therefore should be consistent with the other utility rates charged.

Source: The City of Tacoma.

On November 3, 2015, voters in the City approved Proposition No. 3 authorizing the City to levy an additional 1.5% earnings tax on utility companies for ten years beginning in 2016, and a levy lid lift of \$0.20 per \$1,000 of assessed value for collection for ten years beginning in 2016, to fund various street improvements.

Other Taxes and Licenses. Several other taxes and regulatory licenses are administered by the City and affect businesses in the City.

The following table shows the historical General Fund revenues from taxes collected by the City.

**TABLE 14:
GENERAL FUND TAX REVENUE⁽¹⁾**

Taxes	2010	2011	2012	2013	2014⁽²⁾
Property Taxes	\$ 48,446,162	\$ 49,138,085	\$ 52,169,888	\$ 51,948,083	\$ 53,601,487
Sales Taxes	37,803,003	37,599,196	41,481,755	42,398,511	43,447,904
Utility Taxes–City Utilities	40,510,884	41,338,112	43,392,629	45,071,894	41,747,504 ⁽³⁾
B&O Taxes	38,959,617	40,959,970	40,274,046	43,503,762	44,488,893
Other Taxes	23,313,221 ⁽⁴⁾	16,107,907	16,552,776	16,413,866	16,479,755
Total	\$ 189,032,887	\$ 185,143,270	\$ 193,871,094	\$ 199,336,116	\$ 199,765,543

⁽¹⁾ Information in table is based on audited financial statements of the City.

⁽²⁾ Total tax revenue in the General Fund differs from the amount reported on the City’s financial statements due to a restatement of utility taxes to interfund transfer revenues and to the inclusion of penalties and interest on business taxes in tax revenue in the financial statements. The amounts listed above represent the receipts before the restatement.

⁽³⁾ In 2014, the City established a Streets Fund. 2% of the gross earnings tax is now deposited into the Streets Fund instead of the General Fund.

⁽⁴⁾ In 2010, all traffic enforcement revenue was recorded in the General Fund. In 2011, the City established the Traffic Enforcement Fund and all revenue related to red light, speed and traffic infractions were recorded in this fund.

Source: The City of Tacoma.

AUTHORIZED INVESTMENTS

Chapter 35.39 RCW limits the investment by a city of its inactive funds or other funds in excess of current needs to the following: United States bonds; United States certificates of indebtedness; State bonds or warrants general obligation or utility revenue bonds of its own or of any other city or town in the State; its own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund law; and any other investment authorized by law for any other taxing district. Under chapter 39.59 RCW, a city also may invest in the following: bonds of any local government in the State that have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the three highest credit ratings of a nationally recognized rating agency; registered warrants of a local government in the same county; and any investments authorized by law for the State Treasurer or any local government of the State other than a metropolitan municipal corporation (other than bank certificates of deposit of banks or bank branches not located in the State). Under chapter 43.84 RCW, the State Treasurer (and, under chapter 39.59 RCW, a city) may invest in the following; in obligations of the United States or its agencies and of any corporation wholly owned by the government of the United States; State county, municipal or school district general obligation bonds or general obligation warrants of taxing districts of the State, if within the statutory limitation of indebtedness; motor vehicle fund warrants; Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Fannie Mae notes, debentures and guaranteed certificates of participation and obligation of any other government-sponsored corporation whose obligations are eligible for collateral for advances to Federal Reserve System member banks; bankers' acceptances purchased in the secondary market; negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business in the United States; and commercial paper.

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or for the benefit of the general government in accordance with City ordinances or resolutions. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the authorizing ordinances, resolutions or bond covenants may lawfully prescribe.

In addition to the eligible investments discussed above, bond proceeds may also be invested, subject to certain restrictions, in mutual funds with portfolios consisting of (i) only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities of less than four years; bonds of the State or of any local government in the State that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; (ii) bonds of state and local governments or other issuers authorized by law for investment by local governments that have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency; or (iii) securities otherwise authorized by law for investment by local governments. See "THE CITY OF TACOMA—Investment Practices" for a discussion of the City's investment portfolio.

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CITY FINANCIAL AND BUDGETARY INFORMATION

**TABLE 15:
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Years Ending December 31)
(000's)⁽¹⁾**

	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 169,326	\$ 172,989	\$ 179,471	\$ 184,819	\$ 143,418 ⁽²⁾
Licenses and permits	3,114	3,242	2,789	3,086	3,395
Intergovernmental revenue	9,907	8,775	10,460	9,175	8,885
Charges for goods and services	2,094	1,196	15,051 ⁽³⁾	17,084	18,428
Fines and penalties	5,470	724	693	1,423	1,565
Interest and other earnings	1,099	1,079	657	528	720
Miscellaneous revenues	819	1,060	2,125	34	111
Total Revenues	191,829	189,065	211,246	216,149	176,522
Expenditures					
Current:					
General government	21,941	21,645	45,615 ⁽³⁾	46,260	53,761
Public Safety	124,166	128,370	114,305	107,519	115,710
Transportation	15,416	—	286	1,052	1,544
Economic environment	14,630	13,694	12,595	11,085	11,991
Mental and physical health	1,358	1,354	—	—	—
Culture and recreation	13,045	12,845	11,100	10,057	11,154
Debt Service					
Interest and other related costs	77	13	—	—	—
Capital expenditures	1,356	2,033	1,771	1,497	1,639
Total expenditures	191,989	179,954	185,672	177,470	195,799
Excess (deficiency) of revenues over (under) expenditures	(160)	9,111	25,574	38,679	(19,277)
Other Financing Sources (Uses)					
Transfer In	696	1,286	4,783	159	42,184 ⁽²⁾
Transfers (out)	(4,979)	(16,373)	(20,426)	(15,675)	(24,305)
Insurance recoveries	—	—	37	58	120
Other – Proceeds from sale of capital assets	8	—	654	8	1,372
Total Other Financing Sources (uses)	(4,275)	(15,087)	(14,952)	(15,450)	19,371
Net change in fund balance	(4,435)	(5,976)	10,622	23,229	94
Fund Balance – January 1	38,261	41,146	34,852	42,696	66,494
Prior period adjustment	(235)	(318)	(2,778)	569	(288)
Change in accounting principle	6,404	—	—	—	—
Fund Balance – January 1 (Restated)	44,430	40,828	32,074	43,265	66,206
Fund balance – December 31	39,995	34,852	42,696	66,494	66,300

⁽¹⁾ Information in table is based on audited financial statements of the City. Columns may not foot due to rounding.

⁽²⁾ In 2013, utility taxes were reclassified as “Other Financing Sources (Uses)--Transfer In.”

⁽³⁾ In 2012, tax assessments were reclassified and no longer netted against expenditures. After the reclassification, both “general government expenditures” and “charges for goods and services” increased substantially.

Source: The City of Tacoma.

**TABLE 16:
GENERAL FUND BALANCE SHEET
(Years Ending December 31)⁽¹⁾
(000's)**

Assets	2010	2011	2012	2013	2014
Cash and cash equivalents	\$ 12,100	\$ 8,075	\$ 17,951	\$ 41,478	\$ 44,965
Accounts receivables (net)	20,519	24,488	7,000 ⁽²⁾	12,599	11,793
Due from other funds	2,875	2,392	1,553	2,599	4,302
Due from other governments	4,263	4,240	22,295 ⁽²⁾	16,815	15,010
Inventories	2,424	1,008	1,058	1,074	1,116
Prepayments	352	316	173	174	28
Other current assets	3	—	—	—	—
Advances to other funds	12,051	12,181	11,803	11,245	10,688
Total Assets	54,587	52,700	61,833	85,984	87,902
Liabilities					
Accounts payable	2,526	1,816	2,038	2,924	4,359
Due to other funds	2,312	1,354	2,212	2,127	2,958
Due to other governments	180	190	212	826	767
Accrued wages	4,361	4,803	4,393	3,977	4,524
Accrued benefits	—	—	546	—	66
Accrued taxes	14	61	44	29	3
Unearned Revenue	5,012	8,811	8,780	—	—
Other liabilities	187	813	912	972	1,063
Total Liabilities	14,592	17,848	19,137	10,855	13,740
Unavailable revenues	—	—	—	8,595	7,862
Total Fund Balances	39,995	34,852	42,696	66,494	66,300
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 54,587	\$ 52,700	\$ 61,833	\$ 85,944	\$ 87,902

⁽¹⁾ Information in table is based on audited financial statements of the City. Columns may not foot due to rounding.

⁽²⁾ In 2012, the City reclassified property tax and sales and use tax from "Accounts receivables" to "Due from other governments."

Source: *The City of Tacoma.*

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**TABLE 17:
GENERAL FUND BUDGET
2015-2016 Adopted Biennial Budget**

Revenues by Category	2015-16
Property Tax	\$ 108,974,264
Sales Tax	89,708,335
Business Tax	90,866,519
Utility Tax	84,158,501
Other Taxes	3,972,268
Licenses and permits	7,872,883
Intergovernmental revenue	17,566,665
Charges for service	5,252,507
Fines and forfeitures	2,116,920
Other revenue	2,861,247
Cash balance	11,195,238
Total Revenues	424,545,347
Expenditures	
Current:	
General government	150,993,165
Public safety	245,001,969
Utilities and environment	483,132
Transportation	19,894,129
Economic environment	8,172,952
Total expenditures	\$ 424,545,347

Source: The City of Tacoma.

THE CITY OF TACOMA

The City was incorporated in 1884 and utilizes the Council-Manager form of government, which is administered by a City Council under the Constitution and laws of the State and the City Charter. The Council is composed of a Mayor and eight Council members, five of whom are elected from districts that have been apportioned according to population. The three remaining positions are “at-large” positions, nominated and elected City-wide. The Council member positions are for four-years with overlapping terms to allow for the election of four new Council members every two years. The Mayor is elected City-wide for a four-year term and is the presiding officer of the Council. Council members, including the Mayor, can serve no more than 10 consecutive years as a member of the Council, Mayor, or combination thereof.

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City Officials

Current members of the City Council are listed in the following table.

**TABLE 18:
ELECTED OFFICIALS**

Name	Position	Term Expires
Marilyn Strickland	Mayor	December 31, 2017
David Boe	Deputy Mayor	December 31, 2015 ⁽¹⁾
Marty Campbell	Councilmember	December 31, 2017
Anders Ibsen	Councilmember	December 31, 2015 ⁽²⁾
Joe Lonergan	Councilmember	December 31, 2017
Ryan Mello	Councilmember	December 31, 2015 ⁽²⁾
Robert Thoms	Councilmember	December 31, 2017
Lauren Walker	Councilmember	December 31, 2015 ⁽³⁾
Victoria Woodards	Councilmember	December 31, 2017

⁽¹⁾ Conor McCarthy was elected to council position number 7 (replacing David Boe) effective January 1, 2016.

⁽²⁾ Re-elected.

⁽³⁾ Keith Blocker was elected to council position number 3 (replacing Lauren Walker) effective January 1, 2016.

Administration

The City Manager appoints a Finance Director who supervises the financial and purchasing functions of the City, including the City's accounting system. The Finance Director is responsible for preparing the Comprehensive Annual Financial Report in accordance with generally accepted accounting principles and the instructions of the State Auditor's Office. The Finance Director is responsible for the payment of principal and interest on all bonds issued by the City. The City Manager also appoints a Budget Director of the Office of Management and Budget who, under the Finance Director, is responsible for the preparation and monitoring of the biennial budget, which provides for the servicing of debt and provides for anticipated revenues to meet the estimated costs of expenditures. The budget is presented to the Council for its review and approval and final adoption.

The City Manager appoints the City Treasurer who is responsible for the receipt, custody and disbursement of City funds. The City Treasurer receives all money due and belonging to the City, and keeps a detailed account of the same in the manner prescribed by the Finance Director. The Government Performance and Finance Committee, composed of the Mayor and three council members, is responsible for the financial management and policies of the City.

T.C. Broadnax, City Manager. T.C. Broadnax began serving as City Manager of the City on February 13, 2012, with more than 19 years of local government management experience. Prior to joining the City, Mr. Broadnax served as Assistant City Manager of the City of San Antonio, Texas for five years. Prior to his San Antonio experience, he was Assistant City Manager in Pompano Beach, Florida for ten years. Additionally, while in Pompano Beach, Mr. Broadnax was responsible for the oversight of the City's housing and community revitalization agency. As City Manager, Mr. Broadnax is the Chief Executive Officer for the City government.

Andrew ("Andy") Cherullo, Finance Director. Andrew Cherullo joined the City in February 2013. Prior to joining the City, he most recently served as the Chief Financial Officer for the Washington State Health Care Authority. Prior to that, Mr. Cherullo served as the Chief Financial Officer for the Massachusetts School Building Authority. He started his career in public finance at the Massachusetts House Ways and Means Committee, where within four years became the Budget Director. As Finance Director for the City, Mr. Cherullo serves as the Chief Financial Officer for the City Manager and the City Council. He is responsible for overseeing the City's financial affairs, including accounting, debt and investment management, procurement and purchasing, and financial reporting. Mr. Cherullo has Bachelor's degrees in Economics and Political Science from the University of Montana and a Master's degree in Economics from Tufts University.

Teresa Sedmak, City Treasurer. Teresa Sedmak began serving as the City Treasurer in June 2012. In that role, she holds primary responsibility for the receipt and investment of the City's funds and management of the City's debt portfolio. Ms. Sedmak served as the Manager of Debt and Investments for the Regional Transportation District ("RTD") in Denver, Colorado for thirteen years prior to her employment with the City. Previous to her experience at RTD, she

served as Vice President at Dominion Capital Group, an investment advisory firm specializing in the investment of public funds including bond proceeds. Ms. Sedmak earned both her Bachelor's and her Master's Degree in Business at the University of Colorado.

Tadd Wille, Budget Director, Office of Management and Budget. Tadd Wille was appointed Budget Director for the Office of Management and Budget in September 2012. Before working at the City, Mr. Wille served as an Assistant Director and Grants Administrator for the City of San Antonio, Office of Management and Budget. Mr. Wille earned both his Bachelor's degree in History and his Master's Degree in Public Administration from Brigham Young University.

Financial Policies

The Council approved the Financial Management Policy Statement in Resolution No. 36935, passed on August 8, 2006. These policies may be amended by the City Council at any time.

Budgetary Policies

The biennial budget is proposed by the City Manager and adopted by the Council with legal budgetary control at the fund level. The City Manager may authorize transfers within funds; however, the Council must approve, by ordinance, any amendments which increase the total for the fund. Any unexpended appropriated balances lapse at the end of the fiscal biennium.

Auditing

Accounting systems and budgetary controls are prescribed by the Office of the State Auditor in accordance with RCW 43.09.200 and RCW 43.09.230. State statutes require audits for cities to be conducted by the Office of the State Auditor. The City complies with the systems and controls prescribed by the Office of the State Auditor and establishes procedures and records which reasonably assure safeguarding of assets and the reliability of financial reporting.

The State Auditor is required to examine the affairs of cities at least once every two years. As discussed below, the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the finance department of the City.

Pension

City employees other than law enforcement officers, fire fighters and railroad employees are covered by the Tacoma Employees' Retirement System, an actuarially funded system administered by the City. Law enforcement officers and firefighters are covered by the Law Enforcement Officer and Firefighter Retirement System ("LEOFF"), which is operated by the State for law enforcement officers and firefighters throughout the State. Additionally, the City administers two single-employer pension funds as required by State Statute: a Police Relief and Pension Fund and a Firemen's Relief and Pension Fund. The following information is provided on a City-wide basis.

Tacoma Employees' Retirement System ("TERS"). TERS is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City, with the exception of police officers, firefighters, Tacoma Rail employees who are covered by other retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of Pierce Transit and the Law Enforcement Support Agency who established membership in TERS when these agencies were still City departments, are also members. The Board of Administration of TERS administers the plan, and benefit provisions are established in accordance with chapter 41.28 RCW and Chapter 1.30 of the Tacoma Municipal Code. The Board of Administration consists of nine members, including the City Mayor, City Administrator, Finance Director, designee of the Director of Utilities, three employees and one retiree. As of December 31, 2014, there were 2,166 retirees and beneficiaries currently receiving benefits, 459 vested terminated members entitled to future benefits and 2,884 active members in TERS.

Further details about the plan are included in Note 5 to the City's Audited Financial Statements for 2014 attached as Appendix B.

The following table shows the historical City-wide contributions to TERS for the years ended December 31:

**TABLE 19:
HISTORICAL TERS CONTRIBUTIONS**

Year	City-Wide Contribution
2012	\$ 20,919,787
2013	21,188,984
2014	22,149,246

Covered employees are required by Chapter 1.30 of the Tacoma Municipal Code to contribute a percentage of their gross wages to TERS, and the employer contributes an additional percentage. The contribution rates are provided in the following table:

**TABLE 20:
CONTRIBUTION RATES**

Applicable Period	Employer Rate	Member Rate	Total Rate
01/01/2001 to 02/01/2009	7.56%	6.44%	14.00%
02/02/2009 to 12/31/2009	8.64	7.36	16.00
01/01/2010 to 12/31/2010	9.72	8.28	18.00
01/01/2011 to 12/31/2011	10.26	8.74	19.00
01/01/2012 onward	10.80	9.20	20.00

The most recent actuarial valuation of TERS was completed as of January 1, 2015, and includes investment earnings of 7.25%, wage growth of 4.00% and price inflation of 3.00%. The January 1, 2015 valuation Funding Ratio was 95.5%. The TERS Board of Administration has ratified the valuation including the actuarial assumptions. The following provides historical funding information for TERS.

**TABLE 21:
TERS VALUATIONS
(\$ in millions)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)=(b)-(a)	Funded Ratio (d)=(a)/(b)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (f)=(c)/(e)
1/1/2012	\$ 1,068	\$ 1,186	\$ 117	90.1	\$ 219	53.4%
1/1/2013	1,187	1,307	120	90.9	211	56.7
1/1/2014	1,297	1,400	103	92.6	214	48.2
1/1/2015	1,403	1,468	65	95.5	221	29.6

Actuarial methods and assumptions used by the Board of Administration of TERS are included in Note 5 to the City's Audited Financial Statements for 2014 attached as Appendix B.

In addition to TERS, City employees participate in the federal social security program. The City withholds the employee contribution from the City employee's wages.

Law Enforcement Officer and Firefighter Retirement System ("LEOFF"). LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated local law enforcement officers and fire fighters. The LEOFF system includes two plans. Participants who joined the system by September 30, 1977, are LEOFF Plan I members. Those joining thereafter are enrolled in LEOFF Plan II. Retirement benefits are financed from employee and employer contributions, investment earnings, and State contributions. LEOFF Plan I members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

**TABLE 22:
LEOFF BENEFIT PER YEAR DETAILS**

Term of Service	Percent of Final Average
5-9 Years	1.0%
10-19 Years	1.5
20 or more years	2.0

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 1 employer and employee contribution rates are established by statute, and the State is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Employer and employee rates for LEOFF Plan 2 are set by the director of the Department of Retirement Systems, based on recommendations by the Office of the State Actuary, to continue to fully fund the plan. LEOFF Plan 2 employers and employees are required to contribute at the level required by State law. The methods used to determine the contribution rates are established under State statute in accordance with chapters 41.26 and 41.45 RCW.

The following table outlines the contribution rates of employees and employers under LEOFF.

**TABLE 23:
LEOFF CONTRIBUTION RATES 2015-2017 BIENNIUM**

	Plan 1	Plan 2
Employer ⁽¹⁾	0.18%	5.23%
Employee	0.00	8.41
State	N/A	3.36

⁽¹⁾ Includes a 0.18% Department of Retirement Services administrative expense rate.

For the years ending December 31, 2013 and December 31, 2014, the City contributed approximately \$3.58 million and \$3.80 million, respectively, to LEOFF representing its full liability under the system except that future rates may be adjusted to meet the system needs.

Information regarding LEOFF is presented in annual financial report of the State Department of Retirement Systems, which may be obtained from:

Department of Retirement Systems
1025 East Union Street
P.O. Box 48380
Olympia, WA 98504-8380
Internet Address: www.drs.wa.gov (which website is not incorporated herein by reference)

While the City’s contributions in 2014 represented its full current liability under LEOFF, any unfunded pension benefit obligations within the systems could be reflected in future years as higher contribution rates. The website of the Office of the State Actuary (which is not incorporated into this Official Statement by reference) includes information regarding the values and funding levels of LEOFF and other State-administered pension plans.

Police Relief and Fire Relief and Pension Fund. The Police Relief and Pension Fund and the Fire Relief and Pension Fund are single-employer, defined benefit pension funds established and administered by the City in accordance with the requirements of State law. Membership is limited to firefighters employed prior to March 1, 1970. Since the effective date of the LEOFF on March 1, 1970, no payroll deductions for active employees have been taken under these pension plans. See Note 5 to the City’s Audited Financial Statements for 2014 attached as Appendix B for additional information regarding these plans.

New GASB 67/68 Reporting Rules. The Government Accounting Standard Board (“GASB”) has adopted new pension accounting standards that require employers, including the City, to report their pension liabilities on their balance sheet. Beginning with its 2015 financial statements, the City will report its proportionate share of the net plan asset or liability for each pension plan in which City employees participate. Among the changes in the new GASB standards are that lower discount rates are required to be used for underfunded plans in certain cases and the difference between expected and actual investment returns each year will be recognized over a closed five-year smoothing period. The State Department of Retirement Systems has determined each participating employers’ proportionate share of the plan liability and the Office of the State Actuary (“OSA”) has determined each plan’s accounting valuation, which will be included in the City’s financial statements for fiscal year ending December 31, 2015. The GASB rules impact accounting for pensions and not the funding status of the plans calculated by OSA or pension contribution rates that are set based on statutory assumptions.

Other Post-Employment Benefits

In addition to pensions, many state and local governmental employers provide other post-employment benefits (“OPEB”) as part of total compensation to attract and retain the services of qualified employees. OPEB includes post-employment health care as well as other forms of post-employment benefits that are provided separately from pension plan benefits. GASB issued a standard concerning Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. The standard provides for the measurement, recognition and display of OPEB expenses/expenditures, related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports. This pronouncement became effective for the City for the Fiscal Year ended December 31, 2007.

Information about the City’s OPEB obligation for the year ended December 31, 2014, is provided below. The City is financing the benefits on a pay-as-you-go basis. The City provides the option for retirees to pay the full premium cost of medical benefits until age 65, and for LEOFF 1, after age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees).

The OPEB percentage of cost contributed is the amount contributed by the retiree based on the Annual OPEB cost. For example, for TERS the contributions (premium payments) made by the retiree were \$1,828,282, the Annual OPEB cost was \$5,529,916; the contribution was 33.1% of the Annual OPEB cost.

**TABLE 24:
OTHER POST-EMPLOYMENT BENEFITS**

	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
TERS	\$ 5,529,916	28.5%	\$ 25,314,884
LEOFF I	11,265,541	67.0	27,013,386
LEOFF II	2,350,442	29.3	13,419,763
Rail	153,125	49.0	363,064

For additional information regarding the City’s OPEB, see Note 5 to the City’s Audited Financial Statements for 2014, attached as Appendix B.

Investment Practices

The City’s Investment Committee is composed of the Mayor, the Finance Director and the City Treasurer. The City Treasurer invests City funds. The cash balances are a “deposit” with the City Treasurer’s Tacoma Investment Pool

(“TIP”) for the purpose of maximizing interest earnings through pooled investment activities. Cash and securities in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates similar to a demand deposit account in that all City departments have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in chapter 39.58 RCW), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issue by any State or Local Government with an A or better rating, Bankers’ Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (“LGIP”). Daily liquidity requirement to meet the City’s daily obligations is maintained by investing a portion of the TIP in the LGIP.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, longer term investments have greater exposure to changes in market interest rates. The City’s investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations.

As of October 1, 2015, the par value of the City’s investments totaled \$882,202,541 million. The portfolio was distributed in various types of investment instruments in the following percentages:

**TABLE 25:
CITY INVESTMENTS**

Government Agencies	%
U.S. Treasuries	9.63
U.S. Government Agency Securities	64.76
State Local Government Pool	11.93
Bank Interest-Bearing Accounts	0.11
Bankers Acceptance	0.00
Flexible Repurchase Agreements	0.00
Municipal Securities	0.00

Risk Management

The City is self-insured for general liability, medical, benefits, unemployment and worker’s compensation and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for Incurred but Not Reported (IBNR) claims. The estimate for reported claims is based on Risk Management and Legal Departments’ projections and is adjusted annually. The General IBNR liabilities are calculated by a periodic actuarial study. The handling and paying of all general liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the TPU Self Insurance Claim Fund. Moneys are appropriated from various cost centers based on prior claims history and paid to these funds. The balances in the Self-Insurance Claim Fund, the WPU Self-Insurance Claim Fund and the Workers Compensation Fund, as of December 31, 2014, were \$16,981,000, \$5,849,000, and \$5,994,000, respectively. See Note 8 to the City’s Audited Financial Statements for 2014 attached as Appendix B.

The City’s Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with RCW 35.21.085(2). The City carries a supplemental general liability policy through the Insurance Company of the State of Pennsylvania with a \$15 million limit and a \$3 million deductible, renewable in August of each year. This policy is provided to supplement the City’s current self-insurance risk for settlements in excess of \$3 million.

The City also has a policy to cover extraordinary worker’s compensation claims with a statutory liability limit and a \$1 million retention. This policy renews January 1st of each year.

The City carries property coverage with a maximum single occurrence limit of \$500,000,000 with sub-limits, and \$150,000 deductible per occurrence, with exceptions. This policy renews July 1st of each year.

The TPU Self-Insurance Claim Fund was established in 1979 to cover general liability claims of the Light and Water divisions. The Belt Line Rail became a participant in 1985. Total assets in this fund are \$6.2 million. Settlement payments were within amounts available for coverage for 2012, 2013, and 2014.

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Labor Relations

As of October 2015, the City employed 3,537 people, including 2,179 general government and 1,358 Tacoma Public Utilities employees. As of such date, approximately 74 percent of those employees who are eligible under State law to be represented by a labor organization were members of one of the labor unions representing City employees. The following table shows the current union contracts and their respective expiration dates. The City considers its relationship with the bargaining units to be good.

**TABLE 26:
LABOR RELATIONS DETAIL**

Labor Union	No. of Employees	Contract Expiration Date
Local 17 International Federation of Professional and Technical Engineers	250	2015 ⁽¹⁾
Local 26 IUPA Tacoma Police Management Association (Captains and Lieutenants)	18	2014 ⁽¹⁾
Local 31 Tacoma Fire Fighters Union	348	2018
Local 117 Teamsters (General Unit)	180	2014 ⁽¹⁾
Local 117 Teamsters (Public Assembly Facilities (PAF) Unit)	21	2016
Local 117 Teamsters (Library Unit)	17	2014 ⁽¹⁾
Local 120 Washington State Council of County and City Employees	146	2016
Local 120 Washington State Council of County and City Employees (Library Unit)	111	2018
Local 160 IAM and AW International Association of Machinist and Aerospace Workers (General Unit)	86	2016
Local 160 IAM and AW (WWTP Supervisors Unit)	2	2016
Local 160 IAM & AW (Yard Clerk Unit)	5	2016 ⁽²⁾
Local 160 IAM & AW (Rail Mechanics Unit)	13	2017 ⁽²⁾
Local 160 IAM and AW (Track Workers Unit)	7	2017 ⁽²⁾
Local 313 Teamsters	136	2017
Local 483 IBEW (Click! Unit)	57	2015 ⁽¹⁾
Local 483 IBEW (Custodial and Building Maintenance Unit)	25	2015 ⁽¹⁾
Local 483 IBEW (Customer and Field Services)	155	2014 ⁽¹⁾
Local 483 IBEW (Supervisors Unit)	13	2015 ⁽¹⁾
Local 483 IBEW (Tacoma Power)	312	2017
Local 483 IBEW (Water Division)	112	2014 ⁽¹⁾
Local 483 IBEW (Water Pollution Control Unit)	50	2017
Local 483 IBEW (Clerical Unit)	163	2015 ⁽¹⁾
Local 483 IBEW (Court Clerks)	26	2015 ⁽¹⁾
Local 6 IUPA Tacoma Police Union	304	2014 ⁽¹⁾
Professional Public Safety Managers Association	8	2014 ⁽¹⁾
Brotherhood of Locomotive Engineers	18	2017 ⁽²⁾
SMART Conductor (Switch Crews Unit)	43	2015 ⁽¹⁾⁽²⁾
United Transportation Union (Yardmasters)	6	2018 ⁽²⁾

⁽¹⁾ Contract extension currently under negotiation.

⁽²⁾ Under the terms of the National Railway Labor Act (45 USC Section 8), the contract does not expire but is only amendable; wage increases consistent with the national contracts of major rail carriers.

Source: *The City of Tacoma*.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and require the Legislature to refer legislation to the voters through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters

registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Under the City Charter, Tacoma voters may initiate local legislation and City Charter amendments, and modify existing legislation, through powers of initiative and referendum. Under Washington law, the Bond Ordinance may not be a proper subject for a referendum petition. Nonetheless, the referendum period will have expired and the Bond Ordinance will become effective on or before the date of issuance and delivery of the Bonds. As of the date of this Official Statement, no referendum petition has been filed.

In recent years there has been an increase in the number of initiatives and referenda filed in Washington, including state initiatives targeting property taxes imposed by local jurisdictions. The City cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, and whether such initiatives will be approved by the voters and, if challenged, upheld by the courts.

TAX MATTERS

In the opinion of Bond Counsel, interest on the 2015A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2015A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2015A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2015A Bonds and the facilities refinanced with proceeds of the 2015A Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2015A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2015A Bonds, regardless of the date on which the event causing taxability occurs. In rendering its opinion, Bond Counsel has relied on the report of Causey Demgen & Moore P.C. with respect to the accuracy of certain mathematical calculations.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2015A Bonds. Owners of the 2015A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2015A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale or other disposition, and various withholding requirements.

Prospective purchasers of the 2015A Bonds should be aware that ownership of the 2015A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2015A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2015A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the 2015A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2015A Bonds. Owners of the 2015A Bonds are advised that, if the IRS does audit the 2015A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2015A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2015A Bonds until the audit is concluded, regardless of the ultimate outcome.

Not Bank Qualified

The City has not designated the 2015A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Premium

An amount equal to the excess of the purchase price of a 2015A Bond over its stated redemption price at maturity constitutes premium on that 2015A Bond. A purchaser of a 2015A Bond must amortize any premium over that 2015A Bond's term using constant yield principles, based on the 2015A Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2015A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2015A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2015A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2015A Bonds.

Original Issue Discount

The initial public offering price of certain 2015A Bonds (the "Original Issue Discount Bonds"), is less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the 2015A Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

Proposed Tax Legislation; Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the 2015A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the 2015A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the 2015A Bonds. For example, proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal tax purposes of interest on obligations such as the 2015A Bonds. Prospective purchasers of the 2015A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

CERTAIN INCOME TAX CONSEQUENCES

This advice was written to support the promotion or marketing of the 2015B Bonds. This advice is not intended or written by Pacifica Law Group LLP to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the 2015B Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners (“Owners”) of the 2015B Bonds. This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only the 2015B Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the 2015B Bonds as part of a hedging transaction, “straddle,” conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the 2015B Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE 2015B BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE 2015B BONDS.

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“Foreign Owners”) to the extent that their ownership of the 2015B Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. Interest derived from a 2015B Bond by an Owner is subject to U.S. federal income taxation. In addition, a 2015B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Interest, including additional amounts of cash and interest, if any, paid on the 2015B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner’s method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement. Upon the sale, exchange or other disposition of a 2015B Bond, an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the 2015B Bonds. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. If the City defeases any 2015B Bonds, such 2015B Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2015B Bond would recognize a gain or loss on the 2015B Bonds at the time of defeasance.

The Code contains a number of provisions relating to the taxation of securities such as the 2015B Bonds (including, but not limited to the tax treatment of and accounting of interest, premium, original issue discount and market discount thereon, gain from the sale, exchange of other disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2015B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any 2015B Bonds. In all events investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of 2015B Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with Section (b)(5) of Securities and Exchange Commission (the "Commission") Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the City has agreed in the Bond Ordinance for the benefit of the owners and the Beneficial Owners of the Bonds to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (commencing in 2016 for the fiscal year ended December 31, 2015): (i) annual financial statements, which statements may or may not be audited, showing ending fund balances for the City's general fund prepared in accordance with the Budgeting Accounting and Reporting System ("BARS") prescribed by the State Auditor pursuant to RCW 43.09.200 (or any successor statutes); (ii) the assessed valuation of taxable property in the City; (iii) ad valorem taxes due and percentage of taxes collected; (iv) property tax levy rate per \$1,000 of assessed valuation; (v) for the 2015A Bonds, Lodging Tax rates and collections; and (vi) outstanding general obligation debt of the City. Items (ii) through (vi) need only be provided to the extent such information is not included in the annual financial statements.

The information and data described above shall be provided on or before the last day of the ninth month after the end of the City's fiscal year. The City's current fiscal year ends on December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City will provide the City's audited annual financial statements prepared in accordance with Generally Accepted Accounting Principles prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

Listed Events. The City agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- principal and interest payment delinquencies;
- non-payment related defaults, if material;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- modifications to the rights of Bondholders, if material;
- optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds, if material;
- rating changes;
- bankruptcy, insolvency, receivership or similar event of the City;
- the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of disclosure, without any intent to modify the undertaking as set forth above, the City advises that no credit enhancement, credit or liquidity facilities, or property secure payment of the Bonds.

Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org (which is not incorporated into this Official Statement by reference). All notices, financial information and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

Notification Upon Failure to Provide Financial Data. The City also agrees to provide or cause to be provided to the MSRB notice of its failure to provide the annual financial information described above on or prior to the date set forth above.

Termination/Modification. The City's obligations to provide annual financial information and notices of listed events will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of the City's undertaking will be null and void if the City (i) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (ii) notifies the MSRB of such opinion and the cancellation of the undertaking.

