

Notice related to Official Statement Dated January 29, 2013

\$44,170,000

City of Tacoma, Washington

Limited Tax General Obligation Refunding Bonds, 2013

The table identifying “Outstanding General Obligation Debt (As of March 5, 2013)” under the heading “City Indebtedness – Debt Capacity” on page 8 of the Official Statement has been revised since the Preliminary Official Statement dated January 22, 2013 to include a grant anticipation loan in the amount of \$20,000,000 for the Murray Morgan Bridge Rehabilitation project (the “Loan”). The City approved the Loan by Resolution No. 38107, adopted on September 14, 2010. The Resolution authorized the acceptance of \$46,277,000 in federal funds, for deposit into the Streets Special Revenue Fund, for the Murray Morgan Bridge Rehabilitation Design-Build Project and authorized execution of a local agency agreement with the Washington State Department of Transportation for the administration of the funds. The local agency agreement provides for the Washington State Department of Transportation to lend the City up to \$20,000,000 in anticipation of the receipt of the federal funds, and for the City to repay the Loan from the federal funds. The Loan documentation provides, however, that the City’s obligation to repay the Loan is also a general obligation of the City. Accordingly, the table of general obligation debt, and the City’s calculation of debt capacity on page 7 of the Official Statement, have been revised to include the Loan.

The City expects to pay the Loan from federal Surface Transportation Program funds and is in discussions with the Washington State Department of Transportation, seeking to amend the Loan document to remove the general obligation pledge. Until and unless that amendment is complete, the City will include the Loan in its computation of nonvoted general obligation debt. As a result, the City’s remaining nonvoted debt capacity as of March 5, 2013, is \$(28,176,777). As described under the heading “City Indebtedness – Debt Capacity”, refinancing the Refunded Bonds will not increase the total outstanding indebtedness of the City, and therefore the amount of the City’s nonvoted indebtedness (taking into account the Loan) does not affect the City’s ability to issue the Bonds.

Dated: February 7, 2013.

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OFFICIAL STATEMENT DATED JANUARY 29, 2013

\$44,170,000

City of Tacoma, Washington
Limited Tax General Obligation Refunding Bonds, 2013

DATED: Date of Delivery

DUE: December 1, as shown on the inside cover

MOODY'S RATING—A1; see "Ratings" herein.

STANDARD AND POOR'S RATING—AA; see "Ratings" herein.

NOT BANK QUALIFIED

BOOK-ENTRY ONLY—The City of Tacoma, Washington's (the "City") Limited Tax General Obligation Refunding Bonds, 2013 (the "Bonds") will be issued as fully registered bonds in denominations of \$5,000, or integral multiples thereof within a maturity, and will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. See Appendix B.

PRINCIPAL AND INTEREST PAYMENTS—Interest on the Bonds will be payable on June 1, 2013 and semiannually thereafter on December 1 and June 1 of each year to their maturity or date of prior redemption. Principal of and interest on the Bonds will be payable by the fiscal agency of the State of Washington in New York, New York, currently The Bank of New York Mellon (the "Bond Registrar"), as further described herein. 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 its Participants for subsequent disbursement to Beneficial Owners of the Bonds as described in Appendix B - "Book-Entry Transfer System." See "Description of the Bonds."

MATURITY SCHEDULE LOCATED ON INSIDE COVER

OPTIONAL REDEMPTION—The Bonds are subject to redemption prior to their stated maturities as provided herein. See "Description of the Bonds - Redemption Provisions."

PURPOSE—The Bonds are being issued for the purpose of providing funds (i) to refund a portion of the City's outstanding limited tax general obligation bonds and (ii) to pay costs of issuance for the Bonds. See "Purpose and Use of Proceeds."

SECURITY—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, including pledged lodging taxes ("Lodging Taxes") for the portion refunding the 2004 Refunded Bonds, 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'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" and "Taxing Authority."

TAX EXEMPTION—*In the opinion of Pacifica Law Group LLP, Bond Counsel, assuming compliance with certain covenants of the City, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "Tax Matters" for a discussion of the opinion of Bond Counsel.*

DELIVERY—The Bonds are offered when, as and if issued, subject to the approving legal opinion of Bond Counsel, and certain other conditions. Certain matters will be passed upon for the Underwriter by their counsel, Foster Pepper PLLC. 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 March 5, 2013.

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

J.P. Morgan

\$44,170,000

City of Tacoma, Washington

Limited Tax General Obligation Refunding Bonds, 2013

DATED: Date of Delivery

DUE: December 1, as shown below

MATURITY SCHEDULE—

<u>Due</u>		<u>Interest</u>			<u>CUSIP⁽²⁾</u>	<u>Due</u>		<u>Interest</u>			<u>CUSIP⁽²⁾</u>
<u>Dec. 1</u>	<u>Amounts</u>	<u>Rates</u>	<u>Yields</u>	<u>Price</u>	<u>873465</u>	<u>Dec. 1</u>	<u>Amounts</u>	<u>Rates</u>	<u>Yields</u>	<u>Price</u>	<u>873465</u>
2015	\$1,300,000	3.000%	0.62%	106.453	YG7	2025	\$2,175,000	5.000%	2.69%	120.988 ⁽¹⁾	YS1
2016	1,505,000	4.000	0.92	111.293	YH5	2026	2,285,000	5.000	2.75	120.380 ⁽¹⁾	YT9
2017	1,555,000	4.000	1.06	113.551	YJ1	2027	2,405,000	5.000	2.81	119.775 ⁽¹⁾	YU6
2018	1,610,000	5.000	1.32	120.272	YK8	2028	2,530,000	3.125	3.30	97.861	YV4
2019	1,680,000	4.000	1.69	114.652	YL6	2029	2,615,000	5.000	2.92	118.675 ⁽¹⁾	YW2
2020	1,745,000	5.000	1.97	121.647	YM4	2030	2,755,000	3.250	3.39	98.141	YX0
2021	1,825,000	4.000	2.18	114.407	YN2	2031	2,845,000	4.000	3.26	106.529 ⁽¹⁾	YY8
2022	1,895,000	5.000	2.40	122.456	YP7	2032	2,970,000	5.000	3.11	116.804 ⁽¹⁾	YZ5
2023	1,980,000	5.000	2.54	122.526 ⁽¹⁾	YQ5	2033	3,125,000	5.000	3.14	116.512 ⁽¹⁾	ZA9
2024	2,080,000	5.000	2.60	121.908 ⁽¹⁾	YR3	2034	3,290,000	3.500	3.60	98.497	ZB7

(1) Priced to the par call date of September 1, 2023.

(2) The CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds.

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* 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.

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.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, 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.

The information set forth herein has been furnished by the City, DTC, and certain other sources that the City believes to be reliable. The information and expressions of opinion contained herein are subject to change without notice. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact or representations that the estimates will be realized. Summaries of documents do not purport to be complete statements of their provisions, and all such summaries are qualified by references to the entire contents of the summarized documents.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The presentation of certain information, including tables of receipts from taxes and other revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it may be shown by such financial and other information, will continue to be repeated in the future.

This Official Statement contains forecasts, projections, and estimates that are based upon expectations and assumptions that existed at the time such forecasts, projections, and estimates were prepared. In light of the important factors that may materially affect forecasted conditions, the inclusion in this Official Statement of such forecasts, projections, and estimates should not be regarded as a representation by the City that such forecasts, projections, and estimates will occur. Such forecasts, projections, and estimates are not intended as representations of fact or as guarantees of results. If and when included in this Official Statement, the words “plan,” “expect,” “forecast,” “estimate,” “budget,” “project,” “intends,” “anticipates,” and similar words are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic conditions, changes 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. These forward-looking statements speak only as of the date they were prepared.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have they been registered under the securities laws of any state.

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OFFICIAL STATEMENT

City of Tacoma, Washington

\$44,170,000

Limited Tax General Obligation Refunding Bonds, 2013

The City of Tacoma, Washington (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the "State"), furnishes this Official Statement in connection with the offering of \$44,170,000 aggregate principal amount of its Limited Tax General Obligation Refunding Bonds, 2013 (the "Bonds"). This Official Statement provides information concerning the City and the Bonds.

Description of the Bonds

Authorization for Issuance

The Bonds are issued pursuant to Ordinance No. 28126 (the "Ordinance"), passed by the City Council (the "Council") on January 22, 2013 pursuant to the authority of chapters 35.40, 39.36, 39.46 and 39.53 of the Revised Code of Washington ("RCW"). The Bonds do not require voter approval.

Principal Amount, Date, Interest Rates and Maturities

The Bonds will be issued in the aggregate principal amount of \$44,170,000 and will be dated and bear interest from the date of issuance and delivery. The Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on each June 1 and December 1, commencing June 1, 2013) until the maturity or prior redemption of the Bonds at the rates set forth on the inside cover of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Bond Registrar and Registration Features

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of CEDE & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will initially be made in book-entry form only in minimum denominations of \$5,000 within a maturity and integral multiples thereof. Purchasers ("Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the Bonds so purchased.

Under the Ordinance, the City adopted the system of registration for the Bonds approved by the State Finance Committee of the State of Washington (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies (the "Fiscal Agency") for bonds issued within the State of Washington. The Committee currently is under contract with The Bank of New York Mellon, New York, New York. The Fiscal Agency will act as bond registrar and paying agent (the "Bond Registrar") under the terms of the Ordinance.

In order to meet payment requirements for interest on and principal of the Bonds as the same becomes due and payable, the City will remit money from the City of Tacoma Limited Tax General Obligation Bond Debt Service Fund, 2013 (the "Bond Fund") to the Bond Registrar. The Bond Registrar will remit payment to DTC in accordance with the terms of the DTC procedures as then in effect. Principal of the Bonds will be paid to registered owners upon presentation and surrender of the Bonds at maturity or upon earlier redemption to the office of the Bond Registrar in New York, New York. See "Book-Entry Bonds" and Appendix B.

Redemption Provisions

The Bonds maturing on or prior to December 1, 2022 are not subject to redemption prior to maturity. The Bonds maturing on or after December 1, 2023 may be redeemed at the option of the City on or after September 1, 2023, at par plus accrued interest to the date of redemption.

Selection of Bonds for Redemption. For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed will be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the Ordinance. If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of 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 Bond of a denomination greater than \$5,000, the City and the Bond Registrar will treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such 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 Bond or Bonds of like maturity and interest rate in any of the denominations authorized in the Ordinance.

Notice of Redemption. When the City determines to redeem any Bonds, notice of such redemption (which may be conditional) will be given at least 20 days, but not more than 60 days, prior to the redemption date by first class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address of the registered owner appearing in the Bond Register; provided, however, that for so long as the Bonds are held in fully immobilized form by DTC and are registered in the name of CEDE & CO. or its registered assigns, all notices will be given only in accordance with DTC's operational arrangements. The City will not provide notice of redemption to any Beneficial Owners of Bonds.

Effect of Redemption. Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the notice of redemption has been duly rescinded or the Bonds called are not redeemed when presented pursuant to the call.

Purchase

The City reserves the right and option to purchase any or all of the Bonds offered to the City at any time at a price deemed to be reasonable by the Finance Director.

Book-Entry Bonds

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the Bonds, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B attached hereto for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Finance Director determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such Bonds in the form of Bond certificates, the ownership of the Bonds may then be transferred to any person or entity as provided in the Ordinance, and will no longer be held in fully-immobilized form. 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 fifteenth day of the month preceding the interest payment date, or upon the written request of a registered owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account within the continental United States designated by the registered owner. Principal of the

Bonds will be payable upon presentation and surrender of such Bonds by the registered owners at the principal office of the Bond Registrar.

Defeasance

In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, as defined below, 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 will cease to be entitled to any lien, benefit or security of the 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 will be deemed to be not outstanding under the Ordinance.

“Government Obligations” is defined in the Ordinance to have the meaning specified in RCW 39.53.010, as it may be amended from time to time, which currently means any of the following: (a) direct obligations of, or obligations the principal of 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 or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Bonds will be used (i) to refund or defease a portion of the City's outstanding limited tax general obligation bonds to obtain the benefit of debt service savings and (ii) to pay costs of issuance for the Bonds.

Plan of Refunding

A portion of the proceeds from the sale of the Bonds will be used to (i) refund on a current basis \$1,105,000 of the City's Limited Tax General Obligation Refunding Bonds, 2001 (the “2001 Bonds”) maturing on December 1 in the years 2013 and 2014 (the “2001 Refunded Bonds”) and (ii) advance refund or defease \$44,525,000 of the City's Limited Tax General Obligation Bonds, 2004 (the “2004 Bonds”) maturing on December 1 in the years 2013 through 2026, inclusive, 2030 and 2034 (the “2004 Refunded Bonds”). The 2001 Refunded Bonds and the 2004 Refunded Bonds are referred to herein together as the “Refunded Bonds.”

Information on the Refunded Bonds is as follows:

2001 Refunded Bonds

<u>Maturity Years (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Call Date</u>	<u>CUSIP Numbers</u>
2013	\$ 540,000	4.625%	03/05/2013	873465QH4
2014	565,000	4.750	03/05/2013	873465QJ0

2004 Refunded Bonds

<u>Maturity Years (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Call/Maturity Date</u>	<u>CUSIP Numbers</u>
2013 ⁽¹⁾	\$ 1,205,000	5.00%	12/01/2013	873465RM2
2014 ⁽¹⁾	1,250,000	5.00	12/01/2014	873465RN0
2015	1,305,000	5.00	12/01/2014	873465RP5
2016	1,360,000	5.00	12/01/2014	873465RQ3
2017	1,420,000	5.00	12/01/2014	873465RR1
2018	1,480,000	5.00	12/01/2014	873465RS9
2019	1,545,000	5.00	12/01/2014	873465RT7
2020	1,620,000	5.00	12/01/2014	873465RU4
2021	1,695,000	5.00	12/01/2014	873465RV2
2022	1,775,000	5.25	12/01/2014	873465RW0
2023	1,860,000	5.25	12/01/2014	873465RX8
2024	1,955,000	5.25	12/01/2014	873465RY6
2025	2,050,000	5.00	12/01/2014	873465RZ3
2026	2,155,000	5.00	12/01/2014	873465SA7
2030 ⁽²⁾	9,810,000	5.00	12/01/2014	873465SE9
2034 ⁽²⁾	12,040,000	5.00	12/01/2014	873465SJ8

(1) Non-callable; will be defeased to their date of maturity.

(2) Term Bonds.

A portion of the proceeds of the Bonds allocable to the refunding of the 2004 Refunded Bonds will be used to defease the 2013 and 2014 maturities of the 2004 Refunded Bonds to their maturity date.

From a portion of the proceeds of the Bonds, the City will purchase certain direct non-callable United States Government Obligations (as further defined above as "Government Obligations"). These Government Obligations will be deposited in the custody of U.S. Bank National Association (the "Escrow Agent"). The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, if any, will provide payment of principal of and interest on the Refunded Bonds up to and including their respective call or maturity dates.

The Government 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

The Arbitrage Group, Inc., a firm of independent certified public accountants, will deliver on or before the delivery date of the Bonds its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (i) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the interest on and redemption price of the Refunded Bonds and (ii) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Estimated Sources and Uses of Funds

The proceeds from the Bonds will be applied as follows:

Sources of Funds

Par Amount	\$ 44,170,000
Net Premium	<u>5,937,170</u>
Total Sources of Funds	<u>\$ 50,107,170</u>

Uses of Funds

Deposit to Escrow Account	\$ 49,853,991
Costs of Issuance ⁽¹⁾	250,933
Additional Proceeds	<u>2,246</u>
Total Uses of Funds	<u>\$ 50,107,170</u>

(1) Includes bond counsel fee, financial advisor fee, ratings fees, Escrow Agent fee, Verification Agent fee, Underwriter's discount and other costs associated with the issuance of the Bonds.

Security for the Bonds

General

The Bonds are limited tax general obligation bonds of the City. The City, as authorized by law and the 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 "Bonded Indebtedness – Debt Capacity."

In addition, the City has pledged in the Ordinance and may use lodging taxes to pay debt service on the portion of the Bonds issued to defease or refund the 2004 Refunded Bonds.

The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City.

No Acceleration

The Bonds are not subject to acceleration upon the occurrence of a default. The City, therefore, would be liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, the registered 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 registered owners of earlier and later maturing Bonds.

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. The assessed valuation in the City has decreased since the City last issued debt (see "Taxing Authority – Property Tax Collection Record" herein for the City's historical assessed valuation). As a result, the City's nonvoted indebtedness exceeds its statutory debt capacity as shown in the table "Computation of Debt Capacity" below.

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. The principal amount of the Refunded Bonds is \$45,630,000, and the principal amount of the Bonds is \$44,170,000. Accordingly, the issuance of the Bonds is excluded from the City's debt limitation pursuant to RCW 39.36.030 because refinancing the Refunded Bonds with proceeds from the issuance of the Bonds will not increase the total outstanding indebtedness of the City.

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.

**Computation of Debt Capacity
(As of March 5, 2013)**

2013 Tax Collection Year Regular Assessed Value	\$ 16,013,945,690
<u>Nonvoted Debt Capacity</u>	
1.5% of Assessed Value	\$ 240,209,185
Less: Outstanding Nonvoted Debt ^{(1) (2)}	(224,215,962)
Less: The Bonds ⁽³⁾	<u>(44,170,000)</u>
Remaining Nonvoted Debt Capacity	<u>\$ (28,176,777)</u>
<u>Voted and Nonvoted Debt Capacity</u>	
2.5% of Assessed Value	\$ 400,348,642
Less: Outstanding Nonvoted Debt ^{(1) (2)}	(224,215,962)
Less: The Bonds ⁽³⁾	(44,170,000)
Less: Outstanding Voted Debt	<u>(21,785,000)</u>
Total Remaining Voted and Nonvoted Debt Capacity	<u>\$ 110,177,680</u>
<u>Voted Utility Debt Capacity</u>	
2.5% of Assessed Value	\$ 400,348,642
Less: Outstanding Utility Obligations	<u>0</u>
Total Remaining Utility Debt Capacity	<u>\$ 400,348,642</u>
<u>Voted Open Space/Park Debt Capacity</u>	
2.5% of Assessed Value	\$ 400,348,642
Less: Outstanding Open Space/Park Obligations	<u>0</u>
Total Remaining Open Space/Park Debt Capacity	<u>\$ 400,348,642</u>

- (1) Includes outstanding limited tax general obligation bonds, Public Works Trust Fund loans, State Department of Transportation grant anticipation loan and lease purchases; excludes all of the Refunded Bonds.
- (2) Zero coupon bonds reflect accreted value at maturity.
- (3) See “–Debt Capacity” for a discussion of RCW 39.36.030, which provides an exception to the City’s statutory debt limitation for refinancings that do not increase the total amount of the City’s indebtedness.

**Outstanding General Obligation Debt
(As of March 5, 2013)**

General Obligations

<u>Limited Tax General Obligation Bonds</u> ⁽¹⁾	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
LTGO, 1997B	06/15/01	12/01/18	\$ 6,050,315	\$ 14,300,000 ⁽²⁾
LTGO Bonds, 2006A	09/28/06	12/01/36	16,475,000	14,865,000
LTGO Ref. Bonds, 2006B	11/02/06	12/01/22	12,885,000	12,885,000
LTGO Bonds, 2007	12/21/07	12/01/27	9,610,000	8,050,000
LTGO Note, 2009	09/01/09	09/01/13	1,739,444	343,196
LTGO Bonds, 2009A	12/18/09	12/01/35	15,380,000	15,185,000
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, 2009D	12/18/09	12/01/14	5,000,000	2,000,000
LTGO Bonds, 2009E	12/18/09	12/01/35	13,526,023	43,955,000 ⁽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
The Bonds (this issue)	03/05/13	12/01/34	<u>44,170,000</u>	<u>44,170,000</u>
Total LTGO Bonds			<u>193,876,682</u>	<u>237,623,196</u>
 <u>Public Works Trust Fund Loans ("PWTF" Loans)</u> ⁽³⁾				
CTED PWTF Loan	04/08/98	07/01/18	10,000,000	3,242,105
CTED PWTF Loan	01/01/04	07/01/24	<u>7,647,500</u>	<u>6,845,316</u>
Total PWTF Loans			<u>17,647,500</u>	<u>10,087,421</u>
 <u>State Department of Transportation Grant Anticipation Loan</u> ⁽⁴⁾				
Grant Anticipation Loan	09/14/10	09/14/20 ⁽⁵⁾	<u>20,000,000</u>	<u>20,000,000</u>
 <u>Lease Purchases</u>				
TAC0610-0001 Series F (Dome)	12/01/01	12/01/13	436,019	50,021
San Storage & Cisco	12/31/08	10/01/13	<u>3,401,080</u>	<u>625,324</u>
Total Lease Purchases			<u>3,837,099</u>	<u>675,345</u>
Total Non-Voted General Obligations			<u>\$ 235,361,281</u>	<u>\$ 268,385,962</u>
 <u>Unlimited Tax General Obligation Bonds</u>				
UTGO Ref. Bonds, 2010A	11/10/10	12/01/22	<u>\$ 21,870,000</u>	<u>\$ 21,785,000</u>

(1) Excludes the Refunded Bonds.

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

(3) The Community Trade and Economic Development PWTF loans listed are obligations of the General Fund.

(4) 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.

(5) Estimated.

Summary of Limited Tax General Obligation Bonds Debt Service Requirements ⁽¹⁾

Cal. Years	Outstanding LTGO Bonds (2)		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2013	\$ 3,046,336	\$ 6,675,033	\$ -	\$ 1,435,957	\$ 11,157,325
2014	2,712,980	6,642,970	-	1,943,400	11,299,350
2015	5,318,430	6,994,701	1,300,000	1,943,400	15,556,530
2016	5,388,547	6,920,826	1,505,000	1,904,400	15,718,773
2017	5,462,189	6,834,695	1,555,000	1,844,200	15,696,084
2018	5,643,288	6,654,681	1,610,000	1,782,000	15,689,969
2019	7,580,000	4,703,703	1,680,000	1,701,500	15,665,203
2020	7,865,000	4,394,759	1,745,000	1,634,300	15,639,059
2021	8,170,000	4,069,558	1,825,000	1,547,050	15,611,608
2022	8,530,000	3,691,881	1,895,000	1,474,050	15,590,931
2023	5,547,735	6,703,700	1,980,000	1,379,300	15,610,735
2024	5,563,735	6,681,500	2,080,000	1,280,300	15,605,535
2025	5,604,470	6,640,749	2,175,000	1,176,300	15,596,519
2026	5,937,655	6,317,102	2,285,000	1,067,550	15,607,308
2027	6,317,360	5,920,215	2,405,000	953,300	15,595,875
2028	5,578,760	5,830,378	2,530,000	833,050	14,772,188
2029	5,623,136	5,772,609	2,615,000	753,988	14,764,733
2030	5,682,180	5,695,653	2,755,000	623,238	14,756,071
2031	5,766,010	5,607,603	2,845,000	533,700	14,752,313
2032	5,857,750	5,499,230	2,970,000	419,900	14,746,880
2033	5,984,036	5,359,487	3,125,000	271,400	14,739,923
2034	7,805,061	1,347,018	3,290,000	115,150	12,557,229
2035	6,704,034	2,462,577	-	-	9,166,611
2036	1,410,000	184,950	-	-	1,594,950
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	\$ 141,013,693 ⁽³⁾	\$ 127,897,777 ⁽³⁾	\$ 44,170,000	\$ 26,617,432	\$ 339,698,902

(1) Totals may not foot due to rounding.

(2) Principal and interest payments on limited tax general obligation bonds outstanding as of March 5, 2013; excludes all of the Refunded Bonds, Public Works Trust Fund loans, State Department of Transportation grant anticipation loan and lease purchases.

(3) The interest amounts shown above include the portion of the accreted value of zero coupon bonds not included in the principal amounts shown above.

**Summary of Overlapping Debt
(As of October 31, 2012)**

<u>Overlapping Taxing District</u>	<u>2012 Assessed Value</u>	<u>Percent Overlap⁽¹⁾</u>	<u>Outstanding GO Debt</u>	<u>Estimated Overlapping Debt</u>
Tacoma Metropolitan Parks	\$ 17,806,025,292	97.97%	\$ 90,900,000	\$ 89,055,100
Tacoma SD No. 10	18,649,828,373	92.93	244,475,000	227,189,141
Port of Tacoma	75,697,857,587	23.32	200,140,000	46,666,583
Pierce County	75,697,857,587	23.32	144,474,494	33,687,074
Fife SD No. 417	2,492,547,615	4.39	26,400,000	1,159,694
University Place SD No. 83	2,616,288,595	3.03	82,900,000	2,508,141
Fire District No. 13	365,653,417	2.42	35,000	846
Clover Park SD No. 400	4,871,654,648	2.23	103,334,040	2,302,743
Franklin Pierce SD No. 402	3,078,433,315	0.72	16,085,000	115,282
Total				<u>\$ 402,684,604</u>

(1) Represents the percentage of each taxing district's assessed value within the City.

Source: Pierce County Assessor's and Treasurer's Offices and individual taxing districts.

Net Direct and Overlapping Debt

The following tables present information regarding the City's direct debt (including the Bonds) and the estimated portion of the debt of overlapping taxing districts allocated to the City's residents.

Assessed Value (2013 Tax Collection Year)	\$ 16,013,945,690
Estimated 2012 Population	199,600

Debt Information

Direct Debt ⁽¹⁾	\$ 270,170,962
Estimated Net Overlapping Debt (as previously detailed herein)	<u>402,684,604</u>
Total Net Direct and Overlapping Debt	<u>\$ 672,855,566</u>

(1) Includes outstanding limited and unlimited tax general obligation bonds, Public Works Trust Fund loans and lease purchases; excludes the Refunded Bonds and the State Department of Transportation grant anticipation loan, which is payable from federal Surface Transportation Program funds awarded to the City and is also secured by a general obligation pledge of the City. Zero coupon bonds reflect accreted value at maturity.

Bonded Debt Ratios

Direct Debt to Assessed Value	1.69%
Direct and Overlapping Debt to Assessed Value	4.20%
Per Capita Assessed Value	\$ 80,230
Per Capita Direct Debt	\$ 1,354
Per Capita Total Direct and Net Overlapping Debt	\$ 3,371

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 the table "Overlapping Taxing Districts" herein). The City's regular levy for the 2013 collection year is \$3.26216 per \$1,000. 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). See "Bonded Indebtedness."

The City's Property Tax Levies

The following table shows the City's levy rates and dollar amounts levied since 2008.

**City's Ad Valorem Tax Levies
(Dollars Per \$1,000 of Assessed Valuation)**

Collection Year	Levy Rates				Levy Amounts			
	Regular	Bond ⁽¹⁾	EMS ⁽²⁾	Total	Regular	Bond ⁽¹⁾	EMS ⁽²⁾	Total
2013	\$3.26216	\$0.17612	\$0.50000	\$3.93828	\$52,240,093	\$2,820,328	\$ 8,006,973	\$63,067,394
2012	2.96669	0.14912	0.50000	3.61581	52,390,865	2,600,000	8,825,223	63,816,088
2011	2.62934	0.11517	0.50000	3.24451	49,566,426	2,167,040	9,516,751	61,250,217
2010	2.36463	0.13719	0.48836	2.99019	48,743,312	2,812,256	10,117,421	61,672,989
2009	2.21645	0.13527	0.45894	2.81066	47,930,876	2,896,649	9,924,527	60,752,052
2008	2.23500	0.14077	0.46385	2.83962	46,476,865	2,898,471	9,645,780	59,021,116

(1) For voter-approved general obligation bonds.

(2) Emergency medical service levy.

Sources: Pierce County Assessor's Office.

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.

	2012 Representative Levy Rates	Statutory Levy Authority
	Per \$1,000 of Assessed Value	Per \$1,000 of Assessed Value
Pierce County	\$ 1.42345 ⁽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	0.18136	0.450
The City	3.11581 ⁽⁴⁾	3.375
Cities and Towns	n/a	0.225 ⁽⁵⁾
Hospital Districts	n/a ⁽³⁾	0.750
State Schools	2.40790	3.600 ⁽⁶⁾
Tacoma Metropolitan Park	1.10735 ⁽⁷⁾	0.750
Tacoma School District No. 10	7.04084	n/a ⁽⁸⁾
Emergency Medical Services	<u>0.50000</u> ⁽⁴⁾	
Total rate for Pierce County levy code 005:	<u>\$15.77672</u>	

(1) Includes levy of \$0.05134 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 Pierce 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 \$0.14912 per \$1,000. The City also levies an emergency medical services levy of \$0.50 per \$1,000 as shown in the table above.

(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 \$0.35735 per \$1,000.

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

Source: *Pierce County Assessor's Office.*

Local Improvement District Guaranty Fund

The City has outstanding \$37,899,000 in local improvement district bonds and anticipates issuing approximately \$31,000,000 in consolidated local improvement district bonds in the second quarter of 2013. 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 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 Taxes

The following provides 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.

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 Limitations

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. Changes in such laws could alter the impact of other interrelated tax limitations on the City.

Maximum Rate Limitation. See "Authorized Property Tax Levies" for a description of the statutory limit on the rate per thousand of city regular property taxes and the rate and the amount of the City's current levy. Additional constitutional and statutory limits apply, as described below.

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 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.

\$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; and certain levies for acquiring conservation futures, for emergency medical services or care, and to finance affordable housing.

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. It is possible because of different overlapping taxing districts in different areas of the City that the maximum permissible levy might vary within the City. In that event, to comply with the constitutional requirement for uniformity of taxation, the lowest of the maximum permissible rates for any part of the City would be applied to the entire City.

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 are 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. RCW 84.52.043 defines "junior taxing districts" as all taxing

districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts.

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.

The Levy 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 the highest allowable of such taxes levied in 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.

With a majority vote of its electors, a taxing district may levy, within the rate limitations described above, more than what otherwise would be allowed by the tax increase limitation indefinitely or for a limited period or to satisfy a limited purpose, as allowed by RCW 84.55.050. This is known as a "levy lid lift."

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 Treasurer 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.

Property Tax Collection Record

<u>Collection Year</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Total Ad Valorem Tax Levy</u>	<u>Tax Collection</u>	
			<u>Year of Levy</u>	<u>As of 10/31/12</u>
2013	\$ 16,013,945,690	\$ 3.93828	(2)	(2)
2012	17,650,446,292	3.61581	(2)	88.5%
2011	19,033,502,788	3.24451	96.8%	98.5
2010	20,717,200,634	2.99019	96.5	99.3
2009	21,625,087,509	2.81066	96.6	99.9
2008	20,795,031,550	2.83962	96.6	100.0

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

(2) 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.*

Major Property Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2012 Collection Year Assessed Valuation</u>	<u>Percent of City's Total Assessed Value</u>
Tacoma Mall Corp.	Retail	\$ 189,027,018	1.07%
Simpson Tacoma Kraft Co.	Lumber mill/paper mfg.	81,440,861	0.46
CSC of Tacoma LLC	IT systems	76,024,200	0.43
U.S. Oil & Refining Co.	Petroleum products	72,229,300	0.41
AT&T Mobility LLC	Telecommunications	70,645,796	0.40
Qwest Corporation Inc.	Telecommunications	65,750,150	0.37
Puget Sound Energy/Gas	Electric/gas utility	65,333,323	0.37
Simpson Lumber Company LLC	Lumber mill/paper mfg.	58,388,900	0.33
ERP Operating LLP	Real estate	44,565,400	0.25
NGP Centennial Tacoma LLC	Real estate	<u>43,529,300</u>	<u>0.25</u>
Subtotal – The City's Top 10 Largest Taxpayers		<u>766,934,248</u>	<u>4.35</u>
All Other City Taxpayers		<u>16,883,512,044</u>	<u>95.65</u>
Total City Taxpayers		<u>\$ 17,650,446,292</u>	<u>100.00%</u>

Source: Pierce County Assessor's Office.

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 two percent basic lodging tax and an additional lodging tax of five percent, for a total lodging tax of seven percent. As additional security for the payment of the portion of the Bonds allocable to the refunding of the 2004 Refunded Bonds (see "Sources and Uses of Funds—Plan of Refunding"), the City has covenanted in the Ordinance to levy lodging taxes (the "Lodging Taxes") at not less than the maximum rate currently permitted to it by statute. Proceeds of the 2004 Bonds were used to finance the acquisition, construction, improvement and equipping of the Greater Tacoma Convention and Trade Center (the "Convention Center"). The City has covenanted to continue levying such Lodging Taxes and has pledged such taxes to the payment of the portion of the Bonds allocable to the refunding of the 2004 Refunded Bonds to the extent permitted to it by statute.

The following table reflects actual collections of City's lodging taxes for 2007 through 2012.

	Lodging Tax Collections					
	<u>2012 ⁽¹⁾</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Basic 2% Tax	\$ 839,117	\$ 800,610	\$ 906,383	\$ 895,833	\$ 1,004,955	\$ 916,461
Additional Tax ⁽²⁾	<u>2,074,544</u>	<u>1,975,738</u>	<u>2,229,931</u>	<u>2,206,323</u>	<u>2,471,225</u>	<u>2,250,796</u>
Total	\$ 2,913,661	\$ 2,776,348	\$ 3,136,314	\$ 3,102,156	\$ 3,476,180	\$ 3,167,257

(1) Preliminary.

(2) The additional tax is levied in the City at a rate of five percent. The two percent portion of the additional tax is collected on room revenues for all properties. The three percent portion is collected at properties with 26 or more rooms.

Source: City of Tacoma.

Collection of Other Taxes and Revenues

In addition to its regular property tax levy, the City also collects various other taxes, including a retail sales tax (also known as a “local sales and use tax”), business and occupation tax, real estate excise tax, utility taxes and lodging taxes (described above), among others. A table showing historical revenue from these sources is included at the end of this section.

Local Sales and Use Tax. In addition to the State, the City imposes a sales and use tax on the selling price for value on any retail sale or use of tangible personal property within the City. The City’s sales and use tax is collected by the State Department of Revenue (the “Department”) under a contract with the City that provides for a deduction by the Department of one percent of the tax collected for the Department’s administration costs. The general sales and use tax rate within the City as of October 1, 2012, was 9.5 percent. The sales tax rate is distributed as follows: 6.5 percent to the State; 0.3385 percent to the County; 0.9000 percent to the Rapid Transit Authority, 0.8515 percent to the City, 0.6000 percent to Pierce Transit, and 0.1000 percent each to the Tacoma Metropolitan Park district, communication services and chemical dependency. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, and the level of construction taking place in the City.

Streamlined Sales and Use Tax Agreement. 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.

The State Legislature enacted certain provisions to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the change to a destination-based system. To qualify, the local taxing jurisdiction must be negatively impacted by the legislation and the local sales tax must be in effect before July 1, 2008, among other requirements. Money for mitigation is subject to appropriation by the State Legislature. Under the mitigation legislation, on each July 1, the State Treasurer is required to transfer an amount determined by the Department to fully mitigate negatively impacted local jurisdictions. Mitigation for the first year is determined by the Department from tax reporting data to determine actual losses less gains from voluntarily registered sellers. Beginning December 31, 2008, distributions from the account are required to be made quarterly. After the first year, the Department is required to determine each local jurisdiction’s annual losses, and distributions are required to be made quarterly representing one-fourth of a jurisdiction’s annual loss less voluntary compliance revenue from the previous quarter. Losses in sales tax revenues are based on a business by business comparison of sales patterns in each jurisdiction before and after the change to destination-based sales tax. “Voluntary compliance revenue” is the local sales tax revenue gain to each local taxing jurisdiction reported to the Department by sellers in other states voluntarily registered through the SSUTA.

As a result of this legislation, the City has received mitigation payments from the State, including \$174,250 in 2010, \$133,105 in 2011 and \$117,387 in 2012. 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 seek mitigation payments to offset any losses so long as it is eligible.

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.

TYPE OF BUSINESS	TAX RATE
Service and Other/Retail Services	0.400%
Retailing	0.153
Public Road Construction	0.110
Manufacturing/Extraction	0.110
Wholesaling	0.102

Real Estate Excise Tax. The real estate excise tax (“REET”) is split into two parts, REET 1 and REET 2, both at 1/4 of one percent of the gross amount of real estate transfers made in the City for a total of 1/2 of one percent. REET taxes may only be used for certain capital purposes. REET taxes are deposited directly into the City’s Capital Projects Fund and are not General Fund revenues.

Utility Taxes. Utility taxes are taxes applied to utilities providing services in the City including City-owned and privately-owned utilities. The City levies a tax of six percent on telephone, electric and natural gas utilities. In addition, the City levies a tax of eight percent on solid waste disposal, cable television services, and water, wastewater and rail services.

Historical Tax Collections

The following table shows the historical revenues from certain taxes deposited into the General Fund. For information regarding lodging tax history, see "Taxing Authority – Lodging Taxes" herein.

HISTORICAL TAX COLLECTIONS

General Fund (1)	Budgeted 2013	2012 (2)	2011	2010	2009	2008
Property	\$ 51,190,160	\$ 47,831,755	\$ 49,138,085	\$ 48,446,162	\$ 47,178,832	\$ 46,003,012
Sales and Use	40,138,721	37,031,222	37,599,196	37,803,003	37,475,429	43,309,045
Utility	44,287,183	38,477,276	41,338,112	40,510,884	38,638,385	41,565,551
B&O Taxes	41,264,337	38,890,124	40,959,970	38,959,617	40,006,635	44,716,740
	<u>\$ 176,880,401</u>	<u>\$ 162,230,377</u>	<u>\$ 169,035,363</u>	<u>\$ 165,719,666</u>	<u>\$ 163,299,281</u>	<u>\$ 175,594,348</u>

- (1) 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.
- (2) Through November 30, 2012.

Source: City of Tacoma.

**HISTORICAL TAX COLLECTIONS
NOVEMBER 30 YEAR-TO-DATE COLLECTION COMPARISON**

General Fund	11/30/2012	11/30/2011
Property	\$ 47,831,755	\$ 45,320,779
Sales	37,031,222	36,385,362
Utility	38,477,276	37,502,357
B&O Taxes	38,890,124	39,128,619
	<u>\$ 162,230,377</u>	<u>\$ 158,337,117</u>

Source: City of Tacoma.

Authorized Investments

Chapter 35.39 RCW limits the investment by cities and towns of its inactive funds or other funds in excess of current needs to the following authorized investments: United States bonds; United States certificates of indebtedness; bonds or warrants of the State and any local government 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 or the State Treasurer. Under chapter 43.84 RCW, the State Treasurer may invest in non-negotiable certificates of deposit in designated qualified public depositories; in obligations of the U.S. government, its agencies and wholly owned corporations; in bankers' acceptances; in commercial paper; in the obligations of the federal home loan bank, federal national mortgage association and other government corporations subject to statutory provisions and may enter into repurchase agreements. Utility revenue bonds and warrants of any city and bonds or warrants of a local improvement district are also eligible investments (RCW 35.39.030).

Chapter 39.59 RCW provides that, in addition to any other investment authority granted by law, the City is authorized to invest in bonds of the State of Washington and any local government in the State of Washington that have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency; and general obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington that have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.

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.

Investment Practices

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

- (i) *Banker's Acceptances.* City investment policy allows for purchase of Banker's Acceptances of the top 50 world banks as published by American Banker. Portfolio mix guidelines suggest a maximum of 20 percent of the total portfolio with no more than ten percent of the total portfolio in any one bank.
- (ii) *U.S. Treasury Bills, Certificates, Notes and Bonds.* Portfolio mix guidelines allow for a maximum of 100 percent of the total portfolio to be invested in these securities.
- (iii) *U.S. Government Agency Securities.* Portfolio mix guidelines suggest a maximum of 90 percent of the total portfolio with no more than 50 percent of the total portfolio per agency.
- (iv) *Commercial Paper.* Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than ten percent of the portfolio invested in commercial paper with an additional limit of no more than three percent in any one issuer.
- (v) *Repurchase Agreements.* Portfolio mix guidelines suggest repurchase agreements be limited to a maximum of 15 percent of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by two percent over the term of the agreement. The collateral must be an investment instrument that the City is authorized to purchase.
- (vi) *Reverse Repurchase Agreements.* The City is allowed to participate in reverse repurchase agreements, but did not in 2011.

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. See Note 4 to Financial Statements at Appendix C. The City's pension funds can be invested in a broad range of investments.

As of December 31, 2012, the City's cash and investments, on a fair value basis, totaled \$954 million (does not include pension funds). The portfolio was distributed in various types of investment vehicles in the percentages as shown in the table below. See Note 4 to the Financial Statements attached as Appendix C.

Schedule of Deposits and Investments for all City Funds
(As of December 31, 2012)
(000's)

Municipal Securities	27.33%
Federal National Mortgage Association (Fannie Mae)	23.58
Federal Home Loan Mortgage Association (Freddie Mac)	17.66
LGIP	7.65
Federal Home Loan Bank (Home Loan	7.56
Bank Interest – Bearing Accounts	6.23
Federal Farm Credit Bank (Farm Credit)	6.00
Federal Agricultural Mortgage Corp. (Farmer Mac)	1.51
Tennessee Valley Authority (TVA)	1.45
Secured Repurchase Agreements	0.92
U.S. Treasuries	0.11
Total	100.00%

State Local Investment Pool

The State Treasurer's Office administers the Washington State Local Government Investment Pool (the "LGIP"), which invests money on behalf of more than 450 cities, counties and special taxing districts. In its management of LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These principles are, in order of priority, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) the attainment of the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The pool is restricted to investments with maturities of one year or less, and the average life typically is less than 90 days. Investments permitted under the pool's guidelines include U.S. government and agency securities, bankers' acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified Washington State depositories.

Authorized Investments for Bond Proceeds

In addition to the eligible investments discussed above, bond proceeds may also be invested in mutual funds with portfolios consisting of U.S. government and guaranteed agency securities with average maturities of less than four years; municipal securities rated in one of the four highest categories; and money market funds consisting of the same, so long as municipal securities held in the fund(s) are in one of the two highest rating categories of a nationally recognized rating agency. Bond proceeds may also be invested in shares of money market funds with portfolios of securities otherwise authorized by law for investment by local governments (RCW 39.59.030). See “Authorized Investments—Investment Practices” herein for a discussion of the City’s investment portfolio.

Financial Information

Governmental fund financial statements focus on near-term inflow and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. The focus of the governmental fund statement is on major funds. The City’s General Fund and Street Fund are major funds. Also included in the governmental fund statement are non-major government funds consisting of debt service funds, capital project funds, and special revenue funds. The City’s finances are structured to account for all dedicated revenues in separate funds. General tax revenues are all accounted for in the General Fund. Taxes dedicated or restricted to specific purposes are accounted for in separate funds. The City adopts a biennial budget but is required to produce annual audited financial statements. The most recent audited financial statement is for 2011, the first year of the 2011/2012 biennium. In 2011, the fund balance for the City’s General Fund decreased by \$5.9 million from the end of 2010, but is projected to increase by \$2 million for 2012 over 2011 as the projected \$32 million deficit has been corrected. The fund balance for the Street fund, a new major fund in 2011, decreased by \$2.9 million and will decline further in 2012 as several major capital projects are completed. The fund balance for the non-major governmental funds decreased in 2011 from 2010 as fund balance from prior year bond sales was expended on various capital projects.