Notwithstanding any other provision of the undertaking, the City may amend the undertaking with an approving opinion of nationally recognized bond counsel and in accordance with the Rule. In the event of any amendment of the undertaking, the City will describe such amendment in the next annual report, and will include a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event, as described above, and (ii) the annual report for the year in which the change is made will present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Bond Owner's Remedies Under This Section. A Bond Owner's or Beneficial Owner's right to enforce the provisions of the City's undertaking described in this section will be limited to a right to obtain specific enforcement of the City's obligations, and any failure by the City to comply with the provisions of the undertaking will not be an event of default with respect to the Bonds. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any bonds, including persons holding bonds through nominees or depositories.

Other Ongoing Disclosure Undertakings of the City. The City has previously entered into continuing disclosure undertakings under the Rule (the "Prior Undertakings"). The City failed to file information regarding assessments levied, collected and uncollected for the years 2007 through 2011 in connection with its Consolidated Local Improvement District No. 60 Bonds. The City filed the missing information in February 2013. The City failed to file certain lodging tax information for years 2009 and 2010. The City filed the missing information in September 2012. Instead of submitting a filing for both downgrades of FSA by Fitch in 2009, the City made a single filing in November 2009 reflecting the second downgrade in October of 2009. The City has provided notice of certain underlying rating changes either through separate notice filings or in its financial statements, some of which may have been done after the deadlines provided for in the Prior Undertakings. The City currently believes it is in compliance with its Prior Undertakings for the previous five years in all material respects.

RATINGS

As noted on the cover page of this Official Statement, Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "A1," "AA," and "A," respectively, to the Bonds. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds. The City does not have any obligation to take any action, other than file a listed event notification, if the ratings on the Bonds are changed, suspended or withdrawn.

UNDERWRITING

The 2015A Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter") at a price of \$13,850,547.83, and will be reoffered at a price of \$13,905,796.45. The 2015B Bonds are being purchased by the Underwriter at a price of \$20,127,300.72, and will be reoffered at a price of \$20,215,000.00. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth in this Official Statement, and such initial offering prices and yields may be changed from time to time, by the Underwriters. After the initial public offering, the public offering prices and yields may be varied from time to time.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

FINANCIAL ADVISOR

The City has retained Piper Jaffray & Co., Seattle, Washington, as financial advisor (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the City, the Financial Advisor may not participate in the underwriting of any City debt.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of Bonds by the City are subject to the approving legal opinions of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. Copies of the forms of opinions of Bond Counsel are attached hereto as Appendix A. Pacifica Law Group LLP is also serving as Disclosure Counsel to the City in connection with the issuance of the Bonds.

Certain legal matters will be passed on for the Underwriter by K&L Gates LLP, Seattle, Washington, Counsel to the Underwriter. Any opinion of such firm will be addressed solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors.

LITIGATION

No Litigation Concerning the Bonds

There is no litigation pending or threatened in any court (local, state, or federal) to restrain or enjoin the issuance or delivery of the Bonds, or questioning the creation, organization, existence, or title to office of the officers of the Department or the City, the validity or enforceability of the Bond Ordinance, or the proceedings for the authorization, execution, sale, and delivery of the Bonds.

Other Litigation

Because of the nature of its activities, the City is subject to various pending and threatened legal actions which arise in the ordinary course of business. The City believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the City, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Underwriter, Underwriter's Counsel, the Financial Advisor, and Bond Counsel are contingent upon the issuance and sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Financial Advisor in transactions unrelated to the issuance of the Bonds. K&L Gates LLP is serving as counsel to the Underwriter and from time to time serves as counsel to the City and the Financial Advisor on matters unrelated to the issuance of the Bonds.

LIMITATIONS ON REMEDIES

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Bond Ordinance are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Bond Ordinance, the rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. Copies of the forms of legal opinions of Bond Counsel are set forth in Appendix A.

No Acceleration

Under the Bond Ordinance, a Bond owner cannot require acceleration of debt service on the Bonds upon the occurrence of an event of default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, the bond owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between owners of earlier and later maturing Bonds.

Bankruptcy

Under current Washington law, local governments, such as the City, may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). A creditor, however, cannot bring an involuntary bankruptcy proceeding against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code. Taxing districts in the State are expressly authorized to carry out a plan of readjustment if approved by the appropriate court. If the City were to become a debtor in a federal bankruptcy case, owners of the Bonds may not be able to exercise any of their remedies under the Bond Ordinance during the course of a proceeding. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and/or reductions in payments could result.

OFFICIAL STATEMENT

At the time of delivery of the Bonds, one or more officials of the City will furnish a certificate stating that to the best of his or her knowledge, this Official Statement, as of its date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

The preparation and distribution of this Official Statement has been authorized by the City.

THE CITY OF TACOMA, WASHINGTON

By: /s/ Andrew Cherullo
Finance Director

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APPENDIX A
FORMS OF BOND COUNSEL OPINIONS

December 29, 2015

City of Tacoma
Tacoma, Washington

RBC Capital Markets, LLC
Seattle, Washington

Re: City of Tacoma, Washington
Limited Tax General Obligation Refunding Bonds, 2015A — \$12,735,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the “City”), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Refunding Bonds, 2015A, in the aggregate principal amount of \$12,735,000 (the “Bonds”). The Bonds are issued pursuant to Ordinance No. 28329 of the City Council, passed November 17, 2015 (the “Bond Ordinance”), to provide a portion of the funds necessary to defease and refund certain outstanding limited tax general obligation bonds of the City and to pay costs of issuance for the Bonds. Simultaneously with the issuance of the Bonds, the City is issuing its Limited Tax General Obligation Refunding Bonds, 2015B (Taxable). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to redemption prior to their scheduled maturities as provided in the Bond Ordinance and in the Bond Purchase Contract.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Ordinance and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding general obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Bond Ordinance is a legal, valid and binding obligation of the City, has been duly adopted and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. Both principal of and interest on the Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in the amounts which, together with other available funds for this purpose, will be sufficient to pay such principal and interest as the same shall become due. The City has also pledged lodging taxes to the payment of the principal of and interest on the Bonds.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City must comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PACIFICA LAW GROUP LLP

December 29, 2015

City of Tacoma
Tacoma, Washington

RBC Capital Markets, LLC
Seattle, Washington

Re: City of Tacoma, Washington
Limited Tax General Obligation Refunding Bonds, 2015B (Taxable) — \$20,215,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the “City”), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Refunding Bonds, 2015B (Taxable), in the aggregate principal amount of \$20,215,000 (the “Bonds”). The Bonds are issued pursuant to Ordinance No. 28329 of the City Council, passed November 17, 2015 (the “Bond Ordinance”), to provide a portion of the funds necessary to defease and refund certain outstanding limited tax general obligation bonds of the City and to pay costs of issuance for the Bonds. Simultaneously with the issuance of the Bonds, the City is issuing its Limited Tax General Obligation Refunding Bonds, 2015A. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

The Bonds are not subject to redemption prior to their scheduled maturities.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Ordinance and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding general obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Bond Ordinance is a legal, valid and binding obligation of the City, has been duly adopted and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. Both principal of and interest on the Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in the amounts which, together with other available funds available for this purpose, will be sufficient to pay such principal and interest as the same shall become due.

4. Interest on the Bonds is not excludable from gross income for federal income tax purposes.

The City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include

original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PACIFICA LAW GROUP LLP

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
AS OF DECEMBER 31, 2014**

(attached)

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Washington State Auditor's Office

Independence • Respect • Integrity

**Financial Statements and Federal Single Audit
Report**

City of Tacoma

Pierce County

For the period January 1, 2014 through December 31, 2014



Washington State Auditor's Office

September 30, 2015

Mayor and City Council
City of Tacoma
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Tacoma's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

B-1

Published September 30, 2015
Report No. 1015203



TABLE OF CONTENTS

Federal Summary 4

Status Of Prior Federal Audit Findings 6

Independent Auditor’s 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 7

Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 10

Independent Auditor’s Report On Financial Statements 13

Financial Section 17

About The State Auditor’s Office 115

FEDERAL SUMMARY

City of Tacoma
Pierce County
January 1, 2014 through December 31, 2014

The results of our audit of the City of Tacoma are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$2,216,557.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

B-3

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Tacoma. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2012 through December 31, 2012	Report Ref. No: 1010562	Finding Ref. No: 1	CFDA Number(s): ARRA 16.710 and 16.710
Federal Program Name and Granting Agency: Public Safety Partnership and Community Policing Grants, U.S. Department of Justice		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to ensure it spent federal funds on allowable costs and complied with reporting requirements.			
Background: The City included unallowable costs in its reimbursement requests that resulted in \$174,073 in questioned costs. The City did not comply with certain federal reporting requirements. As a result of the City's delayed filing of a reimbursement request the request amount was not correctly reported on the City's 2012 Schedule of Expenditures of Federal Awards. The City corrected the Schedule and the omission did not affect our selection of federal programs for our audit.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City has strengthened its grant expenditure tracking system to ensure that all costs are allowable and within the grant timeframe. The City has reviewed all grant reporting requirements and has developed a tracking mechanism to ensure all reporting filings are completed when due. The City has strengthened its review to ensure that all federal grants are reported on the Schedule of Expenditures of Federal Awards. The City has completed a Grant Management Policy and Procedures manual. The City provided training on the manual and disseminated it to all departmental staff that have grant fiscal responsibilities.</i>			

**INDEPENDENT AUDITOR'S 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**

**City of Tacoma
Pierce County**

January 1, 2014 through December 31, 2014

Mayor and City Council
City of Tacoma
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, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2015. As discussed in Note 1 to the financial statements, during the year ended December 31, 2014, the City implemented Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, Statement No. 69, *Government Combinations and Disposals of Government Operations* and Statement No. 70, *Nonexchange Financial Guarantees*.

Our report includes a reference to other auditors who audited the financial statements of the Power, Sewer, Water, Solid Waste, and Tacoma Rail funds, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Power, Sewer, Water, Solid Waste, and Tacoma Rail funds were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Power, Sewer, Water, Solid Waste, and Tacoma Rail funds.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 City's internal control or on compliance. This report is an integral part of an audit performed

B-4

in accordance with *Government Auditing Standards* in considering the City'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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 18, 2015

B-5

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Tacoma
Pierce County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Tacoma
Tacoma, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Tacoma, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

The City's basic financial statements include the operations of the Tacoma Community Redevelopment Authority, which expended \$6,497,010 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Tacoma Community Redevelopment Authority because it has arranged for a separate audit of its federal awards in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in

the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 21, 2015

INDEPENDENT AUDITOR'S REPORT ON
FINANCIAL STATEMENTS

City of Tacoma
Pierce County
January 1, 2014 through December 31, 2014

Mayor and City Council
City of Tacoma
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 17.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Power, Sewer, Water, and Solid Waste funds, which are presented as major funds and represent 91 percent, 90 percent, and 88 percent, respectively, of all the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Tacoma Rail fund which represents one percent, one percent, and four percent respectively of the assets, net position, and revenues of the business type activities, and two percent, one percent, and seven percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it

relates to the amounts included for the Power, Sewer, Water, Solid Waste, and Tacoma Rail funds is based solely on the reports of the other auditors.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Power, Sewer, Water, Solid Waste, and Tacoma Rail funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the city of Tacoma, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, Statement No. 69, *Government*

Combinations and Disposals of Government Operations and Statement No. 70, *Nonexchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 19 through 28, pension trust information and information on postemployment benefits other than pensions on pages 103 through 106 and budgetary comparison information on page 107 be presented to supplement the basic financial statements. Such information, 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 and the other auditors 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures as performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015 on our consideration of the City’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 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 City’s internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 18, 2015

FINANCIAL SECTION

**City of Tacoma
Pierce County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Activities – 2014
Balance Sheet – Governmental Funds – 2014
Reconciliation of the Governmental Balance Sheets to the Government-Wide Statement of Net Position – Governmental Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Funds – 2014
Statement of Net Position – Proprietary Funds – 2014
Reconciliation of Total Enterprise Net Position to the Government-Wide Statement of Net Position – 2014
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2014
Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position of Enterprise Funds to the Statement of Activities – Business Activities - 2014
Statement of Cash Flows – Proprietary Funds – 2014
Statement of Fiduciary Net Position – Fiduciary Funds – 2014
Statement of Changes in Net Position – Fiduciary Funds – 2014
Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Pension Trust Information and Information on Postemployment Benefits Other than Pensions – 2014
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

B-9

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Tacoma, we offer readers of the City of Tacoma's financial statements this narrative overview and analysis of the financial activities of the City of Tacoma for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 1-1 to 1-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of resources exceeded the City's liabilities and deferred inflows resources by \$2.7 billion. Of this amount, \$287 million were reported as unrestricted net position, amounts which are available to meet the City's on-going obligations to citizens and creditors.
- The City's net position increased by \$64 million. This increase is due to an increase in capital assets and a decrease in liabilities for Business Activities.
- Tacoma Power reported a change in net position of \$23.7 million, up \$ 5.9 million from the change in 2013.
- Tacoma Water reported change in net position of \$36.4 million, up \$ 9.0 million from the change in 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Tacoma's basic financial statements. The City of Tacoma's basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

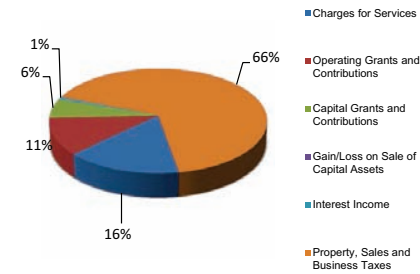
Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Tacoma's finances, and are similar to private sector financial statements. The statements also include the discretely presented component units, Tacoma Community Redevelopment Authority (TCRA), the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPF), and the Foss Waterway Development Authority (FWDA.)

The Statement of Net Position includes information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources of the City of Tacoma's general government as well as its business-type activities. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Tacoma is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

Governmental Activities



Business Activities

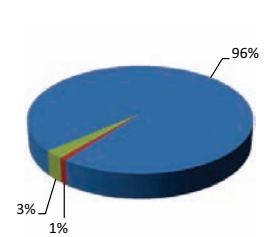


Figure 1. Comparison of Governmental and Business Activity Revenues

Both the Statement of Net Position and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, transportation, economic environment, social services, and culture and recreation. Governmental activities are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover most if not all of their costs through user fees and charges for services. The government-wide financial statements can be found on pages 3-2 to 3-5 of this report.

Governmental Activities Expenses

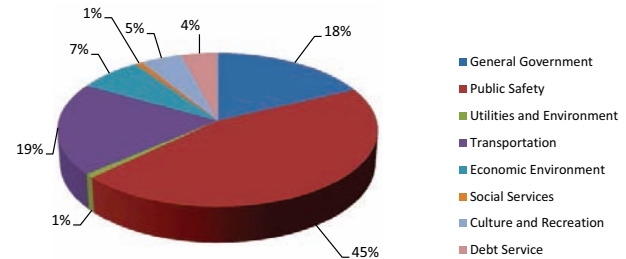


Figure 2. Governmental Activities Expenses

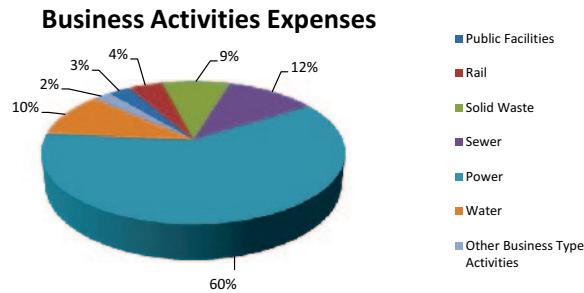


Figure 3. Business Activities Expenses

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Tacoma, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Tacoma can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

The focus of the governmental fund statements is on major funds. A fund is considered major if it represents at least 10% of the assets, liabilities, revenues or expenditures of its fund category and at least 5% of the corresponding totals for the governmental and business-type activities combined. All other governmental funds are combined and presented as a single column in the respective governmental fund statements. Individual fund data for each of these combined non-major funds is provided in the form of combining statements elsewhere in this report. The Transportation Capital and Engineering fund was added to governmental activities as a major fund in 2011.

The City of Tacoma adopts a biennial budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 3-6 to 3-9 of this report.

Proprietary Funds

There are two types of proprietary funds, internal service and enterprise, both of which the City of Tacoma uses. Internal service funds are used to accumulate and allocate costs internally among the City of Tacoma's various functions. Because these services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. There are two exceptions with the Self Insurance and Utility Fleet funds which only services utilities funds and are included within business type activities. Enterprise funds account for various utilities which provide services such as power, water, sewer, and solid waste collection. The service area for these utilities is generally broader than the corporate limits of the City. The activities in these funds are primarily supported by user fees and are presented as business-type activities in the government-wide financial statements. The Solid Waste fund was added to business activities as a major fund in 2012. The basic proprietary fund financial statements can be found on pages 3-10 to 3-21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Tacoma's programs. The accounting used by the fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund statements can be found on pages 3-22 to 3-23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-24 to 3-83 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information (RSI) concerning the City of Tacoma's budget. Required supplementary information can be found on pages 4-1 to 4-5 of this report.

Combining Statements – Non-Major funds

The combining statements referred to earlier in connection with Non-Major governmental funds, internal service funds, and fiduciary funds can be found on pages 5-1 to 5-109 of this report.

Other Supplementary Information

This section provides schedules of capital assets used in the operations of Governmental Funds and statistical information on Local Improvement District assessments. The Other Supplementary Information section can be found on pages 5-112 to 5-114.

Statistical Section

This section provides financial trends, revenue and debt capacity, and demographic and economic information about the City's operations. The Statistical Section can be found on pages 6-1 to 6-36 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's total assets exceeded total liabilities by \$2.7 billion at December 31, 2014. 82% of the total net position reflects the City's investment in capital less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. 11% of the City's net position is unrestricted, meaning they are available for meeting the City's ongoing obligations. The remaining 7% of net position is restricted for other purposes such as debt redemption and new capital construction. Governmental activities represent 27% of total net position and business activities represent 73% of total net position.

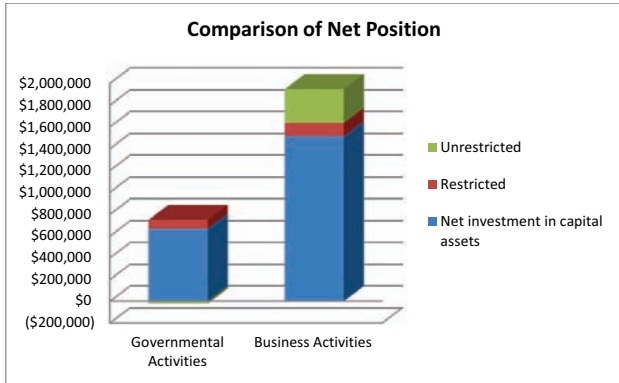


Figure 4. Comparison of Net Position, By Activity Type (Amounts expressed in thousands)

Table 1. Summary Statement of Net Position

Statement of Net Position
For the Year Ended December 31, 2014

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 276,795	\$ 272,098	\$ 931,897	\$ 977,710	\$ 1,208,692	\$ 1,249,808
Capital assets	828,035	847,508	2,723,738	2,626,269	3,551,773	3,473,777
Total assets	\$ 1,104,830	\$ 1,119,606	\$ 3,655,635	\$ 3,603,979	\$ 4,760,465	\$ 4,723,585
Deferred Outflow of Resources	\$ 4,226	\$ 4,226	\$ 13,898	\$ 19,146	\$ 18,124	\$ 23,372
Current and other liabilities	\$ 108,802	\$ 105,258	\$ 183,202	\$ 187,620	\$ 292,004	\$ 292,878
Long-term liabilities outstanding	232,123	247,675	1,427,425	1,442,574	1,659,548	1,690,249
Total liabilities	\$ 340,925	\$ 352,933	\$ 1,610,627	\$ 1,630,194	\$ 1,951,552	\$ 1,983,127
Deferred Inflows of Resources	\$ 39,117	\$ 39,731	\$ 114,575	\$ 114,575	\$ 153,692	\$ 154,306
Net Position:						
Net investment in capital assets	\$ 669,951	\$ 681,794	\$ 1,515,858	\$ 1,508,950	\$ 2,185,809	\$ 2,190,744
Restricted	79,630	74,670	121,369	112,925	200,999	187,595
Unrestricted	(20,567)	(25,296)	307,104	256,481	286,537	231,185
Total net position	\$ 729,014	\$ 731,168	\$ 1,944,331	\$ 1,878,356	\$ 2,673,345	\$ 2,609,524

In 2014, the City's net position increased by \$64 million. This is due to an increase in capital assets and a decrease in liabilities for governmental and business activities. The 2013 fund balances were restated in the fund balance categories.

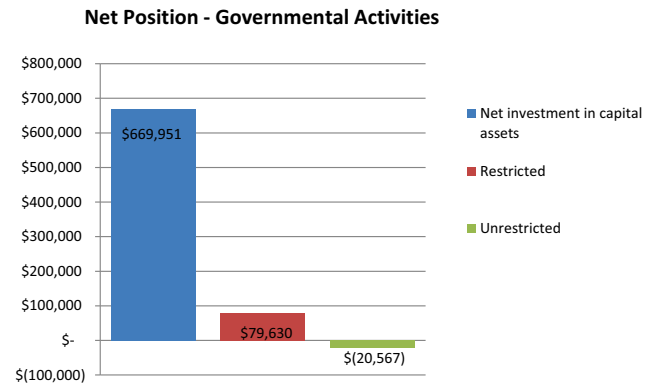


Figure 5. Composition of Net Position--Governmental Activities (Amounts expressed in thousands)

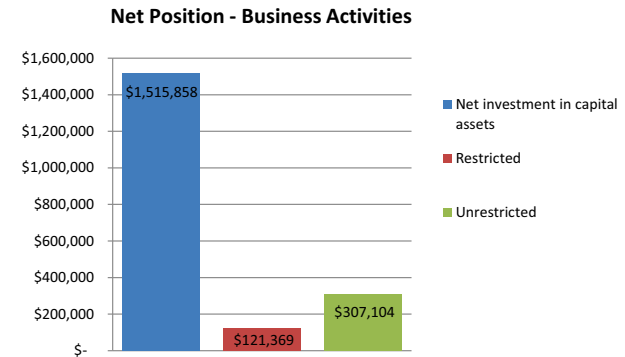


Figure 6. Composition of Net Position--Business Activities (Amounts expressed in thousands)

**City of Tacoma, Washington
Changes in Net Position**

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 41,628	\$ 37,354	\$ 785,502	\$ 739,699	\$ 827,130	\$ 777,053
Operating grants and contributions	30,378	33,925	7,968	7,438	38,346	41,363
Capital grants and contributions	15,882	19,813	19,587	25,150	35,469	44,963
General revenues	-	-	-	-	-	-
Property taxes	64,204	62,487	-	-	64,204	62,487
Other taxes	111,945	149,374	-	-	111,945	149,374
Other	2,090	433	1,774	2,879	3,864	3,312
Total revenue	266,127	303,386	814,831	775,166	1,080,958	1,078,552
Expenses:						
General government	\$ 56,887	\$ 49,781	\$ -	\$ -	\$ 56,887	\$ 49,781
Public safety	142,097	138,368	-	-	142,097	138,368
Utilities and environment	2,580	2,477	-	-	2,580	2,477
Transportation	61,524	58,288	-	-	61,524	58,288
Social services	2,649	1,953	-	-	2,649	1,953
Economic Environment	22,856	21,255	-	-	22,856	21,255
Culture and recreation	14,823	18,832	-	-	14,823	18,832
Debt Service	13,001	14,401	-	-	13,001	14,401
Public assembly facilities	-	-	19,801	16,832	19,801	16,832
Rail	-	-	30,095	29,024	30,095	29,024
Solid waste	-	-	61,040	67,591	61,040	67,591
Waste water	-	-	80,343	81,286	80,343	81,286
Water	-	-	72,324	79,773	72,324	79,773
Power	-	-	422,265	432,321	422,265	432,321
Other business-type funds	-	-	16,005	14,979	16,005	14,979
Total expenses	316,417	305,355	701,873	721,806	1,018,290	1,027,161
Increase/(Decrease) in net position before transfers	(50,290)	(1,969)	112,958	53,360	62,668	51,391
Transfers	44,853	(2,153)	(44,853)	2,153	-	-
Increase/(Decrease) in net position	(5,437)	(4,122)	68,105	55,513	62,668	51,391
Net position--January 1	731,168	716,822	1,878,356	1,823,949	2,609,524	2,540,771
Prior Period Adjustments	3,283	18,468	(2,130)	(533)	1,153	17,935
Change in accounting principle	-	-	-	(573)	-	(573)
Net position--January 1	734,451	735,290	1,876,226	1,822,843	2,610,677	2,558,133
Net position--December 31	\$ 729,014	\$ 731,168	\$ 1,944,331	\$ 1,878,356	\$ 2,673,345	\$ 2,609,524

Table 2. Changes in Net Position

The governmental activities net position decreased by \$2.2 million in 2014 due to a decrease in assets and deferred outflows of resources by \$14.7 million and also a decrease of liabilities and deferred inflows of resources of \$12.5 million.

Business activities net position increased by \$66 million in 2014 due to an increase in assets and deferred outflows of \$46 million and a decrease of \$20 million in liabilities and deferred inflows of resources.

Information on significant outstanding claims can be found in Note 9.

Financial Analysis of the City's Fund Statements

The City prepares fund statements for governmental funds and for proprietary funds.

Governmental Fund Statements

Fund balance for the City's General Fund had no significant change. Fund balance for the Transportation Capital and Engineering fund increased by \$7.9 million in 2014 from a decrease in liabilities. Fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, decreased by \$4.7 million from an increase in liabilities.

Fund Balances

At December 31, 2014, the City's governmental funds reported combined ending fund balances of \$164 million. Of this amount, \$16.9 million is nonspendable, either due to its form or legal constraints. \$79.6 million is restricted for specific programs by external constraints. \$1.2 million is committed for specific purposes as approved by City Council. \$23.7 million is assigned to specific purposes by management and the remaining \$42.6 million is unassigned.

Proprietary Fund Statements

Total net position for the enterprise funds increased by \$64.9 million in 2014. The Power, Water, Solid Waste and Sewer utilities make up the majority of the proprietary funds. Activity in these utilities was the primary driver for the change in the net position. The Power fund had an increase in net position of \$23.7 million from a decrease in liabilities. The Water fund had a significant increase in their net position of \$36.4 million due to an increase in capital construction. The Sewer fund had an increase in net position of \$10 million from an increase in revenues. The Solid Waste fund had no significant change in net position. The non-major Enterprise funds had a decrease in net position of \$4.9 million from a decrease in revenues and slight increase in increase liabilities. The total net position for internal service funds' increased by \$2.8 million in 2014. This is the result of an increase of \$3.4 million in assets while also having an increase of liabilities of about \$500 thousand.

General Fund Budgetary Highlights

In 2014, the City made budgetary adjustments as part of the 2013-2014 Mid-Biennium Budget Amendment. Budget revisions included a \$4.1 million reduction in the General Fund to move appropriations to the Transportation Benefit District Fund in 2013. At mid biennium, a \$2.1 million increase to the General Fund was made for various expenditures and an additional increase of \$2.1 million was made in 2014 for various grants and contributions. At biennium-end 2014, the General Fund revenues came in under budget by \$39.7 million and expenditures came in under budget by \$19.9 million. \$42 million in transfers were made into the General Fund along with \$1.3 million in other financing sources which made the net change in fund balance increase by \$23.5 million. Transfers increased due to the re-classification of Gross Earnings Taxes from Taxes to Transfers in 2014. The City's budget is a two year biennium budget which begins every odd year.

Capital Assets, Infrastructure, Bond Debt Administration

Capital Assets

The City of Tacoma's capital assets net of accumulated depreciation for its governmental and business type activities as of December 31, 2014 is \$3.6 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, and infrastructure. The vast majority of this amount represents assets held by the City's various utilities and infrastructure.

The following table summarizes the City's investment in capital assets.

**City of Tacoma, Washington
Schedule of Capital Assets**

(Amounts expressed in thousands)

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 27,102	\$ 28,201	\$ 158,046	\$ 158,386	\$ 185,148	\$ 186,587
Construction in progress	84,113	84,083	266,764	180,780	350,877	264,863
Property, plant and equipment	219,833	214,192	3,844,414	3,739,727	4,064,247	3,953,919
Infrastructure	1,316,313	1,303,768	-	-	1,316,313	1,303,768
Less accumulated depreciation	(819,326)	(782,736)	(1,545,486)	(1,452,624)	(2,364,812)	(2,235,360)
	<u>\$ 828,035</u>	<u>\$ 847,508</u>	<u>\$ 2,723,738</u>	<u>\$ 2,626,269</u>	<u>\$ 3,551,773</u>	<u>\$ 3,473,777</u>

Table 3. Schedule of Capital Assets

Additional information on the City's capital assets can be found in Notes 1-D5 and 4-C of the Notes to the Financial Statements.

Outstanding Debt

The City's debt at December 31, 2014 was \$1.8 billion. Approximately 83% of the bonded debt is related to utilities with repayment pledged by specific revenue sources generated by the utilities. Of the remaining 17% bonded debt, debt is either secured by voter approved special levies or general government resources. Additional information on the City of Tacoma's long-term debt can be found in Note 4-F and Note 12 of the Notes to the Financial Statements.

**City of Tacoma, Washington
Schedule of Long Term Debt**

(Amounts expressed in thousands)

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonded debt and loans	\$ 206,664	\$ 225,653	\$ 1,392,059	\$ 1,403,305	\$ 1,598,723	\$ 1,628,958
Capital leases	-	-	34,305	35,058	34,305	35,058
Claims and judgments	22,830	24,236	-	1,178	22,830	25,414
Accrued landfill liability	-	-	26,724	25,691	26,724	25,691
Net Pension Obligation	9,608	9,643	-	-	9,608	9,643
Other Post Employment Benefits	49,703	42,145	16,408	13,952	66,111	56,097
Compensated absences	16,218	17,310	19,147	18,944	35,365	36,254
	<u>\$ 305,023</u>	<u>\$ 318,987</u>	<u>\$ 1,488,643</u>	<u>\$ 1,498,128</u>	<u>\$ 1,793,666</u>	<u>\$ 1,817,115</u>

Table 4. Schedule of Long Term Debt

The City's debt rating for 2014 is as follows:

Bond	Moody's	S&P	Fitch
GO	Aa3	AA	A+
LTGO	A1	AA	A
Solid Waste	A2	AA	AA-
Sewer	Aa2	AA+	AA+
Water	Aa2	AA	--
RWSS	Aa2	AA	--
Power	Aa3	AA	AA-
Convention Center Revenue	A2	A	A+

Economic Factors

The following economic factors currently affect the City of Tacoma:

- The unemployment rate for the City of Tacoma is currently 6.1% which is a decrease of 1.3% from 2013.
- Taxable property value has increased by \$1.3 billion over 2013, which is a 7.8% increase.
- Housing prices and sales have continued to improve and show gains over the prior year.
- The Transportation Benefit District, which was created in 2012 to collect motor vehicle license fees, has been collecting revenues as projected. The 2015-2016 biennium budget is \$4.1 million.

During the current fiscal year, the unassigned fund balance in the general fund was \$48.3 million, up \$5.2 million from 2013. There is still a projected deficit of \$6 million for the 2015-2016 biennium. The City will continue to evaluate revenues and expenditures during the 2015-2016 budget preparation to produce a balanced budget.

Other Considerations

In response to the slow economic recovery, the City has taken steps to reduce discretionary spending. General government activities took significant expenditure reductions to bring levels of service to those that are affordable and sustainable. Revenue growth is limited by several citizen initiatives that limit the growth of property tax collections.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tacoma Finance Department, 747 Market Street Room 132, Tacoma, Washington 98402.