**Comparative General Fund Statement
of Revenues, Expenditures and Changes in Fund Balances
(Fiscal Years Ended December 31)
(amounts expressed in thousands)**

	Unaudited	Actual				
	Thru 9/30/12	2011	2010	2009	2008	2007
Revenues						
Taxes	\$ 123,462	\$ 172,989	\$ 169,326	\$ 126,721	\$ 135,832	\$ 135,319
Licenses and Permits	2,789	3,242	3,114	4,713	5,108	8,483
Intergovernmental	7,080	8,775	9,907	8,887	10,691	9,137
Charges for Services	896	1,196	2,094	2,942	3,830	3,419
Fines and Forfeitures	543	724 ⁽¹⁾	5,470	4,031	4,070	3,104
Interest	403	1,079	1,099	1,634	2,840	4,331
Miscellaneous	2,431	1,060	819	267	1,478	295
Total Revenues	137,604	189,065	191,829	149,195	163,849	164,088
Expenditures						
Current						
General Government	17,371	21,645	21,941	22,159	21,186	15,613
Security of Persons and Property	85,354	128,370	124,166	132,004	129,466	121,630
Physical Environment	0	0	-	0	541	532
Transportation	6,999	0 ⁽²⁾	15,416	15,344	17,040	16,654
Economic Environment	8,777	13,694	14,630	19,470	20,543	17,852
Mental and Physical Health	0	1,354	1,358	1,364	1,354	1,328
Culture and Recreation	8,621	12,845	13,045	12,930	16,157	12,919
Capital Outlay	253	2,033	1,356	1,470	2,838	1,654
Debt Service ⁽³⁾	13	13	77	42	117	181
Total Expenditures	127,388	179,954	191,989	204,783	209,242	188,363
Excess (deficiency) of Revenues Over (Under) Expenditures	10,216	9,111	(160)	(55,588)	(45,393)	(24,275)
Other Financing Sources (Uses)						
Sale of Capital Asset	658	-	8	170	3	43
Transfers in	4,742	1,286	696	47,033 ⁽⁴⁾	41,978 ⁽⁴⁾	42,078 ⁽⁴⁾
Transfers out to other Governmental Funds	(11,752)	(16,373)	(4,979)	(5,759)	(7,762)	(8,570)
Total Other Financing Sources and Uses	(6,352)	(15,087)	(4,275)	41,444	34,219	33,551
Net Change in Fund Balance	3,864	(5,976)	(4,435)	(14,144)	(11,174)	9,276
Fund Balances-Beginning ⁽⁵⁾	34,851	41,146	38,261	52,405	65,834	56,508
Prior Period Adjustments	(2,647)	(318)	(235)	-	(2,255)	50
Change in Accounting Principle	-	-	6,404	-	-	-
Fund Balances-Ending ⁽⁵⁾⁽⁶⁾	\$ 36,068	\$ 34,852	\$ 39,995	\$ 38,261	\$ 52,405	\$ 65,834

(1) Special funds were created for fines and forfeitures beginning in 2011.

(2) The Street Fund) was created for transportation beginning in 2011.

(3) Debt service on most limited tax general obligation bonds is paid from revenue sources other than General Fund taxes and therefore is included as an expense of a specific fund. The debt service on the portion of the Bonds refunding the 2004 Bonds, which represents approximately 98 percent of the debt service, will be included in the Convention Center Fund.

(4) Primarily represents utility taxes. Beginning in 2010, utility taxes were categorized as "Taxes" under Revenues.

(5) The ending fund balance in 2010 did not match the beginning fund balance in 2011 due to a change in accounting procedures from the implementation of GASB 54.

(6) Projected unrestricted ending General Fund balance for 2012 is approximately \$16 million.

Source: City of Tacoma Audited Financial Statements (except for 2012 information which is unaudited).

Total Governmental Funds ⁽¹⁾
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
(Fiscal Years Ended December 31)
(amounts expressed in thousands)

	Unaudited	Actual				
	Thru 9/30/12	2011	2010	2009	2008	2007
Revenues						
Taxes	\$ 138,960	\$ 190,362	\$ 187,904 ⁽¹⁾	\$ 145,101 ⁽²⁾	\$ 155,129	\$ 158,320
Licenses and permits	2,896	3,539	3,823	5,382	6,168	9,731
Intergovernmental	47,878	61,376	48,259	40,991	31,461	48,257
Charges for services	5,840	9,512	9,473	10,836	10,663	9,557
Fines and forfeitures	2,803	3,612	6,080	4,617	4,366	3,869
Interest	260	4,657	2,982	4,131	6,566	8,976
Miscellaneous	5,367	4,382	4,642	2,606	3,805	1,968
Total Revenues	204,004	277,440	263,163	213,664	218,158	240,678
Expenditures						
Current						
General government	27,891	25,116	25,553	37,148	23,728	18,243
Security of persons and property	102,293	144,949	139,371	135,269	142,967	133,933
Physical environment	-	-	-	(2)	628	605
Transportation	15,686	33,525	26,220	24,066	24,670	22,828
Economic environment	11,522	21,892	25,972	28,682	27,055	27,046
Mental and physical health	11	2,109	2,093	2,256	2,138	1,965
Culture and recreation	11,820	13,266	13,339	13,185	16,212	14,795
Capital outlay	4,353	71,860	49,514	40,172	34,813	38,091
G.O. Debt Service	37,822	12,423	13,125	8,726	8,833	8,775
Total Expenditures	211,398	325,140	295,187	289,502	281,044	266,281
Excess (deficiency) of Revenues Over (Under) Expenditures	(7,394)	(47,700)	(32,024)	(75,838)	(62,886)	(25,603)
Other Financing Sources (Uses)						
Sale of capital asset	1,688	(91)	19	170	2,705	43
Transfers in	19,985	24,526	6,407	56,635	52,657	53,605
Transfers out	(20,988)	(32,419)	(13,330)	(16,612)	(17,788)	(15,775)
Proceeds from bond issues	9,733	-	43,305	56,335	4,468	10,145
Issuance of debt refunding bonds	-	16,539	29,671	-	-	-
Payment to escrow - refunded bonds	-	-	(29,152)	-	-	-
Contributions from property owners	-	-	-	-	11	-
Insurance recoveries	35	-	-	-	-	-
Premium on issuance of debt	(34)	-	2,618	226	-	-
Discount in issuance of debt	-	-	(59)	(154)	-	(35)
Total Other Financing Sources and Uses	10,419	8,555	39,479	96,600	42,053	47,983
Net Change in Fund Balance	3,025	(39,145)	7,455	20,762	(20,833)	22,380
Fund Balances-Beginning	133,292	175,437	162,451	141,689	165,170	148,497
Prior Period Adjustments	(835)	(3,000)	(194)	-	(2,648)	(5,707)
Change in Accounting Principle	-	-	5,725	-	-	-
Fund Balances-Ending	\$ 135,482	\$ 133,292	\$ 175,437	\$ 162,451	\$ 141,689	\$ 165,170

(1) In 2010, gross excise taxes were included in "Business Taxes." In previous years they were classified as Transfers In.

(2) Includes the General Fund, Street Fund and Other Governmental Funds. Collection of taxes in 2009 decreased by \$10 million from 2008 due to the economic downturn.

Source: City of Tacoma Audited Financial Statements (except for 2012 information which is unaudited).

Comparative General Fund Balance Sheet ⁽¹⁾
(Fiscal Years Ended December 31)
(amounts expressed in thousands)

	<u>Unaudited</u>	<u>Actual</u>				
	<u>Thru 9/30/12</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets						
Cash and Cash Equivalents	\$ 9,538	\$ 8,075	\$ 12,100	\$ 15,801	\$ 30,517	\$ 44,237
Accounts Receivable	39,465	24,488	20,519 ⁽²⁾	12,776	12,915	14,877
Due from Other Funds	0	2,392	2,875	6,575	604	356
Due from Other Governments	4,108	4,240	4,263	4,307	4,275	197
Prepaid Expenditures	24	316	352	378	214	103
Inventory	1,063	1,008	2,424	2,469	1,809	1,216
Recoverable Deposits	-	-	-	-	-	1
Other Current Assets	-	-	3	3	3	3
Advances to Other Funds	11,909	12,181	12,051	13,249	15,630	14,757
Total Assets	<u>\$ 66,107</u>	<u>\$ 52,700</u>	<u>\$ 54,587</u>	<u>\$ 55,558</u>	<u>\$ 65,967</u>	<u>\$ 75,747</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ 595	\$ 1,816	\$ 2,526	\$ 2,801	\$ 3,641	\$ 2,241
Accrued Wages and Benefits Payable	1,711	4,803	4,361	3,969	3,354	2,379
Notes, Leases and Contracts Payable	-	-	-	2	2	-
Deposits Payable	-	-	-	4	21	292
Accrued Taxes Payable	12	61	14	12	21	60
Due to Other Funds	0	1,354	2,312	4,985	771	914
Due to Other Governments	860	190	180	217	592	37
Deferred Revenue	26,191	8,811	5,012	5,131	4,986	3,865
Other Current Liabilities	670	813	187	176	174	125
Total Liabilities	<u>\$ 30,039</u>	<u>\$ 17,848</u>	<u>\$ 14,592</u>	<u>\$ 17,297</u>	<u>\$ 13,562</u>	<u>\$ 9,913</u>
Fund Balances:						
Reserved	20,302	20,613	20,947	24,517	24,871	19,526
Unreserved, Reported in General Fund	15,766	14,239	19,048	13,744	27,534	46,308
Total Liabilities and Fund Balance	<u>\$ 66,107</u>	<u>\$ 52,700</u>	<u>\$ 54,587</u>	<u>\$ 55,558</u>	<u>\$ 65,967</u>	<u>\$ 75,747</u>

(1) Long-term liabilities, including bonds and compensated absences, and pension obligations are not included on the balance sheet.

(2) The increase in accounts receivables for 2010 reflected a change in accounting wherein delinquent property and other taxes were accrued.

Source: City of Tacoma Audited Financial Statements (except for 2012 information which is unaudited).

Total Governmental Funds ⁽¹⁾
Comparative Balance Sheet
(Fiscal Years Ended December 31)
(amounts expressed in thousands)

	Unaudited	Actual				
	Thru 9/30/12	2011	2010	2009	2008	2007
Assets						
Cash and cash equivalents	\$ 100,278	\$ 107,524	\$ 151,227	\$ 130,496	\$ 107,952	\$ 120,884
Investments at fair value	4,210	2,440	2,525	2,232	2,722	2,800
Accounts receivable	13,600	39,482	37,749	17,919	23,974	23,975
Due from other funds	1	4,300	3,454	7,852	2,240	2,585
Due from other governments	44,933	4,316	5,945	13,732	11,307	13,560
Prepaid expenditures	74	667	354	379	216	103
Inventory	2,943	2,911	2,499	2,744	1,884	1,291
Recoverable deposits	-	-	-	-	-	1
Other current assets	(1)	918	3,150	3,521	203	3
Advances to other funds	15,994	16,500	16,922	19,134	23,143	27,691
Total Assets	<u>\$ 182,032</u>	<u>\$ 179,058</u>	<u>\$ 223,825</u>	<u>\$ 198,009</u>	<u>\$ 173,641</u>	<u>\$ 192,893</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 3,158	\$ 9,197	\$ 11,709	\$ 6,329	\$ 8,308	\$ 6,605
Accrued wages and benefits payable	2,256	6,045	4,715	4,260	3,591	2,543
Notes, leases and contracts payable	-	-	-	2	2	-
Deposits payable	82	58	15	17	97	406
Accrued taxes payable	93	82	32	35	25	94
Due to other funds	1	4,456	2,981	6,319	1,541	1,662
Due to other governments	135	199	189	217	607	39
Deferred revenue	34,274	19,118	21,801	11,102	9,992	8,870
Advances from other funds	5,734	5,764	5,978	6,151	6,700	6,732
Other current liabilities	817	847	968	1,126	1,089	772
Total Liabilities	<u>46,550</u>	<u>45,766</u>	<u>48,388</u>	<u>35,558</u>	<u>31,952</u>	<u>27,723</u>
Fund Balances:						
Reserved	126,757	162,913	69,612	75,477	58,634	54,812
Unreserved	8,725	(29,621)	105,825	86,974	83,055	110,358
Total Fund Balance	<u>135,482</u>	<u>133,292</u>	<u>175,437</u>	<u>162,451</u>	<u>141,689</u>	<u>165,170</u>
Total Liabilities and Fund Balance	<u>\$ 182,032</u>	<u>\$ 179,058</u>	<u>\$ 223,825</u>	<u>\$ 198,009</u>	<u>\$ 173,641</u>	<u>\$ 192,893</u>

(1) Long-term liabilities, including bonds and compensated absences, and pension obligations are not included on the balance sheet.

Source: City of Tacoma Audited Financial Statements (except for 2012 information which is unaudited).

General Fund Budget

In 2012, the Council hired a new City Manager and initiated actions to eliminate a forecasted \$32 million gap in the City's 2011/2012 General Fund budget. In December 2012, the Council adopted a balanced 2013/2014 General Fund budget that was originally projected to have a \$63 million deficit.

In each of the previous three biennium (2007-2008 through 2011-2012), expenditures exceeded budgeted revenues (the 2011/2012 budget was in due course rebalanced). General Fund reserves were reduced from \$46.3 million in 2008 to \$14.2 million in 2011.

The City's 2013/2014 General Fund budget is balanced. The budget includes numerous expenditure reductions, including 224 (18%) fewer full-time equivalent positions, reductions in transfers to other funds and reductions in funding of external agencies. The City Council has enacted several tax increases, including elimination of a business tax exemption for non-profit health care organizations and imposition of a \$20 vehicle license tab fee which are forecast to generate \$9.4 million over the 2013/14 biennium. Overall 2013/14 General Fund revenues are forecast to grow 2.5% over revised 2011/2012 estimates.

**General Fund
2013-2014 Adopted Biennial Budget**

	Adopted
	2013-14
Revenue by Category	
Property Tax	\$ 103,678,542
Sales Tax	80,277,441
Business Tax	83,028,674
Utility Tax	90,074,366
Other Taxes	4,070,688
Licenses and Permits	6,177,000
Intergovernmental Revenue (1)	21,579,046
Charges for Services	2,447,100
Fines and Forfeits	1,718,000
Misc. Revenue	3,607,500
Total Revenues	\$ 396,658,357
Expenditure by Department	
City Attorney's Office	7,526,280
City Council	1,155,688
City Manager	1,467,936
Community & Economic Development	7,265,875
Finance	7,331,030
Fire	90,006,499
Government Relations	800,962
Hearing Examiner	518,073
Human Resources	2,251,739
Library	22,358,272
Municipal Court	7,022,726
Neighborhood & Community Services	14,918,437
Non Departmental (2)	64,489,685
Planning & Development Services	3,847,487
Police	143,428,570
Public Works	22,269,097
Total Expenditures	\$ 396,658,357

(1) Primary sources of "Intergovernmental Revenue" includes \$8.2 million for fire protection services to adjacent communities; \$4 million from a vehicle license fee; \$4.6 million from liquor taxes; and \$2.1 million in payments for services provided to other local governments.

(2) Includes \$4,487,731 designated to fund balance reserves.

Source: City of Tacoma.

The City

The City was incorporated in 1884 and utilizes the Council-Manager form of government, which is administered by a City Council (the "Council") under the Constitution and laws of the State and the City Charter. The Council is composed of a Mayor and eight members, five of whom are elected from districts which have been apportioned according to population. The three remaining positions are "at-large" positions, nominated and elected City-wide. The Councilmember positions are four-year terms with overlapping terms to allow for the election of at least 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 ten consecutive years as a member of the Council, Mayor or combination thereof.

The Council appoints a City Manager who is the chief executive officer of the City and who serves at the pleasure of the Council. The City Manager is responsible to the Council for the administration of all departments of the City with the exception of the Department of Public Utilities. The City Manager has the power to appoint department heads.

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 ("CAFR") 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 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 Treasurer 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 Director of Finance. A Finance Committee composed of the Mayor, Director of Finance and City Treasurer controls the investment of City funds.

City Council

Current members of the Council are:

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Marilyn Strickland	Mayor	December 31, 2013
Joe Lonergan	Deputy Mayor	December 31, 2013
David Boe	Councilmember	December 31, 2015
Marty Campbell	Councilmember	December 31, 2013
Anders Ibsen	Councilmember	December 31, 2015
Ryan Mello	Councilmember	December 31, 2015
Robert Thoms	Councilmember	December 31, 2013
Lauren Walker	Councilmember	December 31, 2015
Victoria Woodards	Councilmember	December 31, 2013

City Staff

Steve Call, Interim Finance Director. Mr. Call was appointed Interim Finance Director in August 2012. Mr. Call brings over 35 years of experience as a senior executive with a background in financial management, management of operating and capital budgets, business planning and performance measures. From 2001 to 2006, Mr. Call served as the Director, Office of Management and Budget for King County, Washington. Since 2006, Mr. Call has served as the interim Chief Financial Officer for Seattle City Light, the Finance Director for the Cascade Water Alliance and as the interim Office of Management and Budget Director in King County. More recently he has been consulting in the utility industry.

Teresa Sedmak, City Treasurer. Ms. Sedmak was appointed City Treasurer in June 2012. Ms. Sedmak came to the City with over 20 years of experience in public finance, debt and investment management. Prior to joining the City, Ms. Sedmak served as the Manager of Debt and Investments for the Regional Transportation District in Denver, Colorado from 1998 to 2012. She received her Master of Business Degree, along with her Bachelor of Science in Business, from the University of Colorado.

Labor Relations

As of November 2012, the City employed 3,364 people, including 2,019 general government and 1,345 Tacoma Public Utilities employees. As of such date, approximately 81 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.

Labor Union	No. of Employees	Contract Expiration Date
Local 17 International Federation of Professional and Technical Engineers	247	12/31/2014
Local 26 IUPA Tacoma Police Management Association (Captains and Lieutenants)	20	12/31/2014
Local 31 Tacoma Fire Fighters Union	369	12/31/2014
Local 117 Teamsters (General Unit)	243	12/31/2014
Local 117 Teamsters (Public Assembly Facilities (PAF) Unit)	31	12/31/2013
Local 117 Teamsters (Library Unit)	18	12/31/2014
Local 120 Washington State Council of County and City Employees	149	12/31/2012 (1)
Local 120 Washington State Council of County and City Employees (Library Unit)	109	12/31/2014
Local 160 IAM and AW International Association of Machinist and Aerospace Workers (General Unit)	97	12/31/2011 (1)
Local 160 IAM and AW (WWTP Supervisors Unit)	3	12/31/2012 (1)
Local 160 IAM & AW (Yard Clerk Unit)	5	12/31/2016
Local 160 IAM & AW (Rail Mechanics Unit)	9	12/31/2012 (2)
Local 160 IAM and AW (Track Workers Unit)	8	12/31/2012 (2)
Local 313 Teamsters	123	12/31/2013
Local 483 IBEW (Click! Unit)	48	12/31/2011 (1)
Local 483 IBEW (Custodial and Building Maintenance Unit)	28	12/31/2012 (1)
Local 483 IBEW (Customer and Field Services)	142	12/31/2014
Local 483 IBEW (Supervisors Unit)	8	12/31/2014
Local 483 IBEW (Tacoma Power)	327	03/31/2013
Local 483 IBEW (Water Division)	113	12/31/2014
Local 483 IBEW (Water Pollution Control Unit)	49	12/31/2014
Local 483 IBEW (Clerical Unit)	169	12/31/2014
Local 483 IBEW (Court Clerks)	28	New Unit
Local 6 IUPA Tacoma Police Union	329	12/31/2014
Professional Public Safety Managers Association	7	12/31/2014
Brotherhood of Locomotive Engineers	19	12/31/2001 (2)
United Transportation Union (Switch Crews Unit)	28	12/31/2010 (2)
United Transportation Union (Yardmasters)	4	12/31/2011 (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: City of Tacoma.

Pension Funding

City employees other than law enforcement officers, fire fighters and railroad employees are covered by the Tacoma Employees' Retirement System ("TERS"), 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.

Tacoma Employees' Retirement System ("TERS"). TERS is a local single employer defined benefit pension retirement plan covering City of Tacoma employees. 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 City Code. As of December 31, 2011, there were 1,950 retirees and beneficiaries receiving benefits, 395 vested terminated employees entitled to future benefits, and 3,038 active members in TERS.

Employees covered by TERS are required by Chapter 1.30 of the Tacoma City Code to contribute to TERS. Contributions are based on the percent of employee pay shown in the following table:

<u>Applicable Period</u>	<u>City Rate</u>	<u>Member Rate</u>	<u>Total Rate</u>
1/1/1980 to 12/31/1996	10.44%	8.89%	19.33%
1/1/1997 to 12/31/2000	9.02%	7.68%	16.70%
1/1/2001 to 2/1/2009	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 and on	10.80%	9.20%	20.00%

Contributions City-wide totaled \$42.4 million in 2011 (\$22.5 million employer contributions and \$19.9 million employee contributions) and totaled \$40.2 million in 2010 (\$21.3 million employer contributions and \$18.9 million employee contributions).

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
01/01/2007	\$1,021.3	\$ 895.8	\$(125.5)	114.0%	\$175.0	(71.7%)
01/01/2009	1,097.3	1,002.3	(95.0)	109.5%	197.4	(48.1%)
01/01/2011	1,074.8	1,132.9	58.1	94.9%	219.3	26.5%
01/01/2012	1,068.3	1,185.5	117.2	90.1%	219.4	53.4%

The most recent actuarial valuation of TERS was completed as of January 1, 2012 by Milliman (the "Milliman Report"). Assumptions include investment earnings of 7.75%, wage growth of 4.25% and price inflation of 3.25%. TERS's 2011 market value investment return of 1.3% was less than the 7.75% investment earning assumption. According to the Milliman Report, due primarily to the continued recognition of a large asset loss in 2008, as of January 1, 2012 the Funding Ratio declined from 94.9% to 90.1% and the projected amortization period for the Unfunded Actuarial Accrued Liability (UAAL) has increased from 12.8 years to 35.0 years. This is based on the Actuarial Value of Assets (AVA) which smooths gains and losses over four years. As of January 1, 2012, the large 2008 loss was fully recognized in the AVA. Since the 2011 investment return of 1.3% was lower than the 7.75% assumption, measures based on the Market Value of Assets (MVA) also declined. Specifically, based on MVA, the Funding Ratio declined from 95.4% to 91.3% and the projected amortization period of the UAAL increased from 11.4 years to 27.7 years. The asset losses were partially offset by salary increases that were less than expected.

The Milliman Report provides the following information regarding long-term funding projections: The baseline projection demonstrates that if experience in all future years matches the actuarial assumptions, including 7.75% investment returns, the Funding Ratio is projected to reach 100% by 2040. However, a downside scenario projection showing that adverse investment experience similar to what TERS experienced in 2006 – 2008 could require contribution rates to increase as high as 29.37% of pay to amortize the UAAL over 30 years. Future experience is expected to be both better and worse than the actuarial assumptions at different times and is likely to result in changes to TERS's funding status.

Although TERS is funded over a long period of time, the measurement of TERS's funding status can vary widely from year-to-year due to asset returns. The following chart summarizes TERS's asset returns in recent years and compares the market value gains and losses to the Actuarial Accrued Liability at the following valuation date. Returns greater than the 7.75% actuarial assumption are gains; returns less than the 7.75% actuarial assumption are losses. The Actuarial Value of Assets recognizes these market value gains and losses in four even pieces starting at the end of the year in which they occur. Gains in good years are needed to offset losses in bad years. The \$451 million market value loss in 2008 was equal to 45% of TERS's Actuarial Accrued Liability was fully recognized in the actuarial assets as of January 1, 2012.

Year	Market Value % Return ⁽¹⁾	Market Value \$ Gain / (Loss) compared to expected	End of Year Actuarial Accrued Liability (AAL)	Gain / (Loss) as a % of next AAL
2002	(8.9)%	\$ (112,800,000)	\$ 686,800,000	(16.4)%
2003	29.4%	\$ 131,400,000		17.4%
2004	15.5%	\$ 60,100,000	\$ 754,300,000	8.0%
2005	8.7%	\$ 8,500,000		0.9%
2006	18.6%	\$ 102,800,000	\$ 895,800,000	11.5%
2007	3.9%	\$ (42,200,000)		(4.2)%
2008	(32.0)%	\$ (451,000,000)	\$ 1,002,300,000	(45.0)%
2009	27.3%	\$ 147,700,000		13.0%
2010	14.1%	\$ 60,200,000	\$ 1,132,900,000	5.3%
2011	1.3%	\$ (69,900,000)	\$ 1,185,500,000	(5.9)%
2012 ⁽²⁾	13.8%	Not available	\$ 1,256,800,000	Not available

(1) The market value returns shown above are net of investment expenses, but not administrative expenses. They are based on the TERS's annual financial statements, but may have some variance from calculations performed by other parties due to different methodology.

(2) Preliminary.

In August 2012, the TERS retirement board changed the report of return assumption from 7.75% to 7.5%. The changed assumption will be reflected in the 2012 valuation expected in May 2013.

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. Retirement benefits in both LEOFF Plan I and LEOFF Plan II are vested after completion of five years of eligible service.

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:

<u>Term of Service</u>	<u>Percent of Final Average</u>
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.

LEOFF Contribution Rates as of September 1, 2012

	<u>Plan 1</u>	<u>Plan 2</u>
Employer ⁽¹⁾	0.16%	5.24%
Employee	0.00%	8.46%
State	0.00%	3.38%

(1) Includes a 0.16% administration fee.

For the year ending December 31, 2011, the City contributed \$3.8 million to LEOFF, representing its full liability under the system, except that future rates may be adjusted to meet the system needs.

The Department of Retirement Systems (“DRS”), a department within the primary government of the State, 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. According to the Report of the State Actuary dated September 2012, the actuarial valuation of LEOFF Plan 1 and Plan 2 as of June 30, 2011 shows funding ratios of 135% and 119%, respectively, subject to the assumptions and qualifications set forth in the report.

For additional information regarding the City’s retirement plans, see Note 5 to the City’s Audited Financial Statements for 2011, attached as Appendix C. Subject to the assumptions and qualifications described therein, the net pension obligation of the Firefighter’s Relief and Pension Fund is a \$8.8 million net pension liability at December 31, 2011. The net pension obligation of the Police Relief and Pension Fund is a \$0.5 million net pension asset at December 31, 2011. See Note 5.

Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") issued a standard concerning Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB 45). 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. The new 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, 2011, 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 the 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 \$1,586,833, the actual cost of the OPEB was \$5,175,241; the contribution was 30.7% of the actual OPEB cost.

	Other Post-Employment Benefits		
	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
TERS	\$ 5,175,241	30.7%	\$14,408,271
LEOFF I	12,008,953	63.0	13,503,582
LEOFF II	2,216,796	11.2	8,391,671
Rail	195,430	55.5	90,096

For additional information regarding the City's OPEB, see Note 5 to the City's Audited Financial Statements for 2011, attached as Appendix C.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for as a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, other financing sources, expenditures or expenses, as appropriate, and other financing uses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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 all local governments at least once every three years. 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.

The audited financial statements of the City for the year ended December 31, 2011, attached as Appendix C, are incorporated by reference to this Official Statement.

Budget Process

The expenditure budget is adopted by appropriation ordinance of the City Council and may be amended by subsequent ordinances. The City budgets on a biennium basis. Budgets are legally adopted for all governmental fund types, with the exception of the capital projects funds. 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 City’s Comprehensive Annual Financial Reports. All budgets are controlled at the fund level; the expenditures of a given fund may not legally exceed its appropriations. Any amendments to increase a fund’s budget must be approved by the City Council. Budgets may be administratively revised within all funds as long as the total appropriation is not changed.

Governmental fund type budgets are on the modified accrual basis of accounting. All budgets are adopted on a basis consistent with generally accepted accounting principles.

The budget process begins with the City Council making appropriate revisions to the City’s long-term strategic plan, identifying goals, and setting priorities. City departments and agencies begin budget preparation in early June, while agency budget requests are due in late July. August is the month devoted to budget review and revision by the Budget and Research Division.

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 two-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 balances in the Self-Insurance Claim Fund, the WPU Self-Insurance Claim Fund and the Workers Compensation Fund, as of December 31, 2011, were \$47,262,000, \$2,158,000, and \$4,239,000, respectively. See Note 8 to the Financial Statements attached as Appendix C.

The 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 with a \$20 million limit and a \$3 million deductible, renewable on August 13 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 \$100,000 deductible per occurrence, with exceptions. Earthquake coverage has a five percent or \$250,000, whichever is greater per building deductible. 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 \$3.9 million. Settlement payments were within amounts available for coverage for 2009, 2010 and 2011.

Demographic Information

The City is the third largest city in the State and the county seat of Pierce County. It is located in the west-central part of the State, near the southern tip of Puget Sound, approximately 28 miles north of Olympia, the State capitol, and 32 miles south of Seattle. The City is a world-class port city, with various major downtown redevelopment projects undertaken over the last decade.



Population

The following table shows the historical population for the County and the City:

Population		
Year	Pierce County	City of Tacoma
2012	808,200	199,600
2011	802,150	198,900
2010 ⁽¹⁾	795,225	198,397
2009	813,600	203,400
2008	805,400	202,700

(1) Official U.S. Census figure.

Source: Washington State Office of Financial Management, November 2012.

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)	Per Capita Income	Total Personal Income (in thousands)	Per Capita Income
2011 ⁽¹⁾	N/A	N/A	\$302,529,308	\$44,294
2010	\$32,212,709	\$40,500	287,174,714	42,589
2009	31,395,360	39,417	278,944,289	41,837
2008	32,198,440	40,996	289,433,693	44,106
2007	30,164,757	39,049	272,624,864	42,192
2006	27,915,787	36,567	252,091,288	39,570

(1) Preliminary estimate.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, November 2012.

Median Household Income. Median household income estimation is based on 1990 and 2000 Census data, and on the Census Bureau's American Community Surveys' estimates for 2006-2009.

Year	Pierce County	State of Washington
2011 ⁽¹⁾	\$ 56,114	\$ 55,379
2010 ⁽²⁾	55,531	56,317
2009	56,555	56,995
2008	57,674	56,971
2007	56,426	57,675

(1) The Revenue Forecast Council's September 2011 forecast of the state personal income is used in the projection of 2011 median household income.

(2) 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 2010 median household income.

Source: Washington State Department of Revenue, November 2012.

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 of Tacoma are shown below:

Taxable Retail Sales

	<u>Pierce County</u>	<u>City of Tacoma</u>
2012 ⁽¹⁾	\$ 2,484,929,563	\$ 931,712,289
2011	10,428,906,888	3,826,546,247
2010	10,547,024,685	3,849,213,821
2009	10,359,976,942	3,803,603,813
2008	11,621,810,293	4,288,739,111
2007	12,449,283,525	4,665,526,631

(1) Through first quarter only.

Source: Washington State Department of Revenue, November 2012.

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**

<u>Year</u>	<u>New Single Family Units</u>		<u>New Multi Family Units</u>		<u>Total Construction Cost</u>
	<u>Number</u>	<u>Construction Cost</u>	<u>Number</u>	<u>Construction Cost</u>	
2012 ⁽¹⁾	1,532	\$ 387,279,494	290	\$ 33,506,466	\$ 420,785,960
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
2009	1,243	243,510,179	804	79,995,681	323,505,860
2008	1,805	342,505,780	545	64,597,860	407,103,640
2007	3,571	725,405,494	1,561	182,469,096	907,874,590

(1) Through September.

(2) Preliminary, subject to change.

Source: U.S. Bureau of the Census, November 2012.

Employment. Major employers located within the County include the following:

**Pierce County
2011 Major Employers**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Multicare Health System	Health Care	6,756
Franciscan Health System	Health Care	5,507
Emerald Queen Casino	Gaming	2,230
Boeing (Frederickson Site)	Aerospace	1,450
Walmart **	Retail	1,447
Fred Meyer Stores * **	Retail	1,301
Safeway Stores, Inc. * **	Retail	1,123
Costco	Retail	1,115
State Farm Insurance Company	Insurance	1,071
Davita	Health Care	930
Comcast Cable	Cable Television Services	923
Longshore Labor Union	Labor	901
Intel Corporation	Computer Electronics	900
Albertson'S Inc.	Retail	857
Milgard Manufacturing, Inc. *	Manufacturing	809
Keybank	Financial	753
Mcdonald'S Restaurants *	Retail	729
Recreational Equipment, Inc.	Distribution/Retail	696
Pacific Lutheran University	Education	692
University Of Puget Sound *	Education	677

* 2010 figures were used for employers who did not report figures for 2011

** Headcount was used when FTE count was not available.

Source: Economic Development Board for Tacoma-Pierce County, 2011.

Employment within the County is described in the following table.

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.

**Pierce County
Nonagricultural Wage & Salary Workers
and Labor Force and Employment Data**

	<u>Annual Average</u>				
	<u>2012⁽¹⁾</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Civilian Labor Force	392,160	387,250	392,440	394,690	393,080
Total Employment	356,550	349,310	352,260	356,550	370,570
Total Unemployment	35,610	37,940	40,180	38,140	22,510
Percent of Labor Force	9.1	9.8	10.2	9.7	5.7
NAICS INDUSTRY	<u>2012⁽¹⁾</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Nonfarm	266,711	265,175	264,308	268,450	280,467
Total Private	209,989	207,383	205,875	210,658	223,542
Goods Producing	33,444	33,033	33,767	36,225	43,733
Mining and Logging	300	300	300	325	400
Construction	16,478	16,333	17,183	19,017	23,508
Specialty Trade Contractors	10,500	10,458	10,825	12,042	14,967
Manufacturing	16,667	16,400	16,283	16,883	19,825
Service Providing	233,267	232,142	230,542	232,225	236,733
Trade, Transportation, and Utilities	54,933	54,258	53,042	53,067	55,642
Wholesale Trade	11,200	10,908	10,875	10,967	11,375
Retail Trade	31,689	31,725	31,233	31,192	32,875
Food and Beverage Stores	5,778	5,633	5,525	5,417	5,525
General Merchandise Stores	7,844	7,992	7,750	7,783	7,900
Transportation and Utilities	12,044	11,625	10,933	10,908	11,392
Information	2,800	2,842	2,950	3,050	3,667
Financial Activities	11,389	11,158	11,233	12,333	13,158
Professional and Business Services	24,556	23,908	23,475	23,892	24,917
Admin., Support, Waste Mgmt., and Remed.	14,467	14,242	13,617	13,500	14,342
Administrative and Support Services	13,167	12,883	12,200	12,108	12,908
Education and Health Services	44,178	43,783	43,575	43,233	41,617
Ambulatory Health Care Services	14,567	14,283	14,008	13,950	13,642
Hospitals	11,000	10,925	10,592	10,158	9,550
Leisure and Hospitality	25,744	25,500	25,267	26,150	27,808
Food Services and Drinking Places	20,311	19,925	19,825	20,600	22,142
Other Services	12,944	12,900	12,567	12,708	13,000
Government	56,722	57,792	58,433	57,792	56,925
Federal Government	12,844	13,183	13,158	11,708	10,808
State Government	10,389	10,575	11,275	11,650	11,850
State Government Educational Services	3,711	3,700	3,733	3,625	3,758
Local Government	33,489	34,033	34,000	34,433	34,267
Local Government Educational Services	18,044	18,433	18,350	18,408	18,225
Workers in Labor/Management Disputes	0	0	0	0	150

(1) Data through September.

Source: Washington State Employment Security Department, November 2012.

Certain Investment Considerations

The following discussion contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the Bonds. This section does not set forth all of the factors to be considered and is not meant to be comprehensive or definitive. There may be other risk factors, including those which will become material in the future. The order in which this information is presented does not necessarily reflect the relative importance of various risks. Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the Bonds.

Debt Limitation

The City's nonvoted indebtedness exceeds its debt capacity because the assessed valuation in the City has decreased since the City last issued debt. RCW 39.36.030 provides an exception to the City's statutory debt limitation for refinancings (so long as the refinancing does not increase the amount of outstanding debt). The City is unable to issue general obligation debt for other than refinancing purposes, unless and until the City's debt capacity is restored either through a reduction in City debt or through an increase in assessed valuation in the City.

Bonds Are Limited Tax General Obligations of the City

The Bonds are limited tax general obligations of the City, payable from nonvoted property taxes and other legally available funds including Lodging Taxes. The City has covenanted to levy annually, within the constitutional and statutory limits applicable to nonvoted property taxes, the amount necessary (together with other available funds including Lodging Taxes) to pay the Bonds. The City is currently levying the maximum amount of nonvoted property taxes permitted under these constitutional and statutory limits. Under state law, the City generally can increase its levy amount (up to the maximum rate per thousand of assessed value) by just one percent per year, plus an amount to take into account new construction added to the tax rolls. Accordingly, Bond owners should not expect the City to significantly increase its nonvoted property tax levy to pay the Bonds and should consider the City's existing property tax levy (plus an approximately one percent annual increase in the levy amount) plus Lodging Taxes and other amounts in the City's Governmental Funds. The City's General Fund is used to pay costs of City government services and operations, and these costs may increase as a result of inflation, employee costs and relations, demand for services, and many other factors. Bond owners do not have a security interest in particular revenues or assets of the City. The obligation to pay debt service on the Bonds is not an obligation of the State or any other municipal corporation other than the City. See "SECURITY FOR THE BONDS" herein.

General Economic Conditions

As noted above Bond owners should not expect the City to significantly increase its nonvoted property tax levy to pay the Bonds and should consider the City's existing property tax levy (plus an approximately one percent annual increase in the levy amount) plus Lodging Taxes and other amounts in the City's General Fund. As shown under the heading "Taxing Authority -- Lodging Taxes", lodging tax collections have declined through the recent economic downturn. Other revenues, including various excise taxes and fees, that depend on the level of economic activity within the City have likewise been adversely affected by the economic downturn. The City's General Fund may continue to be adversely affected by global, national and local economic conditions.

No Acceleration

The Bond Ordinance does not grant Registered Owners the right to accelerate the payment of the Bonds upon the occurrence and continuance of an event of default under the Bonds. The City is liable for principal and interest payments only as they become due. The inability to accelerate the Bonds upon an event of default could give rise to varying interests between Registered Owners of earlier and later maturing Bonds. The nature and extent of any such variance would depend in part upon the nature and duration of any default. In the event of multiple defaults in payment of principal or interest on the Bonds, the Registered Owners would be required to bring a separate action for each such payment not

made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law.

Possible Consequence of Tax Compliance Audit

The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for the interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. The City cannot predict whether the IRS will commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and marketability of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Enforceability of Remedies

The enforcement of any remedies could prove both expensive and time consuming. The rights and remedies to enforce the Bonds may be limited by and are subject to the limitations on legal remedies against cities in the State; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The legal opinion to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public authorities and cities in the State.

Natural Disasters

The City's Comprehensive Emergency Management Plan identifies the following natural hazards: severe storms, earthquakes, floods, fire hazards, landslides, drought, and volcanic hazards. In 2001, a 6.8 magnitude earthquake occurred near Olympia, Washington, within 50 miles of the City. According to the U.S. Geological Survey, over the past 10,000 years Mount Rainier (located within 60 miles of the City) has been the source of numerous lahars (volcanic debris flows). The most recent large lahar occurred about 500 years ago. The Emergency Management Plan describes how the City plans to mitigate, prepare for, respond to and recover from disaster, but may not anticipate all potential hazards and their effects.

Potential Effects of City Bankruptcy

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). A creditor, however, cannot bring an involuntarily bankruptcy proceeding against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code. Chapter 39.64 RCW, entitled the "Taxing District Relief Act," permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code.

The bankruptcy of the City likely would have a material adverse effect on the Owners of the Bonds. The adverse effects could include, but might not be limited to, one or more of the following.

- The automatic stay provisions of the Bankruptcy Code might prevent (unless approval of the bankruptcy court were obtained) any action to collect amounts which may be owed by the City or action to enforce any obligation of the City under the Bonds.
- Payments previously made to the Owners of the Bonds prior to the City going into bankruptcy might be avoided as preferential transfers, requiring Owners of the Bonds to return such payments to the City.
- The City might be able, without the consent and over the objection of the Trustee and the Owners of the Bonds, to alter the priority, payment terms, collateral, payment sources, covenants and other terms or provisions of the Bonds, as part of a plan for the adjustment of its debts. Such alterations could not be made, however, unless the bankruptcy court determined that they were “fair and equitable.”

The legal opinions of Bond Counsel regarding the validity of the Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity.

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.

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.

Local Measures

Under the City Charter, voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law.

Tax Matters

In the opinion of Bond Counsel, 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.

Federal income tax law contains a number of requirements that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities refinanced with proceeds of the 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 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs. In rendering its opinion, Bond Counsel has also relied on the report of The Arbitrage Group, Inc. 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 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.

Prospective purchasers of the Bonds should be aware that ownership of the 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 Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the 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 Bonds. Owners of the Bonds are advised that, if the IRS does audit the 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 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 Bonds until the audit is concluded, regardless of the ultimate outcome.

Qualified Tax-Exempt Obligations

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

Premium Bonds

An amount equal to the excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on that Bond. A purchaser of a Bond must amortize any premium over that Bond's term using constant yield principles, based on the Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 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 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 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 Bonds.

Original Issue Discount

The initial public offering price of certain 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 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 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 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 Bonds. For example, on September 12, 2011, President Obama sent to Congress a legislative proposal entitled the American Jobs Act of 2011 (the "Proposed Act"). On September 13, 2011, Senator Harry Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act includes a provision that, if enacted as proposed, would limit the amount of exclusions (including tax-exempt interest, such as interest on the Bonds) and deductions that certain high income taxpayers could use to reduce their income tax liability for taxable years beginning after 2012, and accordingly the Proposed Act could affect the market price or marketability of the Bonds. Other 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 Bonds. Prospective purchasers of the 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.

Ratings

As noted on the cover page of this Official Statement, the City has received ratings for the Bonds from Moody's Investors Service and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. Moody's has assigned its rating of "A1" and Standard & Poor's has assigned its rating of "AA" 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 the rating agencies 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.

Continuing Disclosure

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 Ordinance for the benefit of the 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 2013 for the fiscal year ended December 31, 2012): (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) and generally of the type included in this Official Statement for the Bonds under the heading "General Fund Comparative Statement of Revenues, Expenditures and Changes in Fund Balance"; (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; and (v) outstanding general obligation debt of the City. Items (ii) through (v) need only be provided to the extent such information is not included in the annual financial statements.

Such annual information and operating data described above will be so provided on or before the end of nine months 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 Securities and Exchange Commission.

If not provided as part of the annual financial information discussed above, the City will provide the City's audited annual financial statement prepared in accordance with BARS prescribed by the Washington State Auditor pursuant to the statute cited above (or any successor statutes) 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 ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

(vi) 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;

(vii) modifications to the rights of Bondholders, if material;

(vii) 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;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

(xiii) 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

(xiv) 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, debt service reserves or property secure payment of the Bonds. The City shall promptly determine whether the events described above are material.

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 this 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 this 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, in a timely manner, 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. This section, or any provision hereof, 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 this section.

Notwithstanding any other provision of the undertaking, the City may amend the provisions described in this section with an approving opinion of nationally recognized bond counsel and in accordance with the Rule. In the event of any amendment of its 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 this 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 Continuing Disclosure Undertakings of the City. The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City and has complied in all material respects with such undertakings during the past five years.

Legal and Underwriting

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Bonds by the City are subject to the approving legal opinion of Bond Counsel, a form of which is attached hereto in Appendix A. Bond Counsel will be compensated only upon the issuance and sale of the Bonds. Bond Counsel has not been retained to review and has not reviewed this Official Statement for completeness or accuracy and will not offer an opinion concerning this Official Statement.

Certain legal matters will be passed on for the Underwriter by Foster Pepper PLLC, 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 without the written consent of such firm.

Litigation

At the time of delivery of and payment for the Bonds, an authorized officer of the City will deliver a certificate stating that there is no litigation or other proceedings pending or, to the best knowledge of the City, threatened in any court in any way seeking to restrain or to enjoin the authorization, issuance, sale or delivery of, or security for, any of the Bonds, or contesting or affecting the validity or enforceability of the Bonds or the Ordinance, or materially affecting the finances of the City.

The City is a defendant in various legal actions and claims that arise during the normal course of business, some of which are covered by insurance. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable and, in the opinion of City management, the final outcome of these matters, taken individually or in the aggregate, will not have a material adverse effect on the governmental operations or financial position of the City or its ability to pay debt service on the Bonds. In most cases, the City has provided reserves for these matters which, in the opinion of City management, are adequate.