STATEMENT OF NET POSITION
December 31, 2014
(amounts expressed in thousands)
Page 1 of 2

Page 2 of 2

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	TCRA	CFRC	FWDA
	ACTIVITIES	ACTIVITIES				
ASSETS						
Cash and cash equivalents	\$ 180,670	\$ 461,433	\$ 642,103	\$ 4,583	\$ 1,183	\$ 2,292
Investments at fair value	4,577	-	4,577	-	539	-
Receivables (net of allowance for uncollectibles)	53,552	99,168	152,720	-	-	-
Due from other governmental units	21,335	1,440	22,775	579	-	111
Internal balances	12,061	(12,061)	-	1,484	-	10
Inventories	3,450	10,170	13,620	-	-	-
Prepays	686	8,767	9,453	-	-	-
Other current assets	20	4	24	3	-	28
Temporarily restricted assets:						
Cash and cash equivalents	-	282,144	282,144	-	-	-
Customer Deposits	-	90	90	-	-	-
Contracts, notes, non-current leases	-	80,742	80,742	-	-	-
Capital assets (not being depreciated):						
Land	27,102	158,046	185,148	-	-	-
Property, plant, and equipment	1,903	35,658	37,561	1,357	-	7,002
Construction in progress	84,113	266,764	350,877	-	-	-
Capital assets:						
Property, plant, and equipment	217,930	3,808,756	4,026,686	-	-	-
Infrastructure	1,316,313	-	1,316,313	6,165	-	20,140
Accumulated depreciation	(819,326)	(1,545,486)	(2,364,812)	-	-	80
Non-current assets				(3,743)	-	(4,157)
Other non-current assets	444	-	444	44,714	-	-
Total assets	<u>1,104,830</u>	<u>3,655,635</u>	<u>4,760,465</u>	<u>55,142</u>	<u>1,722</u>	<u>27,357</u>
Deferred Outflow of Resources						
Unamortized loss on refunding	4,226	13,898	18,124	-	-	-
Total Deferred Outflow of Resources	<u>4,226</u>	<u>13,898</u>	<u>18,124</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES						
Accounts payable and other current liabilities	26,058	74,916	100,974	1,726	-	42
Deposits payable	89	6,492	6,581	-	-	29
Due to other governments	779	491	1,270	-	1,722	10
Unearned revenue	1	13,740	13,741	-	-	-
Payable from restricted assets						
current liabilities	-	11,036	11,036	-	-	-
Other liabilities	8,975	15,309	24,284	-	-	-
Special assessment debt with governmental commitment	31,773	-	31,773	-	-	-
Non-current liabilities:						
Due within one year	41,127	61,218	102,345	-	-	58
Due in more than one year	232,123	1,427,425	1,659,548	500	-	3,457
Total liabilities	<u>340,925</u>	<u>1,610,627</u>	<u>1,951,552</u>	<u>2,226</u>	<u>1,722</u>	<u>3,596</u>
Deferred Inflow of Resources						
Deferred inflows of Special Assessments	39,117	-	39,117	-	-	-
Regulatory liability - rate stabilization	-	114,575	114,575	-	-	13
Total Deferred Inflow of Resources	<u>39,117</u>	<u>114,575</u>	<u>153,692</u>	<u>-</u>	<u>-</u>	<u>13</u>
NET POSITION						
Net investment in capital assets	669,951	1,515,858	2,185,809	3,779	-	21,461
Restricted for:						
Capital purchases	6,098	25,960	32,058	-	-	-
Debt Service	10,044	52,930	62,974	-	-	-
Water & assurance & system development	-	33,926	33,926	-	-	-
Culture and recreation	12,233	2,363	14,596	-	-	-
Self-insurance	-	233	233	-	-	-
Environmental services and programs	-	3,069	3,069	-	-	-
Inspections	-	367	367	-	-	-
Wynoochee reserve	-	2,521	2,521	49,138	-	-
Agreements with federal government	-	-	-	-	-	-
Public safety	11,002	-	11,002	-	-	-
Local improvement districts and neighborhoods	4,272	-	4,272	-	-	-
Transportation	11,540	-	11,540	-	-	-
Grants	2,690	-	2,690	-	-	-
Housing & economic development	21,751	-	21,751	-	-	2,287
Unrestricted	(20,567)	307,104	286,537	-	-	-
Total net position	<u>\$ 729,014</u>	<u>\$ 1,944,331</u>	<u>\$ 2,673,345</u>	<u>\$ 52,917</u>	<u>\$ -</u>	<u>\$ 23,748</u>

The notes to the financial statements are an integral part of this statement

B-15

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(amounts expressed in thousands)
Page 1 of 2

Page 2 of 2

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANT & CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 56,887	\$ 31,568	\$ 8,772	\$ 563
Public safety	142,097	6,439	7,219	1,598
Utilities	2,580	353	-	-
Transportation	61,524	1,097	6,761	13,363
Social Services	2,649	-	-	-
Natural & econ environment	22,856	2,096	7,500	-
Culture and recreation	14,823	75	126	358
Interest on long-term debt	13,001	-	-	-
Total governmental activities	<u>316,417</u>	<u>41,628</u>	<u>30,378</u>	<u>15,882</u>
Business-type activities:				
Permit Services	8,145	7,302	-	-
Mountain Rail	2,755	1,705	15	-
Parking Garage	5,707	6,682	-	219
Convention Center	7,084	4,623	-	-
Cheney Stadium	1,613	847	-	-
Tacoma Dome	6,109	5,463	-	-
Performing Arts	4,995	-	-	-
Solid Waste	61,040	64,642	513	1
Waste Water	80,343	90,648	-	6,234
Union Station	2,078	2,072	-	-
Tacoma Rail	27,340	31,232	82	-
Water	72,324	99,426	3,566	9,002
Power	422,265	468,988	3,792	4,131
Low income Assistance	-	-	-	-
Power - Conservation	75	1,872	-	-
Total business-type activities	<u>701,873</u>	<u>785,502</u>	<u>7,968</u>	<u>19,587</u>
Total primary government	<u>1,018,290</u>	<u>827,130</u>	<u>38,346</u>	<u>35,469</u>
Component units:				
TCRA	3,214	-	5,250	-
GRTC PDF	3,073	-	-	-
FWDA	1,246	506	35	48
Total component units	<u>\$ 7,533</u>	<u>\$ 506</u>	<u>\$ 5,285</u>	<u>\$ 48</u>
General revenues:				
Property taxes				
Excise taxes				
Sales taxes				
Business taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position beginning				
Prior period adjustment				
Change in accounting principle				
Net position beginning (restated)				
Net position ending				

CHANGES IN NET POSITION			COMPONENT UNITS		
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TCRA	GTRCC PFD	FWDA
\$ (15,984)	\$ -	\$ (15,984)	\$ -	\$ -	\$ -
(126,841)	-	(126,841)	-	-	-
(2,227)	-	(2,227)	-	-	-
(40,303)	-	(40,303)	-	-	-
(2,649)	-	(2,649)	-	-	-
(13,260)	-	(13,260)	-	-	-
(14,264)	-	(14,264)	-	-	-
(13,001)	-	(13,001)	-	-	-
<u>(228,529)</u>	<u>-</u>	<u>(228,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(843)	(843)	-	-	-
	(1,035)	(1,035)	-	-	-
	1,194	1,194	-	-	-
	(2,461)	(2,461)	-	-	-
	(766)	(766)	-	-	-
	(646)	(646)	-	-	-
	(4,995)	(4,995)	-	-	-
	4,116	4,116	-	-	-
	16,539	16,539	-	-	-
	(6)	(6)	-	-	-
	3,974	3,974	-	-	-
	39,670	39,670	-	-	-
	54,646	54,646	-	-	-
	-	-	-	-	-
	1,797	1,797	-	-	-
	<u>111,184</u>	<u>111,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(228,529)</u>	<u>111,184</u>	<u>(117,345)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	2,036	-	-
	-	-	-	(3,073)	-
	-	-	-	-	(657)
	-	-	<u>2,036</u>	<u>(3,073)</u>	<u>(657)</u>
\$ 64,204	\$ -	\$ 64,204	\$ -	\$ -	\$ -
5,395	-	-	-	-	-
47,976	-	47,976	-	3,063	-
58,574	-	58,574	-	-	-
2,044	1,130	3,174	15	10	22
46	644	690	-	-	(119)
44,853	(44,853)	-	-	-	-
223,092	(43,079)	174,618	15	3,073	(97)
(5,437)	68,105	62,668	2,051	-	(754)
731,168	1,878,356	2,609,524	50,866	-	24,502
3,283	(2,130)	1,153	-	-	-
-	-	-	-	-	-
734,451	1,876,226	2,610,677	50,866	-	24,502
<u>\$ 729,014</u>	<u>\$ 1,944,331</u>	<u>\$ 2,673,345</u>	<u>\$ 52,917</u>	<u>\$ -</u>	<u>\$ 23,748</u>

B-16

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(amounts expressed in thousands)

	GENERAL FUND #0010	TRANS CAPITAL & ENGINEERING FUND #(3)1060	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 44,965	\$ 8,673	\$ 79,580	\$ 133,218
Investments at fair value	-	-	4,577	4,577
Accounts receivables (net)	11,793	367	41,134	53,294
Due from other funds	4,302	983	1,513	6,798
Due from other governments	15,010	1,403	4,583	20,996
Inventories	1,116	-	1,807	2,923
Prepayments	28	-	5	33
Other current assets	-	-	20	20
Advances to other funds	10,688	-	2,790	13,478
TOTAL ASSETS	87,902	11,426	136,009	235,337
DEFERRED OUTFLOWS OF RESOURCES				
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 87,902	\$ 11,426	\$ 136,009	\$ 235,337
LIABILITIES				
Accounts payable	\$ 4,359	\$ 1,461	\$ 3,244	\$ 9,064
Due to other funds	2,958	111	4,025	7,094
Due to other governments	767	-	10	777
Accrued wages	4,524	-	1,303	5,827
Accrued benefits	66	-	-	66
Accrued taxes	3	-	10	13
Customer deposits	-	-	89	89
Other current liabilities	1,063	-	-	1,063
Advances from other funds	-	-	5,272	5,272
TOTAL LIABILITIES	13,740	1,572	13,953	29,265
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	7,862	253	33,940	42,055
TOTAL DEFERRED INFLOWS OF RESOURCES	7,862	253	33,940	42,055
FUND BALANCES (DEFICITS)				
Nonspendable	15,026	-	1,824	16,850
Restricted	9	1,978	77,644	79,631
Committed	-	-	237	237
Committed - Council Contingencies	973	-	-	973
Assigned	1,949	7,623	14,120	23,692
Unassigned	48,343	-	(5,709)	42,634
TOTAL FUND BALANCES (DEFICITS)	66,300	9,601	88,116	164,017
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 87,902	\$ 11,426	\$ 136,009	\$ 235,337

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2014
(amounts expressed in thousands)

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	164,017
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet.		794,317
Internal service funds are used by management to charge the cost of various support services such as information systems, graphic services, communication, fleet and others activities to individual funds. The assets and liabilities of the Internal service funds are included in the government activities in the statement of net position.		45,630
Certain taxes will be collected after year-end and will not be available to pay for current year expenditures and are reported as unavailable revenue.		3,015
Long Term Liabilities are not reported in the governmental funds balance sheet.		(2,203)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		(266,598)
Net Pension Obligation (NPO) is reported as a liability in the governmental activities and is not considered to represent a financial liability, therefore, it is not reported in the governmental funds balance sheet.		(9,608)
Net Pension Obligation (NPO) is reported as an asset in the governmental activities and is not considered to represent a financial asset, therefore, it is not reported in the governmental funds balance sheet.		444
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	729,014

B-17

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)

	GENERAL FUND #0010	TRANS CAPITAL & ENGINEERING FUND #(3)1060	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 143,418	\$ -	\$ 33,197	\$ 176,615
Licenses and permits	3,395	163	94	3,652
Intergovernmental revenue	8,885	8,806	28,569	46,260
Charges for goods and services	18,428	707	6,705	25,840
Fines and penalties	1,565	2	6,194	7,761
Interest and other earnings	720	78	828	1,626
Miscellaneous revenues	111	192	2,474	2,777
TOTAL REVENUES	<u>176,522</u>	<u>9,948</u>	<u>78,061</u>	<u>264,531</u>
EXPENDITURES				
Current:				
General government	53,761	-	910	54,671
Public safety	115,710	31	24,837	140,578
Utilities and environment	-	-	2,571	2,571
Transportation	1,544	3,977	16,476	21,997
Economic environment	11,991	-	8,855	20,846
Mental and physical health	-	-	2,640	2,640
Culture and recreation	11,154	-	1,044	12,198
Debt service:				
Principal payments	-	-	15,652	15,652
Interest and other related costs	-	198	12,779	12,977
Capital expenditures	1,639	12,141	12,189	25,969
TOTAL EXPENDITURES	<u>195,799</u>	<u>16,347</u>	<u>97,953</u>	<u>310,099</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(19,277)</u>	<u>(6,399)</u>	<u>(19,892)</u>	<u>(45,568)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	2,203	2,203
Premium on bonds sold	-	-	-	-
Proceeds of refunding long-term debt	-	-	-	-
Issuance discount on long-term debt	-	-	-	-
Payments to refunded debt escrow agent	-	-	-	-
Proceeds from sales of capital assets	1,372	-	105	1,477
Insurance recoveries	120	-	1	121
Transfer in	42,184	17,472	35,404	95,060
Transfer (out)	(24,305)	(3,702)	(22,698)	(50,705)
TOTAL OTHER FINANCE SOURCES(USES)	<u>19,371</u>	<u>13,770</u>	<u>15,015</u>	<u>48,156</u>
NET CHANGE IN FUND BALANCE	94	7,371	(4,877)	2,588
FUND BALANCE - JANUARY 1	66,494	1,728	92,822	161,044
Prior period adjustment	(288)	502	171	385
FUND BALANCE - JANUARY 1, RESTATED	<u>66,206</u>	<u>2,230</u>	<u>92,993</u>	<u>161,429</u>
FUND BALANCE - DECEMBER 31	<u>\$ 66,300</u>	<u>\$ 9,601</u>	<u>\$ 88,116</u>	<u>\$ 164,017</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	2,588
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures in the year purchased. The entity wide statement of activities reports capital outlay as depreciation expense over the life of the asset. This is the amount by which capital outlays exceeded depreciation in the current period.		(18,955)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		1,132
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Net OPEB obligation		(7,558)
Net pension obligation		(11)
Compensated absences		(1,775)
Accrued Interest Expense		(2,203)
The net revenue of certain activities of internal service funds is reported with governmental activities:		
Profit Loss reallocation that decrease expenditure		7,901
Debt proceeds provide current financial resources to governmental funds but issuing debt increases non-current liabilities in the statement of net position. Repayment of non-current debt is an expenditure in the governmental funds but on the statement of net position it reduces the liability:		
Bond Issuance Cost/Discount Amortization		(2,208)
Principal repayment		15,652
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(5,437)</u>

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2014
 (amounts expressed in thousands)
 Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTEWATER & SURFACE WATER FUND #4300-01	TACOMA WATER FUND #4600	TACOMA POWER FUND #4700
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 26,085	\$ 49,138	\$ 48,086	\$ 287,950
Accounts receivable (net)	5,972	12,146	9,569	63,727
Due from other funds	498	445	292	2,509
Due to other governments	-	1,206	-	234
Inventory	-	1,014	2,401	5,544
Prepayments	-	291	707	5,205
Other current assets	-	-	-	4
Current restricted assets:				
C&CE - debt services, deposits and replacements	7,408	10,056	3,598	45,459
C&CE - construction accounts	-	911	39,509	51,137
C&CE - other special purposes	-	-	101,016	19,524
Notes and contracts receivable (current)	-	-	-	-
Customer deposits	90	-	-	-
Total restricted assets	7,498	10,967	144,123	116,120
Total current assets	40,053	75,207	205,178	481,293
Non-current assets:				
Notes and contracts receivable (non-current)	-	-	-	42,599
Other non-current assets	687	4,226	3,769	1,877
Capital assets:				
Land	3,120	19,621	23,350	74,946
Property, plant, and equipment	187,683	714,534	843,422	1,743,134
Less: accumulated depreciation	(109,272)	(221,487)	(180,550)	(893,802)
Construction work in progress	550	23,323	186,353	54,789
Total capital assets net of depreciation	82,081	535,991	872,575	979,067
Total non-current assets	82,768	540,217	876,344	1,023,543
TOTAL ASSETS	122,821	615,424	1,081,522	1,504,836
DEFERRED OUTFLOW OF RESOURCES				
Unamortized loss on refunding	218	1,037	1,588	8,026
TOTAL DEFERRED OUTFLOW OF RESOURCES	218	1,037	1,588	8,026

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2014
 (amounts expressed in thousands)
 Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTEWATER & SURFACE WATER FUND #4300-01	TACOMA WATER FUND #4600	TACOMA POWER FUND #4700
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,241	\$ 5,912	\$ 4,016	\$ 22,823
Due to other funds	1,168	1,783	1,339	2,970
Due to other governments	-	490	-	-
Advances from other funds	-	-	-	-
Interest payable	-	253	1,801	13,313
Deposits payable	20	-	276	2,884
Accrued wages	678	1,392	1,037	4,550
Accrued benefits	118	294	256	1,048
Accrued taxes	665	731	1,405	6,825
Environmental liability - current	907	604	-	-
Notes, contracts & leases - current	121	4,324	588	-
Revenue bonds - current	4,203	-	10,442	32,115
Unearned revenue	146	196	8,574	2,906
Other	-	-	-	234
Current payables from restricted assets:				
Debt principal payable	382	-	-	-
Debt interest payable	246	365	-	-
Deposits and other payables	91	-	4,339	-
Total current liabilities	9,986	16,344	34,073	89,668
Non-current liabilities:				
Revenue bonds payable (net)	54,538	93,183	400,992	530,581
Advances from other funds	-	-	-	-
Unavailable revenues	-	-	-	-
Compensated absences	1,062	2,646	2,300	9,435
Environmental liability - non-current	24,813	400	-	-
Notes, contracts & leases payable - non-current	5,196	80,297	82,550	-
Incurred but not reported	-	-	524	3,164
Net OPEB obligation	1,707	2,232	2,908	9,198
Other - non-current liabilities	-	-	7,515	13
Non-current payables from restricted assets:				
Accrued landfill liability	-	-	-	-
Total non-current liabilities	87,316	178,758	496,789	552,391
TOTAL LIABILITIES	97,302	195,102	530,862	642,059
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	-	-	-	-
Deferred liability - rate stabilization	6,000	25,000	35,575	48,000
TOTAL DEFERRED INFLOW OF RESOURCES	6,000	25,000	35,575	48,000
NET POSITION				
Net investment in capital assets	27,571	401,734	434,283	499,658
Restricted:				
Restricted for capital purchases	-	-	-	-
Restricted for debt	6,780	9,691	1,797	32,146
Restricted for waste assurance and systems development	-	-	33,926	-
Restricted for culture and recreation	-	-	-	-
Restricted for self-insurance	-	-	-	-
Restricted for environmental services and programs	-	-	-	-
Restricted for inspections	-	-	-	-
Restricted for reserves	-	-	-	2,521
Unrestricted	(14,614)	(15,066)	46,667	288,478
TOTAL NET POSITION	\$ 19,737	\$ 396,359	\$ 516,673	\$ 822,803

B-19

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2014
 (amounts expressed in thousands)
 Page 3 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 22,225	\$ 433,484	\$ 75,401
Accounts receivable (net)	7,754	99,168	258
Due from other funds	147	3,891	6,578
Advances to other funds - current	-	-	-
Due from other governments	-	1,440	339
Inventory	885	9,844	853
Prepayments	2,564	8,767	653
Other current assets	-	4	-
Current restricted assets:			
C&CE - debt services, deposits and replacements	579	67,100	-
C&CE - construction accounts	-	91,557	-
C&CE - other special purposes	2,947	123,487	-
Notes and contracts receivable (current)	-	-	-
Customer deposits	-	90	-
Total restricted assets	3,526	282,234	-
Total current assets	37,101	838,832	84,082
Non-current assets:			
Notes and contracts receivable (non-current)	27,584	70,183	-
Other non-current assets	-	10,559	-
Capital assets:			
Land	37,009	158,046	357
Property, plant, and equipment	298,708	3,787,481	150,170
Less: accumulated depreciation	(104,334)	(1,509,445)	(102,539)
Construction work in progress	1,255	266,270	7,116
Total capital assets net of depreciation	232,638	2,702,352	55,104
Total non-current assets	260,222	2,783,094	55,104
TOTAL ASSETS	297,323	3,621,926	139,186
DEFERRED OUTFLOW OF RESOURCES			
Unamortized loss on refunding	3,029	13,898	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	3,029	13,898	-

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2014
 (amounts expressed in thousands)
 Page 4 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,044	\$ 37,036	\$ 7,634
Due to other funds	851	8,111	2,062
Due to other governments	1	491	2
Advances from other funds	584	584	-
Interest payable	600	15,967	-
Deposits payable	3,312	6,492	-
Accrued wages	859	8,516	930
Accrued benefits	175	1,891	203
Accrued taxes	315	9,941	24
Environmental liability - current	-	1,511	-
Notes, contracts & leases - current	2,800	7,833	-
Revenue bonds - current	3,354	50,114	-
Unearned revenue	1,918	13,740	-
Other	1,744	1,978	24,055
Current payables from restricted assets:			
Debt principal payable	-	382	-
Debt interest payable	-	611	-
Deposits and other payables	-	4,430	-
Total current liabilities	19,557	169,628	34,910
Non-current liabilities:			
Revenue bonds payable (net)	113,913	1,193,207	-
Advances from other funds	7,622	7,622	-
Unavailable revenues	-	-	1
Compensated absences	1,578	17,021	1,775
Environmental liability - non-current	-	25,213	-
Notes, contracts & leases payable - non-current	-	168,043	-
Incurred but not reported	2,307	5,995	-
Net OPEB obligation	363	16,408	-
Other - non-current liabilities	9,356	16,884	13,690
Total non-current liabilities	135,139	1,450,393	15,466
TOTAL LIABILITIES	154,696	1,620,021	50,376
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue	-	-	77
Deferred liability - rate stabilization	-	114,575	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	114,575	77
NET POSITION			
Net investment in capital assets	131,226	1,494,472	55,104
Restricted:			
Restricted for capital purchases	14	14	25,946
Restricted for debt	2,516	52,930	-
Restricted for waste assurance and systems development	-	33,926	-
Restricted for culture and recreation	2,363	2,363	-
Restricted for self-insurance	-	-	233
Restricted for environmental services and programs	3,069	3,069	-
Restricted for inspections	367	367	-
Restricted for reserves	-	2,521	-
Unrestricted	6,101	311,566	7,450
TOTAL NET POSITION	\$ 145,656	\$ 1,901,228	\$ 88,733

B-20

RECONCILIATION OF TOTAL ENTERPRISE NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2014
(amounts expressed in thousands)

NET POSITION - TOTAL ENTERPRISE FUNDS \$ 1,901,228

Amounts reported for business activities in the statement of net position assets are different because:

Internal service fund are used by management to charge the cost of support services to individual enterprise funds. In this case the support service is fleet management. The assets and liabilities of the fleet fund are included in the business activities in the government-wide statement of net position. 43,103

NET POSITION OF BUSINESS ACTIVITIES \$ 1,944,331

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(amounts expressed in thousands)

Page 1 of 2

	BUSINESS-TYPE ACTIVITIES			
	ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTEWATER & SURFACE WATER FUND #4300-01	TACOMA WATER FUND #4600	TACOMA POWER FUND #4700
OPERATING REVENUES				
Charges for goods and services	\$ 56,750	\$ 90,232	\$ 98,593	\$ 466,126
Interfund insurance premiums	-	-	-	-
Miscellaneous revenues	1	-	-	1,144
TOTAL OPERATING REVENUES	<u>56,751</u>	<u>90,232</u>	<u>98,593</u>	<u>467,270</u>
OPERATING EXPENSES				
Salary and wages	13,023	21,804	14,050	69,942
Personnel benefits	6,286	9,591	8,373	35,402
Supplies	928	4,703	1,683	126,445
Services	22,456	20,618	14,159	83,352
Intergovernmental services (interfund taxes)	674	3,694	3,779	19,277
Depreciation expense	6,988	14,248	16,784	59,156
TOTAL OPERATING EXPENSES	<u>50,355</u>	<u>74,658</u>	<u>58,828</u>	<u>393,574</u>
OPERATING INCOME (LOSS)	<u>6,396</u>	<u>15,574</u>	<u>39,765</u>	<u>73,696</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and other earnings	312	619	1,718	3,782
Interest and other related costs	(3,389)	(5,685)	(13,327)	(27,568)
Amortization of bond discount & expense	233	258	1,115	(7,412)
Operating contributions - interfund	-	-	4	-
Operating contributions - federal/state/local	513	-	3,562	3,792
Other non revenues and (expenses)	142	416	664	1,195
Gain(loss) on disposition of property	3	(44)	65	224
NON OPERATING REVENUE NET OF EXPENSE	<u>(2,186)</u>	<u>(4,436)</u>	<u>(6,199)</u>	<u>(25,987)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>4,210</u>	<u>11,138</u>	<u>33,566</u>	<u>47,709</u>
Capital contributions - interfund	-	3,680	-	-
Capital contributions - federal/state/local	1	2,345	195	25
Capital contributions - private	-	209	8,807	4,106
Transfer in	-	1	-	176
Transfer (out)	(4,545)	(7,372)	(6,353)	(27,175)
Total contributions and transfers	<u>(4,544)</u>	<u>(1,137)</u>	<u>2,649</u>	<u>(22,868)</u>
CHANGE IN NET POSITION	<u>(334)</u>	<u>10,001</u>	<u>36,215</u>	<u>24,841</u>
NET POSITION				
NET POSITION - JANUARY 1	20,071	386,358	480,289	799,079
Prior period adjustments	-	-	169	(1,117)
NET POSITION - JANUARY 1 RESTATED	<u>20,071</u>	<u>386,358</u>	<u>480,458</u>	<u>797,962</u>
NET POSITION - DECEMBER 31	<u>\$ 19,737</u>	<u>\$ 396,359</u>	<u>\$ 516,673</u>	<u>\$ 822,803</u>

B-21

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended December 31, 2014
 (amounts expressed in thousands)

Page 2 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
OPERATING REVENUES			
Charges for goods and services	\$ 54,005	\$ 765,706	\$ 50,468
Interfund insurance premiums	-	-	81,055
Miscellaneous revenues	16	1,161	1,098
TOTAL OPERATING REVENUES	54,021	766,867	132,621
OPERATING EXPENSES			
Salary and wages	18,356	137,175	19,532
Personnel benefits	7,524	67,176	76,206
Supplies	2,093	135,852	2,835
Services	20,767	161,352	28,150
Intergovernmental services (interfund taxes)	723	28,147	-
Depreciation expense	8,157	105,333	8,157
TOTAL OPERATING EXPENSES	57,620	635,035	134,880
OPERATING INCOME (LOSS)	(3,599)	131,832	(2,259)
NON-OPERATING REVENUES (EXPENSES)			
Interest and other earnings	233	6,664	524
Interest and other related costs	(7,556)	(57,525)	(15)
Amortization of bond discount & expense	166	(5,640)	-
Operating contributions - interfund	-	4	-
Operating contributions - federal/state/local	97	7,964	-
Other non revenues and (expenses)	7,052	9,469	5
Gain(loss) on disposition of property	(77)	171	519
NON OPERATING REVENUE NET OF EXPENSE	(85)	(38,893)	1,033
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,684)	92,939	(1,226)
Capital contributions - interfund	219	3,899	-
Capital contributions - federal/state/local	-	2,566	-
Capital contributions - private	-	13,122	-
Transfer in	7,307	7,484	1,156
Transfer (out)	(7,545)	(52,990)	(5)
CHANGE IN NET POSITION	(3,703)	67,020	(75)
NET POSITION			
NET POSITION - JANUARY 1	150,541	1,836,338	85,910
Prior period adjustments	(1,182)	(2,130)	2,898
NET POSITION - JANUARY 1 RESTATED	149,359	1,834,208	88,808
NET POSITION - DECEMBER 31	\$ 145,656	\$ 1,901,228	\$ 88,733

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS

TO THE STATEMENT OF ACTIVITIES -
 BUSINESS ACTIVITIES

For the Year Ended December 31, 2014
 (amounts expressed in thousands)

NET CHANGES IN NET POSITION - TOTAL ENTERPRISE FUNDS	\$ 67,020
Amounts reported for busines activities in the statement of activities are different because:	
The net revenue of certain activities of internal service funds is reported with business activities:	
Profit Loss reallocation that decrease expenditure	1,085
CHANGES IN NET POSITION OF BUSINESS ACTIVITIES	\$ 68,105

B-22

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)
 Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTE WATER FUND #4300/4301	TACOMA WATER FUND #4600	TACOMA POWER FUND #4700
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 57,107	\$ 89,287	\$ 100,989	\$ 432,624
Receipts from interfund services provided	-	-	-	24,429
Contributions received - employee/employer	(391)	(336)	8,796	-
Payments to suppliers	(17,248)	(15,793)	(18,722)	(184,876)
Payments to employees	(19,030)	(31,028)	(21,878)	(103,267)
Payments to insurance carriers	-	-	-	-
Payments for taxes	(627)	(9,930)	(4,048)	(19,917)
Payments for interfund services used	(6,049)	(1,214)	(17,862)	(23,345)
Other operating or non-operating revenues (expenses)	149	416	778	1,033
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,911	31,402	48,053	126,681
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	(4,539)	(7,215)	(6,309)	(26,922)
Transfers (to) other funds	-	-	-	-
Advances from other funds	-	-	-	-
Grants received	514	11	3,562	3,747
Debt service related to environmental Contributions and Donations	(440)	(1,915)	-	(956)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(4,465)	(9,119)	(2,747)	(24,131)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	3,564	66	-
Transfers (to) funds	-	-	-	-
Acquisition and construction of capital assets	(934)	(41,458)	(75,834)	(78,257)
System development charges	-	-	-	-
Proceeds from capital debt	-	-	-	-
Proceeds from the sale of capital assets	3	6	83	325
Proceeds from leased property	-	-	-	-
Lease and leaseback	-	-	-	-
Principal paid on capital debt	(3,085)	(3,597)	28,751	(28,295)
Interest and issuance costs paid on capital debt	(2,963)	(3,786)	(13,319)	(28,700)
Premium and net refunding from capital debt	-	-	-	(1,762)
Capital lease obligation	(1,694)	942	-	-
Change in deferred credits	-	-	-	-
Contributions and donations	-	2,424	9,002	4,176
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(8,673)	(41,905)	(51,251)	(132,513)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	298	611	1,671	3,700
Rental and other income	-	-	-	-
Investment long-term	6	9	42	80
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	304	620	1,713	3,780
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,077	(19,002)	(4,232)	(26,183)
CASH & CASH EQUIVALENTS, JANUARY 1	32,416	79,107	196,441	430,253
CASH, RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	\$ 33,493	\$ 60,105	\$ 192,209	\$ 404,070

B-23

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)
 Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTE WATER FUND #4300/4301	TACOMA WATER FUND #4600	TACOMA POWER FUND #4700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (loss)	\$ 6,396	\$ 15,574	\$ 39,765	\$ 73,696
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	6,988	14,248	16,784	59,156
(increase) decrease in accounts receivable	356	(946)	2,669	(9,564)
(Increase) decrease in intergovernmental receivables	-	-	-	-
(Increase) decrease in due from other funds	(391)	(336)	8,523	(651)
(Increase) decrease in inventories	-	(120)	(65)	1,182
(Increase) decrease in prepaid items	-	283	(151)	(933)
(Increase) decrease in other current assets	-	(563)	910	1
Increase (decrease) in deposits payable	21	(105)	368	103
Increase (decrease) in accounts payable	(368)	2,287	(13,164)	(1,110)
Increase (decrease) in accrued wages payable	37	141	80	489
Increase (decrease) in compensated absences	242	226	465	1,588
Increase (decrease) in deferred credits	-	-	-	-
Increase (decrease) in intergovernmental payables	-	-	-	-
Increase (decrease) in due to other funds	446	466	(8,418)	1,706
Increase (decrease) in unearned revenues	6	8	(316)	139
Increase (decrease) in other current liabilities	721	(77)	-	(94)
Increase (decrease) in notes, contracts, and leases payable	-	-	-	-
Increase (decrease) in other long-term liabilities	(692)	(100)	(175)	(60)
Increase (decrease) in prior period adjustments	-	-	-	-
Miscellaneous non-operating revenues (expenditures)	149	416	778	1,033
Total adjustments	7,515	15,828	8,288	52,985
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 13,911	\$ 31,402	\$ 48,053	\$ 126,681
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of capital assets	-	3,314	-	-

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)
 Page 3 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 57,473	\$ 737,480	\$ 23,085
Receipts from interfund services provided	5	32,503	19,295
Contributions received - employee/employer	-	-	80,955
Payments to suppliers	(18,569)	(255,208)	(90,935)
Payments to employees	(25,429)	(200,632)	(21,391)
Payments to insurance carriers	-	-	-
Payments for taxes	(636)	(35,158)	(1,586)
Payments for interfund services used	(2,525)	(50,995)	(2,118)
Other operating or non-operating revenues (expenses)	2,478	4,854	1
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	12,797	232,844	7,306
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	5,635	(39,350)	-
Transfers (to) other funds	(493)	(493)	(269)
Advances from other funds	-	-	(119)
Grants received	15	7,849	-
Debt service related to environmental	-	(2,355)	-
Contributions and Donations	-	(956)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	5,157	(35,305)	(388)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	4,038	7,668	1,151
Transfers (to) funds	-	-	-
Acquisition and construction of capital assets	(5,460)	(201,943)	(8,235)
System development charges	-	-	-
Proceeds from capital debt	-	-	-
Proceeds from the sale of capital assets	11	428	-
Proceeds from leased property	-	-	-
Lease and leaseback	-	-	-
Principal paid on capital debt	(10,270)	(16,496)	-
Interest and issuance costs paid on capital debt	(7,856)	(56,624)	(14)
Premium and net refunding from capital debt	426	(1,336)	-
Capital lease obligation	-	(752)	-
Change in deferred credits	-	-	-
Contributions and donations	204	15,806	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(18,907)	(253,249)	(7,098)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	423	6,703	494
Rental and other income	-	-	-
Investment long-term	1,056	1,193	29
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,479	7,896	523
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	526	(47,814)	343
CASH & CASH EQUIVALENTS, JANUARY 1	25,225	763,442	75,058
CASH, RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	25,751	715,628	75,401

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)
 Page 4 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)			
BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (3,599)	\$ 131,832	\$ (2,259)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	8,157	105,333	8,157
(Increase) decrease in accounts receivable	3,466	(4,019)	(108)
(Increase) decrease in intergovernmental receivables	6	6	5
(Increase) decrease in due from other funds	4	7,149	(3,846)
(Increase) decrease in inventories	(46)	951	(20)
(Increase) decrease in prepaid items	(163)	(964)	1,431
(Increase) decrease in other current assets	-	348	-
Increase (decrease) in deposits payable	(271)	116	-
Increase (decrease) in accounts payable	368	(11,987)	(1,787)
Increase (decrease) in accrued wages payable	174	921	92
Increase (decrease) in compensated absences	325	2,846	93
Increase (decrease) in deferred credits	367	367	-
Increase (decrease) in intergovernmental payables	(187)	(187)	-
Increase (decrease) in due to other funds	127	(5,673)	1,215
Increase (decrease) in unearned revenues	(17)	(180)	78
Increase (decrease) in other current liabilities	546	1,096	817
Increase (decrease) in notes, contracts, and leases payable	(81)	(81)	-
Increase (decrease) in other long-term liabilities	1,203	176	539
Increase (decrease) in prior period adjustments	(60)	(60)	2,898
Miscellaneous non-operating revenues (expenditures)	2,478	4,854	1
Total adjustments	16,396	101,012	9,565
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 12,797	\$ 232,844	\$ 7,306
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	-	3,314	-

B-24

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 December 31, 2014
 (amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6150, 6450	AGENCY FUNDS # 6790
ASSETS		
Cash and cash equivalents	\$ 31,920	\$ -
Investments at fair value:		
Equities	830,574	-
Fixed income	502,847	-
Other assets	20	-
Real estate	65,267	-
Venture capital and partnerships	68,106	-
Securities lending collateral	66,466	-
Receivables - net uncollectible accounts		
Contributions and other receivables	-	-
Due from other funds	2	-
Due from other governments	2,688	-
Interest and dividends	2,399	-
Investment sales	5,627	-
Capital assets - net of accumulated depreciation	13	-
TOTAL ASSETS	<u>1,575,929</u>	<u>-</u>
DEFERRED OUTFLOW OF RESOURCES		
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,565	-
Accrued wages and benefits payable	963	-
Due to other funds	-	-
Due to the governmental units	353	-
Investments purchase payable	26,941	-
Securities lending collateral	66,466	-
Other current liabilities	133	-
Total current liabilities	<u>96,421</u>	<u>-</u>
Non-current liabilities:		
Accrued employee leave benefits	81	-
Total non-current liabilities	<u>81</u>	<u>-</u>
TOTAL LIABILITIES	<u>96,502</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES		
TOTAL DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION		
Held in trust for pension benefits and other purposes	\$ <u>1,479,427</u>	\$ <u>-</u>

FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 For the Year Ended December 31, 2014
 (amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6150, 6450
ADDITIONS	
Employer contributions	\$ 33,350
Member contributions	20,700
Other contributions	134
Total contributions	<u>54,184</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	89,862
Interest & dividends	26,543
Total investment income	<u>116,405</u>
Less investment expenses:	
Investment management fees	(5,343)
Securities lending - agent fees	(49)
Securities lending - broker rebates	8
Total investment expense	<u>(5,384)</u>
Net investment income	<u>111,021</u>
TOTAL ADDITIONS	<u>165,205</u>
DEDUCTIONS	
Wages and benefits	1,232
Benefit payments	71,687
Refunds of contributions	2,151
Administrative expense	556
TOTAL DEDUCTIONS	<u>75,626</u>
NET INCREASE (DECREASE)	<u>89,579</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
Net position - beginning	1,390,148
Prior period adjustment	(300)
Net position - beginning (restated)	1,389,848
Net position - ending	\$ <u>1,479,427</u>

B-25

Note 1 Summary of significant accounting policies

A. The reporting entity

The City of Tacoma is a municipal corporation incorporated January 7, 1894. The City operates under a Council-Manager form of government, and under its charter has all powers granted by the constitution and laws of the State of Washington. The City provides the full range of services contemplated by statute or charter. Areas under City Council include:

1. City Manager functions: City Attorney, Community & Economic Development, Environmental Policy & Sustainability, Environmental Services, Finance, Fire, Governmental Relations, Hearing Examiner, Human Services, Information Technology, Library, Media & Communications, Neighborhood & Community Services, Planning & Development Services, Police, Public Assembly Facilities, and Public Works; and,
2. Utility functions: Power, Rail, and Water.