Limitations on Remedies

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the 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 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 Ordinance, the rights and obligations under the Bonds and the 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 opinion 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. A copy of the form of legal opinion of Bond Counsel is set forth in Appendix A.

Underwriting

The Bonds are being purchased by J.P. Morgan Securities LLC (the "Underwriter"). The purchase contract between the City and the Underwriter provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a price of 113.137 percent of the par value of the Bonds. The Bonds will be reoffered at an average price of 113.442 percent of the par value of the Bonds. After the initial public offering, the public offering prices may be varied from time to time without prior notice to any person.

The Underwriter has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Financial Advisor

In connection with the authorization and issuance of the Bonds, the City has retained Seattle-Northwest Securities Corporation, Seattle, Washington, as its 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. While under contract to the City, the Financial Advisor may not participate in the underwriting of any City debt.

Potential Conflicts

Some or all of the fees of the Underwriter, the Financial Advisor, Bond Counsel and Underwriters' counsel are contingent upon the sale of the Bonds. Pacifica Law Group LLP is serving as Bond Counsel to the City with respect to the Bonds. From time to time Bond Counsel may serve as counsel to the Financial Advisor with respect to transactions other than the issuance of the Bonds. Foster Pepper PLLC is serving as Counsel to the Underwriter and from time to time serves as special counsel to the Financial Advisor on matters unrelated to the Bonds. Foster Pepper PLLC serves as bond counsel to the City on other issues, and is currently serving as bond counsel to the City in connection with its consolidated local improvement district bonds and utility revenue bonds.

Concluding Statement

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Appendix A

Form of Opinion of Bond Counsel

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March 5, 2013

City of Tacoma
Tacoma, Washington

J.P. Morgan Securities LLC
Seattle, Washington

Re: City of Tacoma, Washington
Limited Tax General Obligation Refunding Bonds, 2013 — \$44,170,000

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, 2013, in the aggregate principal amount of \$44,170,000 (the “Bonds”). The Bonds are issued pursuant to Ordinance No. 28126 of the City Council, passed January 22, 2013 (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. 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 including lodging taxes 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 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, 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

Book-Entry Transfer System

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The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

Sample Offering Document Language Describing DTC and Book-Entry-Only Issuance

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 a 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.



*The Depository Trust &
Clearing Corporation*

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).



**The Depository Trust &
Clearing Corporation**

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.

10. 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.

11. 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.

12. 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.

[8/11]



*The Depository Trust &
Clearing Corporation*

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Appendix C

2011 Audited Financial Statements

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Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

City of Tacoma
Pierce County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008324



Washington State Auditor
Brian Sonntag

September 24, 2012

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,

A handwritten signature in black ink, appearing to read "Brian Sonntag".

BRIAN SONNTAG, CGFM
STATE AUDITOR

Issue Date
September 24, 2012



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City of Tacoma
Pierce County
January 1, 2011 through December 31, 2011

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Federal Summary

City of Tacoma
Pierce County
January 1, 2011 through December 31, 2011

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 unqualified 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 unqualified opinion on the City's compliance with requirements applicable to each of its major federal programs.

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 were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
16.804	JAG Program Cluster - ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Local Government (Recovery Act)
16.808	ARRA - Edward Byrne Memorial Competitive Grant (Recovery Act)
81.087	ARRA - Renewable Energy Research and Development (Recovery Act)
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (Recovery Act)
66.039	ARRA - National Clean Diesel Emissions Reduction Program (Recovery Act)
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds (Recovery Act)
16.738	JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,727,885.

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

City of Tacoma
Pierce County
January 1, 2011 through December 31, 2011

Mayor and City Council
City of Tacoma
Tacoma, Washington

We have audited 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2012. During the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Power, Water, Sewer, Solid Waste and Tacoma Rail, as described in our report on the City's financial statements. Those financial statements were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of the audit committee, management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

May 31, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct
and Material Effect on Each Major Program and
on Internal Control over Compliance in
Accordance with OMB Circular A-133**

City of Tacoma
Pierce County
January 1, 2011 through December 31, 2011

Mayor and City Council
City of Tacoma
Tacoma, Washington

COMPLIANCE

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 . The City's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Tacoma Community Redevelopment Authority, which expended \$6,503,764 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended September 14, 2012. 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.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

September 14, 2012

Independent Auditor's Report on Financial Statements

**City of Tacoma
Pierce County
January 1, 2011 through December 31, 2011**

Mayor and City Council
City of Tacoma
Tacoma, Washington

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, 2011, which collectively comprise the City's basic financial statements as listed on page 10. These financial statements are the responsibility of the City's management. 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, and Water funds, which are presented as major funds and represent 83 percent, 87 percent and 74 percent, respectively, of all the assets, net assets and revenues of the business-type activities. We also did not audit the financial statements of the Solid Waste and Tacoma Rail funds which represent 5 percent, 2 percent and 11 percent, respectively, of the assets, net assets and revenues of the business-type activities, and 9 percent, 3 percent and 22 percent respectively, of the assets, net assets 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 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 of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 16, pension trust fund on pages 98 through 99, information on postemployment benefits other than pensions on pages 99 through 100 and budgetary comparison information on pages 100 through 103 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 the 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.

Our audit was performed 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRIAN SONNTAG, CGFM
STATE AUDITOR

May 31, 2012

Financial Section

**City of Tacoma
Pierce County
January 1, 2011 through December 31, 2011**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2011

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2011
 Statement of Activities – 2011
 Balance Sheet – Governmental Funds – 2011
 Reconciliation of the Balance Sheet of Governmental Balance Sheets to the Government-wide Statement of Net Assets – Governmental Funds – 2011
 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2011
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Governmental Funds – 2011
 Statement of Net Assets – Proprietary Funds – 2011
 Reconciliation of Total Enterprise Net Assets to the Government-wide Statement of Net Assets – 2011
 Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2011
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Net Assets of Enterprise Funds to the Statement of Activities – Business Activities – 2011
 Statement of Cash Flows – Proprietary Funds – 2011
 Statement of Fiduciary Net Assets – Fiduciary Funds – 2011
 Statement of Changes in Net Assets – Fiduciary Funds – 2011
 Notes to the Financial Statements – 2011

REQUIRED SUPPLEMENTARY INFORMATION

Pension Trust Fund Information – 2011
 Information on Postemployment Benefits Other Than Pensions – 2011
 Notes to Budgetary Comparison Information - 2011
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund – 2011
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Street Fund – 2011

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2011
 Notes to the Schedule of Expenditures of Federal Awards – 2011

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, 2011. 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 exceeded the City's liabilities by \$2.5 billion. Of this amount, \$194.4 million were reported as unrestricted net assets; amounts which are available for use to meet the City's on-going obligations to citizens and creditors.
- The City's net assets decreased by \$2.1 million. This decrease is due to a decrease in current assets and an increase of liabilities for Governmental Activities.
- Tacoma Power reported a change in net assets of \$20.6 million, up \$11.5 million from 2010.
- Tacoma Water reported a change in net assets of \$11.5 million, up \$6.4 million from 2010.

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 (GTRCCPDF), and the Foss Waterway Development Authority (FWDA.)

The Statement of Net Assets includes information on all the assets and liabilities of the City of Tacoma's general government as well as its business-type activities. The difference between the assets and liabilities is reported as net assets. Over time, increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

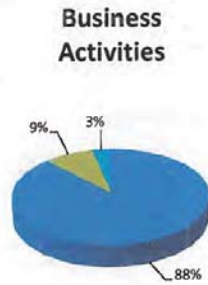
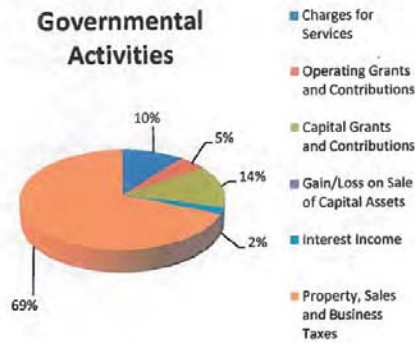


Figure 1. Comparison of Governmental and Business Activity Revenues

Both the Statement of Net Assets 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, public works, economic environment/development, and culture and recreation and 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.

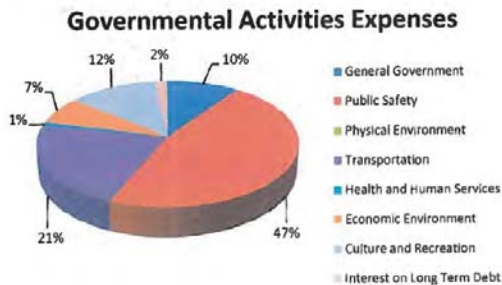


Figure 2. Governmental Activities Expenses

Financial Section, 2-4

Business Activities Expenses

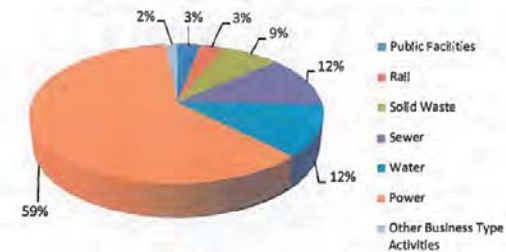


Figure 3. Business Activities Expenses

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 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.

Financial Section, 2-5

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. 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 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 3-80 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 4-4 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 5-107 of this report.

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 6-35 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The City's total assets exceeded liabilities by \$2.5 billion at December 31, 2011. 84% of the total net assets reflect 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. 8% of the City's net assets are unrestricted, meaning they are available for meeting the City's ongoing obligations. The remaining 8% of the net assets are restricted for other purposes such as debt redemption and new capital construction. General government net assets represent 29.1% of the total and business-type net assets represent 70.9% of the total.

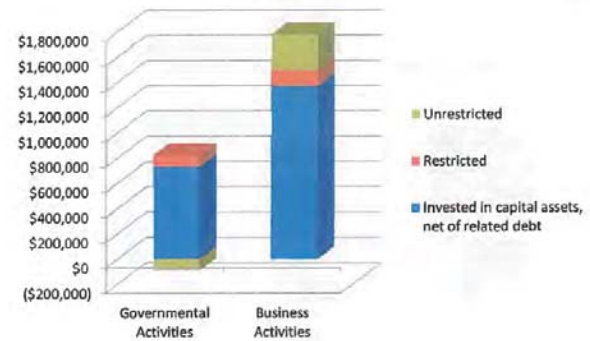


Figure 4. Comparison of Net Assets, By Activity Type (Amounts expressed in thousands)

**Statement of Net Assets
For the Year Ended December 31, 2010**

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 231,100	\$ 275,416	\$ 1,049,161	\$ 1,121,332	\$ 1,280,261	\$ 1,396,748
Capital assets	835,356	835,884	2,405,670	2,299,468	3,241,026	3,135,352
Total assets	\$ 1,066,456	\$ 1,111,300	\$ 3,454,831	\$ 3,420,800	\$ 4,521,287	\$ 4,532,100
Current and other liabilities	\$ 102,866	\$ 81,953	\$ 267,178	\$ 266,702	\$ 370,044	\$ 348,665
Long-term liabilities outstanding	234,232	218,111	1,413,289	1,459,519	1,647,521	1,677,630
Total liabilities	\$ 337,098	\$ 300,074	\$ 1,680,467	\$ 1,726,221	\$ 2,017,565	\$ 2,026,295
Net Assets:						
Invested in capital assets, net of related debt	\$ 732,174	\$ 729,601	\$ 1,385,324	\$ 1,355,118	\$ 2,097,498	\$ 2,084,719
Restricted	84,842	36,943	126,952	93,429	211,794	130,372
Unrestricted	(87,658)	44,682	282,088	246,032	194,430	290,714
Total net assets	\$ 729,358	\$ 811,226	\$ 1,774,364	\$ 1,694,579	\$ 2,503,722	\$ 2,505,805

Table 1. Summary Statement of Net Assets

The City's net assets decreased \$2.1 million. This decrease is due to a decrease in the current assets and an increase in liabilities for Governmental Activities.

Net Assets - Governmental Activities

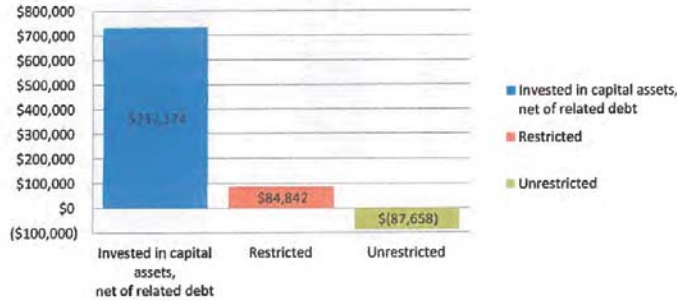


Figure 5. Composition of Net Assets--Governmental Activities (Amounts expressed in thousands)

City of Tacoma, Washington Changes in Net Assets

(Amounts expressed in thousands)	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 29,251	\$ 36,132	\$ 623,110	\$ 612,405	\$ 652,361	\$ 648,537
Operating grants and contributions	13,138	22,276	801	2,007	13,739	24,283
Capital grants and contributions	38,445	13,996	61,585	32,102	100,030	46,098
General revenues						
Property taxes	60,733	61,900	-	-	60,733	61,900
Other taxes	129,672	126,036	-	-	129,672	126,036
Other	5,949	2,259	23,324	13,837	29,273	16,096
Total revenue	\$ 277,188	\$ 282,599	\$ 708,620	\$ 660,351	\$ 985,808	\$ 922,950
Expenditures						
General government	\$ 34,732	\$ 28,806	\$ -	\$ -	\$ 34,732	\$ 28,806
Public safety	163,575	157,488	-	-	163,575	157,488
Physical environment	102	-	-	-	102	-
Transportation	75,692	19,609	-	-	75,692	19,609
Health and human services	3,129	2,513	-	-	3,129	2,513
Economic development	24,023	28,602	-	-	24,023	28,602
Culture and recreation	43,460	21,777	-	-	43,460	21,777
Interest on long-term debt	6,121	8,186	-	-	6,121	8,186
Public assembly facilities	-	-	17,966	18,764	17,966	18,764
Rail	-	-	22,089	19,162	22,089	19,162
Solid waste	-	-	54,518	47,746	54,518	47,746
Sewer	-	-	79,390	75,758	79,390	75,758
Water	-	-	76,161	73,886	76,161	73,886
Power	-	-	372,192	383,346	372,192	383,346
Other business-type funds	-	-	12,803	9,769	12,803	9,769
Total expenses	\$ 350,834	\$ 266,961	\$ 635,119	\$ 628,411	\$ 965,953	\$ 886,392
Increase/(Decrease) in net assets before transfers	(73,646)	(4,382)	73,501	31,940	(145)	27,558
Transfers	(6,320)	(6,021)	6,320	6,021	-	-
Increase/(Decrease) in net assets	\$ (79,966)	\$ (10,403)	\$ 79,821	\$ 37,961	\$ (145)	\$ 27,558
Net assets--January 1, 2011	811,226	776,698	1,694,579	1,657,694	2,505,805	2,436,392
Prior Period Adjustments	(1,002)	30,082	(38)	(1,076)	(1,938)	29,006
Change in accounting principle	-	12,849	-	-	-	12,849
Net assets--January 1, 2011	809,324	821,629	1,694,543	1,656,618	2,503,867	2,465,398
Net assets--December 31, 2011	\$ 729,358	\$ 811,226	\$ 1,774,364	\$ 1,694,579	\$ 2,503,722	\$ 2,505,805

Table 2. Changes in Net Assets

The governmental activities net assets decreased by \$81.9 million in 2011 due to a decrease in assets of \$44.9 million and an increase of \$37.0 million in liabilities.

Business activities net assets increased by \$79.8 million in 2011, which is \$42.9 million higher than 2010. This is a result of an increase in assets of \$34.0 million and a decrease in liabilities of \$45.8 million.

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 decreased by \$5.9 million in 2011. The fund balance for the Street fund, a new major fund in 2011, decreased by \$2.9 million in 2011. The fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, decreased by \$30.2 million. The General Fund's balance decreased due to movement of traffic revenues to a new Traffic Enforcement Special Revenue fund. The Street Fund's balance decreased due to an increase in liabilities. The Non-Major governmental funds fund balance decreased from a decrease in assets.

Proprietary Fund Statements

The total net assets for enterprise funds' increased by \$78.8 million in 2011. 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 assets. The Water fund had a significant increase in their net assets due to bonds issued for a new water treatment plant.

The internal service funds' net assets decreased by \$22.9 million in 2011. This is the result of increased liabilities of \$17.9 million and a decrease of \$5.0 million in assets.

General Fund Budgetary Highlights

In 2011, the City made budgetary adjustments as part of the 2011-2012 Mid-Biennium Budget Amendment. Budget revisions included \$401 thousand for 2009-2010 outstanding contract obligations. 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 investment in capital assets, net of accumulated depreciation, for its governmental and business type activities as of December 31, 2011, is \$3.2 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, infrastructure, works of art, as well as library materials. 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 28,658	\$ 26,081	\$ 141,475	\$ 140,582	\$ 170,133	\$ 166,663
Parks	85	85	-	-	85	85
Construction in progress	124,582	103,411	83,809	103,996	208,371	207,407
Property, plant and equipment	207,342	202,444	3,458,235	3,252,445	3,665,577	3,454,889
Infrastructure	1,190,680	1,179,444	-	-	1,190,680	1,179,444
Works of art	1,829	1,829	-	-	1,829	1,829
Library materials	19,325	19,215	-	-	19,325	19,215
Less accumulated depreciation	(737,127)	(696,625)	(1,277,649)	(1,197,555)	(2,014,976)	(1,894,180)
Other Non-Current Assets	-	-	-	-	-	-
	\$ 835,352	\$ 835,884	\$ 2,405,670	\$ 2,299,468	\$ 3,241,022	\$ 3,135,352

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, 2011 was \$1.7 billion. Approximately 84% of the bonded debt is related to utilities with repayment pledged by specific revenue sources generated by the utilities. Of the remaining 16% 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	
	2011	2010	2011	2010	2011	2010
Bonded debt and loans	\$ 186,903	\$ 176,845	\$ 1,373,939	\$ 1,419,737	\$ 1,560,842	\$ 1,596,582
Capital leases	1,251	1,876	36,576	37,287	37,827	39,163
Claims and judgments	51,502	31,241	1,950	1,511	53,452	32,752
Accrued landfill liability	-	-	29,412	31,368	29,412	31,368
Net Pension Obligation	160	(3,816)	-	-	160	(3,816)
Other Post Employment Benefits	27,408	19,885	8,887	6,479	36,395	26,364
Compensated absences	15,514	16,111	17,023	17,275	32,537	33,386
	\$ 282,738	\$ 242,142	\$ 1,467,887	\$ 1,513,657	\$ 1,750,625	\$ 1,755,799

Table 4. Schedule of Long Term Debt

The City's debt rating for 2011 is as follows:

	Moody's	S&P	Fitch
GO	Aa2	AA	AA+
LTGO	Aa3	AA	AA
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

From 2002 until the fourth quarter 2008, the City benefitted from modest positive job growth and home sales. In the fourth quarter of 2008, the recession began affecting the Puget Sound area. During the course of the 2009-10 biennium, the City reduced its revenue estimates by nearly 10%. At the end of the first quarter of 2010, sales tax and other economically sensitive revenues stopped falling and began to grow. Sales tax collections for 2010 exceeded 2009 collections by 3.4% with growth in the last six months exceeding the same time period for 2009 by over 6%. The 2011-12 budget revenue projections assume moderate growth in the local economy. Economic indicators and actual revenue collections will be reviewed each quarter of the biennium along with appropriate actions, if any, which may be needed to maintain a balanced 2011-12 budget.

Other Considerations

In response to the slowing economy, the City has taken steps to reduce the discretionary spending, but revenue growth is limited by several citizen initiatives that limit the growth of property tax collections, and a significant decrease in the sales of homes and new vehicles.

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 ASSETS
December 31, 2011
(amounts expressed in thousands)
Page 1 of 2

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
Cash and cash equivalents	\$ 155,971	\$ 434,674	\$ 590,645
Investments at fair value	2,440	-	2,440
Receivables (net of allowance for uncollectibles)	48,302	83,606	131,908
Due from other governmental units	4,567	1,155	5,722
Internal balances	13,084	(13,084)	-
Inventories	3,615	11,255	14,870
Prepays	2,203	5,386	7,589
Other current assets	921	1,754	2,675
Temporarily restricted assets:			
Cash and cash equivalents	-	441,404	441,404
Investments at fair value	-	1,021	1,021
Notes and contracts receivable	-	1,531	1,531
Customer Deposits	-	54	54
Contracts, notes, non-current leases	-	39,739	39,739
Capital assets (not being depreciated):			
Land	28,656	141,475	170,131
Works of art	1,829	-	1,829
Construction in progress	124,562	83,809	208,371
Capital assets:			
Parks	85	-	85
Property, plant, and equipment	197,232	3,458,235	3,655,467
Infrastructure	1,190,680	-	1,190,680
Intangibles	10,110	-	10,110
Library materials	19,325	-	19,325
Accumulated depreciation	(757,127)	(1,277,849)	(2,014,976)
Non-current assets			
Other non-current assets	-	40,656	40,656
Total assets	<u>1,066,455</u>	<u>3,454,831</u>	<u>4,521,286</u>
LIABILITIES			
Accounts payable and other current liabilities	36,304	74,308	110,612
Deposits payable	58	680	738
Due to other governments	199	506	705
Unearned revenue	17,798	118,303	136,101
Payable from restricted assets			
current liabilities	-	3,923	3,923
Other liabilities	-	14,860	14,860
Non-current liabilities:			
Due within one year	48,506	54,598	103,104
Due in more than one year	234,732	1,413,289	1,647,521
Total liabilities	<u>337,097</u>	<u>1,680,467</u>	<u>2,017,564</u>
NET ASSETS			
Investment in capital assets, net of related debt	732,174	1,365,324	2,097,498
Restricted for:			
Capital purposes	54,243	53,300	107,543
Debt service	1,460	37,264	38,724
Housing urban development	-	-	-
Water & assurance & system development	-	23,114	23,114
Other purposes	29,139	13,274	42,413
Unrestricted	(87,458)	287,088	199,630
Total net assets	<u>\$ 729,358</u>	<u>\$ 1,774,364</u>	<u>\$ 2,503,722</u>

COMPONENT UNITS		
TCRA	GTRCC PFD	FWDA
\$ 2,301	\$ 384	\$ 801
-	-	-
688	-	271
1,995	206	56
-	-	-
12	-	35
-	-	-
-	-	-
46,822	-	-
-	-	-
-	-	-
434	-	8,408
-	-	-
-	-	768
-	-	1,445
2,723	-	16,598
-	-	80
7	-	-
-	-	-
-	-	(2,312)
-	-	-
<u>54,982</u>	<u>590</u>	<u>26,150</u>
1,393	-	58
-	-	30
-	590	74
-	-	26
-	-	-
-	-	5
423	-	47
<u>3,313</u>	<u>4,350</u>	<u>4,350</u>
<u>5,129</u>	<u>590</u>	<u>4,590</u>
3,164	-	20,598
-	-	-
16,689	-	-
-	-	-
-	-	-
-	-	962
<u>\$ 49,853</u>	<u>\$ -</u>	<u>\$ 21,560</u>

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

Basic Financial Statements, 3-3

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011
(amounts expressed in thousands)
Page 1 of 2

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANT & CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 34,732	\$ 8,700	\$ 290	\$ 669
Public safety	163,575	8,133	3,746	505
Physical environment	102	82	-	-
Transportation	75,692	8,959	465	37,237
Health and human services	3,129	761	-	-
Economic environment	24,023	1,111	5,733	34
Culture and recreation	43,460	415	2,904	-
Interest on long-term debt	6,121	1,010	-	-
Total governmental activities	<u>350,834</u>	<u>29,251</u>	<u>13,138</u>	<u>38,445</u>
Business-type activities:				
Airport	-	-	-	-
Permit Services	6,967	4,945	-	6
Mountain Rail	3,049	2,599	354	-
Parking Garage	5,831	4,918	-	1,664
Convention Center	10,159	4,782	-	-
Baseball Park	516	705	-	30,745
Tacoma Dome	6,146	4,865	-	512
Performing Arts	1,145	4	-	-
Solid Waste	54,518	57,781	247	-
Waste Water	79,390	78,318	-	3,940
Union Station	5	-	-	-
Tacoma Rail	19,040	20,565	-	3,171
Water	76,161	70,235	-	9,251
Power	371,829	373,962	-	10,443
Low income Assistance	-	(573)	-	-
Power - Conservation	363	4	-	1,853
Total business-type activities	<u>635,119</u>	<u>623,110</u>	<u>601</u>	<u>61,585</u>
Total primary government	<u>985,953</u>	<u>652,361</u>	<u>13,739</u>	<u>100,030</u>
Component units:				
TCRA	2,992	-	3,945	-
GTRCC PFD	2,587	-	-	-
FWDA	1,581	534	117	746
Total component units	<u>\$ 7,160</u>	<u>\$ 534</u>	<u>\$ 4,062</u>	<u>\$ 746</u>
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning				
Prior period adjustment				
Net assets beginning (restated)				
Net assets ending				

Basic Financial Statements, 3-4

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

CHANGES IN NET ASSETS			COMPONENT UNITS		
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TCRA	GTRCC PFD	FWDA
\$ (24,993)	\$ -	\$ (24,993)	\$ -	\$ -	\$ -
(151,191)	-	(151,191)	-	-	-
(20)	-	(20)	-	-	-
(29,031)	-	(29,031)	-	-	-
(2,368)	-	(2,368)	-	-	-
(17,145)	-	(17,145)	-	-	-
(40,141)	-	(40,141)	-	-	-
(5,111)	-	(5,111)	-	-	-
<u>(270,000)</u>	<u>-</u>	<u>(270,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(2,016)	(2,016)	-	-	-
	(96)	(96)	-	-	-
	751	751	-	-	-
	(5,377)	(5,377)	-	-	-
	30,934	30,934	-	-	-
	(769)	(769)	-	-	-
	(1,141)	(1,141)	-	-	-
	3,510	3,510	-	-	-
	2,868	2,868	-	-	-
	(5)	(5)	-	-	-
	4,696	4,696	-	-	-
	3,325	3,325	-	-	-
	12,576	12,576	-	-	-
	(573)	(573)	-	-	-
	1,494	1,494	-	-	-
	<u>50,177</u>	<u>50,177</u>	<u>-</u>	<u>-</u>	<u>-</u>
		(219,823)			
			953		
				(2,587)	
					(184)
\$ -	\$ -	\$ -	\$ 953	\$ (2,587)	\$ (184)
\$ 60,733	\$ -	\$ 60,733	\$ -	\$ -	\$ -
42,643	-	42,643	-	2,571	-
87,029	-	87,029	-	-	-
6,133	23,408	29,541	29	16	9
(184)	(84)	(268)	-	-	-
(6,320)	6,320	-	-	-	-
190,034	29,644	219,678	29	2,587	9
(79,966)	79,821	(145)	982	-	(175)
811,226	1,694,579	2,505,805	48,672	-	21,526
(1,902)	(36)	(1,938)	199	-	209
809,324	1,694,543	2,503,867	48,871	-	21,735
\$ <u>729,358</u>	\$ <u>1,774,364</u>	\$ <u>2,503,722</u>	\$ <u>49,853</u>	\$ <u>-</u>	\$ <u>21,560</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
(amounts expressed in thousands)

	GENERAL FUND # 0010	STREET FUND # 1060	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 8,075	\$ 4,950	\$ 94,499	\$ 107,524
Investments at fair value	-	-	2,440	2,440
Accounts receivable (net of allowances)	24,488	7,787	7,207	39,482
Due from other funds	2,392	834	1,074	4,300
Due from other governmental units	4,240	-	76	4,316
Prepaid expenditures	316	351	-	667
Inventory	1,008	1,828	75	2,911
Other current assets	-	-	918	918
Advances to other funds	12,181	-	4,319	16,500
TOTAL ASSETS	\$ <u>\$2,700</u>	\$ <u>\$ 15,750</u>	\$ <u>\$ 110,608</u>	\$ <u>\$ 179,058</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 1,816	\$ 4,741	\$ 2,640	\$ 9,197
Accrued wages and benefits payable	4,803	749	493	6,045
Deposits payable	-	6	52	58
Accrued taxes payable	61	-	21	82
Due to other funds	1,354	410	2,692	4,456
Due to other governmental units	190	-	9	199
Deferred revenue	8,811	5,511	4,796	19,118
Advances from other funds	-	-	5,764	5,764
Other current liabilities	813	34	-	847
Total liabilities	<u>17,848</u>	<u>11,451</u>	<u>16,467</u>	<u>45,766</u>
Fund balance				
Nonspendable	17,361	1,828	92	19,281
Restricted	2	8,313	76,878	85,193
Committed	-	-	18,928	18,928
Committed - Council Contingencies	1,117	-	-	1,117
Assigned	2,133	30,448	5,813	38,394
Unassigned	14,239	(36,290)	(7,570)	(29,621)
Total fund balance (deficits)	<u>34,852</u>	<u>4,299</u>	<u>94,141</u>	<u>133,292</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>\$2,700</u>	\$ <u>\$ 15,750</u>	\$ <u>\$ 110,608</u>	\$ <u>\$ 179,058</u>

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

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2011
(amounts expressed in thousands)

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	133,292
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet.		798,373
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 assets.		16,394
Certain taxes will be collected after year-end and will not be available to pay for current year expenditures and are reported as deferred revenue.		4,366
Long Term Liabilities are not reported in the governmental funds balance sheet.		(515)
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.		(227,327)
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.		(160)
Street Fund audit adjustments not material to the government-wide statements.		<u>4,935</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>729,358</u>

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

Basic Financial Statements, 3-7

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011
(amounts expressed in thousands)

	GENERAL FUND #0010	STREET FUND #1060	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 172,989	\$ 17	\$ 17,356	\$ 190,362
Licenses and permits	3,242	151	146	3,539
Intergovernmental revenue	8,775	37,809	14,792	61,376
Charges for services	1,196	2,606	5,710	9,512
Fines and forfeitures	724	-	2,888	3,612
Investment earnings	1,079	171	3,407	4,657
Miscellaneous revenues	1,060	293	3,029	4,382
TOTAL REVENUES	<u>189,065</u>	<u>41,047</u>	<u>47,328</u>	<u>277,440</u>
EXPENDITURES				
Current:				
General government	21,645	-	3,471	25,116
Security of persons & property	128,370	-	16,579	144,949
Transportation	-	22,790	10,735	33,525
Economic environment	13,694	-	8,198	21,892
Mental and physical health	1,354	-	755	2,109
Culture and recreation	12,845	-	421	13,266
Capital outlay	2,033	49,048	20,779	71,860
Debt service:				
Principal retirement	-	-	5,924	5,924
Interest and fiscal charges	13	-	6,486	6,499
TOTAL EXPENDITURES	<u>179,954</u>	<u>71,838</u>	<u>73,348</u>	<u>325,140</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>9,111</u>	<u>(30,791)</u>	<u>(26,020)</u>	<u>(47,700)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	(91)	(91)
Transfer in	1,286	13,107	10,133	24,526
Transfer (out)	(16,373)	(247)	(15,799)	(32,419)
Issuance of debt	-	14,986	1,553	16,539
TOTAL OTHER FINANCE SOURCES(USES)	<u>(15,087)</u>	<u>27,846</u>	<u>(4,204)</u>	<u>8,555</u>
NET CHANGE IN FUND BALANCE	(5,976)	(2,945)	(30,224)	(39,145)
FUND BALANCE - JANUARY 1	41,146	10,194	124,097	175,437
Prior period adjustment	(318)	(2,950)	268	(3,000)
FUND BALANCE - JANUARY 1, RESTATED	<u>40,828</u>	<u>7,244</u>	<u>124,365</u>	<u>172,437</u>
FUND BALANCE - DECEMBER 31	<u>\$ 34,852</u>	<u>\$ 4,299</u>	<u>\$ 94,141</u>	<u>\$ 133,292</u>

Basic Financial Statements, 3-8

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

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, 2011
(amounts expressed in thousands)

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (39,145)
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.	3,802
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	41
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	(7,523)
Net pension obligation	(3,976)
Compensated absences	590
Reversal of PY courts accrual	(3,572)
Accrued Interest Expense	378
The net revenue of certain activities of internal service funds is reported with governmental activities:	
Profit Loss reallocation that decrease expenditure	(22,057)
Debt proceeds provide current financial resources to governmental funds but issuing debt increases non-current liabilities in the statement of net assets. Repayment of non-current debt is an expenditure in the governmental funds but on the statement of net assets it reduces the liability:	
Bond Issuance Cost/Discount Amortization	(16,413)
Principal repayment	5,924
Street Fund audit adjustments not material to the government-wide statements.	1,985
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (79,966)

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 95,742	\$ 18,958	\$ 251,780
Accounts receivable - net of allowance for uncollectibles	9,595	9,623	50,979
Due from other funds	126	68	1,055
Due from other governmental units	723	-	-
Inventory	1,025	2,504	6,671
Prepaid expenses	100	250	2,968
Other current assets	-	-	1,626
Restricted assets:			
Cash for construction	28,534	125,331	109,884
Cash for debt service	8,142	3,092	42,185
Cash for other special purposes	135	84,118	19,503
Investments for other special purposes	-	-	-
Notes, contracts, leases receivable --current	-	1,531	-
Customer deposits	-	-	-
Total restricted assets	<u>36,811</u>	<u>214,072</u>	<u>171,572</u>
Total current assets	<u>144,122</u>	<u>245,475</u>	<u>486,651</u>
Non-current assets:			
Notes, contracts, leases receivable --non-current	-	-	-
Advances to other funds	-	-	-
Other non-current assets	4,258	7,919	25,927
Capital assets:			
Land	10,116	20,703	71,119
Property, plant, and equipment	606,401	773,749	1,559,372
Less: accumulated depreciation	(181,243)	(149,178)	(734,811)
Construction work in progress	14,575	16,427	49,472
Total capital assets net of depreciation	<u>449,849</u>	<u>661,701</u>	<u>945,152</u>
Total non-current assets	<u>454,107</u>	<u>669,620</u>	<u>971,079</u>
TOTAL ASSETS	\$ 598,229	\$ 915,095	\$ 1,457,730

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

Basic Financial Statements, 3-9

Basic Financial Statements, 3-10

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

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2011
 (amounts expressed in thousands)
 Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,288	\$ 3,802	\$ 13,721
Accrued wages and benefits payable	993	1,020	4,204
Accrued taxes payable	597	1,175	18,937
Accrued interest payable	301	1,838	14,592
Deposits payable	-	270	-
Environmental liability -- current	716	-	-
Notes, contracts & leases payable --current	4,027	2,631	-
Revenue bonds--current portion	2,338	6,620	27,290
Due to other funds	1,089	820	1,149
Due to the governmental units	506	-	-
Deferred revenue	22,668	46,132	40,576
Other current liabilities	-	-	-
Liabilities payable from restricted assets:			
Revenue bonds--current portion	212	-	-
Bond interest payable	412	-	-
Deposits payable	135	-	2,970
Total current liabilities	<u>38,282</u>	<u>64,308</u>	<u>123,439</u>
Non-current liabilities:			
Environmental liability -- non-current	900	-	-
Notes, contracts & leases payable --non-current	91,386	49,631	-
Revenue bonds--non-current portion	100,783	368,113	555,505
Accrued employee leave benefits	1,903	2,201	8,422
Advances from other funds	-	-	-
Incurred by not reported	-	-	-
Net OPEB obligation	1,353	1,654	4,978
Other --non-current liabilities	-	-	-
Liabilities payable from restricted assets:			
Accrued landfill liability	-	-	-
Total non-current liabilities	<u>196,325</u>	<u>421,599</u>	<u>568,905</u>
TOTAL LIABILITIES	<u>234,607</u>	<u>485,907</u>	<u>692,344</u>
NET ASSETS			
Investment in capital assets net of related debt	325,084	382,444	501,854
Restricted:			
Restricted for capital purchases	-	360	-
Restricted for debt	7,517	1,253	27,593
Restricted for waste assurance and systems development	-	23,114	-
Restricted for other purposes	-	-	2,446
Unrestricted	<u>31,021</u>	<u>22,017</u>	<u>233,493</u>
TOTAL NET ASSETS	<u>\$ 363,622</u>	<u>\$ 429,188</u>	<u>\$ 765,386</u>

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

Basic Financial Statements, 3-11

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2011
 (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	\$ 40,503	\$ 406,983	\$ 76,138
Accounts receivable - net of allowance for uncollectibles	13,349	83,546	616
Due from other funds	720	1,969	3,149
Due from other governmental units	421	1,144	251
Inventory	530	10,730	1,229
Prepaid expenses	2,068	5,386	1,887
Other current assets	128	1,754	-
Restricted assets:			
Cash for construction	9,385	273,134	-
Cash for debt service	2,938	56,357	-
Cash for other special purposes	8,157	111,913	-
Investments for other special purposes	1,021	1,021	-
Notes, contracts, leases receivable --current	-	1,531	-
Customer deposits	54	54	-
Total restricted assets	<u>21,555</u>	<u>444,010</u>	<u>-</u>
Total current assets	<u>79,274</u>	<u>955,522</u>	<u>83,270</u>
Non-current assets:			
Notes, contracts, leases receivable --non-current	39,739	39,739	-
Advances to other funds	-	-	1,219
Other non-current assets	2,562	40,666	-
Capital assets:			
Land	39,537	141,475	357
Property, plant, and equipment	464,854	3,404,376	155,576
Less: accumulated depreciation	(177,817)	(1,243,049)	(103,803)
Construction work in progress	2,763	83,237	4,484
Total capital assets net of depreciation	<u>329,337</u>	<u>2,386,039</u>	<u>56,614</u>
Total non-current assets	<u>371,638</u>	<u>2,466,444</u>	<u>57,833</u>
TOTAL ASSETS	<u>\$ 450,912</u>	<u>\$ 3,421,966</u>	<u>\$ 141,103</u>

Basic Financial Statements, 3-12

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

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2011
 (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	\$ 4,542	\$ 26,353	\$ 10,071
Accrued wages and benefits payable	1,628	7,845	995
Accrued taxes payable	904	21,613	92
Accrued interest payable	792	17,523	55
Deposits payable	410	680	-
Environmental liability -- current	334	1,050	-
Notes, contracts & leases payable --current	205	6,863	1,070
Revenue bonds--current portion	5,585	41,833	-
Due to other funds	1,337	4,395	556
Due to the governmental units	-	506	-
Deferred revenue	8,927	118,303	69
Other current liabilities	612	612	52,749
Liabilities payable from restricted assets:			
Revenue bonds--current portion	196	408	-
Bond interest payable	284	696	-
Deposits payable	122	3,227	-
Total current liabilities	25,878	251,907	65,657
Non-current liabilities:			
Environmental liability -- non-current	26,955	27,855	-
Notes, contracts & leases payable --non-current	8,877	149,894	969
Revenue bonds--non-current portion	187,118	1,211,519	-
Accrued employee leave benefits	2,370	14,896	1,653
Advances from other funds	10,593	10,593	1,362
Incurred by not reported	-	-	9,702
Net OPEB obligation	1,002	8,987	-
Other --non-current liabilities	14,860	14,860	-
Liabilities payable from restricted assets:			
Accrued landfill liability	2,457	2,457	-
Total non-current liabilities	254,232	1,441,061	13,686
TOTAL LIABILITIES	280,110	1,692,968	79,343
NET ASSETS			
Investment in capital assets net of related debt	136,310	1,345,692	56,615
Restricted:			
Restricted for capital purchases	28,641	29,001	24,299
Restricted for debt	901	37,264	-
Restricted for waste assurance and systems development	-	23,114	-
Restricted for other purposes	8,249	10,695	2,579
Unrestricted	(3,299)	283,232	(21,733)
TOTAL NET ASSETS	\$ 170,802	\$ 1,728,998	\$ 61,760

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

Basic Financial Statements, 3-13

RECONCILIATION OF TOTAL ENTERPRISE NET ASSETS
 TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 December 31, 2011
 (amounts expressed in thousands)

NET ASSETS - TOTAL ENTERPRISE FUNDS	\$ 1,728,998
Amounts reported for business activities in the statement of net 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 assets.	45,366
NET ASSETS OF BUSINESS ACTIVITIES	\$ 1,774,364

Basic Financial Statements, 3-14

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2011
 (amounts expressed in thousands)
 Page 1 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
OPERATING REVENUES			
Charges for services	\$ 75,879	\$ 65,404	\$ 364,324
Premiums/Contributions	-	-	-
Miscellaneous	621	-	-
TOTAL OPERATING REVENUES	76,500	65,404	364,324
OPERATING EXPENSES			
Personnel, salaries & wages	26,835	19,888	93,787
Supplies, services and charges	23,431	12,933	153,622
Health benefit payments	-	-	-
Depreciation	12,183	14,390	56,556
Taxes	7,720	8,039	40,675
TOTAL OPERATION EXPENSES	70,169	55,250	344,640
OPERATING INCOME (LOSS)	6,331	10,154	19,684
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	4,017	8,119	8,445
Interest expense and fiscal charges	(8,176)	(19,998)	(22,053)
Amortization of bond discount & expense	(90)	2	(217)
Contribution to project need	-	-	(450)
Operating grant	-	-	-
Gain(loss) of disposition of property	-	-	-
Miscellaneous	884	3,994	5,181
NON OPERATING REVENUE NET OF EXPENSE	(3,365)	(7,883)	(9,094)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,966	2,271	10,590
Capital contributions	3,940	9,251	10,268
Transfer in	1,061	-	-
Transfer (out)	-	(29)	(208)
CHANGES IN NET ASSETS	7,967	11,493	20,850
NET ASSETS			
NET ASSETS - JANUARY 1	355,655	417,695	744,736
Prior period adjustments	-	-	-
NET ASSETS - JANUARY 1	355,655	417,695	744,736
NET ASSETS - DECEMBER 31	\$ 363,622	\$ 429,188	\$ 765,586

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

Basic Financial Statements, 3-15

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2011
 (amounts expressed in thousands)
 Page 2 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES			
Charges for services	\$ 94,065	\$ 599,672	\$ 50,867
Premiums/Contributions	-	-	82,629
Miscellaneous	938	1,559	350
TOTAL OPERATING REVENUES	95,003	601,231	133,846
OPERATING EXPENSES			
Personnel, salaries & wages	40,422	180,932	26,589
Supplies, services and charges	36,873	226,859	51,458
Health benefit payments	-	-	70,109
Depreciation	12,653	95,782	10,898
Taxes	7,918	64,352	-
TOTAL OPERATION EXPENSES	97,866	567,925	159,054
OPERATING INCOME (LOSS)	(2,863)	33,306	(25,208)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	2,343	22,924	1,959
Interest expense and fiscal charges	(8,423)	(58,650)	(150)
Amortization of bond discount & expense	(153)	(458)	-
Contribution to project need	-	(450)	-
Operating grant	601	601	175
Gain(loss) of disposition of property	(335)	(335)	158
Miscellaneous	4,392	14,451	3
NON OPERATING REVENUE NET OF EXPENSE	(1,575)	(21,917)	2,145
INCOME (LOSS) BEFORE CONTRIBUTIONS	(4,438)	11,389	(23,063)
Capital contributions	37,951	61,410	133
Transfer in	8,687	9,748	4,420
Transfer (out)	(3,442)	(3,679)	(2,596)
CHANGES IN NET ASSETS	38,758	78,868	(21,106)
NET ASSETS			
NET ASSETS - JANUARY 1	132,080	1,650,166	84,718
Prior period adjustments	(36)	(36)	(1,852)
Changes in accounting principle	-	-	-
NET ASSETS - JANUARY 1	132,044	1,650,130	82,866
NET ASSETS - DECEMBER 31	\$ 170,802	\$ 1,728,998	\$ 61,760