The accompanying financial statements present the City and its component units. Component units are required to be blended if: Management of the City has operational responsibility; or, Services are provided almost entirely to the City; or, Debts are expected to be paid almost entirely by resources of the City. Discretely presented component units are separate legal entities for which the City is financially accountable and there is a financial benefit/burden relationship with the City. Exclusion of these entities would cause the City's financial statements to be misleading or incomplete. For related party transactions refer to Note 4 Section H.

Blended Component Units:

Tacoma Transportation Benefit District (TBD) is a blended component unit and is reported with the City's reporting entity as a Special Revenue Fund. The authority to form a TBD is granted under Washington State RCW 35.21.225 and RCW 36.73.020. During 2011 City Council created the TBD, by ordinance No. 28099, for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements consistent with state, regional, and local plans. City management has operational responsibility and services are provided entirely to the City. RCW 82.80.140 gives the TBD the authority to impose taxes, fees, charges, and tolls. The TBD approved Resolution No. TBD001 imposing a \$20 vehicle registration fee within the district's boundaries, effective for 2012. Financial statements for the TPD can be found in the Combining Statements located in the Financial Section of this report.

Discretely presented Component Units:

Tacoma Community Redevelopment Authority (TCRA) is a separate public development authority established through City ordinances and the laws of the State of Washington. TCRA was created to administer Housing and Urban Development (HUD) and Economic Development Administration (EDA) funds assisting the City in housing rehabilitation and business economic development projects. Separate financial statements for TCRA can be obtained from: TCRA, 747 Market Street, Room 1036, Tacoma, Washington 98402-3701.

The Greater Tacoma Regional Convention Center Public Facilities District (the District) is a public corporation organized under the Laws of Washington, Chapter 165, 1999 Regular Session, Sections 1 through 23 and pursuant to an interlocal agreement between the Cities of Tacoma, Fife, University Place, Lakewood and Pierce County. Liability of the District is limited to the District's assets with no recourse to the City of Tacoma assets or property. The District entered into an interlocal agreement with the City of Tacoma to assist finance, and otherwise facilitate the construction and operation of a Convention Center. The District imposed the 0.033 percent sales and use tax authorized by RCW 82.08 and 82.12. The District pays these revenues to the City of Tacoma primarily for the debt service on bonds issued by the City for the construction of the Convention Center. The District assigned the title to the Convention Center inclusive of real property, buildings, fixtures, furnishings, appurtenances and improvements to the City of Tacoma. Separate financial statements for the District can be obtained from: GTRCC PFD, c/o the City of Tacoma Finance Department, 747 Market Street, Room 132, Tacoma, Washington 98402-3773.

The Foss Waterway Development Authority (FWDA or Authority), is a separate legal entity and presented as a discretely presented component unit in the City's financial statements. The Authority was created on October 1, 1996 by Resolution No. 33513. Under the terms of an agreement between the City and the Authority, the Authority manages the redevelopment of property within and along the Thea Foss Waterway. The Authority serves to improve the environment, and along with the City, is taking steps to enhance the Waterway. Separate financial statements for the Authority can be obtained from: Foss Waterway Development Authority, c/o the City of Tacoma Finance Department, 747 Market Street, Room 132, Tacoma, Washington 98402-3773.

Joint Ventures:

The City participates in two joint ventures: the South Sound 911 and the Tacoma-Pierce County Health Department.

South Sound 911

On November 8, 2011, voters in Pierce County approved a county-wide one-tenth of one percent local sales and use tax to fund costs associated with regional 911 system and facility improvements. Development of the regional system is being managed by South Sound 911, an interlocal agency created by Pierce County, the City of Tacoma, the City of Lakewood, the City of Fife and West Pierce Fire and Rescue pursuant to RCW 39.34. All services previously provided by the Law Enforcement Support Agency (LESA) are now being provided by South Sound 911. On December 17, 2012, all LESA employees were transitioned to the new agency. All assets and liabilities were transferred to South Sound 911 on the official transition date of January 1, 2013. During the next few years, Public Safety Answering Points (PSAP's) managed by the City of Tacoma, City of Fife and West Pierce Fire and Rescue will transition to South Sound 911.

In 2012, South Sound 911 established its first Policy Board consisting of nine voting members.

Members of the Policy Board include:

- One member of the Pierce County Council;
- The Pierce County Executive;
- The Mayor of Tacoma;
- One member of the Tacoma City Council;
- The Mayor or one member of the Lakewood City Council;
- The Pierce County Sheriff;
- The Mayor or one member of the Fife City Council;
- One Fire Commissioner of West Pierce Fire & Rescue;
- One Mayor or Councilmember of a city or town within Pierce County with a population under (50,000) fifty-thousand residents, provided that such city or town contracts with South Sound 911 or a Member Agency. Such position shall be filled for a two-year term by appointment through a vote of the Policy Board.

South Sound 911 also established an Operations Board under the authority of the Policy Board. The members of the Operations Board are the members of the Law Enforcement Services and Fire Services Committees. Each committee will have (1) one vote. If the Operations Board cannot reach consensus, the deciding vote will be cast by the Policy Board.

Tacoma-Pierce County Health Department

The Health Department is a joint venture of the City and County providing personal and environmental health services throughout the County. The Department provides community leadership in protecting the public's health, preventing health problems, and promoting healthy and safe living. The Health Department was created pursuant to the provisions of Chapter 70.08 of the Revised Code of Washington (RCW) to serve the needs of the constituents of the City of Tacoma, Pierce County, and other cities and towns within the County. The operations of the Health Department are governed by an agreement, dated May 23, 2006, between the City of Tacoma and Pierce County. The Health Department is managed by the Board of Health, which consists of the Pierce County Executive or a duly designated representative, three members of the County Council, Mayor of the City of Tacoma or a duly designated representative, one member of the City Council, one member representing Pierce County Cities and Towns Association, and one member-at-large appointed by the first six representatives. The City of Tacoma and Pierce County are responsible for its debts and are entitled to the surplus.

Financial information for both entities is included in Note 8 Section G. The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

B. Government-wide and fund financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments-in-lieu of taxes, charges between the City's utilities and various other functions of the government, and some indirect cost allocations between the general fund and other funds of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given governmental function or business segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment. Taxes, transfers between funds, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB issued and the City implemented, in 2014 (as applicable), the following:

- Statement No. 67, issued in June 2012, *Financial Reporting for Pension Plans; an amendment for GASB Statement No 25*, effective for financial statements for periods beginning after June 15, 2013.
- Statement No. 69, issued in January 2013, *Government Combinations and Disposals of Government Operations*, effective for financial statements beginning after December 15, 2013; and,
- Statement No. 70, issued in April 2013, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for financial statements beginning after June 15, 2013.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year-end are no longer specifically reported as reservations of fund balances for governmental type funds. They are included in the restricted, committed, or assigned fund balance as defined by GASB Statement No. 54. Encumbrances outstanding at the end of the biennium are reappropriated at the beginning of the next biennium. The amount of encumbrances, expressed in thousands, needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end are as follows:

Transportation Capital & Engineering		
General Fund	Engineering	Non-major Funds
\$ 1,949	\$ 16,870	\$ 23,515

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to generally be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures are generally recorded when a

liability is incurred and when goods and services are received, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Deferred Inflows of Resources includes property taxes that were not available to finance expenditures of the current period and grant revenues received in advance. Detailed information on property taxes is contained in the Statistical Section, Table 8. All other revenue items are considered to be measurable and available only when cash is received by the government.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. In addition, the City has two Internal Service Funds that provides 100% support to Business-type Activities only. A reconciliation is provided to explain the adjustment needed to transform the fund based financial statements into the business-type column of the government-wide presentation. These reconciliations are included as part of the basic financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's various utilities and internal service funds are charges to customers for sales and services. The City enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

- The General fund (#0010) is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Transportation Capital and Engineering fund (#3-1060) accounts for maintenance, engineering, and construction of city streets.

The City reports the following major proprietary funds:

- The Solid Waste fund (#4200) provides solid waste collection and disposal services for residential and commercial customers. Services include recycling, long-haul to an outside landfill, and disposal in the City owned landfill.
- The Wastewater and Surface Water (Sewer) fund (#4300-01) accounts for the planning, design, construction, operation, and maintenance of the Wastewater and Surface water facilities owned by the City.
- The Tacoma Water fund (#4600) accounts for the activities of the City's water distribution system.
- The Tacoma Power fund (#4700) accounts for the activities of the City's electric production and distribution operations.

Additionally, the City reports the following non-major fund types:

Special Revenue Funds:

- Courts Special Revenue fund (#1020) accounts for costs associated with the Court system.
- Council Contingency fund (#1030) establishes reserves for Council contingencies. This fund is reported within the General fund.
- Public Works Street fund (#1065) accounts for street engineering and administration services.
- Transportation Benefit District (#1070) accounts for revenues and disbursement to the City of funds collected within the Transportation Benefit District. These funds are transferred to the Transportation Capital and Engineering fund for the maintenance of City streets.
- 2% Gross Earnings Tax Fund (#1080) accounts for the street maintenance funded through gross earnings taxes.
- Fire Department fund (#1090) accounts for expenditures related to the specific revenues or grants for fire services.
- Property Management/Street Vacation fund (#1100) accounts for costs associated with Public Works Facilities and Street Right-of-ways.
- Local Improvement Guarantee fund (#1110) provides for the guarantee of Local Improvement Bond obligations.
- Public Works Paths and Trails fund (#1140) was created for the purpose of creating and maintaining paths and trails within the City of Tacoma.
- Building and Land Use Services fund (#1145) was created for the purpose of managing code violations and preserving historical buildings.
- Fire Department EMS fund (#1155) accounts for costs associated with the emergency management.
- Tourism fund (#1180) was created to promote use of the convention center and to promote tourism for the City.
- Neighborhood and Community Services fund (#1185) accounts for neighborhood and community services to protect human rights and provide services to improve neighborhoods and households.
- Community and Economic Development fund (#1195) was created to promote economic development for the City.
- Library fund (#1200) accounts for costs associated with the operation of the Library system.
- Finance Historically Underutilized Business (HUB) fund (#1236) accounts for activities which provide opportunities to qualified small businesses doing business with the City.
- Police fund (#1267) accounts for cost related to specific special revenues or grants for police services.
- Municipal Cable fund (#1431) supports the accounting for TV Tacoma, the City's television station.
- Human Resources Special Revenue fund (#1500) accounts for activities within the human resources department.
- Traffic Enforcement, Engineering and Education fund (#1650) manages the "red light" traffic camera program.
- Unclaimed Property fund (#1-6330) accounts for assets held by the City (primarily uncashed checks) until owners can be located.

Debt Service Funds:

- Voted Bonds fund (#2010) accounts for the debt service of unlimited general obligation bonds issued by the City of Tacoma.
- Non-voted Bonds fund (#2035) accounts for the debt service of limited general obligation bonds issued by the City of Tacoma.
- CED PWTF Loans fund (#2038) accounts for the debt service of obtaining public works trust fund loans.
- 2001 LTGO Refunding fund (#2039) accounts for the debt service of the 2001 LTGO refunding bonds.
- 2009 LTGO Bonds Series A-F fund (#2040) accounts for the debt service of the 2009 LTGO bonds.
- 2010 LTGO Bonds fund (#2041) accounts for the debt service of the 2010 LTGO bonds.
- 2013 LTGO Bonds (#2042) accounts for the debt service of the 2013 LTGO Bonds.
- Consolidated LID Bond Redemption fund (#2-7999) accounts for the debt service related to LID No. 54.

Capital Project Funds:

- 1997 Bond Issue fund (#3209) accounts for the capital expenditures associated with the proceeds obtained from the 1997 Bond Issue.
- Capital Project funds (#3211) accounts for the various capital expenditures.
- 2002 Police Facility fund (#3216) accounts for the construction costs associated with the construction of the police facility.
- Parking Garage fund (#3217) accounts for construction costs associated with the parking garage.
- 2009 LTGO Capital Projects fund (#3118) accounts for the capital expenditures associated with the proceeds obtained from the 2009 LTGO Bond Issue.
- 2010 LTGO Capital Projects fund (#3220) accounts for various capital expenditures funded by the 2010 LTGO bond issue.
- LID Interim Financing fund (#3-7070) is used to provide interim financing during the formation and construction of local improvement district projects.

Enterprise Funds:

- Permit Services fund (#4110) was created to track the revenues generated from permits and expenditures incurred directly related to the permitting process.
- Tacoma Rail Mountain Division fund (#4120) accounts for operation costs of the rail system.
- Parking Operating fund (#4140) accounts for the City's parking facilities.
- Convention Center fund (#4165) accounts for activities associated with operating the Convention Center.
- Cheney Stadium fund (#4170) accounts for activities associated with operating Cheney Stadium.
- Tacoma Dome fund (#4180) accounts for activities associated with operating the Tacoma Dome.
- Performing Arts fund (#4190) was created to track costs associated with the Performing Arts Center, Rialto Theater, Broadway Theater District and Pantages.
- Union Station fund (#4450) accounts for the thirty year lease with the Federal Government who uses Union Station as a Federal Courthouse.
- Tacoma Rail Belt Line Division fund (#4500) accounts for costs for the operations of the rail system between Tacoma and the Olympia area.
- Low Income Assistance fund (#4805) was created to accept voluntary donations to help low income customers pay utility bills.
- Power Conservation fund (#4850) was created to account for power conservation projects and payment of debt issued.

Internal Service Funds:

- Finance Department fund (#5007) accounts for the operation of the Finance Division.
- Budget and Research fund (#5016) accounts for the operations of the Budget Division.
- BSIP Project fund (#5027) accounts for the Business Systems Improvement Project.
- Graphics Services fund (#5042) accounts for the general government leased copiers.
- TPU Fleet Services fund (#5050) accounts for costs of maintaining and replacing City vehicles for Business-type activities.
- Youth Build Tacoma fund (#5086) accounts for program costs to assist residents of the City ages 18-24 gain the necessary work ethics for sustainable employment.
- Public Works Equipment Rental fund (#5400) accounts for costs of maintaining and replacing City vehicles for General Government activities.
- Asphalt Plant fund (5453) accounts for the manufacturing of asphalt sold to other funds within the City of Tacoma.
- Communications Equipment - Replacement Reserves fund (#5540) accounts for radio communication equipment.
- Third Party Liability Claims fund (#5550) was created to track costs related to our self-insurance program.
- Unemployment Compensation fund (#5560) accounts for the City's self-insurance unemployment compensation costs.

- Worker's Compensation fund (#5570) accounts for the City's self-insurance worker's compensation costs.
- Facilities Operations and Telecommunications fund (#5700) accounts for maintenance and operation cost associated with all City of Tacoma buildings.
- Information Systems fund (#5800) provides computer and system support for all City departments.
- Health Benefits Trust fund (#5-64xx) provides accounting for self-insurance to all City's cost for healthcare.
- Self-Insurance Claims fund (#5-4800) provides accounting for self-insurance to Business-type Activities of the City of Tacoma departments including provisions for losses on property, liability, workers compensation, unemployment compensation.

Trust Funds:

- Deferred Compensation fund (#6450) accounts for activities related to mandatory and optional payroll deductions.
- Tacoma Employee Retirement Systems fund (#6100) accounts for the activities of the City's retirement system, which accumulates resources for pension benefit payments to qualified City employees.
- Relief & Pension Police fund (#6120) accounts for the activities related to the police LEOFF pension system.
- Relief & Pension Firefighters fund (#6150) accounts for the activities related to the fire LEOFF pension system.
- Payroll Clearing fund (#6450) accounts for monies held by the City but not yet disbursed related to various payroll deductions.

Agency Fund:

- Tacoma Urban Network fund (#6790) an agency fund for Tacoma Urban Network provides social services for children and youth.

The City has no private purpose trust funds or permanent funds.

D. Assets, liabilities and net position or fund balances**1. Cash and investments**

The City's cash and cash equivalents include cash on hand, cash working fund, restricted cash, 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, except for the Pension trust fund which is reported on a trade date basis, at fair value. No direct investments restricted or otherwise, are considered to be cash equivalents. The City uses a pooled investment portfolio. Each fund receives interest based on a pro-rata share of its cash balance to the total cash invested. Portfolio earnings are distributed monthly based on average daily cash balances of the participating funds.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds," if current, or "advances to/from other funds," if long-term. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the governmental fund financial statements, are included in the nonspendable classification in fund balance unless the proceeds from collection are restricted, committed, or assigned.

Property taxes are levied in November and become a property lien as of January 1. The first half is due April 30 and the second half on October 31. If the first half is not paid by April 30, the total annual tax becomes delinquent. Property taxes are collected by Pierce County and remitted to the City monthly. An allowance for uncollectible accounts is deemed unnecessary as delinquent taxes become an enforceable lien on the property. Property taxes collected within 60 days after year-end are considered measurable and available and are recognized as revenues in the fund statements. The total levy is recognized as revenue in the government-wide financial statements, regardless of when collected.

Utility receivables are shown net of an allowance for uncollectibles. The uncollectible amount is established based on an analysis of historical experience. Allowances for other receivables are not utilized because the amounts are not material.

Notes and contracts receivable signed between the City and/or the Tacoma Community Redevelopment Authority (TCRA) and various parties represent economic development efforts of either a business nature or with homeowners. A large majority of the Power utility notes and contracts receivable represent energy conservation efforts between the City and homeowners or businesses.

3. Inventories and prepaid items

Inventories for proprietary funds are valued at first-in/first out, moving average cost method, or lower of cost or market, depending on the fund. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items accounted for under the consumption method and are expensed over the period the services are provided rather than when purchased.

4. Restricted assets

Restricted assets in the enterprise funds are monies which are restricted by legal or contractual requirements. These assets are generally intended for either construction of capital assets or for the repayment of debt. See Note 4-G for further information.

5. Capital assets

Capital assets; which include land, property, plant, equipment, and work in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated life in excess of one year except for land, easements, rights of way, infrastructure and buildings and improvements. Land is capitalized regardless of cost. Easements and rights of way are capitalized if their size is at least 750 square feet. Infrastructure capitalization threshold is \$50,000 or more. Building and infrastructure improvements are capitalized when the cost is greater than 25% of the asset's original value and increases its useful life or service capacity. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or the life of the asset are expensed. The interest on bond proceeds for constructed capital assets in the utility funds are capitalized during the construction phase.

Depreciation on all capital assets is recorded as an allocated expense in the government-wide Statement of Activities and in the proprietary fund statements. Capital assets are reported net of depreciation. The City uses a combination of group depreciation and straight-line depreciation over the life of the assets.

The estimated useful lives for all City funds are:

Property, plant, and equipment	3-100 years
Water Plant	200 years
Parks	33 years
Library materials	5 years
Intangibles	3-25 years
Infrastructure	5-60 years

6. Compensated absences

The City has two different policies for compensated absences. The City's original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. An employee is entitled to 100% of the value of the vacation leave; 25% of the value of the sick leave at retirement or death, or 10% of the value of the sick leave upon termination for any other reason. Under a revised City policy, employees earn Personal Time off (PTO) without distinction between vacation and sick leave with a maximum accrual of 960 hours. Employees who worked for the City prior to the change, or are covered by a collective bargaining agreement that provides only for vacation and sick leave could choose to stay with the original policy or may opt to convert to the new policy. The amount of leave earned is based on years of service. The Tacoma Public Library has slightly different rules governing sick leave and vacation leave, but these differences are not considered material to the City's financial statements.

7. Long-term obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method or weighted average of the bonds outstanding. Bonds payable are reported net of the applicable bond premium or discount.

In governmental fund financial statements, bond premiums and discounts and bond issuance costs are treated as expenditures of the current period. The face amount of debt issued is reported as other financing sources while discounts and issuance costs are reported as debt service expenditures.

8. Fund equity

Fund balance

The City of Tacoma implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2011. For governmental fund financial statements fund balances are reported in five classifications.

1. **Nonspendable:** Includes amounts that are not in a spendable form, such as inventories, prepaid items, long-term interfund receivables, and amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
2. **Restricted:** Includes amounts that can be spent only for the specific purposes stipulated by external resource providers. Amounts should be reported as restricted when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
3. **Committed:** Fund Balance can only be used for specific purposes as determined by formal action by the City Council. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation. The amount committed in the General Fund was adopted by City Council, Ordinance #19315, on March 30, 1971 and revised by Ordinance #22569, on November 24, 1981. The amount committed in the 2% Gross Earnings Tax Fund was adopted by City Council, Ordinance #28173 on September 24, 2013.
4. **Assigned:** Includes amounts that have been allocated by the General Fund through the encumbrance process, previously classified as unassigned. The authority to assign funds is delegated to City Management through the adoption of the biennium budget by the City Council. Fund balances of special revenue funds, debt service funds, capital project funds, that are not classified as nonspendable, restricted, or committed will be classified as assigned for the purpose of the fund. The authority to create funds is determined by formal action by the City Council, by adoption of an ordinance, or by state statute.
5. **Unassigned:** Includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category as a positive fund balance. In other governmental funds, if the expenditures incurred for specific purposes exceeds the amounts, restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

It is the policy of the City of Tacoma to spend funds in the following order:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

Use of resources will be spent in the following hierarchy:

1. Bond Proceeds
2. Federal Funds
3. State Funds
4. Local Non-city Funds
5. City Funds

For detailed information on fund balances of governmental funds, please refer to Note 4 J.

Net position

Proprietary fund financial statements report reservations of net position amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 2 Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balances—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. As explained in Note 1 C, this

reconciliation is necessary because of the differences in accounting basis, most significantly the differences in accounting for capital assets and debt.

One element of the reconciliation explains:

"Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

The details of these dollar differences are as follows:
(amounts expressed in thousands)

Bonds and leases payable	\$ (198,852)
Discount on bond issuance	68
Premium on bond issuance	(1,893)
Net other post employment benefits obligation	(49,703)
Compensated absences	<u>(16,218)</u>
Sub-total	(266,598)
Net pension obligation	(9,608)
Net adjustment to reduce fund balance for total governmental funds to arrive at net position for governmental activities	<u>\$ (276,206)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of the reconciliation explains:

"Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of these dollar differences are as follows:
(amounts expressed in thousands)

Capital Outlay	\$ 25,969
Depreciation Expense	<u>(44,924)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (18,955)</u>

Another element of the reconciliation states:

"Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds,"

The details of this dollar differences are as follows:
(amounts expressed in thousands)

OPEB	\$ (7,558)
Net pension obligation	(11)
Compensated absences	(1,775)
Accrued interest	<u>(2,203)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position	<u>\$ (11,547)</u>

Note 3 Stewardship, compliance and accountability

A. Budgetary information

The Tacoma City Council adopts a biennial budget using an appropriation ordinance. While not legally required by law, the City also adopts budgets for debt service funds, proprietary funds, and some selected trust funds. There were no material violations of expenditures or expenses exceeding appropriations.

The description of the budget process, any funds that exceeded appropriations and the budget reconciliation schedule are included in the budget notes in the Required Supplementary Information (RSI) and Combining Statements – Non-Major funds sections. Budgetary data for the general fund is included in the RSI and Non-Major governmental funds are included in the Combining Statements – Non-Major funds section. The budgetary statements show the original budget, revised amended budget and actual amounts expended for the biennium.

For budgetary tracking purposes, in the General Fund, assessments are budgeted as negative revenues. These negative revenues are considered a budgetary authority increase to both revenues and expenditures for reporting purposes in the original and final adopted budgets. The amount totaled \$36,043,664 for 2013-2014.

B. Deficits in fund balances or net position

The following governmental and proprietary funds had deficit net position.

The 1997 Bond Issue fund has a \$43 thousand deficit fund balance resulting from a transfer out of \$58 thousand in 2010. This is being reduced when the Jefferson Street Property is sold.

The 2002 Police Facility has a fund balance deficit of \$4.2 million to a reclassification of reporting internal note proceeds as an interfund loan which was received in prior years. The 2002 Police Facility had a \$44 thousand decrease in fund balance due to interest charges. The fund is reviewed periodically to determine the necessary transfer amounts the General Fund needs to contribute.

The \$8.4 million deficit in the Convention Center fund resulted from cumulative expenses exceeding revenues/transfers and increase \$1.3 million over the previous year. Operating losses were \$ 4.0 million for the year as compared to \$3.7 for the prior year. The general fund decreased its contribution during 2014 to \$1 million. The fund is reviewed periodically to determine the necessary transfer amounts the General Fund needs to contribute.

The Third Party Liability Claims Fund has a net position deficit of \$11.4 million, a decrease of \$3.6 million over the prior year, due to a decrease in claims.

The Worker's Compensation Fund has a net position deficit of \$3.2 million due to insufficient contributions from the departments, and an excess of accrued and IBNR claims over total assets. The Worker's Compensation fund has a negative net change in 2014 which increased the deficit by \$1.0 million.

The City continues studying these programs to ensure that future claims are fully funded.

Net Deficit
(amounts expressed in thousands)

FUNDS	
1997 Bond Issue Fund (#3209)	(43)
2002 Police Facility (#3216)	(4,200)
Convention Center (#4165)	(8,406)
Third Party Liability Claims (#5550)	(11,446)
Worker's Compensation (#5570)	(3,229)
	<u>\$ (27,324)</u>

C. Legal and contractual compliance

The City has complied, to the best of its knowledge, with all material finance related legal and contractual provisions. No related party transactions have been identified.

Note 4 Detailed notes on all funds

A. Deposits and Investments

1. Legal, Contractual and Administrative Provisions

Certificates of deposit (CDs) and Demand Deposits: The City places certificates of deposit and demand deposits only with State of Washington banks and savings and loan institutions approved as qualified public depositories under chapter 39.58 RCW by the Washington State Public Deposit Protection Commission (WSPDPC). Qualified public depositories are limited to banks operating within Washington State, which have executed a Deposit Pledge Agreement with the WSPDPC. Until July 1, 2009, the WSPDPC maintained a multiple financial institution collateral pool wherein the qualified public depositories pledge and transmit to a third party trustee, securities through the execution of the pledge agreement, providing common collateral for their deposits of public funds. The assets of the pool and the power to make additional assessments against the members of the pool insured there would be no loss of public funds because of default of a member. Effective July 1, 2009, the WSPDPC required public depositories to fully collateralize their uninsured public deposits at 100%. The WSPDPC allows for deposits up to the net worth of a qualified institution.

At year-end, the carrying amount of the City's deposits was \$89,862,354

Other investments: State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, bankers' acceptances, commercial paper, and repurchase agreements. The City is also authorized to enter into reverse repurchase agreements. The pension trust fund is authorized to invest under the "prudent person rule."

The City sustained no investment losses during 2014, there was no significant loss potential, and there were no significant or recurring violations of administrative, legal or contractual provisions.

Security lending: The City is authorized under State Law, primarily RCW 43.84.080, RCW 39.59.020 and by the City of Tacoma Investment Policy (Tacoma City Charter Section 7.4) to make security lending transactions. Securities lent are collateralized with cash or securities having 102 percent of market value. The City did participate in security lending transactions in 2014.

The City's custodian (Bank of New York) is authorized to lend available securities subject to receipt of acceptable collateral, which may be in the form of cash or U.S. Government Securities. Securities are loaned at 102 percent of market value of the securities plus any accrued interest. All securities loaned can be terminated on demand by either the lender or the borrower.

City of Tacoma Securities Lent and Collateral
(In Thousands)

Type of Securities Lent	2014		2013	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	179,219	182,911	101,562	103,636
Total Securities Lent	179,219	182,911	101,562	103,636
	Collateral			
		2014	2013	
U.S. Corporate Obligations		63,380	48,878	
U.S. Treasury Strips			-	
Government Sponsored Enterprises		6,440	3,300	
Asset Backed Securities		1,192	3,737	
Repurchase Agreements/Money Mkt		111,599	47,721	
Total Collateral		182,611	103,636	

Investment committee guidelines: The City's Investment Committee, composed of the Mayor, the Finance Director and the City Treasurer, recommended the following portfolio mix guidelines. These guidelines are intended to limit risk and generate a competitive return on investments. The Committee recognizes that daily transactions may misalign this mix.

1. **Bankers Acceptances:** City investment policy allows for purchases of bankers acceptances from the top 50 world banks as published by American Banker. Portfolio mix guidelines suggest a maximum of 40% of the total portfolio with no more than 10% of the total portfolio in any one bank.
2. **U.S. Treasury Bills, Certificates, Notes and Bonds:** Portfolio mix guidelines allow for a maximum of 100% of the total portfolio to be invested in these securities.
3. **U.S. Government Agency Securities:** Portfolio mix guidelines suggest a maximum of 90% of the total portfolio with no more than 50% of the total portfolio per agency.
4. **Commercial Paper:** Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than 10% of the portfolio invested in commercial paper with an additional limit of no more than 3% in any one issuer.
5. **Repurchase Agreements:** Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 15% of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by 2% over the term of the agreement. The collateral must be an investment instrument which the City is authorized to purchase.
6. **Reverse Repurchase Agreements:** The City did not participate in any reverse repurchase agreements in 2014.

2. Deposits and investments – December 31, 2014

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

Foreign currency risk – The City has no deposits in subject to foreign currency risk.

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.

At December 31, 2014, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments

B-31

December 31, 2014
amounts expressed in thousands)

Reconciliation of Cash and Investments:

Investments (less Component Units)	\$ 2,413,544
Certificates of Deposit	7,172
Treasurer's Cash, net	82,389
Petty Cash Funds	302
Sub-total	<u>2,503,407</u>

Component Units:

Tacoma Community Redevelopment Authority (TCRA)	1,531
TCRA - External Cash	3,004
Foss Waterway Development Authority (FWDA)	2,050
FWDA - External Cash	265
Public Facilities District (PFD)	1,178
Sub-total (Component Units)	<u>8,028</u>

Total

	<u>\$ 2,511,435</u>
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At year-end, the government's investment balances, expressed in thousands, were as follows:

Investments:	Fair Value @ 12/31/14
Financial Institutions	
WA State Local Government Investment Pool	\$ 65,159
US Treasury Securities	-
Government Agencies (various)	783,002
Bankers Acceptances	-
Electric System Revenue Bond Investments	8,761
Equity in Pool Transferred to Component Units	<u>(4,758)</u>
Total Investments with Financial Institutions	852,164
Component Units	
TCRA Equity in Investment Pool	1,531
FWDA Equity in Investment Pool	2,050
PFD Equity in Investment Pool	1,178
Total Component Unit Investments	<u>4,759</u>
Total	856,923
Pension Trust	
Equities	830,574
Fixed Income	502,847
Real Estate	65,267
Venture Capital & Partnerships	68,106
Short Term Bill & Notes	9,953
Cash and Cash Equivalents	18,169
Securities Lending Collateral	<u>66,466</u>
Total Other Investments - Pension Trust	1,561,382
Total	<u>\$ 2,418,305</u>

3. GASB 40 - General Disclosure and Disclosure Relating to Interest Rate Risk/Segmented Time Distribution Method

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. City of Tacoma Investment Policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations. The City has deposits of \$65,269,007 with the State Treasurer's Local Government Investment Pool, \$7,171,934 in an interest bearing demand deposit account with a commercial bank and \$70,426,178 in the City's deposit account with commercial banks. The monies from these accounts are available immediately.

Investment Type	Par	Maturing (in months)				
		Less than 12	13-24	25-36	37-48	49-60
Main Bank Demand Deposits	\$ 70,426,178	\$ 70,426,178	\$ -	\$ -	\$ -	\$ -
Bank Demand Deposits & State Pool	723,309,941	723,309,941	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	151,205,000	66,265,000	68,910,000	15,030,000	1,000,000	-
Fixed Rate Non-Callable Agency Securities	506,502,000	126,689,000	153,250,000	196,563,000	20,000,000	10,000,000
Fixed Rate Callable Agency Securities	<u>117,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>57,000,000</u>	<u>40,000,000</u>	<u>10,000,000</u>
Totals	\$ 917,464,119	\$ 345,711,119	\$ 222,160,000	\$ 268,593,000	\$ 61,000,000	\$ 20,000,000
Percent of Total		37.68%	24.21%	29.28%	6.65%	2.18%

4. GASB 40 - Disclosure Relating to Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by state statute, which is the same in the City investment policy and the actual rating as of the end of the year 2014 for each type of investment. AAA is the highest rating for bonds. The Bank Certificates of Deposit (CD) and Demand Deposit Accounts (DDA) are protected by the Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. All CD and DDA deposits not covered by FDIC are covered by the Washington State Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority established under the Revised Code of Washington (RCW) 39.58. It constitutes fully insured or fully collateralized pool. The WA State Treasurer's Local Government Investment Pool (LGIP) is authorized by the Revised Code of Washington (RCW) 43.250. The LGIP operates like a 2A7 fund and is collateralized by short term legal investments.

Investment Type	Par	Minimum Legal Requirement	FDIC and PDPC	AAA	AA	A
Fixed Rate Non-Callable Municipal Securities	151,205,000	A	-	20,915,000	105,595,000	24,695,000
Fixed Rate Non-Callable Agency Securities	506,502,000	AAA	-	506,502,000	-	-
Fixed Rate Callable Agency Securities	<u>117,000,000</u>	AAA	-	<u>117,000,000</u>	-	-
Total	<u>\$ 917,464,120</u>		<u>\$ 142,757,120</u>	<u>\$ 644,417,000</u>	<u>\$ 105,595,000</u>	<u>\$ 24,695,000</u>

5. GASB 40 - Concentration of Credit Risk

Concentration Risk disclosure is required for all investments in any one issue that is 5% or more of the total of the City's investments. The following include Financial, State, or Municipal Government and Government Sponsored Agencies.

Issuer	Investment Type	Amount Reported	Percentage
Washington State	Municipal Securities	\$ 44,205,000	7.9%
Federal Farm Credit Bank	Agency Securities	59,189,000	10.6%
Federal Home Loan Bank	Agency Securities	177,000,000	31.6%
Federal Home Mortgage Corporation	Agency Securities	100,500,000	18.0%
Federal National Mortgage Association	Agency Securities	<u>178,563,000</u>	<u>31.9%</u>
Total		<u>\$ 559,457,000</u>	<u>100.0%</u>

6. Disclosure of Custodial Credit Risk

Custodial credit risk - Investments: The City policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

B-32

B. Receivables

Receivables as of year-end for the governments and enterprise's individual major and non-major funds, internal service and fiduciary funds, including applicable allowances for uncollectible accounts are as follows (amounts expressed in thousands):

Accounts Receivable (amounts expressed in thousands)	Trans Capital		Non-Major		Solid Waste Fund	Waste Water Fund
	General Fund	& Engineering Fund	Governmental Funds	Enterprise Funds		
Accounts Receivable (net short-term)	\$ 11,793	\$ 367	\$ 41,134	\$ 5,972	\$ 12,146	
Due from other Funds	4,302	983	1,513	498	445	
Advances to other Funds	10,688	-	2,790	-	-	
Due from Other Governments	15,010	1,403	4,583	-	1,206	
Interest Receivable (net short-term)	-	-	-	-	-	
Notes and Contracts Receivable (net long-term)	-	-	-	-	-	
TOTAL	\$ 41,793	\$ 2,753	\$ 50,020	\$ 6,470	\$ 13,797	

Accounts Receivable (amounts expressed in thousands)	Non-Major		Internal		Fiduciary Funds	Total
	Water Fund	Power Fund	Enterprise Funds	Service Funds		
Accounts Receivable (net short-term)	\$ 9,569	\$ 63,727	\$ 7,754	\$ 258	\$ -	\$ 152,720
Due from other Funds	292	2,509	147	6,578	2	17,269
Advances to other Funds	-	-	-	-	-	13,478
Due from Other Governments	-	234	-	339	2,688	25,463
Interest Receivable (net short-term)	-	-	-	-	2,399	2,399
Notes and Contracts Receivable (net long-term)	-	42,599	27,584	-	-	70,183
TOTAL	\$ 9,861	\$ 109,069	\$ 35,485	\$ 7,175	\$ 5,089	\$ 281,512

C. Capital assets

Capital asset activity for the year-ended December 31, 2014 was as follows (amounts expressed in thousands):

Governmental Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets not being depreciated:					
Land	\$ 28,201	\$ 403	\$ (1,502)	\$ -	\$ 27,102
Property, plant, and equipment	1,903	-	-	-	1,903
Construction work in progress	84,083	19,498	(19,468)	-	84,113
Total capital assets, not being depreciated	114,187	19,901	(20,970)	-	113,118
Capital assets, being depreciated:					
Property, plant, and equipment	212,289	14,143	(8,502)	-	217,930
Infrastructure	1,303,768	12,548	(3)	-	1,316,313
Total capital assets, being depreciated	1,516,057	26,691	(8,505)	-	1,534,243
Less accumulated depreciation:					
Property, plant, and equipment	(119,316)	(11,427)	7,261	-	(123,482)
Infrastructure	(663,420)	(32,424)	-	-	(695,844)
Total accumulated depreciation	(782,736)	(43,851)	7,261	-	(819,326)
Governmental activities, capital assets (net of accumulated depreciation)	\$ 847,508	\$ 2,741	\$ (22,214)	\$ -	\$ 828,035

Business-Type Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets not being depreciated:					
Land	\$ 158,386	\$ 1,040	\$ (214)	\$ (1,166)	\$ 158,046
Non-depreciable Property, plant and equip	35,608	250	(200)	-	35,658
Construction work in progress	180,780	220,667	(134,683)	-	266,764
Total capital assets, not being depreciated	374,774	221,957	(135,097)	(1,166)	460,468
Capital assets, being depreciated:					
Property, plant, and equipment	3,704,119	123,483	(20,012)	1,166	3,808,756
Total capital assets, being depreciated	3,704,119	123,483	(20,012)	1,166	3,808,756
Less accumulated depreciation:					
Property, plant, and equipment	(1,452,624)	(108,103)	15,241	-	(1,545,486)
Total accumulated depreciation	(1,452,624)	(108,103)	15,241	-	(1,545,486)
Business-type activities, capital assets (net of accumulated depreciation)	\$ 2,626,269	\$ 237,337	\$ (139,868)	\$ -	\$ 2,723,738

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 365
Public Safety	3,361
Transportation	32,590
Economic Environment	48
Culture and Recreation	2,099
Capital Assets held by Internal Services funds which are charged to various functions based on their usage of the assets	<u>5,388</u>
Total depreciation expense - governmental activities	<u>43,851</u>

Business-type activities:

Permit	6
Mountain Rail	886
Parking Garage	1,325
Convention Center	2,189
Baseball Park	1,497
Tacoma Dome	608
Performing Arts	576
TPU Fleet	2,769
Solid Waste	6,988
Waste Water	14,248
Tacoma Rail	1,069
Water	16,784
Power	<u>59,156</u>
Total depreciation expense - business-type activities	\$ <u>108,101</u>

D. Leases

Capital leases

The City leases certain equipment under a capital lease agreement. Capital lease balances at December 31, 2014:

(amounts expressed in thousands)

Business Activities

TES/Urban Waters Capital Lease, \$34,305:

This capital lease for the Urban Waters building was a 29 year lease. The value of the building at the time acquired was \$37,840. The interest rate ranges from 4.00% to 5.625% for an average of 5.1%.

Year Ending December 31	Principle	Interest	Total
2015	783	1,827	2,610
2016	813	1,796	2,609
2017	848	1,763	2,611
2018	883	1,729	2,612
2019	918	1,692	2,610
2020-2024	5,302	7,745	13,047
2025-2029	6,846	6,208	13,054
2030-2034	8,967	4,084	13,051
2035-2038	<u>8,945</u>	<u>1,275</u>	<u>10,220</u>
Totals	<u>34,305</u>	<u>28,119</u>	<u>62,424</u>

E. Short-term debt

Governmental activities: No short-term debt was issued or outstanding in 2014.

Business activities: No short term debt was issued or outstanding in 2014.

F. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities. The original amount of general obligation bonds outstanding issued in prior years was \$162 million. General obligation bonds were issued in 2014 in the amount of \$2.2 million. These issues carry variable interest rates adjusted quarterly equal to the composite interest rate earned on the investments of the City Treasury's pooled cash portfolio for the previous calendar quarter.

Annual debt service requirements to maturity, including principle and interest, for GO Bonds and Public Works Trust fund loans are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 8,744	\$ 5,470	\$ 1,334	\$ 2,809
2016	7,717	5,445	2,616	2,728
2017	7,784	5,381	2,687	2,625
2018	7,864	5,275	2,826	2,492
2019	8,903	4,543	2,632	2,335
2020-2024	40,816	22,027	13,595	9,857
2025-2029	29,037	25,439	15,290	6,571
2030-2034	29,051	20,480	19,065	2,957
2035-2039	7,805	2,604	1,895	129
2040-2043	505	30	-	-
Total	\$ 148,226	\$ 96,694	\$ 61,940	\$ 32,503

General obligation bonds are direct obligations and pledge the full faith and credit of the government and are being repaid with general governmental revenue sources. General obligation bonds currently outstanding are as follows: (amounts expressed in thousands)

	Interest Rates	Amount
Governmental Activities	1.74%-7.20%	\$ 148,226
Business Activities	3.80%-4.45%	\$ 61,940

Special assessment bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2014, the amount of LID Special Assessment delinquency equals \$441,616. The bond interest rates range from 3.93 to 5.75% and are payable over the next thirty years.

Year	Revenue Bonds and Loans	Business-type activities	Interest
2015	\$ 56,482	\$ 57,507	
2016	63,935	55,003	
2017	64,411	52,600	
2018	66,283	50,422	
2019	67,475	47,044	
2020-2024	235,381	198,454	
2025-2029	161,291	161,229	
2030-2034	232,140	118,464	
2035-2039	191,152	54,467	
2040-2043	136,815	12,711	
Total	\$ 1,274,365	\$ 807,901	

Annual debt service requirements to maturity for special assessment debt outstanding at year-end are as follows:

Year	Special Assessment Debt	Governmental Activities	Principle	Interest
2015	1,817	1,820	157	
2016	1,820	1,820	-	
2017	1,820	1,820	-	
2018	1,820	1,820	-	
2019	1,820	1,820	-	
2020-2024	9,663	617	617	
2025-2029	8,912	-	-	
2030-2034	8,912	-	-	
2035-2039	8,912	-	-	
2040-2043	7,130	30,999	31,773	
Total	\$ 52,026	\$ 31,773	\$ 31,773	\$ 52,026

Revenue Bonds and Loans
The City also issues bonds where the City pledges income derived from acquired or constructed assets to pay debt service. The original amount of outstanding revenue bonds, WA public works board loans, WA rail loans, and drinking water state revolving loans issued in prior years was \$927.3 million. During the year there were no issues for refunding, construction and capital improvements in the Power, Water, and Rail funds.

B-35

Changes in long-term debt (amounts expressed in thousands)

Governmental activities - long term	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year	Note
General obligation bonds	\$ 151,443	\$ 2,203	\$ (5,420)	\$ 148,226	\$ 8,744	12
Less: Unamortized discount	(73)	-	5	(68)	(5)	
Add: Unamortized premium	2,225	-	(332)	1,893	332	
Washington State Department of Transportation Loan	20,000	-	(14,000)	6,000	3,000	6,000
Public works trust fund loans	8,977	-	(1,112)	7,865	1,111	7,865
Bond anticipation notes	10,975	-	-	10,975	10,975	10,975
Special assessment debt	32,106	-	(333)	31,773	157	31,773
Capital leases	-	-	-	-	-	-
Claims and judgments	24,236	3,701	(5,107)	22,830	15,080	
Other Post Employment Benefits	42,158	7,545	-	49,703	-	
Net Pension Obligation	9,643	1,823	(1,858)	9,608	-	
Accrued employee leave benefits	17,310	8,892	(9,984)	16,218	1,733	
Governmental activities - long term liabilities	\$ 319,000	\$ 24,164	\$ (38,141)	\$ 305,023	\$ 41,127	\$ 204,839
Business activities - long-term liabilities	\$ 1,498,128	\$ 63,210	\$ (72,695)	\$ 1,488,643	\$ 61,218	
General obligation bonds	62,330	-	(390)	61,940	1,334	
Plus: Unamortized premium	49,277	3,692	(4,701)	48,268	1,95	
Less: Unamortized discount	(186)	-	157	(29)	-	
Capital leases	35,058	2,436	(3,189)	34,305	782	
Environmental liability	1,78	-	(174)	1,004	604	
Landfill closure cost liability	25,691	1,123	(1,094)	25,720	907	
Other Post Employment Benefits	13,952	3,585	(1,129)	16,408	-	
Accrued employee leave benefits	18,944	10,654	(10,451)	19,147	1,914	
Business activities - long-term liabilities	\$ 149,864	\$ 63,210	\$ (72,695)	\$ 148,643	\$ 61,218	

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, \$1.8 million of internal service fund compensated absences were included in the above amounts. Also the governmental activities, capital leases, claims and judgments, and employee benefits are generally liquidated by the Third Party Claims and Workers' Comp funds, IT, and the General fund respectively.

Additions for General Obligation Bonds (\$2,203) listed above equals the Governmental Fund issuance of long-term debt (\$2,203).

Note 12 summarizes changes in long-term debt.

Bonds issued in 2014

There were no new bond issues in 2014.

G. Restricted assets

The balance of the current restricted assets accounts in the enterprise funds are as follows:
(amounts expressed in thousands)

Cash for debt service	67,100
Cash for construction	91,557
Cash for other special purposes	123,487
Customer deposits	<u>90</u>
	<u>\$ 282,234</u>

H. Related party transactions

The City of Tacoma's Mayor appoints the Governing Board for the Tacoma Housing Authority, which is not considered a component unit of the City. The City is under no obligation to subsidize, nor does it exercise any other prerequisite for inclusion.

City Officials serve on boards of two organizations, Workforce Central and Pierce Transit. There is no evidence City Council can influence the programs and activities of these organizations or that they create a significant financial benefit or burden to the City. There are no material financial transactions between the City and these organizations and therefore are not included in the reporting entity.

I. Federal compliance requirements for municipal securities issuers

Internal Revenue Code Sections 103 and 148-150 and U. S. Treasury Regulation Sections 1.148-1.150 require that most tax-exempt bonds issued after August 31, 1986 are subject to the arbitrage rebate requirement and the tax-exempt proceeds subject to yield restrictions.

The City monitors the tax-exempt issues for compliance and rebates.

The Internal Revenue Service (IRS) does correspondence examinations periodically. In November 2012, as part of its examination into projects involving convention center financings, the IRS sent the City an Information Document Request related to the City's Convention Center and Parking Revenue Bonds, Series 2004. The City cooperated with the request and received correspondence from the IRS in August 2013 reflecting closure of the examination with no-change to the tax-exempt status of the bonds.

J. Fund balances

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. Balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, and unassigned. Please refer to Note 1 D-8 for fund balance descriptions.

The following shows a composition of the fund balances of the governmental funds:

	Major Funds		Non-major Funds			Total Funds
	General Fund	Transp Capital & Engr	Special Revenue	Debt Service	Capital Project	
Fund balances:						
Nonspendable:						
Long-term receivables/advances	\$ 13,883	\$ -	\$ -	\$ -	\$ -	\$ 13,883
Inventory	1,116	-	1,807	-	-	2,923
Prepays	27	-	-	-	-	27
Trust	-	-	17	-	-	17
Total nonspendable	<u>15,026</u>	<u>-</u>	<u>1,824</u>	<u>-</u>	<u>-</u>	<u>16,850</u>
Restricted:						
Business & Training Assistance	-	-	125	-	-	125
Capital purchases	-	-	-	-	969	969
Crime Prevention & Safety	-	-	11,002	-	-	11,002
Debt service	-	-	1,735	8,309	-	10,044
Economic development programs	-	-	12,524	-	-	12,524
Facilities & Garages	-	-	-	-	1,828	1,828
Grants	-	1,978	570	-	142	2,690
Housing Development	-	-	834	-	-	834
Library, Arts & Preservation	-	-	4,713	-	25	4,738
Local Improvement District	-	-	4,272	-	-	4,272
Other capital	-	-	-	-	3,301	3,301
Parks & Recreation	-	-	-	-	7,495	7,495
Paths & Trails	-	-	370	-	-	370
Public services	9	-	8,384	-	-	8,393
Public Works projects	-	-	411	-	10,236	10,647
Sidewalk & Street projects	-	-	-	-	399	399
Total restricted	<u>9</u>	<u>1,978</u>	<u>44,940</u>	<u>8,309</u>	<u>24,395</u>	<u>79,631</u>
Committed:						
Council contingency	973	-	-	-	-	973
Neighborhoods	-	-	-	-	87	87
Public Works projects	-	-	150	-	-	150
Total committed	<u>973</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>87</u>	<u>1,210</u>
Assigned:						
Advances	-	-	-	-	2,659	2,659
Business & Training Assistance	-	-	272	-	-	272
Demolitions	-	-	3,194	-	-	3,194
Library	-	-	1,884	-	-	1,884
Municipal TV	-	-	3,377	-	-	3,377
Neighborhoods	-	-	800	-	-	800
Open Space Properties	-	-	794	-	-	794
Police activities	-	-	-	-	-	-
Public services	-	7,623	416	-	-	8,039
Crime Prevention & Safety	-	-	722	-	-	722
Other purposes	1,949	-	-	-	2	1,951
Total assigned	<u>1,949</u>	<u>7,623</u>	<u>11,459</u>	<u>-</u>	<u>2,661</u>	<u>23,692</u>
Unassigned:	48,343	-	(1,372)	(17)	(4,330)	42,634
Total fund balances:	<u>\$ 66,300</u>	<u>\$ 9,601</u>	<u>\$ 57,001</u>	<u>\$ 8,292</u>	<u>\$ 22,813</u>	<u>\$ 164,017</u>

B-36

K. Restricted net position - governmental activities

In the government-wide financial statements net position is restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Purpose	
Capital purchases	\$ 6,098
Debt Service	10,044
Culture and recreation	12,233
Public safety	11,002
Local improvement districts and neighborhoods	4,272
Transportation	11,540
Grants	2,690
Housing and economic development	21,751
	<u>\$ 79,630</u>

Note 5 Pension plan(s) obligations and other post-employment benefits

Employees of the City, other than law enforcement officers, firefighters, and railroad employees, are covered by the Tacoma Employees' Retirement System, an actuarially funded system operated by the City. Law enforcement officers and firefighters are covered by the Law Enforcement Officer and Firefighter Retirement System (LEOFF) which is operated by the State of Washington for law enforcement officers and firefighters throughout the State of Washington. Additionally, the City administers two single employer Pension funds as required by State Statute - a Police Relief and Pension fund and a Firemen's Relief and Pension fund.

A. Tacoma employees' retirement system fund (TERS)

1. Administration of the system: The "Tacoma Employees' Retirement System" is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as, certain employees of the Pierce Transit and Law Enforcement Support Agency who established membership in the System when these agencies were still City of Tacoma departments, are also members. The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. There are currently 2,166 retirees and beneficiaries receiving benefits, 459 vested terminated employees entitled to future benefits; and 2,884 active members of Tacoma Employees' Retirement System, as of December 31, 2014.

2. Basis of accounting: The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

3. Investments: Equity securities, fixed income securities, private equity, real estate, and short-term investments are all reported at fair market value. Fair market value for public market managers was determined by our custodian bank utilizing standard industry practices. Private equity investments are reported by the managers subject to their "fair value" policies. No investment in any one corporation or organization exceeded 5% of net assets available for benefits.

4. Contracts: The System has no securities of the employer and related parties included in the plan assets. The system has not made any loans to the employer in the form of notes, bonds, or other instruments.

5. Benefits: There are two formulas that are used for calculating retirement benefits. The benefit will be determined on the formula which provides the higher benefit. The most commonly applied formula, "service retirement" is a product of the of the member's average monthly salary for the highest consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) which is determined based on the member's age and years of service. Several options are available for the retiree to provide for their beneficiaries. The System also provides death and disability benefits.

6. Contribution rates: Covered employees are required by Chapter 1.30 of the Tacoma City Code to contribute based on the rates provided in the following table:

Applicable Period	City Rate	Member Rate	Total Rate
1/1/2001 to 02/01/2009	7.56%	6.44%	14.00%
2/2/2009 to 12/31/2009	8.64%	7.36%	16.00%
1/1/2010 to 12/31/2010	9.72%	8.28%	18.00%
1/1/2011 to 12/31/2011	10.26%	8.74%	19.00%
1/1/2012 to forward	10.80%	9.20%	20.00%

7. GASB Statement 50: The note disclosures above emphasize the employer disclosures with additional detailed information presented in an independent annual report issued by the Retirement System. Further detailed information regarding these disclosures can be found in that report which may be obtained by writing to Tacoma Employees' Retirement System, 3628 S 35th St, Tacoma, WA 98409.

8. Funding status and progress: Historical trend information about TERS is presented with supplementary information and can be found in the required supplementary information section of the TERS annual report. This information is based on the most recent actuarial valuation performed, dated January 1, 2014, and is intended to help assess TERS funding status on a going-concern basis, and assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of Funding Progress (\$ in millions):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll
1/1/2012	\$ 1,068.3	\$ 1,185.5	\$ 117.2	90.1%	\$ 219.4	53.4%
1/1/2013	1,187.1	1,306.6	119.5	90.9%	210.6	56.7%
1/1/2014	1,297.0	1,400.0	103.0	92.6%	213.8	48.2%

Both the City and employees made the required contributions. The City's required contributions for the years ended December 31st were:

2012	20,919,787
2013	21,188,984
2014	22,149,246

9. Actuarial Methods and Significant Actuarial Assumptions:

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of the Systems Projected Payroll
Remaining Amortization Period:	30 years (Open), unless fixed rate amortized less than 30 years
Asset Valuation Method:	Assets are valued at market value, with a four year smoothing of all market value gains and losses

Actuarial Assumptions:	
Investment Rate of Return	7.25%
Project Salary Increases	4.00%
Includes Inflation at	3.00%
Cost of Living Adjustments	2.125%

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

1. Administration of the System

The City of Tacoma participates in the LEOFF system administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined retirement plans. The

B-37

Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No 27*.

2. Plan description:

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provide to the beneficiary of the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arouse naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of a survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternately, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members Nonvested	1,600
Total	29,640

3. Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23% **
Employee	0.00%	8.41%
State	N/A	3.36%

* The employer rates include the employer administrative expense fee currently set at .18%.

** The employee rate for ports and universities is 8.59%.

Both the City of Tacoma and the employees made the required contributions. The City of Tacoma required contributions for the years ended December 31 were as follows:

(expressed in millions)

	LEOFF Plan 1	LEOFF Plan 2	Total
2014	n/a	n/a	\$ 3.80
2013	n/a	n/a	\$ 3.58
2012	n/a	n/a	\$ 3.61

C. Police and Firefighter's Relief and Pension Funds

1. Plan description:

The Police Relief and Pension Fund (PRP) and the Fire Relief and Pension Fund (FRP) are single-employer, defined benefit pension funds established and administered by the City in accordance with the requirements of the RCW. Since the effective date of the LEOFF on March 1, 1970, no payroll deductions for active employees have been taken under these pension plans.

These plans also provide post-employment healthcare benefits to members of the plans and certain excess pension benefits to LEOFF members hired prior to October 1, 1977.

No new employees have been covered by either of these plans since March 1, 1970. Pension obligations for all firefighters and law enforcement officers retired since March 1, 1970, whether hired before or since that same date, have been assumed by the State of Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), with the exception of certain minimal benefits in excess of the LEOFF benefits. There are 0 active Police Officers and 0 active Firefighters with prior rights covered under these plans as of December 31, 2014. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 153 for the PRP and 202 for the FRP as of December 31, 2014. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

A member of the FRP is eligible for retirement after completion of service for a period of five years or more and attainment of age 50. A member is eligible for disability benefits if disabled for a minimum of six months. An individual becomes vested after five years of service. A member of the PRP is eligible for benefits after completing 25 years of service. An individual becomes vested after five years of service. Since there have been no new employees covered under these systems since 1970, all employees are fully vested.

The PRP and FRP make three types of payments: (1) pensions to eligible members retired prior to March 1, 1970, (2) amounts to certain eligible members retired after that date if the amount received from LEOFF does not equal or exceed the amount entitled from the appropriate prior pension fund, and (3) medical services for both active and retired firefighters and law enforcement officers, excluding those hired since October 1, 1977. The medical services are an obligation that may be paid directly from the City's General Fund if so desired. The pension benefits are tied to the current pay rates for the rank the members held at retirement and/or the cost of living index. Benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and 41.26.

Benefits are calculated based on length of service (a percentage for each year of service) and on the final average salary (calculated over the last two years of credited service). There were no changes in benefit provisions in the current year.

Each police officer or firefighter in service on March 1, 1970 receives the greater of benefit payable under the LEOFF system and the benefits available under the old law. Where benefits under the old law exceed those under LEOFF, the excess benefits are paid by the Pension fund of the City employing him/her on March 1, 1970.

Post-employment medical benefits are available to firefighters and law enforcement officers hired before October 1, 1977 only. For retirees before June 8, 1961, only medical expenses that are directly related to their disability retirement are eligible for payment. Those who retired or will retire after June 8, 1961, have medical insurance paid by the City through the City's

normal medical insurance carrier. The City will also pay any expense in excess of those covered by the medical insurance carrier. All benefits are funded on a pay-as-you-go basis. At December 31, 2014, there were 202 retired law enforcement officers and 249 retired firefighters who are eligible for medical coverage (this does not include active employees).

The post-employment medical benefits are accounted for in the PRP and FRP trust fund financial statements. Since these benefits are paid on a pay-as-you-go basis - the beginning fund balance is zero; contributions of \$2.2 million and \$2.6 million were made for PRP officers and FRP officers, respectively, which equaled benefits paid; and the ending fund balance is zero.

2. Basis of Accounting:

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are due and the City has made a formal commitment to provide the contributions. Expenses are recorded when the liabilities are recognized when due and payable in accordance with terms of the plan.

3. Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair market value.

4. Contributions required and contributions made:

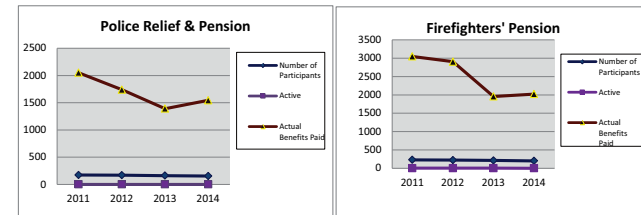
The PRP is funded entirely from a biennially budgeted contribution from the City's General Fund. Funding of these benefits is required by RCW. The General Fund is responsible for ensuring that the fund has adequate cash to pay its obligations each year. Total contributions to the PRP were \$4.2 million in 2014.

The FRP is funded from two sources: (1) 22-1/2 cents per \$1,000 of assessed valuation has been earmarked from property taxes as authorized by R.C.W. 41.16.060, and 25% of the tax on fire insurance premiums collected by the State is earmarked by State law for distribution to cities for this purpose. This amount was \$4.4 million in 2014; and (2) the balance of \$866 thousand is made up of a biennially budgeted contribution from the City's General Fund. Funding of these benefits is required by RCW. Total contributions to the FRP were \$4.9 million in 2014. There have been no required employee contributions to the police and firefighter's relief and pension plans since March 1, 1970.

The number of participants and actual benefits paid (in thousands) has been fairly constant over the years:

Police Relief & Pension			Firefighter's Relief & Pension		
Year-end	Number of Participants	Actual Benefits Paid	Year-end	Number of Participants	Actual Benefits Paid
12/31/2010	181	0	12/31/2010	233	2,264
12/31/2011	173	0	12/31/2011	231	2,308
12/31/2012	170	0	12/31/2012	222	2,905
12/31/2013	161	0	12/31/2013	214	0
12/31/2014	153	0	12/31/2014	202	2,024

(Tables amounts for Actual Benefits Paid expressed in thousands)



B-39

5. Annual Pension Cost and Net Pension Obligation:

Three-year trend information (in thousands) for the Firefighter's and Police Relief and Pension Funds as of the December 31, 2013, actuarial valuation are:

Retirement System	Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
Firefighter's Relief & Pension	2012	2,676	86	9,145
	2013	2,629	81	9,643
	2014	1,823	102	9,608
Police Relief & Pension	2012	1,513	102	(496)
	2013	1,516	100	(490)
	2014	1,318	97	(444)

The funded status of the plans at the last valuation date is presented below (in thousands). The Required Supplementary Information section displays multiyear trend information as to the value of the plan assets decreasing or increasing over time relative to the AALs for benefits.

	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Firefighter's Relief & Pension	\$ 452	\$ 26,275	\$ 25,823	2%	0	n/a
Police Relief and Pension	303	14,947	14,644	2%	0	n/a

The AAL as of December 31, 2014, based on the actuarial valuation as of January 1, 2014, was \$26.3 million for Firefighters' Relief and Pension and \$14.9 million for Police Relief and Pension. The AAL for the Firefighter's and Police Relief and Pension are funded on a pay-as-you-go basis. Annual requirement are funded through the City's adopted budgets, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

**ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREFIGHTER'S POICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2014**

(In Thousands)

	Firefighter's Relief and Pension			Police Relief and Pension		
	2014	2013	2012	2014	2013	2012
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	-	6	6	-	-	-
Amortization of UAAL - Beginning of Year	2,200	2,896	2,896	1,247	1,437	1,437
Interest to End of Year*	82	116	116	47	58	58
ARC at End of Year	2,282	3,018	3,018	1,294	1,495	1,495
Interest on NPO	362	366	351	(18)	(20)	(19)
Adjustment to ARC	(821)	(755)	(693)	42	41	37
Annual Pension Cost (APC)	1,823	2,629	2,676	1,318	1,516	1,513
Employer Contribution**	1,858	2,131	2,305	1,272	1,510	1,536
Change in NPO	(35)	498	371	46	6	(23)
NPO at Beginning of Year	9,643	9,145	8,774	(490)	(496)	(473)
NPO at End of Year	9,608	9,643	9,145	(444)	(490)	(496)

*T is the assumed interest rate that year: 4.0% in 2012, 4.0% in 2013, and 3.75 in 2014.

** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

**** Assumed amounts replaced at year-end with actual amounts

The net pension obligation of the Firefighter's Relief and Pension Fund is \$9.6 million net pension liability at December 31, 2014. The net pension obligation of the Police Relief and Pension Fund is \$0.4 million net pension asset at December 31, 2014.

6. Actuarial Method and Assumptions:

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Firefighter Relief and Pension	Police Relief and Pension
Valuation date	January 1, 2014	January 1, 2014
Actual cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Valuation of assets	Fair Market Value	Fair Market Value
Remaining amortization period	15 years	15 years
Amortization method	30-years, closed as of January 1, 1999	30-years, closed as of January 1, 1999
Actuarial assumptions		
Investment rate of return (discount rate)	3.75%	3.75%
Projected salary increase	3.50%	3.50%
Inflation	2.50%	2.50%
Cost-of-living Adjustment	Based upon salary increase assumption, for FRP benefits	Based upon salary increase assumption, for PRP benefits

7. Individual financial statements:

B-40

**STATEMENT OF NET POSITION
FIREFIGHTERS' AND POLICE RELIEF AND PENSION FUNDS**

December 31, 2014
(In Thousand)

	Firefighters' Relief and Pension	Police Relief and Pension	2014	2013
Assets				
Cash and cash equivalents	\$ 345	\$ 216	\$ 561	\$ 515
Due from other fund	340	320	660	730
Total Assets	685	536	1,221	1,245
Liabilities				
Accounts Payable	40	21	61	44
Accrued wages and benefits payable	2	2	4	4
Due to other funds	138	183	321	334
Other current liabilities	82	50	132	96
Accrued employee leave benefits	5	5	10	12
Total Liability	267	261	528	490
Net Position Held in Trust for Pension	\$ 418	\$ 275	\$ 693	\$ 755

**STATEMENT OF CHANGES IN PLAN NET POSITION
FIREFIGHTERS' AND POLICE RELIEF AND PENSION FUNDS**

For Year Ended December 31, 2014
(In Thousand)

	Firefighters' Relief and Pension	Police Relief and Pension	2014	2013
Addition				
Employer Contributions	\$ 5,246	\$ 4,200	\$ 9,446	\$ 8,992
Interest and Dividend	4	2	6	3
Total Addition	5,250	4,202	9,452	8,995
Deduction				
Healthcare benefit payment	5,128	4,072	9,200	8,528
Wages and other benefit payable	98	102	200	108
Administrative expenses	58	56	114	62
Total Deduction	5,284	4,230	9,514	8,698
Change in Net Position	(34)	(28)	(62)	297
Net Position - Beginning of Year	452	303	755	458
Net Position - End of Year	\$ 418	\$ 275	\$ 693	\$ 755

The financial statements of the PRP and FRP are included in the City's annual financial report in the Combining Fiduciary statement section. A separate audit report is not issued for these pension plans. Further detailed information regarding these pension plans may be obtained by writing to the City of Tacoma - Fire and Police Pension, PO Box 11001, Tacoma, WA 98411.

D. Other Post-Employment Benefits (OPEB) Than Pensions

1. Plan description:

The City contributes to: the Tacoma Employees' Retirement System Fund (TERS), a cost sharing-multi employer plan and the Law Enforcement Officers' and Firefighters' Retirement System Plans (LEOFF Plan 1) administered by the City; the Law Enforcement Officers' and Firefighters' Retirement System Plan (LEOFF Plan 2), a cost sharing-multi employer plans administered by Washington State, and the Railroad Retirement System which is an independent agency in the executive

branch of the U.S. Government which administers the Railroad Retirement Act. The benefits under the Railroad Retirement Act are not payments under a 'pension plan' but rather are grants under a Federal statute. Railroad benefit amounts are divided into a social security level benefit, staff-type benefits based on a railroad services, and in some instances a dual benefit component. Each plan provides medical benefits to eligible retired City employees and beneficiaries.