Basic Financial Statements, 3-16

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS OF ENTERPRISE FUNDS
TO THE STATEMENT OF ACTIVITIES -
BUSINESS ACTIVITIES
For the Year Ended December 31, 2011
(amounts expressed in thousands)

NET CHANGES IN NET ASSETS - TOTAL ENTERPRISE FUNDS	\$ 78,868
Amounts reported for business 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	953
CHANGES IN NET ASSETS OF BUSINESS ACTIVITIES	<u>\$ 79,821</u>

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

Basic Financial Statements, 3-17

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 77,979	\$ 64,773	\$ 367,532
Receipts from interfund services provided	-	-	-
Contributions received - employees/employer	-	-	-
Payments to suppliers	(23,073)	(12,715)	(172,834)
Payments to employees	(26,190)	(19,863)	(95,491)
Payments to insurance carriers	-	-	-
Payments for taxes	(7,787)	(7,991)	(41,197)
Payments for interfund services used	-	-	-
Other operating revenues (expenses)	-	-	(191)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>20,923</u>	<u>24,204</u>	<u>57,991</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from (to) other funds	(105)	(29)	(658)
Advances from (to) other funds	-	-	-
Grants received	135	-	-
Debt service related to environmental Contributions and Donations	(2,171)	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,141)</u>	<u>(29)</u>	<u>(658)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Transfers from (to) other funds	1,061	-	-
Acquisition and construction of capital assets	(23,009)	(32,856)	(60,598)
System development charges	-	7,023	-
Proceeds from capital debt	-	10,378	-
Proceeds from the sale of capital assets	-	-	-
Proceeds from leased property	-	-	-
Lease and leaseback	-	-	-
Principal paid on capital debt	(5,840)	(8,915)	(25,890)
Interest paid on capital debt	(4,450)	(22,055)	(29,080)
Premium and net refunding from capital debt	(291)	-	3,955
Capital lease obligation	(2,087)	-	-
Change in deferred credits	-	-	23,373
Contributions and donations	-	-	7,512
Grants received	-	165	2,758
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(34,624)</u>	<u>(46,260)</u>	<u>(77,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	4,017	3,141	8,445
Rental and other income	368	-	-
Investment long-term	-	-	-
Other net non-operating revenues and deductions	263	(12)	1,226
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,648</u>	<u>3,129</u>	<u>9,671</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	<u>(11,194)</u>	<u>(18,956)</u>	<u>(10,960)</u>
CASH & CASH EQUIVALENTS, JANUARY 1	<u>143,747</u>	<u>250,455</u>	<u>434,320</u>
RESTRICTED CASH & CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>
CASH, RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	<u>\$ 132,553</u>	<u>\$ 231,499</u>	<u>\$ 423,352</u>

Basic Financial Statements, 3-18

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2011
 (amounts expressed in thousands)
 Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 6,331	\$ 10,154	\$ 19,684
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	12,183	14,390	56,556
(Increase) decrease in accounts receivable	1,937	(892)	3,208
(Increase) decrease in intergovernmental receivables	29	272	(19)
(Increase) decrease in due from other funds	(8)	-	1,978
(Increase) decrease in inventories	(96)	105	58
(Increase) decrease in prepaid items	(15)	770	-
(Increase) decrease in other current assets	-	-	(8,628)
Increase (decrease) in deposits payable	(6)	-	-
Increase (decrease) in accounts payable	(115)	-	(13,808)
Increase (decrease) in accrued wages payable	43	(39)	(70)
Increase (decrease) in compensated absences	73	63	(343)
Increase (decrease) in deferred credits	-	11	(10)
Increase (decrease) in intergovernmental payables	80	(532)	(615)
Increase (decrease) in due to other funds	193	-	-
Increase (decrease) in deferred revenues	(1)	262	-
Increase (decrease) in other current liabilities	(66)	47	-
Increase (decrease) in notes, contracts, and leases payable	2	(407)	-
Increase (decrease) in other long-term liabilities	450	-	-
Increase (decrease) in prior period adjustments	-	-	-
Miscellaneous non-operating revenues (expenditures)	(91)	-	-
Total adjustments	14,592	14,050	38,307
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 20,923	\$ 24,204	\$ 57,991
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Prior Period Adjustment	\$ -	\$ -	\$ -
Contributions of capital assets	3,942	1,117	10,268

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

Basic Financial Statements, 3-19

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2011
 (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	\$ 93,976	\$ 604,260	\$ 49,089
Receipts from interfund services provided	(21,721)	(21,721)	2,740
Contributions received - employee/employer	(17,594)	(17,594)	82,636
Payments to suppliers	(19,946)	(228,568)	(108,024)
Payments to employees	(19,298)	(160,848)	(20,927)
Payments to insurance carriers	(56)	(56)	(1,010)
Payments for taxes	(7,686)	(64,661)	-
Payments for interfund services used	(216)	(216)	(8)
Other operating revenues (expense)	-	(19)	(1,878)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,459	110,577	2,618
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	959	167	(744)
Advances from (to) other funds	535	535	-
Grants received	-	135	-
Debt service related to environmental Contributions and Donations	-	(2,171)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,557	(1,271)	(744)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Transfers from (to) other funds	4,287	5,348	(961)
Acquisition and construction of capital assets	(34,813)	(151,276)	(8,393)
System development charges	-	7,023	-
Proceeds from capital debt	450	10,828	-
Proceeds from the sale of capital assets	139	139	513
Proceeds from leased property	6,406	6,406	-
Lease and leaseback	(648)	(646)	-
Principal paid on capital debt	(11,924)	(52,577)	(404)
Interest paid on capital debt	(8,024)	(63,609)	(150)
Premium and net refunding from capital debt	-	3,664	-
Capital Lease Obligation	-	(2,607)	-
Change in deferred credits	-	23,373	-
Contributions and donations	4,820	12,332	3,414
Grants received	-	2,921	175
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(39,307)	(198,165)	(5,886)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	2,329	17,932	1,683
Rental and other income	124	492	-
Investment long-term	(127)	(127)	-
Other net non-operating revenues and deductions	(18)	1,459	7
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,308	19,756	1,670
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(27,983)	(69,101)	(2,342)
CASH & CASH EQUIVALENTS, JANUARY 1	89,020	91,754	78,480
CASH, RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	\$ 61,037	\$ 848,441	\$ 76,138

Basic Financial Statements, 3-20

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2011
 (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)	\$ (2,863)	\$ 33,306	\$ (25,208)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	12,653	95,782	10,898
(Increase) decrease in accounts receivable	(70)	4,183	(760)
(Increase) decrease in intergovernmental receivables	(155)	127	(250)
(Increase) decrease in due from other funds	(324)	1,646	1,163
(Increase) decrease in inventories	262	329	(62)
(Increase) decrease in prepaid items	(327)	428	(1,783)
(Increase) decrease in other current assets	-	(8,628)	1
Increase (decrease) in deposits payable	(26)	(32)	1
Increase (decrease) in accounts payable	1,230	(12,693)	151
Increase (decrease) in accrued wages payable	227	161	113
Increase (decrease) in compensated absences	(116)	(323)	(93)
Increase (decrease) in deferred credits	(32)	(31)	-
Increase (decrease) in intergovernmental payables	2	(1,065)	-
Increase (decrease) in due to other funds	(223)	(30)	(2,469)
Increase (decrease) in deferred revenues	(365)	(104)	86
Increase (decrease) in other current liabilities	(562)	(581)	21,333
Increase (decrease) in notes, contracts, and leases payable	(8)	(413)	87
Increase (decrease) in other long-term liabilities	(1,750)	(1,300)	-
Increase (decrease) in prior period adjustments	-	-	(5)
Miscellaneous non-operating revenues (expenditures)	(94)	(185)	(585)
Total adjustments	10,322	77,271	27,826
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,459	\$ 110,577	\$ 2,618
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Prior Period Adjustment	\$ 36	\$ 36	\$ -
Contributions of capital assets	32,924	48,251	-

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

Basic Financial Statements, 3-21

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2011
 (amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6150, 6450	AGENCY FUNDS #6570 6790/6800
ASSETS		
Cash & cash equivalents	\$ 18,535	\$ 7,623
Investments at fair value:		
Equities	560,732	-
Fixed income	343,851	-
Other assets	339	-
Real estate	48,092	-
Venture capital and partnerships	120,458	-
Securities lending collateral	40,782	-
Receivables - net of uncollectible accounts		
Contributions and other receivables	1,549	-
Interest and dividends	3,622	-
Investment sales	2,159	-
Capital assets (net of accumulated depreciation)	16	-
TOTAL ASSETS	<u>1,140,135</u>	<u>7,623</u>
LIABILITIES		
Current liabilities:		
Accounts payable	5,135	105
Accrued wages and benefits payable	781	835
Due to other funds	11	-
Due to other governmental units	-	6,683
Investment purchase payable	9,627	-
Securities lending collateral	40,781	-
Other current liabilities	179	-
Total current liabilities	<u>56,514</u>	<u>7,623</u>
Non-current liabilities:		
Accrued employee leave benefits	44	-
Total non-current liabilities	<u>44</u>	<u>-</u>
TOTAL LIABILITIES	<u>56,558</u>	<u>7,623</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ <u>1,083,577</u>	\$ <u>-</u>

Basic Financial Statements, 3-22

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2011
(amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6150, 6450
ADDITIONS:	
Employer contributions	\$ 31,465
Member contributions	19,903
Other contributions	265
Total contributions	<u>51,633</u>
Investment Income:	
Net appreciation (depreciation) in FMV of investments	(6,104)
Interest and dividends	22,640
Securities lending gross income	180
Total investment income	<u>16,716</u>
Less Investment expenses:	
Investment management fees	3,174
Security lending - agent fees	60
Security lending - broker rebates	(19)
Total investment expense	<u>3,215</u>
Total investment income	<u>13,501</u>
TOTAL ADDITIONS	<u>65,134</u>
DEDUCTIONS:	
Wages and benefits payable	50,092
Health care benefit payments	10,585
Refunds of contributions	2,437
Administrative expenses	1,991
TOTAL DEDUCTIONS	<u>65,105</u>
NET INCREASE (DECREASE)	<u>29</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Net assets - beginning	<u>1,083,548</u>
Net assets - ending	<u>\$ 1,083,577</u>

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

Basic Financial Statements, 3-23

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Note 1 Summary of significant accounting policies

A. The reporting entity

The City of Tacoma is a municipal corporation incorporated January 7, 1884. 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. These include police, fire, public works, planning and development, human relations, and general administrative and support services.

The accompanying financial statements present the City and its component units. Component units are separate legal entities for which the City is financially accountable. Exclusion of these entities would cause the City's financial statements to be misleading or incomplete.

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 Law Enforcement Support Agency (LESA) and the Tacoma-Pierce County Health Department.

The governing bodies of both LESA and the Tacoma-Pierce County Health Department are appointed jointly by the City of Tacoma and Pierce County Councils. The City is not financially accountable for these two entities and contributes substantially less than half of their operating revenues. Financial information for both entities is included in Note 8 Section G.

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

Basic Financial Statements, 3-25

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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 Assets 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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The City has elected to follow subsequent private sector guidance for its utility funds.

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 #54. Encumbrances outstanding at the end of the biennium are reappropriated at the beginning of the next biennium. The amount of encumbrances needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end are as follows:

General Fund	Street Fund	Non-major Funds
\$ 2,133	\$ 38,761	\$ 15,277

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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 revenues represent 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 on page 6-15. 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 an Internal Service Fund 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 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 Street fund accounts for maintenance, engineering, and construction of city streets.

The City reports the following major proprietary funds:

- The Wastewater and Surface Water (Sewer) fund for the planning, design, construction, operation, and maintenance of the Wastewater and Surface water facilities owned by the City.
- The Water fund accounts for the activities of the City's water distribution system.
- The Power fund accounts for the activities of the City's electric production and distribution operations.

Additionally, the City reports the following fund types:

- Internal service funds account for Finance, Budget and Research, BSIP Project, Human Resources, Graphics Services, Fleet Services, Youth Build Tacoma, Equipment Rental, Asphalt Plant, Radio Communications, Third Party Liability Claims, Unemployment Compensation, Worker's Compensation, Facilities Management, Information Systems, Health Benefits, and Self Insurance Claims funds. These funds provide services to other departments on a cost reimbursement basis.
- The Pension trust fund accounts for the activities of the City's retirement system, which accumulates resources for pension benefit payments to qualified City employees. The police and fire relief and Pension trust funds account for the activities related to the police and fire LEOPF pension system. The employees benefit trust funds include deferred compensation and miscellaneous payroll deduction funds account for activities related to mandatory and optional payroll deductions.
- Agency funds are the Law Enforcement Support Agency and the Tacoma Urban Network. The City acts as an agent for these funds.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

D. Assets, liabilities and net assets 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 include 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.

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 property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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.

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	3-200 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 allowed 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 25% of the value of the sick leave at retirement or death or 10% of the value upon termination for any reason. Under the City's current policy, new employees earn Personal Time Off (PTO) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could chose to stay with the original policy or opt to convert to the new policy. The amount of PTO 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.

In governmental funds, vacation pay, sick leave or PTO are recorded as expenditures when paid which occurs when used or upon employee termination. In the entity-wide statements and the proprietary fund statements, vacation pay and PTO are recorded as a liability and expense in the year earned. A liability and expense is recorded for the vested amount of sick leave.

The differences between the governmental fund statements and the entity-wide statements represent reconciling items between the fund level and government-wide financial statements. The reconciliations are included as part of the 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 assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

8. Fund Equity

Fund Balance

The City of Tacoma implemented Governmental Accounting Standards Board (GASB) Statement No. 54. 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:** Includes amounts that have been limited to specific purposes through the City Charter or formal City Council actions, such as adoption of ordinances, resolutions, or City Council policy. The commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally.
4. **Assigned:** Includes amounts that have been allocated for specific purposes through City Council budgetary actions. For all governmental funds other than the General Fund, any funds that are not classified as nonspendable, restricted, or committed will be classified as assigned for the purpose of the fund.
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 of 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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Net Assets

Proprietary fund financial statements report reservations of net asset amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Restricted net assets are 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 assets

The governmental fund balance sheet includes reconciliation between *fund balances—total governmental funds and net assets—governmental activities* as reported in the government-wide statement of net assets. 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	\$(181,841)
Discount on bond issuance	83
Premium on bond issuance	(2,487)
Net other post employment benefits obligation	(27,408)
Net pension obligation	(160)
Compensated absences	<u>(15,514)</u>
Net adjustment to reduce fund balance for total governmental funds to arrive at net assets for governmental activities	<u>\$(227,327)</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 assets 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	\$ 71,860
Depreciation Expense	<u>(68,058)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,802</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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	\$ (7,523)
Net pension obligation	(3,976)
Compensated absences	590
Reversal of prior year courts accrual	(3,572)
Accrued interest	378
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets	<u>\$ (14,103)</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 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 (immaterial amounts), and the budget reconciliation schedule are included in the budget notes included 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.

B. Deficits in fund balances or net assets

The following governmental and proprietary funds had deficit net assets.

The Tacoma Fire Department and 2002 Police Facility funds have fund balance deficits due to a reclassification of reporting internal note proceeds as an Interfund loan which was received in prior years. The Tacoma Fire Department had a positive net change in 2011 and reduced the prior year deficit by \$370 thousand. The 2002 Police Facilities fund net change increased over the prior year by \$83 thousand due to interest expense payments.

The Traffic Enforcement fund was established in 2011 and had a \$1,817 thousand fund balance deficit at the end of the first year. This fund is expected to be self supporting in the future.

The 1997 Bond Issue fund has a \$48 thousand deficit fund balance resulting from a transfer out of \$58 thousand in 2010 and capital outlay expenses of \$2 thousand in 2011.

The deficit in the Convention Center fund resulted from losses exceeding revenues which depleted the remaining net assets by \$2.316 million. Operating losses however were \$.682 less than the previous year. The general fund reduced its contribution by \$1.251 million during 2011 which also contributed to the overall deficit in net assets.

The deficit in the Power Conservation Project fund resulted from incurring bond debt in order to continue the conservation efforts of the City. The Bonneville Power Administration (BPA), under an agreement with the City, has committed to contributing the resources to liquidate this debt. The Power Conservation Project Fund had a positive net change in 2011 and reduced the prior year by \$1,500 thousand.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

The Graphic Services fund had deficit in net assets of \$395 thousand. Two factors contributed to this deficit. There was a buy-out of a copier lease and the liability was not recorded in the previous year resulting in a restatement of the beginning fund balance of \$342 thousand. There was an operating loss of \$182 million for 2011, however charges for services have been increase in 2012 to reduce or eliminate this deficit.

The Third Party Liability Claims Fund has a net assets deficit, an increase of \$19,189 thousand over the prior year, due to an increase in claims.

The Worker's Compensation Fund has a net assets deficit due to insufficient contributions from the departments, and an excess of accrued and IBNR claims over total assets. The Worker's Compensation fund had a positive net change in 2011 which reduced the prior year by \$844 thousand.

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

Net Deficit
(amounts expressed in thousands)

FUNDS	
Fire Department (#1090)	\$ (559)
Traffic Enforcement (#1650)	(1,817)
1997 Bond Issue Fund (#3209)	(48)
2002 Police Facility (#3216)	(4,187)
Convention Center (#4165)	(2,318)
Power Conservation Fund (#4850)	(4,783)
Graphic Services (#5042)	(395)
Third Party Liability Claims (#5550)	(40,107)
Worker's Compensation (#5570)	<u>(2,511)</u>
	<u>\$ (56,725)</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): 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

At year-end, the carrying amount of the City's deposits was \$31,560,890.

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 2011, 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 2011.

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% 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	2011		2010	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	4,033	4,124	4,480	4,575
Total Securities Lent	4,033	4,124	4,480	4,575
Collateral		2011		2010
U.S. Corporate Obligations		3,082		1,456
U.S. Treasury Strips		1,042		-
Asset Backed Securities		-		1,805
Repurchase Agreements/Money Mkt		-		1,314
Total Collateral		4,124		4,575

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.

- 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.
- 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.
- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

- 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.
- Reverse Repurchase Agreements:** The City did not participate in any reverse repurchase agreements in 2011.

2. Deposits and Investments - December 31, 2011

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, 2011, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments
December 31, 2011
amounts expressed in thousands)

Investments (less Component Units)	\$ 2,151,737
Certificates of Deposit	7,164
Treasurer's Cash, net	24,090
Petty Cash Funds	307
Sub-total	2,183,298
Component Units:	
Tacoma Community Redevelopment Authority (TCRA)	989
TCRA - External Cash	1,319
Foss Waterway Development Authority (FWDA)	309
FWDA - External Cash	515
Public Facilities District (PPD)	384
Sub-total (Component Units)	3,516
Total	\$ 2,186,814

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

At year-end, the government's investment balances, expressed in thousands, were as follows:

Investments:	Fair Value @ 12/31/11
Financial Institutions	
WA State Local Government Investment Pool	\$ 51,005
US Treasury Securities	1,021
Government Agencies (various)	867,470
Bankers Acceptances	99,839
Electric System Revenue Bond Investments	8,762
Equity In Pool Transferred to Component Units	<u>(1,682)</u>
Total investments with Financial Institutions	1,026,415
Component Units	
TCRA Equity in Investment Pool	989
FWDA Equity in Investment Pool	309
PFD Equity in Investment Pool	<u>384</u>
Total Component Unit Investments	1,682
Pension Trust	
Equities	560,732
Fixed Income	343,851
Real Estate	48,091
Venture Capital & Partnerships	120,457
Other Assets	339
Cash and Cash Equivalents	11,069
Securities Lending Collateral	<u>40,781</u>
Total Other Investments - Pension Trust	1,125,320
Total	\$ 2,153,417

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 \$51,005,145 with the State Treasurer's Local Government Investment Pool, \$7,164,408 in an interest bearing demand deposit account with a commercial bank and \$12,054,862 in the City's main demand deposit account with a commercial bank. The monies from these accounts are available immediately.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Investment Type	Par	Maturing (in months)				
		Less than 12	13-24	25-36	37-48	49-60
Main Bank Demand Deposits	\$ 12,054,862	\$ 12,054,862	-	-	-	-
Bank Demand Deposits & State Pool	58,169,553	58,169,553	-	-	-	-
Bankers Acceptance Notes	100,000,000	100,000,000	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	293,045,000	31,135,000	52,040,000	723,000,000	87,705,000	48,965,000
Fixed Rate Non-Callable Agency Securities	204,440,000	21,811,000	62,429,000	73,805,000	27,195,000	10,000,000
Fixed Rate Callable Agency Securities	355,450,000	-	43,000,000	57,450,000	-	255,000,000
Totals	\$ 1,023,159,415	\$ 233,170,415	\$ 158,369,000	\$ 202,755,000	\$ 114,900,000	\$ 815,965,000
Percent of Total	100.0%	22.8%	15.5%	19.8%	11.2%	30.7%

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 2011 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 Treasurers 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 AAA			AA		A
			AAA	AA	AA	A	A	
Bank Demand Deposits & State Pool	\$ 70,224,415	FDIC & PDPC	\$ 70,224,415	-	-	-	-	-
Bankers Acceptance Notes	100,000,000	AAA	-	100,000,000	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	293,045,000	A	-	14,700,000	150,780,000	-	127,565,000	-
Fixed Rate Non-Callable Agency Securities	204,440,000	AAA	-	204,440,000	-	-	-	-
Fixed Rate Callable Agency Securities	355,450,000	AAA	-	355,450,000	-	-	-	-
Total	\$ 1,023,159,415		\$ 70,224,415	\$ 674,590,000	\$ 150,780,000	\$ 127,565,000	\$ -	\$ -

5. GASB 40 - Concentration of Credit Risk

Concentration Risk disclosure is required for all investments in any one issuer that is 5% or more of the total of the City's investments. The following include Government Sponsored Agencies which have an AAA rating.