Benefit provisions for TERS are established in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. These statutes assign the authority to establish benefit provision for TERS. For LEOFF Plan 2, benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and 41.26. These statutes assign the authority to establish benefit provisions. For LEOFF Plan 1, these benefit provision are state statute by the State of Washington through the Department of Retirement Systems, per RCW 41.26. For the Railroad Retirement System, these are administered by Federal statute under the Railroad Retirement Act (45 U.S.C. 231 et seq.) and authority resides by these Federal statutory provisions. Financial reports for the LEOFF Plans and Railroad Retirement System plans are available at the addresses below. These reports may be obtained by writing at the following addresses:

LEOFF Plan 1
State of Washington
Office of Financial Management
P.O. Box 43113
Olympia, WA 98504-3113

U.S. Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611-2092

2. Funding Policy and Annual OPEB Cost:

The City is financing the plans on a pay-as-you-go basis. The railroad retirement benefits are paid from the Railroad Retirement Account, maintained by the Department of the Treasury of the U.S. and is financed through taxes levied upon railroad employees and employers by the Railroad Retirement Tax Act (26 U.S.C. 3201 et seq.), which is administered by the Internal Revenue Service.

The Present Value of Benefits (PVB) is the present value of projected benefits discounted at the valuation interest rate. The valuation interest rate used is 3.75% based upon the expected return for the short-term fixed income securities. This rate is used, as the required contributions net of benefits paid, are not prefunded.

The Normal Cost is that portion of the City provided benefit attributable to employee service in the current year. The Actuarial Accrued Liability (AAL) is the portion of the present value of benefits attributed to past service only. The Annual Required Contribution (ARC) is the amount the City would be required to report as an expense for the year. The ARC is equal to the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Each year the ARC, less current year benefit payments, will accumulate as a liability, Net OPEB Obligation, on the balance sheet.

	TERS	LEOFF Plan 1	LEOFF Plan 2	Rail
Annual Required Contribution				
Normal Cost at Year-end	\$ 3,740,479	\$ 194,111	\$ 1,456,052	\$ 93,945
Amortization of UAAL	1,893,979	11,646,791	951,968	60,446
Annual Required Contribution (ARC)	5,634,458	11,840,902	2,408,020	154,391
Net OPEB Obligation				
Annual Required Contribution (ARC)	5,634,458	11,840,903	2,408,020	154,390
Interest on prior year Net OPEB obligation	810,497	836,919	446,395	9,808
Less Adjustments to ARC	915,039	1,412,281	503,973	11,073
Annual OPEB Cost	5,529,916	11,265,541	2,350,442	153,125
Contributions made	1,828,282	6,570,000	834,533	51,612
Increase in Net OPEB Obligation	3,701,634	4,695,541	1,515,909	101,513
Net OPEB Obligation - Beginning of Year	21,613,250	22,317,845	11,903,854	261,551
Net OPEB Obligation - End of Year	\$ 25,314,884	\$ 27,013,386	\$ 13,419,763	\$ 363,064

Value of Subsidy at 3.75% Interest Rate (Includes Health & Transit)

	Total Value of Benefits	Member Paid Benefits	City-Paid Benefits
Present Value of Benefits	\$ 488,143,650	\$ 161,401,112	\$ 326,742,538
Actuarial Accrued Liability (AAL)	331,339,973	79,500,127	251,839,846
Normal Cost	11,227,919	5,743,332	5,484,587
Annual Benefit Payments	13,500,240	3,612,905	9,887,335

The following table shows the City's GASB 45 liability broken down by the total value of the benefits provided, the member premiums and the City-paid benefits.

The City's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and each of the two preceding years for each of the plans were as follows:

TERS			
Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	5,162,679	38.2%	17,599,345
12/31/2013	5,602,233	28.1%	21,627,548
12/31/2014	5,529,916	28.5%	25,314,884

LEOFF Plan 1			
Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	11,901,822	58.3%	18,472,271
12/31/2013	11,395,563	66.3%	22,317,847
12/31/2014	11,265,541	67.0%	27,013,386

LEOFF Plan 2			
Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	2,209,152	17.5%	10,215,066
12/31/2013	2,377,133	29.0%	11,903,854
12/31/2014	2,350,442	29.3%	13,419,763

Rail			
Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	195,524	52.6%	182,685
12/31/2013	153,839	48.7%	261,552
12/31/2014	153,125	49.0%	363,064

3. Funding Status and Funding Process:

The funded status of the plans as of December 31, 2013, were as follows:

	TERS w/Health and Transit	LEOFF 1	LEOFF 2	Rail
Annual City Benefit Payments	\$ 1,836,394	\$ 6,570,000	\$ 834,533	\$ 51,612
Discount Rate	3.75%	3.75%	3.75%	3.75%
Present Value of Benefits	96,389,255	182,595,000	44,409,087	3,349,196
Actuarial Accrued Liability Assets	45,547,570	182,212,000	22,642,572	1,437,704
Plan Assets	-	-	-	-
Unfunded Actuarial Liability (UAAI)	45,547,570	182,212,000	22,642,572	1,437,704
Funded Ratio	0.0%	0.0%	0.0%	0.0%
Covered Payroll	216,468,374	206,870	72,486,494	9,879,808
UAAI as a % of covered payroll	21%	88080%	31%	15%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as results are compared to previous expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime (based on how OPEB is funded) relative to the actuarial accrued liability for benefits. RSI immediately follow the notes.

The City uses the same premiums for retirees under age 65 as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in the setting non-Medicare retiree rates. (Premiums calculated only based on retiree health claims experience would likely have resulted in higher non-Medicare retiree premiums.) GASB 45 requires that the value of this subsidy be recognized as a liability in valuations of OPEB costs.

To account for the fact that per member health costs vary depending on age (higher health costs at older ages), number of dependents (higher costs for more dependents) and employment status (higher costs for retirees than for active employees), the consulting actuary (Milliman) calculated equivalent Per Member Per Month (PMPM) costs that vary by age based on the age distribution of covered members (employees/retirees and dependents). These costs are based on relative age/gender cost factors were developed from Milliman's Health Cost Guidelines database. Based on the 2013 premium rates and relative age cost factors assumptions, Milliman developed the following age adjusted monthly PMPM health costs for 2013.

Monthly Medical Claims Costs at Sample Ages (excluding LEOFF 1)

Age	Retiree		Spouse	
	Male	Female	Male	Female
50	1,022.26	1,164.31	886.83	1,022.62
55	1,089.45	1,147.32	1,026.60	1,122.73
60	1,337.00	1,305.50	1,227.37	1,275.02
64	1,678.70	1,515.09	1,497.64	1,449.15

No retiree contributes toward the cost of retiree medical benefits for LEOFF 1. Based on the City's historical retiree medical cost experience from 2009 through 2011, the relative age cost factors assumptions, Milliman developed age adjusted monthly PMPM health costs for 2013 as follows:

B-42

Monthly Medical Claims Costs at Sample Ages LEOFF 1

Age	Police		Fire	
	Male	Female	Male	Female
45	\$ 704.93	\$ 934.64	\$ 553.85	\$ 733.55
50	924.98	1,091.24	725.93	855.99
55	1,208.64	1,269.17	947.46	994.95
60	1,550.80	1,483.25	1,214.52	1,162.09
64	1,934.27	1,762.68	1,513.66	1,380.02
65	851.24	859.98	562.14	568.02
70	951.36	951.13	627.23	626.95
75	1,046.49	1,035.83	689.01	681.95
80	1,117.03	1,095.59	734.81	720.76
85	1,157.87	1,124.74	761.34	739.69

4. Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	TERS/LEOFF Plan 2/Rail	LEOFF Plan 1
Valuation Date	January 1, 2013	January 1, 2013
Census Date	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age
Amortization Method	Level percentage of expected salary	Level dollar amount
Remaining Amortization Period	24 year, closed	24 year, closed
Demographic Assumptions	Demographic assumptions regarding retirement, disability, and turnover are based upon pension valuations for the various pension plans.	
Actuarial Assumptions:		
Discount Rate	3.75%	3.75%
Health Cost Trend	2015, 6% in 2016-2020, 5.9% in 2021-2030, 5.8% in 2031-2040 and grading down to an ultimate of 4.8% in 2083 and beyond.	2015, 6% in 2016-2020, 5.9% in 2021-2030, 5.8% in 2031-2040 and grading down to an ultimate of 4.8% in 2083 and beyond.
Projected Payroll Increases	4.0%	4.0%

5. Excise Tax for High Cost or "Cadillac" Health Plans in 2018 and Beyond:

An excise tax for high cost health coverage or "Cadillac" health plans was included in the Affordable Care Act (ACA) passed into law in March 2010. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. The 2018 annual thresholds for qualified retirees aged 55-64 are \$11,850 for single coverage and \$30,950 for a family plan. If, between 2010 and 2018, the cost of health care insurance rises more than 55%, the threshold for the excise tax will be adjusted.

The City believes the current provisions of ACA should be reflected in the projection of benefits and therefore, we do include the value of the excise tax in the valuation. The City assumes there will be no changes to the current tax law and that there will be no changes in the plan design to help mitigate the impact of the tax.

GASB Statement No. 45 indicates the projection of benefits should include all benefits to be provided to retirees in accordance with the current "substantive" plan. The substantive plan refers to the plan terms as understood by the employer and plan members at the time of the valuation. For this reason, we believe the current provisions of PPACA should be reflected in the

projection of benefits and therefore, we do include the value of the excise tax in this valuation. The City assumes there will be no changes to the current tax law and that there will be no changes in the plan design to help mitigate the impact of the tax.

Note 6 Deferred compensation

The City offers its employees two deferred compensation plans through a third party created in accordance with Internal Revenue Code Section 457. The plans, available to all City permanent full-time and part-time employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable emergency, but the plan does offer a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions. The 2014 contribution limits are \$18,000 for regular deferral, \$36,000 for pre-retirement and \$24,000 for age 50 provision deferrals. The City has agreed through contract negotiation with the Police union and the Fire union to match contributions made by all Police Officers and Fire Officers up to a maximum of \$192 per pay period.

Benefit Plan	Third Party Administrator	Pre-Tax Employer Contributions	Pre-Tax Employee Contributions	After-Tax Employee Contributions	Total by Plan
401a Plan					
457 deferred compensation	ICMA	\$ 2,110,295.96	\$ 11,385,577.81	\$ 219,675.79	\$ 13,715,549.56
457 deferred compensation	Nationwide	1,190,279.58	1,684,604.53	49,875.33	2,924,759.44
401a Plan	New England Ben Admin	-	372.30	-	372.30
Total		<u>\$ 3,300,575.54</u>	<u>\$ 13,070,554.64</u>	<u>\$ 269,551.12</u>	<u>\$ 16,640,681.30</u>

Note 7 Interfund activity

Interfund activity is composed of three types of transactions. Due to and due from other funds represent internal charges for services except for billings for utility services which are considered "external" in nature. Advances to and from other funds are loans between funds for capital or cash flow purposes. Transfers represent a sharing of resources between funds. At the fund level, these transfers increase or decrease individual funds resources, but they do not affect the City's total resources. These internal activities do not represent inflows or outflows of the City's resources; rather, they reflect resources being moved within the City. The effects of these transactions are included in the City's fund statements but are removed from the entity-wide financial statements.

The composition of interfund balances (amounts expressed in thousands) at December 31, 2014 is as follows:

Due To	Due From										Total
	Trans Cap &			Waste			Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds		
	General Fund	Engineer Fund	Solid Waste Fund	Water Fund	Water Fund	Power Fund					
General Fund	\$ -	\$ -	\$ 395	\$ 597	\$ 134	\$ 35	\$ 1,524	\$ 273	\$ -	\$ -	\$ 2,958
Trans Cap & Engineer Fund	41	-	-	47	-	2	11	10	-	-	\$ 111
Solid Waste Fund	591	-	-	-	-	226	216	135	-	-	\$ 1,168
Waste Water Fund	682	66	57	(417)	-	504	671	220	-	-	\$ 1,783
Water Fund	151	-	23	1	40	658	447	19	-	-	\$ 1,339
Power Fund	424	-	18	91	19	-	2,416	1	1	1	\$ 2,970
Internal Service Funds	389	-	5	74	99	1,031	343	25	96	96	\$ 2,062
Non-major Governmental Funds	1,891	911	-	9	-	6	368	806	34	34	\$ 4,025
Non-major Enterprise Funds	133	6	-	43	-	47	582	24	16	16	\$ 851
Total	<u>\$ 4,302</u>	<u>\$ 983</u>	<u>\$ 498</u>	<u>\$ 445</u>	<u>\$ 292</u>	<u>\$ 2,509</u>	<u>\$ 6,578</u>	<u>\$ 1,513</u>	<u>\$ 147</u>	<u>\$ 147</u>	<u>\$ 17,267</u>

Due To and Due From balances result when transactions are recorded in the accounting system and payments are made between funds after December 31, 2014.

B-43

Advance Owed From	Advances Owed To			
	Major Governmental	Non-major Governmental	Internal Service Funds	Total
Non-major Governmental	\$ 4,209	\$ 1,063	\$ -	\$ 5,272
Non-major Enterprise	6,480	1,726	-	8,206
Internal Service Funds	-	-	-	-
Total	\$ 10,689	\$ 2,789	\$ -	\$ 13,478

The information below provides detail of the Advances, or interfund payable transactions:

\$229,500 was authorized from the General Fund (#0010) to the Performing Arts Fund (#4190) to finance construction of improvements to the Pantages Theater.

\$4,200,000 was authorized from the General Fund (#0010) to the Police Facility Fund (#3216) for a property acquisition for a police sub-station.

\$6,250,000 was authorized from the General Fund (#0010) to Tacoma Rail Mountain Division Fund (#4120) for cash flow purposes.

\$8,800 was authorized from the General Fund (#0010) to the Consolidated LID Fund (#2-7999) to establish LID #62.

\$130,000 was authorized from the Economic Development Fund (#1195) to 1997 Bond Issue Fund (#3209) as an interfund loan secured by a land parcel.

\$1,726,122 was authorized from the Capital Projects Fund (#3211) to the Tacoma Dome (#4180) to finance various Tacoma Dome projects.

\$933,328 was authorized from the Capital Projects Fund (#3211) to the Fire Department Fund (#1090) to refit and renovate a fireboat.

Transfer Out	Transfer In										Total
	General Fund	Trans Cap & Engineer Fund	Solid Waste Fund	Waste Water Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds		
General Fund	\$ -	\$ 12,820	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,998	\$ 3,487	\$ 24,305	
Trans Cap & Engineer Fund	-	-	-	-	-	-	-	3,702	-	3,702	
Solid Waste Fund	3,409	-	-	-	-	-	-	1,136	-	4,545	
Waste Water Fund	5,442	-	-	-	-	117	1,813	-	-	7,372	
Water Fund	4,616	-	-	-	-	78	1,659	-	-	6,353	
Power Fund	26,451	-	-	-	-	314	410	-	-	27,175	
Internal Service Funds	-	-	-	-	-	5	-	-	-	5	
Non-major Governmental Funds	186	4,652	-	1	-	381	13,658	3,820	-	22,698	
Non-major Enterprise Funds	2,080	-	-	-	-	176	261	5,028	-	7,545	
Total	\$ 42,184	\$ 17,472	\$ -	\$ 1	\$ -	\$ 176	\$ 1,156	\$ 35,404	\$ 7,307	\$ 103,700	

The information below provides detail of the interfund transfer transactions:

\$12,819,825 was transferred from the General fund to the Street fund for 2014 Street contributions.

\$7,997,783 was transferred from the General Fund to Non-Major Governmental funds for Traffic contributions and debt service payments.

\$3,487,928 was transferred from the General fund to Non-Major Enterprise funds to assist the theaters (BCPA) throughout the year, for permit services, for Tacoma Rail, for the Glass Museum, for Cheney Stadium, and for the Tacoma Dome.

\$3,702,563 was transferred from the Street fund to Non-Major Governmental funds for road capital projects and debt service payments.

\$3,408,695 was transferred from the Solid Waste Fund to the General Fund for 2014 Gross Earnings Tax.

\$1,136,232 was transferred from the Solid Waste Fund to Non-Major Government funds for 2014 Gross Earnings Tax.

\$5,441,748 was transferred from the Waste Water Fund to the General Fund for 2014 Gross Earnings Tax.

\$117,120 was transferred from the Waste Water Fund to Internal Service funds for 2014 fleet services.

\$1,813,916 was transferred from the Waste Water Fund to Non-Major Government funds for 2014 Gross Earnings Tax.

\$4,615,959 was transferred from the Water Fund to the General Fund for 2014 Gross Earnings Tax.

\$78,067 was transferred from the Water Fund to Internal Service funds for 2014 fleet services.

\$1,658,535 was transferred from the Water Fund to Non-Major Governmental funds for 2014 Gross Earnings Tax.

\$26,450,629 was transferred from the Power Fund to the General Fund for 2014 Gross Earnings Tax.

\$314,105 was transferred from the Power Fund to Internal Service funds for 2014 Fleet Services contribution.

\$410,020 was transferred from the Power Fund to Non-Major Governmental funds for 2014 Gross Earnings Tax.

\$5,000 was transferred from Internal Service funds to Internal Service funds for 2014 fleet services.

\$186,343 was transferred from Non-Major Governmental funds to the General Fund to fund Emergency Medical Services.

\$4,652,413 was transferred from Non-Major Governmental funds to the Street fund for capital road projects.

\$750 was transferred from Non-Major Governmental funds to the Waste Water Fund for capital projects.

\$380,782 was transferred from Non-Major Governmental funds to Internal Service funds for Fleet capital purchases.

\$13,658,406 was transferred from Non-Major Governmental funds to Non-Major Governmental funds for various capital projects and debt service payments.

\$3,819,542 was transferred from Non-Major Governmental funds to Non-Major Enterprise funds for capital projects and for debt service.

\$2,080,473 was transferred from Non-Major Enterprise funds to the General Fund for 2014 Gross Earnings Tax and contributions to a Fire Department study.

\$176,339 was transferred from Non-Major Enterprise funds to the Power Fund for BPA bond project.

\$260,529 was transferred from Non-Major Enterprise funds to Internal Service funds for 2014 Fleet Services contribution.

\$5,027,245 was transferred from Non-Major Enterprise funds to Non-Major Governmental funds for 2014 Gross Earnings Tax and debt service payments.

Note 8 Other information

A. Accounting changes

There are no Accounting changes reported in 2014.

B. Risk management

The City is self-insured for general liability, medical benefits, unemployment and worker's compensation and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for "Incurred but Not Reported" (IBNR) claims. The estimate for reported claims is based on Risk Management and Legal Departments' projections and is adjusted annually. The IBNR for the self-insured employee's benefits is based on an average of 2-months claims from the reporting year. The General IBNR liabilities are calculated by a periodic actuarial study. The handling and paying of all general liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the TPU Self Insurance Claim Fund. Monies are appropriated from various cost centers based on prior claims history and paid to these funds.

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with the Revised Code of Washington in RCW 35.21.085 (2). The City carries a supplemental general liability policy with a \$15 million limit and a \$3 million self-insured retention, renewable on August 12 of each year. This policy is provided to supplement the City's current self-insurance risk for settlements in excess of \$3 million.

The City also has a policy to cover extraordinary worker's compensation claims with a statutory liability limit and a \$1 million retention. This policy renews January 1st of each year.

The City carries property coverage with a maximum single occurrence limit of \$500,000,000 with sub-limits, and \$150,000 deductible per occurrence, with exceptions. This policy renews July 1st of each year.

The TPU Self-Insurance Claim Fund was established in 1979 to cover general liability claims of the Light and Water divisions. The Belt Line Rail became a participant in 1985. Total assets in this fund are \$6.2 million. Settlement payments were within amounts available for coverage for the last three years—2014, 2013 and 2012.

Changes in estimated claims settlements liability for the past two years were as follows:
(amounts expressed in thousands)

	Self Insurance Fund		Worker Compensation Fund		TPU Self Insurance Fund	
	2014	2013	2014	2013	2014	2013
Balance 01/01	\$ 19,838	\$ 36,133	\$ 4,398	\$ 4,239	\$ 4,902	\$ 3,351
New Claims	828	492	2,873	2,942	22	541
Adjustments to Claims	(2,619)	(15,285)	4,132	2,638	1,365	1,427
Claims Payment	(1,066)	(1,502)	(5,554)	(5,421)	(295)	(417)
Balance 12/31	\$ 16,981	\$ 19,838	\$ 5,849	\$ 4,398	\$ 5,994	\$ 4,902

C. Prior-Period Adjustments and Accounting Changes

Prior year adjustments are used for the correction of an error or the implementation of a new authoritative standard.

Subsequent to the issuance of the December 31, 2014 financial statements, prior period adjustments were made.

(amounts expressed in thousands)

Governmental Funds

Fund Name	Amount	Description
General Fund #0010	\$ (288)	(\$164) - Write-off the balance of old AP; \$10 - adjustment of prepaid expenses error; (\$165) - prior year prepaid expenses correction; (\$4) - prior year wage expenditure correction; \$35 - adjustment of 2012 port security grant
Trans Capital and Engineering # (3)1060	502	\$780 - Adjustment of capital outlay and CWP; (\$237) - correction of grant advance; \$6 - correct old inventory receipts; (\$47) - writeoff allowance for uncollectible
Fire Department #1090	(292)	(\$292) - Adjustment for 2012 port security grant expenditures; \$ 29 - Adjustment for fire station grant capital assets; (\$29) - correction of 2013 expenditures
Local Imp Guarantee #1110	22	Balance adjustment for wage expenditures
Fire EMS #1155	697	\$401 - writeoffs and adjustment of 2013 and older uncollectibles; \$296 - correction of capitalized assets expensed in a prior year
Community & Econ Development #1195	64	\$45 - Prior year wage expenditure correction; \$19 - Adj. of overstated expenditures
Police #1267	(313)	(\$139) - Reclass of 2012 port security grant correction; (\$174) - reclass of grant revenue refund
Municipal Cable #1431	(10)	2013 invoice reversed in 2014
Traffic Enforcement/Eng/Education #1650	3	Prior year wage expenditure correction
Total	\$ 385	

Enterprise Funds

Fund Name	Amount	Description
Permit Services #4110	\$ (59)	(\$15) - Revenue recorded in Error; (\$44) - Correction of wage expense
Convention Center #4165	(711)	\$255 - Adjustment to prior year compensated absenses; (\$514) - Adj 2013 unamortized premium & discount; (\$301) - overstated unamortized issue costs; (\$151) - Refunding amortized loss
Tacoma Rail Belt Line # 4500	716	Adjustment for elimination of fund 4800
Water # 4600	169	Adjustment for elimination of fund 4800
Power # 4700	(1,117)	Adjustment for elimination of fund 4800
Low Income Assistance	(1,128)	Adjustment for 2013 fund balance
Total	\$ (2,130)	

Internal Service Funds

Fund Name	Amount	Description
BSIP Project #5027	53	Reclass of fund balance to prior period adjustment
Third Party Claims #5550	2,857	Adjusted prior year IBNR estimated claims.
Worker's Compensation	(12)	Correction to 2012 payroll ded payable
Total	2,898	

B-45

Government-wide Statements

Activity	Amount	Description
Governmental	\$ 385	General fund, Street fund, Fire, LID, Fire EMS, CED, Police, Cable TV and Traffic enforcement
Governmental	2,898	Finance, Third Party Claims, and Workers Compensations
Business	(2,130)	Refer to Enterprise Funds table above
Total	\$ 1,153	

D. Segment Information

The following are the four segment enterprise funds maintained by the City. Segment information was as follows:

(amounts expressed in thousands)

CONDENSED STATEMENT OF NET POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450	Power Conservation Fund #4850
Assets:				
Current assets	\$ 2,196	\$ 406	\$ 84	\$ 1,693
Accounts receivable (net)	16	160	4,052	-
Due from other funds	35	2	-	-
Inventory	-	-	-	-
Prepayments	187	211	-	-
Restricted assets	-	501	1,905	-
Capital assets (net)	51,215	65,164	-	-
Other non-current assets	11	-	27,584	-
Total assets	53,660	66,444	33,625	1,693
Deferred outflow of resources.				
	-	3,029	-	-
Liabilities:				
Current liabilities	1,641	2,785	4,573	1,693
Due to other funds	23	66	-	-
Current liabilities payable from restricted assets	-	-	-	-
Non-current liabilities	15,031	75,028	28,114	-
Total liabilities	16,695	77,879	32,687	1,693
Deferred outflow of resources.				
	-	-	-	-
Net position;				
Net investment in capital assets	34,918	(8,658)	-	-
Restricted	-	544	1,905	-
Unrestricted	2,047	(292)	(967)	-
Total Net Position	\$ 36,965	\$ (8,406)	\$ 938	\$ -

CONDENSED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450	Power Conservation Fund #4850
Operating revenues	\$ 6,682	\$ 2,001	\$ -	\$ -
Depreciation expense	(1,325)	(2,189)	-	-
Other operating expenses	(3,548)	(3,832)	(5)	-
Operating income	1,809	(4,020)	(5)	-
Nonoperating revenues (expenses)				
Interest revenue	24	10	-	-
Interest expense	(834)	(1,063)	(2,073)	-
Other nonoperating revenues (expenses)	38	2,705	2,072	-
Capital contributions	219	-	-	-
Transfers	(954)	1,027	-	-
Change in net position	302	(1,341)	(6)	-
Beginning net position	36,663	(6,354)	944	1,128
Prior period adjustments	-	(711)	-	(1,128)
Ending net position	\$ 36,965	\$ (8,406)	\$ 938	\$ -

CONDENSED STATEMENT OF CASH FLOWS

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450	Power Conservation Fund #4850
Net cash provided (used) by:				
Operating activities	\$ 2,910	\$ (1,789)	\$ 3,995	\$ 542
Noncapital financing activities	(47)	2,622	-	-
Capital and related financing activities	(2,596)	(821)	(3,997)	-
Investing activities	23	9	-	-
Net increase (decrease)	290	21	(2)	542
Beginning cash and cash equivalents	1,906	886	1,991	1,151
Ending cash and cash equivalents	\$ 2,196	\$ 907	\$ 1,989	\$ 1,693

- Parking Garage fund (#4140) accounts for the City's parking facilities.
- Convention Center fund (#4165) accounts for activities associated with operating the Convention Center.
- Union Station fund (#4450) accounts for the thirty year lease with the Federal Government who uses Union Station as a Federal Courthouse.
- Power Conservation fund (#4850) was created to account for power conservation projects and payment of debt issued.

E. The Performing Arts Fund

In September 2014 Resolution No. 39005 authorized an early termination of a lease agreement for the Pantages Theater between the City, through the Tacoma Community Redevelopment Agency, and tax credit investors, led by Urban Securities Profit Sharing Trust, Inc.

A portion of the up-front payment received by the City when the lease was originated in 1983 was invested and specifically reserved to offset the early termination fee payment of \$3.295 million.

B-46

The early termination will allow the City to explore a new market tax credit financing to raise funds which could be applied to the Centennial Campaign's \$15 million funding used to make improvements to the City's performing arts facilities.

F. Tax expense – Utility Funds

The taxes expense shown in the statements for Enterprise Funds consists primarily of an 8.0% tax upon gross earnings for Tacoma Water, Tacoma Rail, Surface Water, Waste Water, and Solid Waste and a 6.0% tax upon gross earnings for Tacoma Power which is paid to the General Fund. Non-governmental utilities also pay gross earnings tax at the following rates: Natural Gas, 6%; Cable TV, 8.0%; Electricity, 6%; Solid Waste Collection, 8% and Telephone, 6.0%.

G. Results of operations of joint ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) on-going financial responsibility.

The City participates in two joint ventures: South Sound 911 and the Tacoma-Pierce County Health Department (Health Department). The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

Summary financial information on the joint ventures is listed below for the year of the last audited financials. These figures reflect the information as prepared and submitted to the City by the various entities.

Joint Venture (amounts expressed in thousands)	SOUTH SOUND 911		HEALTH DEPARTMENT	
	12/31/2013		12/31/2013	
Balance Sheet Date				
Total Assets	\$ 28,552	\$	8,435	
Total Liabilities	6,358		3,580	
Total Net Assets	22,194		4,855	
Non-current Liabilities	739		314	
Capital Assets (net of accumulated depreciation)	3,032		1,090	
Total Revenues	33,797		31,377	
Total Expenditures/Expenses	21,987		32,012	
Other Non-operating Revenues/Expenditures	-		-	
Transfers	-		-	
Net Increase/(Decrease) in Net Assets	11,810		(635)	
City Contribution	7,500		1,048	

Additional information about each entity can be obtained from separately published financial statements by each entity by contacting South Sound 911, 955 Tacoma Avenue South #102, Tacoma, WA 98402 and the Tacoma/Pierce County Health Department, Christopher Schuler, Business Support Services, 3629 South D Street, Tacoma, WA 98418-6813.

Note 9 Claims and Judgments

A. Claims

From time to time, claims have been filed against the City involving tort actions for such things as defective sidewalks, automobile accidents, claims of false arrest, etc.; all of which are in a sense routine in nature and common to all local governments. In those instances, when material, where it has been determined that it is probable that a claim will be paid by the City, the expenditure/expense and the related liability are reported in the statements of the appropriate fund in the year when such a determination is made. See Note 8 B for risk management information.

The City has entered into interlocal agreements with the Pierce County Health Department. If, in fact, any of this entity were to suffer a catastrophic disaster and their self-insurance funds and resources were to be depleted, the City and other participating jurisdictions would be required to stand behind and make good the excess liability.

Under state law, the City is required to pay for unemployment and industrial insurance and medical aid. The City has chosen to self-insure rather than remit its payments to the state pool. See Note 8 B for risk management information.

B. Construction Commitments

The City has various construction projects as of December 31, 2014. The projects include street and capital project constructions for improvements of existing streets and bridges or new bridges. At year-end the City's major commitments with the contractors are as follows: (amounts expressed in thousands)

Project	Authorized	Spent-to-date	Remaining Commitment
2013 (A) Wastewater Sewer Rehabilitation (CIPP) Project	\$ 442	\$ 399	\$ 43
11th Street Handrail Replacement	29	3	26
2013A Wastewater, Surface, and Water Main Replacement	1,617	1,456	161
2013B Wastewater Main Replacements (Various Tacoma)	676	308	368
2014 Striping Contract	123	116	7
303 East D Street Site Improvements	170	163	7
ADA Improvement Phase 2 - A Street Garage	36	31	5
Central Wastewater Treatment Plan High Purity Oxygen Generation Sys	1,911	1,723	188
Cheney Stadium LID Retrofit	1,722	1,627	95
Cheney Stadium Stormwater Project	1,399	1,242	157
City of Tacoma Stormwater Pipe Retrofit Project	846	592	254
Citywide Safety Improvements	1,242	1,162	80
Cured in Place Pipe (CIPP) Rehab. Basin C19-1 and Surface Water	1,364	948	416
Dewatering Facility Upgrade	3,294	-	3,294
Flett Creek Pump Station	1,349	1,183	166
Franklin Truckline Improvement	1,883	1,316	567
Historical Water Ditch Trail, Phase II	1,203	1,166	37
Home Demolition 1313 1/2 Pavewett	19	-	19
Home Demolition 6856 S. Stevens St	6	-	6
Home Demolition 722 S 38th	37	-	37
Hylebos View and Vista View Pump Stations Upgrades	544	493	51
LID 8652-1, 8652-2, & 8655-1	1,552	1,008	544
LID 8653 & LID 8655-2	513	458	55
LID 8654 and LID 8652-3	1,497	1,199	298
Lincoln & Alexander Pump Station AN4102 Upgrade	3,369	3,167	202
Marine Security Operations Center (MSOC)	3,492	3,432	60
On-call Contractor Services for Landfill	175	6	169
Pacific Avenue Crossing at S. 17th Street (TAM)	245	224	21
Pacific Avenue Safety and Mobility Improvements - Phase 2	738	701	37
Pacific Avenue Streetscapes Phase 1	8,593	7,714	879
Pedestrian Crossing Improvement	2,523	229	2,294
Replace Failed Pavement on Port of Tacoma Rd near Washington	90	68	22
S. 56th Street Gateway Sign	43	24	19
Sanitary Sewer Cured-in-Place-Pipe Rehabilitation	921	584	337
Site 11, Phase II Esplanade (Completion)	1,460	652	808
Site 11, Phase II Esplanade - Roadside	1,420	421	989
Site 9 Bulkhead Wall Removal	1,250	1,140	110
Sheridan Elementary - Safe Routes to School	268	-	268
Solid Waste Management West Lot Truck Parking Improvements	2,023	1,884	139
South 13th Street Sidewalk Improvement	138	120	18
South 56th Street Corridor Striping	127	109	18
South Millcrest Street Concrete Roadway	2,140	1,753	387
Stadium Way Arterial	13,194	12,908	286
Stormwater Sewer Rehabilitation (CIPP) Project	1,344	1,047	297
Tacoma Landfill Stage 3 Closure	2,765	2,313	452
Tacoma Top 4 Bikeways, Phase 2	1,740	1,613	127
Tilow Beach Seawall Repair Project	209	108	92
Urban Forestry Landfill Plant Storage Area	385	165	220
UWT - 17th & Jefferson Ave.	1,624	752	872
Wapato Perious Street Project	1,809	1,370	439
Wastewater & Water Main Replacement Project (Downtown)	1,919	1,442	477
Wastewater & Water Main Replacement Project (North Area 5)	1,815	1,527	288
Wastewater Sewer Replacement Project N49th to N42nd	1,948	1,642	306
Wastewater Sewer Replacement Project North End Area 4	3,430	3,046	384
Wastewater, Storm Water & Water Main Replacement Project Court D/E	1,602	1,228	374
Water Ditch Trail	957	934	23
	\$ 87,221	\$ 68,926	\$ 18,295

These commitments are being funded by a variety of funding sources such as Federal, State and Local Grants, Gas Tax Revenue, City contributions and long-term debt.

C. Solid waste utility—landfill closure and post closure liabilities

The Solid Waste Utility (#4200) operates a 235 acre landfill site, which became part of the South Tacoma Channel Superfund Site in 1983. In 1991, the City entered a Consent Decree with the United States Environmental Protection Agency ("EPA") and the Washington State Department of Ecology ("DOE"), reference *United States et al. v. City of Tacoma*, US District Court Cause No. C-89CS83T, to "clean-up the release of hazardous substances at the Landfill. The City completed the majority of the remediation work required by the Consent Decree several years ago. The remaining work mostly involves monitoring the remediation work completed by the City in the 1990s to assure that it continues to protect human health and the environment. The Consent Decree settlement was entered pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. §9601 et seq., and the state Model Toxics Control Act ("MTCA"), Chapter 70.105D RCW.

B-47

The City's remediation work has included: (1) covering the landfill with a double flexible membrane cap that is impermeable to water; (2) capturing methane gas within and at landfill perimeter to prevent off-site migration; (3) pumping and treating ground water to remove contamination at the point of compliance and beyond property boundaries; and (4) closing the landfill in accordance with the Tacoma Landfill Cleanup Consent Decree. The City also has an obligation under the Consent Decree to monitor the remediation work over the next 20 years, or more years to make sure it continues to be effective at protecting human health and the environment.

The costs for ongoing maintenance of the Tacoma Landfill are not expected to require rate increases above those already projected. The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. The City's on-going monitoring efforts indicate the remedial actions undertaken by the City at the Tacoma Landfill are performing as designed.

In 2014, following closure of the portions of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the Tacoma Pierce County Health Department (TPCHD) through the same permitting process. All closed portions of the Landfill will also be covered by a TPCHD closure permit, which may be incorporated into the overall facility permit. The closure permit will mirror the requirements implemented as a result of the Landfill remedial action.

Long-term plans for the closed capped areas of the Tacoma Landfill include recreational facilities, such as trails and playfields, as well as other governmental facilities, such as greenhouses for grounds maintenance operations. All development of the Tacoma Landfill site must be designed to accommodate differential settlement and allow for continued functioning of the environmental remediation systems.

The City Finance Department reports \$25,720,100 as landfill closure and post closure liability at December 31, 2014 based on 100% use of total capacity of the landfill. This compares to \$25,691,232 at December 31, 2013 based on 100% of capacity. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The City will be responsible for the costs of additional work if migration of pollutant from the site is not completely controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs.

D. Potential environmental contamination or utility claims or suits

The City is subject to various pending and threatened legal actions, which arise in the ordinary course of business. The City believes, based on information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the City, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

Note 10 Contingent liabilities

Solid Waste (#4200) Long-term Contract – Land Recovery, Inc. – In February 2000, the Solid Waste fund entered into a 20-year contract with Land Recovery, Inc (LRI) to dispose of all "acceptable waste" collected or handled by Solid Waste (as that term is defined in the agreement), at the 304th Street landfill operated by LRI. Solid Waste entered into this agreement to extend the life of the Tacoma Landfill and to secure a long-term disposal arrangement at a favorable disposal cost. The agreement excludes solid waste that LRI is not authorized by law or permit to receive, or which could create or expose LRI for Solid Waste to potential liability, among other things. Recycling and/or composting waste is not covered by the agreement. The agreement further provides that LRI charge a base rate per ton for disposal services, and that said rate shall decrease as the tonnage increases during each contract year. The agreement also provides that the base rate charged by LRI shall increase annually based on the Seattle-Tacoma-Bremerton CPI. The rate per ton is periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. The rates adjustments are part of the existing agreements.

Solid Waste (#4200) Long-term Contract – Pierce County Recycling, Composting and Disposal - In October 2004 the Solid Waste fund entered into a ten (10) year agreement with Pierce County Recycling Composting and Disposal (PCRCD) LLC to accept organic material collected by the City curbside or delivered to the City's landfill for processing into compost. Under the agreement, which has two 5-year renewal options, PCRCD will charge a base rate per ton for the organic waste it receives from the City. This price may be adjusted beginning on the second anniversary of the agreement, and thereafter annually based on the Seattle-Tacoma-Bremerton CPI. The agreement also includes a revenue sharing component. Solid Waste entered into this agreement to extend the life of the Tacoma landfill and secure a long-term composting arrangement at a favorable cost.

Wastewater (#4300-01) Commencement Bay Natural Resource Damages – The City has resolved federal, state, and tribal natural resource damage claims associated with municipal storm water discharges in Commencement Bay through a Consent Decree that became effective on December 30, 1997. The stated value of the City's settlement is approximately \$7,700,000. Under the Consent Decree (the NRDA Consent Decree), the City agreed to undertake five restoration projects within the

Commencement Bay watershed and make certain cash payments. The construction has been completed on four projects and the City made a payment to the Port of Tacoma of \$134,692 to construct the fifth project.

The City closed out the Consent Decree in 2014. Ongoing monitoring and maintenance of the various projects will continue through 2014. Included in the financial statements for are liabilities of \$198,000 for 2014 and \$272,234 for 2013. Although the City resolved its NRDA liability, the City indemnified certain parties when it purchased real property along the Thea Foss Waterway in the late 1980's and early 1990's. The City expects that any financial obligation it may have related to these indemnities will be de minimus given the historical uses of the indemnified properties and the limited potential for release from these properties to damage natural resources. The City's understanding is a Thea Foss Waterway NRDA settlement between non-City parties and the Commencement Bay Natural Resource Trustees could be reached in 2015.

Wastewater (#4300-01) Hylebos Waterway Consent Decree – In 2003 the City of Tacoma – General Government entered a Consent Decree settlement with EPA to resolve any liability it may have had for sediment contamination in the Hylebos Waterway. The majority of the City's potential liability was attributed to municipal storm water discharges. Under the terms of its settlement, the City paid \$459,663 to "cash out" its liability. This amount included a 50 percent premium, which obligated the City to pay a small percentage (i.e., 0.4397%) of any cost overruns if the remedial action work exceeded the project estimate of \$56,056,407 to complete such work. On January 11, 2012 the City was notified by the Hylebos Performing Party Group that the cost of the Hylebos Waterway remedial action project totaled \$110,994,511. This number has since been adjusted downward, setting the City's share of cost overruns at \$224,683. The City also anticipates making an additional payment to the Hylebos Performing Party Group for around \$63, 317, which would fully and finally resolve the City's liability for any post-2013 overruns under its 2003 Hylebos Waterway Consent Decree settlement with EPA. The City reported an expense and liability of \$306,346 as of December 31, 2014.

Wastewater (#4300-01) Foss Consent Decree – The City has an obligation under the Foss Consent Decree for continued monitoring until at least 2016. The results of this monitoring may result in additional cleanup efforts in the future. Obligations for future monitoring costs of \$500,000 in 2014 and \$600,000 in 2013 have been reconalized in the financial statements as environmental liabilities.

Tacoma Rail (#4500) Link Petroleum Project Customer Deposit and Refund Agreement – A contractual agreement was entered in 2009 between Tacoma Rail and Link Petroleum, Inc. Link Petroleum agreed to advance Tacoma Rail \$75,000 for track improvements on Tacoma Rail's property to efficiently and safely handle shipments leading to customer's services facility. In return, Tacoma Rail agreed to refund the advance to the customer at a rate of \$150 per carload for each of the first 500 carloads handled by the facility, or through December 31, 2015, whichever event first occurs. As of December 31, 2014 the remaining deposit is \$45,900.

Tacoma Rail (#4500), Department of Public Works, Mountain Division – Public Works own approximately 143 miles of track, called Mountain Division, which connects to Tacoma Rail tracks. Tacoma Rail is under contract with Public Works to perform as its operator through 2016. The agreement states that Public Works would fund Tacoma Rail for any operations on the Mountain Division.

Tacoma Water (#4600) Capital Improvements – The financial requirement for Tacoma Water's 2015-2016 biennial Capital Improvement program is approximately \$32.9 million and Tacoma Water has substantial contractual commitments relating to the program. At December 31, 2014 the remaining financial requirement for Capital Improvement Programs relating to all prior biennia is approximately \$4.5 million.

Tacoma Water (#4600) Muckleshoot Indian Tribe Settlement – A mutually beneficial settlement agreement was reached with the Muckleshoot Indian Tribe in 1995. The settlement package has a cost of approximately \$30 million and includes five basic elements: 1) building a fish restoration facility and annual operation and maintenance of that facility, or in the alternative, providing \$12 million (indexed at 1995 dollars) into a fish restoration fund; 2) providing for enhanced flows in the Green River; 3) transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, education and other needs of the Tribe, and 5) limited access into the Green River Watershed. The settlement resolved past damage claims by the Tribe for Tacoma Water's historical operations on the river, gain the Tribes support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma Water has been implementing this agreement.

Tacoma Power (#4700) Capital Improvements – The financial requirement for Tacoma Power's biennial Capital Improvement Program is approximately \$159.5 million. At December 31, 2014, the remaining financial requirement was approximately \$21.9 million. The remaining financial requirement of Capital Improvement Programs relating to prior biennium is approximately \$4.2 million.

Grants

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Note 11 Subsequent events

March 18, 2015 the City issued 30 year 2015 Sewer Revenue Refunding Bonds in the amount of \$109.3 million for a true interest cost of approximately 3.54% in order to provide funds necessary to finance a portion of the capital improvement plan and to refund the outstanding 2006 Sewer Revenue and Refunding Bonds of \$39.4 million.

March 18, 2015 the City issued 10 year 2015 Solid Waste Revenue Bonds in the amount of \$21,095,000 due in yearly installments ranging from \$1,960,000 to \$2,760,000 and interest rates ranging from 2% to 5% for a true interest cost of approximately 2.14%. The bonds maturing in the years 2017 through 2024, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on December 1, 2025 are subject to redemption at the option of the City in whole or in part, on any date on or after June 1, 2025. Proceeds were used to fund \$2.1 million in bond reserves, pay the cost of issuance, and provide \$22 million for a portion of the capital improvement plan.

Ordinance No. 28296 was approved in 2015 approving a Supplemental Bond Ordinance; and authorizing Tacoma Power to execute a short-term drawdown direct note purchase agreement with Wells Fargo Bank, in the amount of \$100,000,000, to provide funds to finance for refinance costs of capital improvements to the Electrical System.

Ordinance No. 28297 was approved in 2015 approving a Supplemental Bond Ordinance; and authorizing Tacoma Power to execute a short-term liquidity note purchase agreement with KeyBank, in an amount not to exceed \$50,000,000, to provide general credit, including liquidity, for the Electric System.

B-49

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CITY OF TACOMA, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
FOR DECEMBER 31, 2014

NOTE 12
 CHANGES IN LONG TERM DEBT
 (all dollar values in thousands)

Washington State Auditor's Office

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-14	ISSUED 2014	REDEEMED 2014	AMOUNT O/S 12/31/14	Reconcile to	Reconcile to
										Governmental Fund Statements	Changes in LTD in Notes
GENERAL OBLIGATION BONDS, LOANS, & NOTES											
Unlimited General Obligation Bonds											
Genl Obl Bonds 2010	Refunding 2002 Bonds	11/10/10	2011-2022	21,870	2.6323	19,990		1,885	18,105		18,105
Subtotal Unlimited (Voted)						19,990	0	1,885	18,105	0	18,105
Limited General Obligation Bonds											
Ltd. Genl Obl Bonds 1997 Ser B	Capital Improvements	08/05/97	2008-2018	16,100	5.4554	4,281		788	3,493		3,493
Ltd. Genl Obl Bonds 1997 Ser B Acreted Interest		08/06/97	2008-2019	16,100	5.4554	6,138	584	1,212	5,510	584	5,510
Ltd. Genl Obl Bonds 2006A Conv Ctr	Improvements	09/10/06	2008-2036	16,475	4.4537	14,490		390	14,100		0
Ltd. Genl Obl Bonds 2006B	Refund 1997A LTGO	10/09/06	2007-2022	12,885	4.3942	12,885			12,885		12,885
Ltd. Genl Obl Bonds 2007 Parking Structure	Refit Parking Structure	12/21/07	2008-2027	9,610	5.6328	7,695		375	7,320		7,320
Ltd. Genl Obl Bonds 2009A Cheney	Capital Improvements	12/17/09	2011-2035	15,380	5.8600	15,050		160	14,890		14,890
Ltd. Genl Obl Bonds 2009B Dock & Salishan	Capital Improvements	12/17/09	2035	3,320	3.5400	3,320			3,320		3,320
Ltd. Genl Obl Bonds 2009C Cheney	Capital Improvements	12/17/09	2034	4,975	4.8900	4,975			4,975		4,975
Ltd. Genl Obl Bonds 2009D Cheney	Capital Improvements	12/17/09	2010-2014	5,000	1.7400	1,000		1,000	0		0
Ltd. Genl Obl Bonds 2009E Multiple Projects	Capital Improvements	12/17/09	2026-2035	13,526	5.7500	13,526			13,526		13,526
Ltd. Genl Obl Bonds 2009E Acreted Interest		12/19/09	2026-2036	13,526	5.7500	3,364	976	4,340	4,340	976	4,340
Ltd. Genl Obl Bonds 2009F Cheney & Env Remed	Capital Improvements	12/17/09	2023-2026	6,681	7.2020	6,681			6,681		6,681
Ltd. Genl Obl Bonds 2009F Acreted Interest		12/18/09	2023-2027	6,681	7.2020	2,143	643	2,786	2,786	643	2,786
Ltd. Genl Obl Bonds 2010B Refunding Bonds	Refund 1997B, 2001, 2004, 20	11/10/10	2015-2022	7,355	2.7966	7,355			7,355		2,630
Ltd. Genl Obl Bonds 2010C Refunding Bonds	Refund 2001, 2007, 2009 LTG	11/10/10	2015-2022	7,355	3.8076	7,355			7,355		7,355
Ltd. Genl Obl Bonds 2010D Bonds	Capital Improvements	11/10/10	2015-2033	30,225	5.0369	30,225			30,225		30,225
Ltd. Genl Obl Bonds 2010E Bonds	Capital Improvements	11/10/10	2015-2040	9,130	5.7155	9,130			9,130		9,130
Ltd. Genl Obl Bonds 2013 Refunding Bonds	Refund 2001 & 2004	03/05/13	2015-2034	44,170	3.1768	44,170			44,170		1,055
Subtotal Limited (Councilmanic)						193,783	2,203	3,925	192,061	2,203	130,121
Washington State Public Works Trust Fund Loan											
CTED PWTF No. 98-791-065	Capital Improvements	08/17/98	1999-2018	9,000	1.0000	2,702		541	2,161		2,161
CTED PWTF No. 04-691-068	Capital Improvements	06/02/04	2004-2024	4,500	0.5000	6,275		571	5,704		5,704
Subtotal Washington State Loan (Councilmanic)						8,977	0	1,112	7,865	0	7,865
Total General Obligation Bonds, Loans, & Notes						222,750	2,203	6,922	218,031	2,203	156,091

Page 98

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-14	ISSUED 2014	REDEEMED 2014	AMOUNT O/S 12/31/14	Reconcile to	Reconcile to
										Governmental Fund Statements	Changes in LTD in Notes
ENTERPRISE REVENUE BONDS, LOANS, & NOTES											
Greater Tacoma Convention Center											
Tac CC & Parking Rev Bonds, Series 2004	Construction	08/19/04	2005-2024	32,975	4.4307	21,550		1,560	19,990		
Tac CC & Parking Rev/Ref Bonds, Series 2010	Refunding 2004 Bonds	11/10/10	2015-2024	5,015	3.7656	5,015			5,015		
Subtotal Convention Center						26,565	0	1,560	25,005	-	-
Wastewater Utility											
State Revolving Fund (SRF) Loan #40006A	Treatment Plant Upgrade	09/19/03	2008 - 2028	53,491	1.5000	41,489		2,581	38,908		
State Revolving Fund (SRF) Loan #40006B	Treatment Plant Upgrade	09/20/03	2009 - 2028	21,687	2.6000	17,314		997	16,317		
Sewer Rev & Ref Bonds 2006	Improvements/Refunding	06/29/06	2006 - 2036	55,000	4.8852	54,950			54,950		
Sewer TES/Urban Waters Capital Lease	Property Agreement	01/20/09	2010 - 2038	16,558	5.2172	15,074		1,215	13,859		
Sewer Rev & Ref Bonds 2011	Refunding	10/12/11	2022 - 2031	34,315	3.8768	34,315			34,315		
Subtotal Sewer						163,142	0	4,793	158,349	-	-
Surface Water Utility											
Surface Water TES/Urban Waters Capital Lease	Property Agreement	01/20/09	2010 - 2038	14,248	5.2172	12,972	2,436	279	15,129		
DOE SFR Loan L-100007	Sewer Plant Upgrade	02/07/06	2011 - 2030	474	2.9000	427		20	407		
Subtotal Surface Water						13,399	2,436	299	15,536	-	-
Solid Waste Utility											
Solid Waste Revenue Bonds, 2006A	Capital Improvements	07/12/06	2013-2026	29,385		28,930		475	28,455		
Solid Waste Rev/Ref Bonds, 2006B	Refunding	09/27/06	2014-2021	22,315		22,315		340	21,975		
Solid Waste Rev/Ref Bonds, 2008	Refunding	09/05/08	2013-2017	12,055	3.8577	9,905		2,270	7,635		
Solid Waste TES/Urban Waters Capital Lease	Property Agreement	01/20/09	2010-2038	7,702	5.2172	7,012		1,695	5,317		
Subtotal Refuse						68,162	0	4,780	63,382	-	-
Electric System											
Electric System 2004A Revenue Bonds	Capital Improvements	06/08/04	2005-2017	82,655	4.6376	3,365		3,365	0		
Electric System 2005A Revenue Bonds	Capital Improvements	10/04/05	2010-2021	93,480	4.2200	130			130		
Electric System 2005B Revenue Bonds	Capital Improvements	10/04/05	2006-2021	156,425	4.2900	122,135			122,135		
Electric System 2007 Rev & Ref Bonds	Refunding	03/13/07	2008-2015	81,130	3.7949	38,230		16,930	21,300		
Electric System 2010A Revenue Bonds	Capital Improvements	07/27/10	2014-2015	16,000	1.8644	16,000		8,000	8,000		
Electric System 2010B Rev Bonds (BABS)	Capital Improvements	07/27/10	2031-2035	147,070	3.9071	147,070			147,070		
Electric System 2010C Rev Bonds (CREBS)	Capital Improvements	07/27/10	2027	24,185	1.9235	24,185			24,185		
Electric System 2013A Rev Ref Bonds	Refund & Capital Imp	06/13/13	2014-2042	181,610	3.3869	181,610			181,610		
Electric System 2013B Rev Ref Bonds	Refunding	06/13/13	2014-2030	35,620	3.3427	35,620			35,620		
Subtotal Electric System						568,345	0	28,295	540,050	-	-
Water System											
PW-DWSRF-00-65120-031	Construction	10/07/02	2003-2021	3,060	2.5000	1,288		161	1,127		
PW-00-691-PRE-115	Construction	04/11/01	2003-2021	1,000	0.5000	421		53	368		
PW-01-691-061	Construction	08/27/01	2003-2021	10,000	0.5000	4,267		534	3,733		
PW-01-691-PRE-127	Construction	02/15/02	2003-2021	1,000	0.5000	434		55	379		
PW-02-691-056	Construction	04/15/02	2004-2022	10,000	0.5000	4,781		531	4,250		
PW-04-691-PRE-101	Construction	03/19/04	2006-2024	10,000	0.5000	9,567		53	7,534		
Water Sys Ref & Rev Bonds 2005	Construction & Refinance	10/11/05	2006-2025	46,550	4.6390	33,450		4,085	29,365		
PW-06-962-043	Construction	07/18/06	2008-2026	7,000	0.5000	4,818		371	4,447		
Water Sys Rev Bonds 2009 (Taxable BABS)	Capital Improvements	11/04/09	2033-2039	76,775	3.7780	76,775			76,775		

Page 99

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-14	ISSUED 2014	REDEEMED 2014	AMOUNT O/S 12/31/14	Reconcile to	Reconcile to
										Governmental Fund Statements	Changes in LTD in Notes
PC08-951-047	Construction	11/25/09	2010-2028	10,000	0.5000	8,188		546	7,642		
DM07-952-015	Construction	03/31/10	2010-2028	4,040	1.5000	3,227		215	3,012		
PW-DWSRF 09-952-074	Construction	04/09/10	2013-2032	5,579	1.0000	6,975		367	6,608		
Water Sys Rev & Ref Bonds 2010A	Refunding	08/24/10	2012-2023	29,100	3.2789	28,055		550	27,505		
Water Sys Rev Bonds 2010B (BABS)	Construction	08/24/10	2024-2040	74,985	5.5636	74,985			74,985		
Water RWSS Revenue Bonds 2010A	Construction	08/24/10	2013-2024	3,595	3.2460	3,335		265	3,070		
Water RWSS Revenue Bonds 2010B (BABS)	Construction	08/24/10	2025-2040	44,245	5.9636	44,245			44,245		
PW-DWSRF 10-952-026	Construction	06/17/11	2015-2034	6,060	1.5000	5,757		303	5,454		
PW-DWSRF 11-952-035	Construction	06/30/11	2016-2035	6,060	1.5000	60	2,370	121	2,309		
PW-DWSRF 11-952-036	Construction	06/30/11	2016-2035	6,060	1.5000	60	5,400		5,460		
PC 12-951-017	Construction	07/01/11	2011-2031	10,000	0.5000	10,000			9,444		
PW-DWSRF 12-952-088	Construction	01/22/13	2017-2036	12,120	1.5000	120	10,800		10,920		
Water Sys Rev Ref Bonds 2013 (RWSS)	Refinance	04/16/13	2013-2032	64,795	3.1477	63,835		1070	62,765		
Water Sys Rev Ref Bonds 2013	Refinance	05/07/13	2013-2043	78,305	3.8523	75,335		980	74,355		
PW-DWSRF 13-952-133	Construction	10/07/13	2018-2037	12,120	1.5000	120	10,800		10,920		
PW-DWSRF-10-952-031	Construction	03/26/14	2015-2034	5,460	1.5000	0	5,460		5,460		
PW-DWSRF-13-952-167	Construction	11/06/14	2015-2037	4,620	1.5000	0	4,620		4,620		
Subtotal Water System						451,118	39,450	10,816	479,752	-	-
Tacoma Rail											
Rail Revenue Bond 2006 (BoFA)	Capital Improvements	12/21/06	2007-2017	2,000	5.3900	772		224	548		
WA State Rail Loan RR00407 2009	Capital Improvements	08/04/09	2010-2024	26	0.0000	19		2	17		
WA State Rail Loan RR00408 2009	Capital Improvements	08/04/09	2011-2025	249	0.0000	200		17	183		
WA State Rail Loan RRB-1007	Capital Improvements	12/06/11	2013-2022	450	0.0000	405		45	360		
WA State Rail Loan RRB-1010	Capital Improvements	03/28/12	2013-2022	612	0.0000	551		61	490		
WA State Rail Loan RRB-1011	Capital Improvements	03/28/12	2013-2022	349	0.0000	314		35	279		
WA State Rail Loan RRB-1026	Capital Improvements	09/06/12	2014-2023	347	0.0000	347		34	313		
WA State Rail Loan RRB-1030	Capital Improvements	09/06/12	2014-2023	364	0.0000	364		36	328		
WA State Rail Loan RRB-1045	Capital Improvements	08/01/13	2015-2024	823	0.0000	0	619		619		
WA State Rail Loan RRB-1046	Capital Improvements	08/01/13	2015-2024	250	0.0000	248		2	250		
WA State Rail Loan RRB-1052	Capital Improvements	10/24/13	2016-2025	366	0.0000	0	366		366		
WA State Rail Loan RRB-1053	Capital Improvements	10/24/13	2016-2025	773	0.0000	0	773		773		
WA State Rail Loan RRB-1054	Capital Improvements	10/24/13	2016-2025	1,015	0.0000	0	510		510		
Subtotal Tacoma Rail						3,220	2,270	454	5,036	-	-
Lease Revenue											
Lease Revenue Bonds 1990	Construction	03/15/90	1992-2022	36,250	9.3476	20,915		1,705	19,210		
Lease Revenue Bonds 1992	Construction	12/15/92	1993-2022	4,695	7.4769	2,570		220	2,350		
Subtotal Lease Revenue						23,485	0	1,925	21,560	-	-
Conservation Revenue Bonds, guaranteed by BPA											
Conservation System 2003 Bonds	Conservation Project	06/02/03	2003-2014	17,065	4.1957	1,790		1,790	0		
Total Conservation Bonds'						1,790	0	1,790	0	-	-
Total Revenue Bonds						\$1,319,226	\$44,156	\$54,712	\$1,308,670	\$	\$
Total General Obligation & Revenue Bonds						\$1,541,976	\$46,359	\$61,634	\$1,526,701	\$2,203	\$156,091

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-14	ISSUED 2014	REDEEMED 2014	AMOUNT O/S 12/31/14	Reconcile to	Reconcile to
										Governmental Fund Statements	Changes in LTD in Notes
SPECIAL ASSESSMENT BONDS											
Local Improvement District Bonds											
District #60 Bonds	Construction	04/01/04	2026	1,036	3.9290	20		20	0	0	-
District #63 Bonds	Construction	09/29/11	2023	1,557	4.1800	1,087		313	774	0	774
District #65 Bonds	Construction	04/29/13	2043	30,999	5.7500	30,999			30,999		30,999
Subtotal LID Bonds/Notes						32,106	0	333	31,773	-	31,773
Bond Anticipation Notes											
Revolving Line of Credit	LID Construction	06/30/00	At CLID Issue	\$13mm Max	Floating	10,975			10,975		10,975
Subtotal Bond Anticipation Notes						10,975	0	0	10,975	-	10,975
Total Special Assessments Bonds						\$43,081	\$0	\$333	\$42,748	\$0	\$42,748
Washington State Dept of Transportation Loan											
STP-STPUL-3268(003)	Capital Improvements	11/03/10	2015-2020	20,000	0.0000	20,000		14,000	6,000	0	6,000
Subtotal Washington State Dept of Transportation Loan (Councilmanic)						20,000	0	14,000	6,000	-	6,000
Total All Bonds						\$1,605,057	\$46,359	\$75,967	\$1,575,449	\$2,203	\$204,839
									\$1,575,449		

Notes related to debt increases:

- Ltd. Genl Obl Bonds 1997 Ser B - Additions represent accreted interest capitalized to bond principal.
- Ltd. Genl Obl Bonds 2009E Multiple Projects - Additions represent accreted interest capitalized to bond principal.
- Ltd. Genl Obl Bonds 2009F Chaney & Env Remed - Additions represent accreted interest capitalized to bond principal.
- PW-DWSRF-11-952-035 - Draw from remaining loan balance.
- PW-DWSRF-13-952-133 - Draw from remaining loan balance.
- PW-DWSRF-10-952-031 - Draw from remaining loan balance.
- PW-DWSRF-13-952-167 - Draw from remaining loan balance.
- Solid Waste TES/Urban Waters Capital Lease had a redistribution of percentages which changes the balances

Required Supplementary Information

Tacoma Employee's Retirement System Fund (TERS)

SCHEDULE OF FUNDING PROGRESS: (\$ in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (1)	Unfunded AAL (UAAL) (2)	Funded Ratio (b-a)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll (b-a/c)
(4) 1/1/1998	523.8	515.7	(8.1)	101.6%	116.1	-7.0%
(5) 1/1/1999	570.7	536.9	(33.8)	106.3%	122.3	-27.6%
(6) 1/1/1999	570.7	537.6	(33.1)	106.2%	122.3	-27.1%
1/1/2001	700.7	605.7	(95.0)	115.7%	133.4	-71.2%
1/1/2003	740.1	686.8	(53.3)	107.8%	154.2	-34.6%
1/1/2005	807.3	754.3	(53.0)	107.0%	172.5	-30.7%
1/1/2007	1,021.3	895.8	(125.5)	114.0%	175.0	-71.7%
1/1/2009	1,097.3	1,002.3	(95.0)	109.5%	197.4	-48.1%
1/1/2011	1,074.8	1,132.9	58.1	94.9%	219.6	26.5%
1/1/2012	1,068.3	1,185.5	117.2	90.1%	219.4	53.4%
1/1/2013	1,187.1	1,306.6	119.5	90.9%	210.6	56.7%
1/1/2014	1,297.0	1,400.0	103.0	92.6%	213.8	48.2%

- (1) Actuarial present value of benefits less actuarial present value of future normal costs based on Entry Age Actuarial Cost Method.
- (2) Actuarial accrued liabilities less actuarial value of assets.
- (3) Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date. Covered Payroll differs from Active Member Valuation payroll
- (4) A special actuarial valuation was performed as of January 1, 1998. Ordinarily, actuarial valuations are only performed biennially.
- (5) Results as of January 1, 1999 Actuarial Valuation
- (6) January 1, 1999 results adjusted for inclusion of benefit percentage in portability, removal of overtime contributions and removal of overtime contributions and removal of 90 day waiting period.

Firefighters and Police Pension Fund

SCHEDULE OF FUNDING PROGRESS: (\$ in millions)

Firefighters' Pension Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAAL (UAAL) (b)-(a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/1998	\$ -	35.40	35.40	0%	1.60	2182%
1/1/2000	-	34.90	34.90	0%	0.70	4909%
1/1/2002	-	35.90	35.90	0%	0.50	6953%
1/1/2004	0	39.10	38.60	1%	0.40	10933%
1/1/2006	1	37.80	36.90	2%	0.30	12866%
1/1/2008	1	34.80	34.30	2%	0.20	16481%
1/1/2010	1	35.50	34.40	3%	0.20	15176%
1/1/2012	0	36.90	36.60	1%	0.20	15391%
1/1/2014	0	26.28	25.83	2%	-	NA

Police Relief and Pension Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/1998	\$ -	23.50	23.50	0%	0.87	2694%
1/1/2000	-	23.00	23.00	0%	0.51	4449%
1/1/2002	-	25.80	25.80	0%	0.25	10169%
1/1/2004	1	26.50	25.40	4%	0.08	31390%
1/1/2006	3	24.80	34.70	10%	-	NA
1/1/2008	3	22.80	19.80	14%	-	NA
1/1/2010	5	22.00	16.80	24%	-	NA
1/1/2012	0	18.30	18.20	1%	-	NA
1/1/2014	0	14.90	14.60	2%	-	NA

Other Post Employment Benefit Plan (OPEB)

SCHEDULE OF FUNDING PROGRESS: (\$ in millions)

Tacoma Employee's Retirement System Fund (TERS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2009	-	34.93	34.93	0.0%	NA	NA
1/1/2010	-	34.93	34.93	0.0%	NA	NA
1/1/2011	-	39.30	39.30	0.0%	NA	NA
1/1/2012	-	39.30	39.30	0.0%	210.60	19%
1/1/2013	-	45.50	45.50	0.0%	206.21	22%
1/1/2014	-	45.50	45.50	0.0%	216.47	21%

Law Enforcement Officers and Fire Fighters Retirement System Plan 1 (LEOFF Plan 1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2009	-	156.69	156.69	0.0%	NA	NA
1/1/2010	-	156.69	156.69	0.0%	NA	NA
1/1/2011	-	190.57	190.57	0.0%	NA	NA
1/1/2012	-	190.57	190.57	0.0%	1.58	12063%
1/1/2013	-	182.21	182.21	0.0%	0.73	25107%
1/1/2014	-	182.21	182.21	0.0%	0.21	88079%

Law Enforcement Officers and Fire Fighters Retirement System Plan 2 (LEOFF Plan 2)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2009	-	12.39	12.39	0.0%	NA	NA
1/1/2010	-	12.39	12.39	0.0%	NA	NA
1/1/2011	-	16.88	16.88	0.0%	NA	NA
1/1/2012	-	16.88	16.88	0.0%	70.55	24%
1/1/2013	-	22.64	22.64	0.0%	70.26	32%
1/1/2014	-	22.64	22.64	0.0%	72.49	31%

Rail

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2009	-	1.16	1.16	0.0%	NA	NA
1/1/2010	-	1.16	1.16	0.0%	NA	NA
1/1/2011	-	1.82	1.82	0.0%	NA	NA
1/1/2012	-	1.82	1.82	0.0%	8.38	22%
1/1/2013	-	1.43	1.43	0.0%	8.02	17.84%
1/1/2014	-	1.43	1.43	0.0%	9.88	14.47%

Notes to Required Supplementary Information (RSI)

Note 1—Budgetary data

A. General budget policies

The biennial budget is adopted by appropriation ordinance of the Tacoma City Council and may be amended by subsequent ordinances. Biennial budgets are legally adopted for all governmental fund types. Any comparisons between budget and actual revenues and expenditures are reported under the GAAP basis. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are administratively allowed, but only City Council has the legal authority to increase or decrease a given funds biennial budget. While not required by law, the City adopts budgets for proprietary funds and some selected trust funds. These budgets are "management budgets" and as such, are not reported in the CAFR.

Although the City is not legally responsible for the Tacoma Community Redevelopment Authority (TCRA), the City has included certain financial information pertaining to TCRA. The City is not required to report the TCRA, Foss Waterway Development Authority (FWDA), or the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD)'s budgets and therefore it is excluded from the budget and actual comparisons.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded, is employed as an extension of formal budgetary control for governmental fund types. Encumbrances outstanding at December 31 are reported as restricted, committed, or assigned fund balances as defined by GASB 54. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium with budget's approval.

B. Budget basis of accounting

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

C. The budget process

The budget process begins with the City Council making appropriate revisions to the City's long-term strategic

plan, identifying goals, and setting priorities. In early June, the initial revenue forecast is completed by the Office of Management, Budget and Analysis (OMBA) and City departments and agencies begin budget preparation. Budget requests are due to OMBA in late July. OMBA reviews and revises budget requests in August. The revenue forecast is refined in early September and a preliminary budget is presented to the Executive Forum in early October. The preliminary budget is further refined during the month of October.

By Washington State law, the City Council must receive a balanced preliminary budget by November 1st. Public budget hearings are conducted by the City Council in mid-November. Any changes the Council decides to make to the preliminary budget are made after the public hearings and before the reading of the budget ordinance in December. Washington State law requires that the City Council adopt a balanced budget on or before December 31.

Washington State law requires that a mid-biennial review and modification be conducted between September 1 and December 31 of the first year of the biennium. Supplemental budget requests are accepted from departments during the month of August. Revenue estimates for the biennium are reviewed and adjusted in early September. The new revenue estimates and the supplemental requests are submitted to the Budget Committee and the Executive Forum in late September. Preliminary modifications are presented to the City Manager for review and changes in October. Modifications are submitted to the City Council in early November. Public hearings are conducted in November. The City Council adopts the amended biennial budget on or before December 31.

D. Funds presented

Budgetary information is displayed for all funds that are subject to the City's biennial budget process. The General Fund's budgetary information is located in the Required Supplementary Information section on page 4-5. All other major funds non-major governmental funds budgetary information are located in the Combining Statements Non-Major Funds section on pages 5-19 to 5-55.

Note 2 Combining statements

The Non-Major Governmental, Proprietary funds and Internal Service funds are displayed in aggregated columns in the City's fund statements. This section of the report contains combining statements that display the financial information for these funds. There are separate combining statements for Non-Major Governmental funds, Non-Major Enterprise funds and the Internal Service funds.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended December 31, 2014
(amounts expressed in thousands)

	APPROVED ORIGINAL BUDGET 2013-2014 BIENNIUM	APPROVED REVISED BUDGET 2013-2014 BIENNIUM	ACTUAL BIENNIUM- TO-DATE THRU 12/31/2014	VARIANCE WITH APPROVED REVISED BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ 365,228	\$ 364,790	\$ 328,237	\$ (36,553)
Licenses and permits	5,784	6,046	6,481	435
Intergovernmental revenue	19,124	18,633	18,060	(573)
Charges for goods and services	37,628	38,522	35,512	(3,010)
Fines and penalties	2,770	2,795	2,988	193
Interest and other earnings	1,537	1,340	1,236	(104)
Miscellaneous revenues	274	273	145	(128)
TOTAL REVENUES	432,345	432,399	392,659	(39,740)
EXPENDITURES				
Current:				
General government	124,082	116,601	99,852	(16,749)
Public safety	232,461	225,020	223,229	(1,791)
Transportation	2,172	2,671	2,596	(75)
Economic environment	24,691	25,246	23,076	(2,170)
Culture and recreation	23,468	23,439	21,211	(2,228)
Capital expenditures	-	-	3,136	3,136
TOTAL EXPENDITURES	406,874	392,977	373,100	(19,877)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,471	39,422	19,559	(19,863)
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of capital assets	42	55	1,380	1,325
Insurance recoveries	-	-	178	178
Transfer in	315	315	42,343	42,028
Transfer (out)	(25,828)	(39,792)	(39,980)	(188)
TOTAL OTHER FINANCE SOURCES(USES)	(25,471)	(39,422)	3,921	43,343
NET CHANGE IN FUND BALANCE	-	-	23,480	23,480
FUND BALANCE - JANUARY 1	-	-	41,566	41,566
Prior period adjustment	-	-	281	281
FUND BALANCE - JANUARY 1, RESTATED	-	-	41,847	41,847
FUND BALANCE - DECEMBER 31	\$ -	\$ -	\$ 65,327	\$ 65,327

Perspective Difference Reconciliation:

ACTUAL FUND BALANCE - GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	\$	65,327
The following funds were budgeted as special revenue funds but do not meet the definition of a special revenue fund under GASB Statement 54 and therefore are account for within the General Fund:		
Contingency Fund #1030		973
Unclaimed Property Fund#(1)6330		0
TOTAL FUND BALANCE - GENERAL FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS	\$	66,300

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Department of Agriculture			
Direct			
Office of Inspector General - Supplemental Nutrition Assistance Program (SNAP) Fraud Investigation	10.UNKNOWN	N/A	2,046
Total CFDA Number - OIG SNAP Fraud Investigation	10.UNKNOWN		2,046
Department of Agriculture Total			2,046
Department of Defense			
Indirect			
<u>Pass Through National Association of Child Care Resource and Referral Agency - Cost Reimbursement Contracts</u>			
Army Child Care in Your Neighborhood	12.UNKNOWN	S-A-NAFBA1-12-C-0045-03.31.14-C-WA-01	18,441
Total CFDA Number - Army Child Care in Your Neighborhood	12.UNKNOWN		18,441
<u>Pass Through National Association of Child Care Resource and Referral Agency - Cost Reimbursement Contract</u>			
DOD Enhanced Child Care Referral	12.UNKNOWN	A-A-NAFB-104-C-0042-11.30.11-01	7,000
Total CFDA Number - DOD Enhanced Child Care Referral	12.UNKNOWN		7,000
Department of Defense Total			25,441
Department of Housing and Urban Development			
Direct			
Community Development Block Grant Yr. 38 - Note 8A	14.218	B-12-MC-53-0007	2,010,762
Community Development Block Grant Yr. 39 - Note 8B	14.218	B-13-MC-53-0007	1,118,272
Program Income - Received & Spent	14.218	B-13-MC-53-0007	6,000
Total CFDA Number - Community Development Block Grants/Entitlement Grants	14.218		3,135,034
Emergency Shelter Program 2013 - Note 8C	14.231	E-13-MC-53-0003	105,790
Emergency Shelter Program 2014 - Note 8D	14.231	E-14-MC-53-0003	59,818
Total CFDA Number - Emergency Shelter Grants Program	14.231		165,608
Home Investment Partnerships Program Grant - 2011 - Note 8E	14.239	M-11-DC-53-0206	1,354,182
Home Investment Partnerships Program Grant - 2012 - Note 8F	14.239	M-12-DC-53-0206	585,626
Total CFDA Number - Home Investment Partnerships Program	14.239		1,939,808
Community Development Block Grants-Section 108 Loan Guarantees - Note 4B	14.248		7,504,000
Fair Housing Assistance Program State and Local 2013	14.401	FF-210K-13-1007	143,817
Program Income (Fair Housing Conference Registration Fees) - Received & Spent	14.401	FF-210K-13-1007	29,183
Total CFDA Number - Fair Housing Assistance Program State and Local	14.401		173,000
Department of Housing and Urban Development Direct Total			12,917,450
Indirect			
<u>Pass Through Washington State Department of Commerce</u>			
HERA - Community Development Block Grants/State's Program - Note 8G	14.228	08-F6401-022	235,262
Total CFDA Number - HERA - Community Development Block Grants/State's Program	14.228		235,262
<u>Pass Through Washington State Department of Commerce</u>			
Lead-Based Paint Hazard Control in Privately-Owned Housing - Note 8H	14.900	WALHB0522-12-430	79,851
Total CFDA Number - Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		79,851
Department of Housing and Urban Development Indirect Total			315,113
Department of Housing and Urban Development Total			13,232,563

B-54

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Department of Justice			
Direct			
NIJ - Solving Cold Cases with DNA	16.560	2012-DN-BX-K013	122,025
Total CFDA Number - NIJ Research, Evaluation & Development Project Grants	16.580		122,025
Public Safety Partnership and Community Policing Grants	16.710	2012-UL-WX-0036	1,601,526
Public Safety Partnership and Community Policing Grants	16.710	2014-UL-WX-0023	341,076
At Risk Youth Projects	16.710	2013-CRWX-K033	13,947
Total CFDA Number - Public Safety Partnership and Community Policing Grants	16.710		1,956,549
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3162	51,745
Program Income-Interest Received & Spent	16.738	2011-DJ-BX-3162	99
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0343	121,639
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0505	2,372
Edward Byrne Memorial Justice Assistance Grant Program- Note 8I	16.738	2014-DJ-BX-0242	144,901
Total CFDA Number - Edward Byrne Memorial Justice Assistance Grant	16.738		320,756
NIJ - Paul Coverdell Forensic Science Improvement	16.742	2012-CD-BX-0074	18,086
Total CFDA Number - NIJ - Paul Coverdell Forensic Science Improvement Grant	16.742		18,086
Drug Enforcement Administration (DEA)			
Contract			
Cost Reimbursement Contracts			
DEA - Tactical Diversion Task Force Prescription Fraud (10/1/13 to 9/30/14)	16.UNKNOWN	N/A	8,674
DEA - Tactical Diversion Task Force Prescription Fraud (10/1/14 to 9/30/15)	16.UNKNOWN	N/A	2,529
DEA - Tacoma Regional Task Force Agreement (10/1/13 to 9/30/14)	16.UNKNOWN	N/A	18,258
DEA - Tacoma Regional Task Force Agreement (10/1/14 to 9/30/15)	16.UNKNOWN	PA-WAW-0272, 0275	6,576
Total CFDA Number - Drug Enforcement Administration Cost Reimbursement Contract	16.UNKNOWN		36,037
Federal Bureau of Investigation (FBI)			
Contract			
Cost Reimbursement Contracts			
FBI - Pacific NW FBI Innocence Lost Task Force (10/1/13 to 9/30/14)	16.UNKNOWN	N/A	5,122
FBI - Pacific NW FBI Innocence Lost Task Force (10/1/14 to 10/30/15)	16.UNKNOWN	N/A	1,168
FBI - South Side Gang Task Force (10/1/13 to 9/30/14)	16.UNKNOWN	N/A	14,021
FBI - South Side Gang Task Force (10/1/14 to 9/30/15)	16.UNKNOWN	N/A	3,292
Total CFDA Number - Federal Bureau of Investigation Cost Reimbursement Contract	16.UNKNOWN		23,603
Department of Justice Direct Total			2,477,056
Indirect			
Pass Through Washington State Department of Social and Health Services - Juvenile Rehabilitation Administration			
Juvenile Accountability Incentive Block Grant	16.523	0664-98463-07	20,000
Total CFDA Number - Juvenile Accountability Incentive Block Grant	16.523		20,000
Pass Through Pierce County Sheriff			
Violence Against Women Formula Grant	16.588	N/A	6,009
Total CFDA Number - Violence Against Women Formula Grant	16.588		6,009
Pass Through WASPC & Pierce County Sheriff			
Edward Byrne Memorial Justice Assistance Grant Program (HIDTA 1/1/13 to 12/31/13)	16.738	B13NW0007A	3,352
Edward Byrne Memorial Justice Assistance Grant Program (HIDTA 1/1/14 to 12/31/14)	16.738	B13NW0007A	78,810
Edward Byrne Memorial Justice Assistance Grant Program (TNET 7/1/13 to 6/30/14)	16.738	M13-31440-013	11,334
Edward Byrne Memorial Justice Assistance Grant Program (TNET 7/1/14 to 6/30/15)	16.738	M13-31440-013	10,693
Total CFDA Number - Edward Byrne Memorial Justice Assistance Grant Program	16.738		104,189
Department of Justice Indirect Total			130,198

B-55

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Department of Justice Total			
			2,607,254
Department of Transportation			
Indirect			
Pass Through Washington State Department of Transportation			
Prairie Line Trail	20.205	STPE-1280 (034)	183,110
Tacoma Avenue Bridge	20.205	BHM-3067 (001)	198,598
Lincoln Avenue Bridge	20.205	BHM-STPUL-3262(007)	508,569
25th St S. Corridor Signal Improvements	20.205	HSP-3240(001)	283,892
South Tacoma Way Corridor Multimodal Impr	20.205	STPUL-2977(088)	107,791
Puyallup River Bridges (F16A & F16B)	20.205	BRM-3246 (012)	1,130,420
Pavement Management System Improvement & Integration	20.205	STPUS-1280(030)	66,579
Murray Morgan Bridge Rehabilitation - NOTE 4A(7)	20.205	STP-STPUL-3268 (003)	4,167,549
2011 Sidewalk Reconstruction Project	20.205	CM-9927(251)	19,916
Foss Harbor Esplanade Site 11 (Phase 2)	20.205	STPE-1280(035)	422,384
Sheridan Elementary-Safe Routes to School	20.205	SRTS3101(005)	21,107
Historic Water Ditch Trail - Phase II	20.205	STPUL-9927(052)	709,697
Historic Water Ditch Trail - Phase III/IV	20.205	CM-9927 (054)	124,919
Top 4 Bikeways	20.205	CM-12WA (005)	1,542,505
Port of Tacoma Rd: SR 509 to East 11th	20.205	STPUL-3143 (002)	224,300
Citywide Safety Improvements	20.205	HSP-0005 (340)	1,229,750
36th and Cirque Drive Corridor Improvements	20.205	STPUL-3200 (002)	147,419
Schuster Parkway Bridge Rehabilitation	20.205	BHM - 3298 (002)	69,023
Milwaukee Way (Lincoln Ave-Marshall Ave)	20.205	STPUL-3260 (008)	346,121
Mildred Street	20.205	HSP-2957 (007)	898,792
2014 Sidewalk Reconstruction Project	20.205	CM-9927 (057)	54,927
Union Avenue Viaduct Rehabilitation	20.205	BHM-2983 (003)	44,315
Highway Research and Development Program (2014 Commute Trip Reduction - Downtown on the Go)	20.205	LA-8045, CM-2027(070)	42,621
Highway Research and Development Program (2014 Commute Trip Reduction - Downtown to Defiance)	20.205	LA-8045, CM-2027(070)	65,028
Total CFDA Number - Highway Research and Development	20.205		12,609,331
Pass Through Washington State Traffic Safety Commission			
State and Community Highway Safety - NHTSA (Target Zero)	20.600	N/A	21,881
Total CFDA Number - State and Community Highway Safety	20.600		21,881
Occupant Protection Incentive Grants - NHTSA (Seat Belts)	20.602	N/A	917
Total CFDA Number - Occupant Protection Incentive Grants - NHTSA	20.602		917
Department of Transportation Total			12,632,129
Equal Employment Opportunity Commission			
Direct			
Employment Discrimination Title VII of the Civil Rights Act of 1964 (Fair Employment 2013)	30.001	EECCN090064	8,238
Program Income-Interest Received & Spent	30.001	EECCN090064	462
Total CFDA Number - Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001		8,701
Equal Employment Opportunity Commission Total			8,701
National Endowment for the Arts			
Direct			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	11-4292-789	180,000
Promotion of the Arts - Grants to Organizations and Individuals	45.024	13-6200-7037	40,000
Total CFDA Number - Promotion of the Arts - Grants to Organizations and Individuals	45.024		220,000
National Endowment for the Arts Total			220,000

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Environmental Protection Agency			
Direct			
Environmental Workforce Development and Job Training Cooperative Agreements	66.815	JT-00J80301	105,256
Total CFDA Number - Environmental Workforce Development and Job Training Cooperative Agreements	66.815		105,256
Environmental Protection Agency Direct Total			105,256
Indirect			
<u>Pass Through Washington State Department of Commerce - Public Works Board</u> Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	PCJ276012	43,616
Total CFDA Number - Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123		43,616
<u>Pass Through Washington State Department of Commerce - Public Works Board</u> Capitalization Grants for Clean Water State Revolving Funds - Note 4A(1)	66.468	DM10-952-031 - drawn for 2014 expenditures	600,000
Capitalization Grants for Clean Water State Revolving Funds - Note 4A(2)	66.468	DM11-952-036 - drawn for 2014 expenditures	600,000
Capitalization Grants for Clean Water State Revolving Funds - Note 4A(3)	66.468	DM12-952-088 - drawn for 2014 expenditures	1,200,000
Capitalization Grants for Clean Water State Revolving Funds - Note 4A(4)	66.468	DM13-952-133 - drawn for 2013 & 2014 expenditures	12,000,000
Capitalization Grants for Clean Water State Revolving Funds - Note 4A(5)	66.468	DM13-952-167 - drawn for 2013 & 2014 expenditures	12,120,000
Capitalization Grants for Clean Water State Revolving Funds - Note 4A(6)	66.468	Loan # unknown at this time - 1st draw in 2015 will be for 2014 expenditures	12,120,000
Total CFDA Number - Capitalization Grants for Clean Water State Revolving Funds	66.468		38,640,000
Environmental Protection Agency Indirect Total			38,683,616
Environmental Protection Agency Total			38,788,873
Department of Energy			
Direct			
Bonneville Power Administration - DHP in New Construction Savings and Costs - Note 6A	81.61745	61745	55,840
Total CFDA Number - DHP in New Construction Savings and Costs	81.61745		55,840
Department of Energy Total			55,840
Department of Education			
Indirect			
<u>Pass through from Childcare Aware</u> Race to the Top - Early Achiever Contract	84.412	0-110-201114-25-6100	496,952
Total CFDA Number - Race to the Top - Early Learning Challenge	84.412		496,952
Department of Education Total			496,952
Department of Health and Human Services			
Direct			
Metropolitan Medical Response System (MMRS) 2002	93.UNKNOW	233-01-0060	16,487
Total CFDA Number - Metropolitan Medical Response System (MMRS)	93.UNKNOW		16,487
Department of Health and Human Services Direct Total			16,487
Indirect			

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Pass Through University of Washington			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	Contract #HHS-N-276-2011-00008-C	90
Total CFDA Number - Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		90
Pass Through Childcare Aware			
Child Care and Development Block Grant	93.575	0-110-201114-6100	48,852
Program Income - Received & Spent	93.575	0-110-201114-6100	1,666
Child Care and Development Block Grant	93.575	0-110-201115-6100	213,601
Program Income - Received & Spent	93.575	0-110-201115-6100	1,650
Total CFDA Number - Child Care and Development Block Grant	93.575		265,769
Department of Health and Human Services Indirect Total			265,859
Department of Health and Human Services Total			282,345
Department of Homeland Security			
Direct			
Assistance to Firefighters Grant 2012	97.044	EMW-2012-FO-03600	41,731
Assistance to Firefighters Grant 2012	97.044	EMW-2012-FP-01072	44,971
Total CFDA Number - Assistance to Firefighters Grant	97.044		86,702
Port Security Grant Program - FY2013	97.056	EMW-2013-PU-00338	112,516
Total CFDA Number - Port Security Grant Program	97.056		112,516
Staffing for Adequate Fire and Emergency Response (SAFER) 2011	97.083	EMW-2011-FH-01075	2,095,606
Staffing for Adequate Fire and Emergency Response (SAFER) 2013	97.083	EMW-2013-FH-00391	1,323,389
Total CFDA Number - SAFER	97.083		3,418,995
Department of Homeland Security Direct Total			3,618,213
Indirect			
<u>Pass through Washington State Department Parks and Recreation Commission</u> U.S. Coast Guard Boating Safety Financial Assistance 7/1/12-6/30/13	97.012	N/A	1,380
U.S. Coast Guard Boating Safety Financial Assistance 4/1/14 - 6/30/14	97.012	N/A	13,716
Total CFDA Number - U.S. Coast Guard Boating Safety Financial Assistance	97.012		15,096
<u>Pass through Pierce County Department of Emergency Management</u> National Urban Search and Rescue (US&R) Response System	97.025	WA-TF1	17,022
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-USR-0028	17,020
Total CFDA Number - National Urban Search and Rescue (US&R) Response System	97.025		34,043
<u>Pass through Washington State Military Department</u> Federal Emergency Management Administration - January 2012 Disaster T&D - Mutual Aid emergency Protective Measurers	97.036	FD-4056-FR-WA 605	6,161
Total CFDA Number - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		6,161
<u>Pass through Washington State Military Department</u> Emergency Management Performance Grant (EMPG)	97.042	E14-137	83,165
Emergency Management Performance Grant (EMPG)	97.042	E15-128	45,514
Total CFDA Number - Emergency Management Performance Grants	97.042		128,679
<u>Pass through Seattle Fire Department</u> Port Security Grant Program - NOTE 6B	97.056	Donated Fire Equipment	13,275
Port Security Grant Program (Seattle)	97.056	FPSP2011	1,282
Port Security Grant Program (Preventative Rad/Nuk Initiative Training 2013)	97.056	N/A	2,054
Port Security Grant Program (Marine Terrorism Response Plan Functional Exercises)	97.056	2011-FPSG-2011	398
<u>Pass through Seattle Police Department</u> Port Security Grant Program	97.056	Blue Force Tracking Puget Sound	881
<u>Pass through Marine Exchange of Puget Sound</u>			

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Port Security Grant Program FY2009	97.056	2009-PU-T9-K044	291,687
Port Security Grant Program FY2009	97.056	2009-PU-T9-K044	167,010
Port Security Grant Program FY2011	97.056	2011-PU-K00268-S01	834,784
Port Security Grant Program FY2011	97.056	2011-PU-K00268-S01	21,924
Total CFDA Number - Port Security Grant Program	97.056		1,333,295
<u>Pass through Seattle Fire Department</u>			
Homeland Security Grant Program (Seattle UASI)	97.067	FSUASI13	8,118
<u>Pass through Pierce County Department of Emergency Management</u>			
Homeland Security Grant Program - NOTE 6B	97.067	Donated Police Equipment & Supplies	59,132
Homeland Security Grant Program - NOTE 6B	97.067	Donated Fire Supplies	44,640
Homeland Security Grant Program - Community Emergency Response Training (CERT)	97.067	N/A	10,000
<u>Pass through Washington State Military Department</u>			
Homeland Security Grant Program (SHSP Training)	97.067	EMW-2011-SS-00030-S01	4,330
Homeland Security Grant Program (SHSP Supplies)	97.067	EMW-2013-SS-00025-S01	3,773
Homeland Security Grant Program (FY2011 Metropolitan Medical Response System)	97.067	E12-357	267,609
Total CFDA Number - Homeland Security Grant Program	97.067		397,601
Department of Homeland Security Indirect Total			1,914,874
Department of Homeland Security Total			5,533,087
TOTAL FEDERAL ASSISTANCE			73,885,230

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
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Notes to the Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Tacoma's financial statements. The City of Tacoma uses the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Tacoma's portion, may be more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME - N/A

NOTE 4A - FEDERAL LOANS

- In 2010 the EPA and the State PWB provided Tacoma Water with a loan totaling \$6,060,000 to improve its drinking water system. \$5,460,000 was drawn in 2014 for previous years' expenditures, and the final draw of \$600,000 will be made in 2015 for 2014 expenditures.
- In 2011 the EPA and the State PWB provided Tacoma Water with a loan totaling \$6,060,000 to improve its drinking water system. \$5,460,000 was drawn in 2014 for previous years' expenditures, and the final draw of \$600,000 will be made in 2015 for 2014 expenditures.
- In 2013 the EPA and the State PWB provided Tacoma Water with a loan totaling \$12,120,000 to improve its drinking water system. \$10,920,000 was drawn in 2014 for previous years' expenditures, and the final draw of \$1,200,000 will be made in 2015 for 2014 expenditures.
- In 2013 the EPA and the State PWB provided Tacoma Water with a loan totaling \$12,120,000 to improve its drinking water system. The loan fee of \$120,000 was drawn in 2013. \$10,800,000 was drawn in 2014 for 2013 expenditures, and the final draw of \$1,200,000 will be made in 2015 for 2014 expenditures.
- In 2013 the EPA and the State PWB provided Tacoma Water with a loan totaling \$12,120,000 to improve its drinking water system. \$4,620,000 was drawn in 2014 for previous years' expenditures, and the final draw of \$7,500,000 will be made in 2015 for 2014 expenditures.
- In 2014 the EPA and the State PWB provided Tacoma Water with a loan totaling \$12,120,000 to improve its drinking water system. The total draw of \$12,120,000 will be made in 2015 for 2014 expenditures.
- Murray Morgan Bridge Rehabilitation - FHWA Fund Authorization effective 9/24/2010 - **FEDERAL LOAN STP-STPUL-3288(003)**, Local Agency Agreement LA-7269. The original loan amount was \$20 million. Amendment No. 2 to the agreement, executed in 2014, reduced the loan to \$10 million. The State provided \$10 million in federal funding to reduce the loan amount. Per Amendment No. 2, the City agrees to repay the \$10 million loan balance to the State by April 1, 2016. Loan payments to date: 2014 = \$4 million; 2015 = \$3 million.

NOTE 4B - FEDERAL LOAN GUARANTEES

- Section 108 Loan from the U.S. Department of Housing and Urban Development (CFDA 14.248) in the amount of \$3,600,000 was loaned to the LeMay Museum. The loan term is May 2010 - August 2017.
 - Section 108 Loan approved by the U.S. Department of Housing and Urban Development (CFDA 14.248) in the amount of \$3,904,000 to Horizon Holdings. The loan term is February 2012 - August 2021.
- The City of Tacoma participates in the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program in order to leverage large economic development projects. Funds must be used for activities that meet national Community Development Block Grant (CDBG) objectives and all applications are reviewed and approved by HUD. The City is able to borrow up to five times its annual CDBG allocation at very low interest rates, and in turn lend the funds for eligible projects. The Block Grant is the source of the guarantee. No City funds are pledged to the 108 loan.
- The Bank of New York Mellon serves as the City's Custodian under a Custodial Agreement, disbursing the Section 108 funds to borrowers, receiving loan repayments from the borrowers, and remitting the City's loan repayments to HUD.

NOTE 5 - NONCASH AWARDS - VACCINATIONS - N/A

NOTE 6A - NONCASH AWARDS - LOANED EQUIPMENT

Capital and non-capital equipment purchased by the Department of Energy, Bonneville Power Administration. The equipment is on loan until 6/30/2015, at which time the city plans on returning it to the BPA. The amount reported on the schedule is the value of the equipment on the date it was received by the City and priced by the BPA.

NOTE 6B - NONCASH AWARDS - DONATED EQUIPMENT

Capital and non-capital equipment purchased with Homeland Security funds by Pierce County. The amount reported on the schedule is the value of the property on the date it was received by the City and priced by Pierce County.

NOTE 7 - INDIRECT COST RATE - NA

NOTE 8 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amounts expended reported on previous pages are the following amounts passed through to subrecipients who administered their own projects:

Note Number	Amount	CFDA	Identification Number
8A	1,181,549	14.218	B-12-MC-53-0007
8B	731,349	14.218	B-13-MC-53-0007
8C	94,890	14.231	E-13-MC-53-0003
8D	56,239	14.231	E-14-MC-53-0003

B-57

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014

	1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
8E	1,305,807	14.239	M-11-DC-53-0206	
8F	578,740	14.239	M-12-DC-53-0206	
8G	234,754	14.228	08-F6401-022	
8H	78,605	14.900	WALHB0522-12-430	
8I	144,901	16.738	2014-DJ-BX-0242	

NOTE 9 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009 - NA

B-58

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City, the county seat of Pierce County (the “County”), is located in the west-central part of Washington State near the southern tip of Puget Sound. It is the third largest city in the State with a 2010 US Census population of 198,397. The City is located 32 miles south of the City of Seattle and 28 miles northeast of the City of Olympia, the State capital.

Settled originally because of its natural deep harbor and its abundant natural resources of timber, fish and agriculture, the City is now a world-class port city. Various major downtown redevelopment projects have been undertaken over the last decade, and the City is experiencing a diversification of its economic base. A light rail system connects the Tacoma Dome Station with downtown businesses and passes the University of Washington’s Tacoma campus, museums, the Tacoma Convention Center and retail businesses.

Following are economic indicators for the City and the County.

Population. The historical population of the City and the County is shown in the following table.

POPULATION CITY OF TACOMA AND PIERCE COUNTY

Year	Tacoma	Pierce County
2015	202,300	830,120
2014	200,900	821,300
2013	200,400	814,500
2012	199,600	808,200
2011	198,900	802,150
2010	198,397	795,225

Source: Washington State Office of Financial Management estimates as of April 1, 2015

Income. Historic personal income and per capita income levels for the County and the State are shown below:

Year	Pierce County		State of Washington	
	Total Personal Income (in thousands) ⁽¹⁾	Per Capita Income ⁽¹⁾	Total Personal Income (in thousands) ⁽²⁾	Per Capita Income ⁽²⁾
2014	N/A	N/A	\$ 350,321,729	\$ 49,610
2013 ⁽³⁾	\$ 36,054,002	\$ 43,982	331,031,362	47,468
2012	35,464,135	43,672	326,496,701	47,344
2011	34,038,137	42,368	305,628,042	44,800
2010	32,654,784	41,050	288,694,995	42,821
2009	32,168,659	40,388	281,686,722	42,248

⁽¹⁾ Estimates for 2010-2013 reflect county population estimates available as of March, 2014.

⁽²⁾ Estimates for 2010-2013 use state population estimates released in December, 2014.

⁽³⁾ Most recent data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis County data as of November 20, 2014; State data as of September 30, 2015

Median Household Income. Median household income estimation is based on 1990 and 2000 Census data, and on the Census Bureau's American Community ("BEA") Surveys' estimates for 2006-2012.

Year	Pierce County	State of Washington
2014 ⁽¹⁾	\$ 58,526	\$ 58,686
2013 ⁽²⁾	57,840	57,554
2012	57,162	56,444
2011	56,114	55,500
2010	55,531	54,888

⁽¹⁾ Projected. The Revenue Forecast Council's November 2014 forecast of the state personal income is used in the projection of 2014 median household income.

⁽²⁾ Preliminary estimate. In addition to the state personal income data published by BEA, the payroll data compiled by the state Employment Security Department are used in the preliminary estimates of 2013 median household income.

Source: *Office of Financial Management, updated February, 2015*

Taxable Retail Sales. Taxable retail sales reflect only those sales subject to retail sales tax. Historic taxable retail sales for the County and the City are shown below:

Taxable Retail Sales

	Pierce County	City of Tacoma
2015 ⁽¹⁾	\$ 3,096,636,408	\$ 1,056,744,226
2014	12,736,324,142	4,317,891,441
2013	12,189,183,093	4,280,299,531
2012	11,080,670,832	4,046,579,862
2011	10,520,820,885	3,826,546,602
2010	10,624,267,732	3,849,214,140

⁽¹⁾ Through first quarter 2015. Through first quarter in 2014, taxable retail sales for the County and City, respectively, were \$2,891,986,446 and \$997,333,921.

Source: *Washington State Department of Revenue, November 2015*

Building Permits. The number and valuation of new single-family and multi-family residential building permits in the County are listed below:

Pierce County Residential Building Permits⁽¹⁾					
Year	New Single Family Units		New Multi-Family Units		Total Construction Cost
	Number	Construction Cost	Number	Construction Cost	
2015 ⁽²⁾	1,768	\$ 516,452,555	478	\$ 57,132,673	\$ 573,585,228
2014	2,371	663,531,092	1,406	163,645,690	827,176,782
2013	2,369	636,063,255	523	53,729,873	689,793,128
2012	2,009	514,883,902	470	47,924,264	562,808,166
2011	1,494	360,963,607	1,072	119,788,982	480,752,589
2010	1,708	398,553,753	192	22,130,123	420,683,876

⁽¹⁾ Estimates with imputation

⁽²⁾ Through September.

Source: *U.S. Bureau of the Census, November, 2015*

Employment. Major employers located within the County include the following:

**Pierce County
2014 Major Employers**

Employer	Type of Business	Number of Employees
US Joint Base Lewis-McChord	Military	66,054
Local Public Schools	Education	13,408
Multicare Health System	Healthcare	6,904
Washington State	Government	6,455
Franciscan Health System	Healthcare	5,338
Pierce County Government	Government	2,979
Washington State Higher Education	Education	2,566
Fred Meyer Stores	Retail & Distribution	2,560
State Farm Insurance Companies	Insurance	2,206
The City	Government	2,078
Emerald Queen Casino	Gaming	2,061
The Boeing Company	Aerospace Manufacturing	1,670
US Postal Service	Government	1,464
Tacoma Public Utilities	Utility Services	1,334
Wal-Mart	Retail	1,304
Safeway Stores, Inc.	Retail	1,297
Costco	Retail	1,205
YMCA Of Tacoma-Pierce County	Fitness & Recreation	1,057
Comcast Cable*	Media	1,046
Puyallup Tribe	Government	981

* Non responsive to survey. Used 2013 figures.

Source: Economic Development Board for Tacoma-Pierce County, November 2015

Employment within the County is described in the following tables.

Civilian Labor Force data is based on household surveys of residents. NAICS data are estimates based on surveys of employers and benchmarked based on covered employment as reported by all employers.

**Tacoma Metropolitan Division
Labor Force and Employment Data**

	Annual Average				
	<u>2015⁽¹⁾</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Civilian Labor Force	388,791	384,158	383,472	386,760	386,390
Total Employment	363,201	356,190	351,230	351,028	347,840
Total Unemployment	25,590	27,969	32,242	35,732	38,550
Unemployment Rate	6.6%	7.3%	8.4%	9.2%	10.0%

**Pierce County Tacoma Metropolitan Statistical Area
Nonagricultural Wage & Salary Workers Data**

NAICS INDUSTRY	<u>2015⁽¹⁾</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Nonfarm	298,990	289,200	280,700	274,600	271,900
Total Private	240,674	232,100	224,600	217,700	214,100
Goods Producing	38,582	36,300	35,200	33,500	32,900
Mining and Logging	278	300	300	300	300
Construction	20,947	18,600	17,700	16,500	16,200
Specialty Trade Contractors	12,852	11,900	11,100	10,400	10,400
Manufacturing	17,357	17,400	17,200	16,700	16,400
Service Providing	260,407	252,900	245,500	241,100	239,000
Trade, Transportation, and Utilities	61,596	59,800	58,000	56,400	54,700
Wholesale Trade	12,833	12,500	12,000	11,300	10,900
Retail Trade	35,040	33,900	32,800	32,000	31,700
Food and Beverage Stores	5,704	5,700	5,900	5,800	5,600
General Merchandise Stores	8,742	8,500	8,300	8,100	8,000
Transportation and Utilities	13,723	13,400	13,200	13,200	12,100
Information	2,981	2,900	2,800	2,700	2,800
Financial Activities	15,093	14,400	13,700	13,200	12,400
Professional and Business Services	25,954	25,100	24,100	23,300	23,600
Admin., Support, Waste Mgmt., and Remed.	15,780	15,200	14,800	14,100	14,100
Administrative and Support Services	14,418	13,800	13,500	12,800	12,800
Education and Health Services	53,549	51,500	50,400	49,500	49,100
Ambulatory Health Care Services	15,729	14,700	14,500	14,400	14,200
Hospitals	11,458	11,300	11,500	11,000	10,900
Leisure and Hospitality	29,419	28,700	27,500	25,900	25,500
Food Services and Drinking Places	24,720	23,500	21,900	20,400	19,900
Other Services	13,499	13,300	12,900	13,000	12,900
Government	58,315	57,100	56,100	56,900	57,800
Federal Government	11,741	11,700	12,300	12,800	13,200
Total State Government	11,847	11,500	10,700	10,500	10,600
State Government Educational Services	3,806	3,900	3,900	3,700	3,700
Total Local Government	34,727	33,900	33,100	33,600	34,100
Local Government Educational Services	19,191	18,600	18,000	18,100	18,400
Workers in Labor/Management Disputes	0	0	0	0	0

⁽¹⁾ Data through September.

Source: Washington State Employment Security Department, November 2015

APPENDIX D

BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The City makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike-through~~ has been deleted as permitted by DTC as it does not pertain to the Bonds.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for ~~[each issue of]~~ the Securities, ~~[each]~~ in the aggregate principal amount of such issue, and will be deposited with DTC. ~~[If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]~~

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

~~[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]~~

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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