Issuer	Investment Type	Amount Reported	Percentage
Bank of America	Banker's Acceptances	100,000,000	10.5%
Federal Home Loan Bank	Agency Securities	\$ 95,000,000	10.0%
Federal Home Mortgage Corporation	Agency Securities	228,743,000	24.0%
Federal National Mortgage Association	Agency Securities	185,697,000	19.5%
Total		\$ 609,440,000	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

6. Disclosure of Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. City policy is all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

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)	Non-Major				
	General Fund	Street Fund	Governmental Funds	Sewer Fund	Water Fund
Accounts Receivable (net short-term)	\$ 4,995	\$ 15,759	\$ 6,177	\$ 9,595	\$ 9,303
Interest Receivable (net short-term)	-	-	-	-	320
Taxes Receivable (net short-term)	19,493	291	1,030	-	-
Loans Receivable (net short-term)	-	-	-	-	-
Notes and Contracts Receivable (net short-term)	-	-	-	-	1,531
Notes and Contracts Receivable (net long-term)	-	-	918	-	-
TOTAL	\$ 24,488	\$ 16,050	\$ 8,125	\$ 9,595	\$ 11,154

Accounts Receivable (amounts expressed in thousands)	Non-Major				Internal Service Funds	Fiduciary Funds	Total
	Power Fund	Enterprise Funds	Enterprise Funds	Enterprise Funds			
Accounts Receivable (net short-term)	\$ 50,968	\$ 13,349	\$ 616	\$ 1,549	\$ 112,311		
Interest Receivable (net short-term)	-	-	-	3,622	3,942		
Taxes Receivable (net short-term)	-	-	-	-	20,814		
Loans Receivable (net short-term)	-	-	-	-	-		
Notes and Contracts Receivable (net short-term)	11	-	-	-	1,542		
Notes and Contracts Receivable (net long-term)	-	39,739	-	-	40,657		
TOTAL	\$ 50,979	\$ 53,088	\$ 616	\$ 5,171	\$ 179,266		

Reconciliation of accounts receivable non-governmental funds to financial statements:

Accounts Receivable Statement of Net Assets	\$ 7,207
Accounts Receivable Note 4B	\$ 6,177
Taxes Receivable Note 4B	1,030
	<u>\$ 7,207</u>
Recoverable deposits	\$ -
Assets held for resale	-
Notes and contracts receivable	918
Other Current Assets Statement of Net Assets	<u>\$ 918</u>
Notes and Contracts Receivable (net long-term) Note 4B	<u>\$ 918</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

C. Capital Assets

Capital asset activity for the year-ended December 31, 2011 was as follows (amounts expressed in thousands):

Governmental Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets, not being depreciated:					
Land	\$ 26,081	\$ 2,575	\$ -	\$ -	\$ 28,656
Parks	-	-	-	-	-
Art	1,829	-	-	-	1,829
Intangibles	-	-	-	-	-
Construction work in progress	103,411	56,808	(35,657)	-	124,562
Total capital assets, not being depreciated	131,321	59,383	(35,657)	-	155,047
Capital assets, being depreciated:					
Property, plant, and equipment	192,430	10,482	(5,600)	-	197,232
Parks	85	-	-	-	85
Library materials	19,215	1,299	(1,189)	-	19,325
Intangibles	10,014	96	-	-	10,110
Infrastructure	1,179,444	11,236	-	-	1,190,680
Total capital assets, being depreciated	1,401,188	23,113	(6,889)	-	1,417,432
Less accumulated depreciation:					
Property, plant, and equipment	(110,931)	(10,228)	5,507	-	(115,652)
Parks	(8)	(10)	-	-	(18)
Library materials	(15,117)	(1,511)	1,189	-	(15,439)
Intangibles	(497)	(4,350)	-	-	(4,847)
Infrastructure	(570,072)	(31,099)	-	-	(601,171)
Total accumulated depreciation	(696,625)	(47,198)	6,696	-	(737,127)
Governmental activities capital assets (net of accumulated depreciation)	\$ 835,884	\$ 35,298	\$ (35,830)	\$ -	\$ 835,352

Business-type Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets, not being depreciated:					
Land	\$ 140,582	\$ 883	\$ (150)	\$ 160	\$ 141,475
Construction work in progress	103,996	154,071	(174,250)	-	83,809
Total capital assets, not being depreciated	244,578	154,954	(174,408)	160	225,284
Capital assets, being depreciated:					
Property, plant, and equipment	3,252,445	220,887	(15,666)	569	3,458,235
Intangibles	-	-	-	-	-
Total capital assets, being depreciated	3,252,445	220,887	(15,666)	569	3,458,235
Less accumulated depreciation:					
Property, plant, and equipment	(1,197,555)	(98,539)	15,210	3,035	(1,277,849)
Intangibles	-	-	-	-	-
Total accumulated depreciation	(1,197,555)	(98,539)	15,210	3,035	(1,277,849)
Business-type activities capital assets (net of accumulated depreciation)	\$ 2,299,468	\$ 277,302	\$ (174,864)	\$ 3,764	\$ 2,405,670

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Prior period adjustments are the result of intangibles being reclassified from non-depreciable to depreciable.

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

Governmental Activities:

General Government	\$ 472
Public Safety	3,388
Transportation	31,387
Economic Environment	51
Culture and Recreation	2,254
Capital assets held by Internal Services funds which are charged to various functions based on their usage of the assets	<u>9,646</u>
Total depreciation expense - governmental activities	<u>47,198</u>

Business-type activities:

Permit	-
Mountain Rail	765
Parking Garage	1,399
Convention Center	2,200
Baseball Park	369
Tacoma Dome	673
Performing Arts	506
TPU Fleet	2,757
Solid Waste	6,100
Waste Water	12,183
Tacoma Rail	641
Water	14,390
Power	<u>56,556</u>
Total depreciation expense - business-type activities	<u>\$ 98,539</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

D. Leases

Capital leases

The City leases certain equipment under various capital lease agreements. Capital lease balances at December 31, 2011:

(amounts expressed in thousands)

Governmental Activities

Information Systems Fund San Storage & CISCO Lease Purchase, \$ 1,251:

This capital lease for computer hardware is a 5 year lease. The value of the equipment acquired is \$ 3,401. There is no interest on the lease.

Year Ending December 31	Amount
2012	\$ 625
2013	<u>626</u>
Total lease payments	<u>\$ 1,251</u>

Business Activities

Tacoma Dome Energy Upgrades, \$104:

This capital lease for building improvements is an 11 year lease. The value of the building improvements is \$436,000. The interest rate on the lease is 4.94%.

Year Ending December 31	Amount
2012	\$ 48
2013	<u>50</u>
Principal payments	98
Plus interest amount	<u>6</u>
Total lease payments	<u>\$ 104</u>

TES/Urban Waters Capital Lease, \$36,477:

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

Year Ending December 31	Amount
2012	\$ 697
2013	722
2014	752
2015	783
2016	813
2017-2021	4,618
2022-2026	5,855
2027-2031	7,620
2032-2036	10,002
2037-2040	<u>4,615</u>
Principal payments	36,477
Plus interest amount	<u>33,777</u>
Total lease payments	<u>\$ 70,254</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

E. Short-term debt

Governmental activities: No short-term debt was issued or outstanding in 2011.

Business activities: No short term debt was issued or outstanding in 2011.

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 \$209.3 million. General obligation bonds were issued in 2010 in the amount of \$75.9 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	Principle	Interest
2012	\$ 4,381	\$ 5,867	\$ -	\$ 3,046
2013	6,117	6,895	1,580	3,046
2014	5,884	6,759	1,640	2,967
2015	7,305	7,015	2,394	2,891
2016	7,409	6,906	2,471	2,793
2017-2021	44,904	25,793	13,004	12,245
2022-2026	29,490	22,136	13,146	9,198
2027-2031	28,067	33,164	16,170	5,761
2032-2036	23,311	14,235	13,710	1,560
2037-2041	1,915	292	-	-
Total	\$ 158,783	\$ 129,062	\$ 64,115	\$ 43,507

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%-5.86%	\$ 147,584
Business Activities	2.80%-4.86%	\$ 64,115

Special assessment bonds

The City has issued special assessment bonds in prior years 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, 2011, the amount of LID Special Assessment delinquency equals \$61,776. The bond interest rates range from 3.93 to 4.18% and are payable over the next twenty years.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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

	Special Assessment Debt (amounts expressed in thousands)	
	Governmental Activities	
	Principle	Interest
2012	\$ -	\$ 716
2013	13,039	755
2014	10,975	305
2015	-	65
2016	-	65
2017-2021	-	325
2022-2026	1,702	150
Total	\$ 25,717	\$ 2,381

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 and drinking water state revolving loans issued in prior years was \$1.3 billion. During the year \$41 million were issued for refunding, construction and capital improvements in the Sewer, Water, and Rail funds.

	Revenue Bonds and Loans (amounts expressed in thousands)	
	Business-type activities	
	Principle	Interest
2012	\$ 48,888	\$ 63,725
2013	53,507	61,644
2014	64,408	58,584
2015	67,239	55,966
2016	71,009	52,430
2017-2021	400,864	210,894
2022-2026	140,977	150,415
2027-2031	155,639	116,747
2032-2036	245,380	60,094
2037-2040	84,840	11,959
Total	\$ 1,332,750	\$ 842,459

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Changes in long-term debt

Governmental activities - long term
(amounts expressed in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
General obligation Bonds	\$ 150,690	\$ -	\$ (3,106)	\$ 147,584	\$ 3,270
Less: Unamortized discount	(88)	-	5	(83)	(5)
Add: Unamortized premium	2,618	-	(131)	2,487	131
Public works trust fund loans	11,771	500	(1,072)	11,199	1,110
Bond anticipation notes	11,649	14,482	(2,117)	24,014	-
Special assessment debt	205	1,557	(60)	1,702	-
Capital leases	1,876	-	(625)	1,251	625
Claims and judgements	31,241	26,315	(6,054)	51,502	41,800
Other Post Employment Benefits	19,885	7,523	-	27,408	-
Net Pension Obligation	(3,816)	3,976	-	160	-
Accrued employee leave benefits	16,111	11,554	(12,151)	15,514	1,575
Governmental activities - long term liabilities	\$ 242,142	\$ 65,907	\$ (25,311)	\$ 282,738	\$ 48,506

Business activities - long-term
(amounts expressed in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Revenue Bonds, water public works board, and drinking water state revolving loans	\$ 1,345,099	\$ 41,223	\$ (90,047)	\$ 1,296,275	\$ 48,191
Mudshoat liability	8,876	-	(172)	8,704	168
General obligation bonds	64,115	-	-	64,115	-
Plus: Unamortized premium	17,652	4,009	(2,992)	18,669	-
Less: Unamortized discount	(593)	-	244	(349)	-
Less: Loss on refundings	(14,833)	(680)	2,469	(13,044)	-
Less: Loss on defeasance	(579)	-	148	(431)	-
Capital leases	37,287	-	(711)	36,576	743
Environmental liability	1,511	439	-	1,950	1,050
Landfill closure cost liability	31,368	-	(1,956)	29,412	2,457
Other Post Employment Benefits	6,479	2,508	-	8,987	-
Accrued employee leave benefits	17,275	10,116	(10,368)	17,023	1,989
Business activities - long-term liabilities	\$ 1,513,657	\$ 57,615	\$ (103,385)	\$ 1,467,887	\$ 54,598

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, \$1.5million of internal service funds 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 Tacoma Dome funds, and the General fund respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Bonds Issued in 2011

The Sewer department issued \$34.3 million Sewer Revenue Refunding Bonds in 2011 with varying series maturing between December 1, 2022 and 2031, callable on December 1, 2021. Interest is payable December 1, 2011 and semiannually thereafter on each June 1 and December 1 with bearing interest rates of either 4.0 or 5.0%. The purpose was to call the Sewer Revenue and Refunding Bonds, 2001 on December 1, 2011 for a net present value savings to the Division of \$4.9 million. The aggregate difference in debt service payments between the refunding debt and the refunded debt is as follows:

	Principal	Interest	Total
2001 Bond	\$ 38,035,000.00	\$ 30,498,099.30	\$ 68,533,099.30
2011 Bond	<u>34,315,000.00</u>	<u>26,631,016.53</u>	<u>60,946,016.53</u>
Reduction	\$ (3,720,000.00)	\$ (3,867,082.77)	\$ (7,587,082.77)

Note 12 summarizes changes in long-term debt by bond issue.

G. Restricted assets

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

Cash for Construction	\$ 273,134
Cash for debt service	56,357
Cash for other special purposes	111,913
Investments for other purposes	1,021
Notes and contracts receivable	1,531
Customer deposits	<u>54</u>
	\$ 444,010

H. Related party transactions

The City is not aware of any related party transactions.

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 May 2004 the IRS began an examination on 6 tax-exempt bond issues of \$225 million in bonds for Tacoma Power, Tacoma Water, Environmental Service and Wastewater Management and General Government. In April 2005 the City received notification from the IRS that they had successfully completed the correspondence examination. There have been no other Federal Compliance issues since then.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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 see note B for fund balance descriptions.

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

	General Fund	Street Fund	Special Revenue	Debt Service	Capital Project	Total Funds
Fund Balances:						
Nonspendable:						
Advances	\$ 16,037	\$ -	\$ -	\$ -	\$ -	\$ 16,037
Inventory	1,008	1,828	75	-	-	2,911
Prepays	916	-	-	-	-	916
Trust	-	-	17	-	-	17
Total Nonspendable	17,961	1,828	92	-	-	19,281
Restricted:						
Business Districts	-	-	-	-	458	458
Capital Purchases	-	-	518	-	3,587	4,105
Debt Service	-	-	618	991	-	1,609
Facilities	-	-	-	-	4,084	4,084
Local Improvement District	-	-	2,903	469	-	3,372
Neighborhoods	-	-	-	-	832	832
Other Capital	-	-	-	-	1,983	1,983
Parks, Theaters, Recreation	-	-	4,505	-	10,324	14,829
Permitting	2	-	-	-	-	2
Public Safety	-	-	8,987	-	6,292	15,279
Public Services	-	-	1,831	-	-	1,831
Road & Public Works Projects	-	8,313	1,813	-	26,683	36,809
Total Restricted	2	8,313	21,175	1,460	54,243	85,193
Committed:						
Council Contingency	1,117	-	-	-	-	1,117
Culture & Recreation	-	-	2,543	-	-	2,543
Economic Development Programs	-	-	11,380	-	-	11,380
Homeless Elimination Program	-	-	47	-	-	47
LEAP	-	-	273	-	-	273
Neighborhoods	-	-	-	-	82	82
Police Facilities	-	-	-	-	13	13
Property Management	-	-	4,266	-	-	4,266
Public Donations	-	-	108	-	-	108
Street Occupancy Permits	-	-	32	-	-	32
Street Vacation	-	-	184	-	-	184
Total Committed	1,117	-	18,833	-	95	20,045
Assigned:						
Advances	-	-	-	-	4,189	4,189
Chinese Recon Park	-	-	-	-	23	23
Historically Underutilized Business	-	-	121	-	-	121
Library	-	-	174	-	-	174
Municipal TV	-	-	872	-	-	872
Police - Special Programs	-	-	261	-	-	261
Sauro Parking Lot	-	-	-	-	49	49
Senior Center Programs	-	-	86	-	-	86
Tenant Relocation Program	-	-	38	-	-	38
Encumbrances	2,133	30,448	-	-	-	32,581
Total Assigned	2,133	30,448	1,552	-	4,261	38,394
Unassigned:	14,239	(36,290)	(3,240)	-	(4,330)	(29,621)
Total Fund Balances:	\$ 34,852	\$ 4,299	\$ 38,412	\$ 1,460	\$ 54,269	\$ 133,292

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

K. Restricted Net Assets Governmental Activities

In the government wide financial statements net assets are restricted when constraints placed on net asset 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	Debt	Other
Business Districts	\$ 458	\$ -	\$ -
Capital Purchases	3,587	-	518
Debt Service	-	991	618
Facilities	4,084	-	-
Local Improvement District	-	469	2,903
Neighborhoods	832	-	-
Other Capital	1,983	-	-
Parks, Theaters, Recreation	10,324	-	4,505
Permitting	-	-	2
Public Safety	6,292	-	8,987
Public Services	-	-	1,831
Road & Public Works Projects	26,683	-	9,775
	\$ 54,243	\$ 1,460	\$ 29,139

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 fund.

A. Tacoma Employees' Retirement System Fund (TERS)

1. Administration of the System: The "Tacoma Employees' Retirement System" is a local single employer defined benefit pension retirement plan that provides retirement, disability, and death benefits to its members and is covering City of Tacoma and some Public Member agency employees. All employees of the City are members in the Plan, except police officers, firefighters and some employees due to the nature of their employment. The Board of Administration of the Tacoma Employees' Retirement System administers the plan and benefit provisions are established in accordance with Chapter 41.2B Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. There are currently 1,950 retirees and beneficiaries receiving benefits, 395 vested terminated employees entitled to future benefits; and 3,038 active members of Tacoma Employees' Retirement System, as of December 31, 2011.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

are all reported at fair market value. Fair market value for public market managers was determined by our custodian bank utilizing standard industry practices and verified by our performance consultant. 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: The pension received upon retirement is a product 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. Provided however, that the monthly retirement allowance for members retiring from City service on and after January 1, 1997 will not be less than the actuarial equivalent of 200 percent of the members' accumulated normal contributions. 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%

Contributions City-wide totaled \$42.4 million in 2011 (\$22.5 million employer contributions and \$19.9 million employee contributions) and totaled \$40.2 million in 2010 (\$21.3 million employer contributions and \$18.9 million employee contributions).

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.

B. 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 this report. This information 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.

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
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%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation may be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of Tacoma Employees' Retirement System funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in analysis of Tacoma Employees' Retirement System progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

this percentage, the stronger the system.

9. Actuarial Methods and Significant Actuarial Assumptions:

Valuation Date:	January 1, 2011
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	7.75%
Project Salary Increases	4.25%
Includes Inflation at	3.25%
Cost of Living Adjustments	2.125%

Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost and net pension obligation to the Retirement System for 2010 were as follows:

	(amounts expressed in millions)
Annual Required Contributions (ARC):	\$ 17.1
Interest on Net Pension Obligation (NPO)	(0.3)
Adjustment to ARC:	0.2
Annual Pension Cost (ARC)	17.0
Employer Contribution:	21.3
Increase/(Decrease) in Pension Obligation:	(4.3)
Net Pension Obligation at beginning of year:	(3.8)
Net Pension Obligation at end of year:	\$ (8.1)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Trend Information
(dollars in millions)

Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
12/31/2002	\$ 11.6	100%	\$ (0.4)
12/31/2003	11.6	100%	(0.4)
12/31/2004	13.1	100%	(0.4)
12/31/2005	13.1	100%	(0.4)
12/31/2006	13.2	100%	(0.4)
12/31/2007	13.6	100%	(0.4)
12/31/2008	14.3	104%	(1.0)
12/31/2009	15.2	118%	(3.8)
12/31/2010	17.1	125%	(8.1)

B. Law Enforcement Officers' and Firefighters' 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 contribution retirement plans. The 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:

The Legislature established LEOFF in 1970. Membership in the system 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 prospectively 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.

LEOFF defined benefit 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 state legislative appropriations.

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 for the LEOFF Plan 2 retirement plan.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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 allowances 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 provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance 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 allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

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 age 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 3 percent 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 allowance amount is two percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, 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 catastrophic 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 severely 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 allowance of at least ten percent of FAS and two percent per year of service beyond five years. The first ten percent of the FAS is not subject to federal income tax.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of addition service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of 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 on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Nonvested	<u>3,656</u>
Total	27,505

3. Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF 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 LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

	LEOFF Plan 1	LEOFF Plan 2	
Employer*	0.16%	5.24%	**
Employee	0.00%	8.46%	
State	N/A	3.38%	

* The employer rates include the employer administrative expense fee currently set at .16%.

** The employee rate for ports and universities is 8.62%.

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
2011	n/a	n/a	\$ 3.80
2010	n/a	n/a	\$ 3.80
2009	n/a	n/a	\$ 3.80

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 Officer and 2 active Firefighters with prior rights covered under these plans as of December 31, 2011. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 176 for the PRP and 231 for the FRP as of December 31, 2011. 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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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-retirement 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, 2011, there were 214 retired law enforcement officers and 267 retired firefighters who are eligible for medical coverage (this does not include active employees).

The post retirement 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 \$2.7 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 \$3.5 million in 2011.

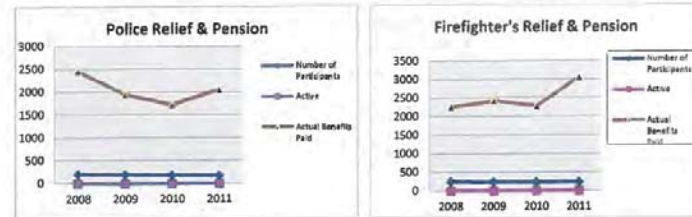
The FRP is funded from two sources: (1) 22-1/2 cents per \$1,000 of assessed valuation has been earmarked from property taxes as authorized by R.C.W. 41.16.060, and 25% of the tax on fire insurance premiums collected by the State is earmarked by State law for distribution to cities for this purpose. This amount was \$4.3 million in 2011; and (2) the balance of \$0.8 million 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 \$5.1 million in 2011. 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		
	Number of Participants	Active	Actual Benefits Paid	Number of Participants	Active	Actual Benefits Paid
Year-end	200	0	2,453	244	2	2,243
12/31/2009	193	0	1,944	239	2	2,411
12/31/2010	181	0	1,717	233	2	2,264
12/31/2011	173	0	2,050	231	2	3,048

(Tables amounts for Actual Benefits Paid expressed in thousands)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011



6. 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 January 1, 2010, 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	2009	2,477	99	7,703
	2010	2,372	77	8,243
	2011	2,332	77	8,774
Police Relief & Pension	2009	1,660	148	(5,203)
	2010	1,450	(139)	(1,763)
	2011	1,340	4.0	(473)

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	\$ 1,066	\$ 35,515	\$ 34,449	3%	227	15176%
Police Relief and Pension	5,220	21,990	16,770	24%	0	N/A

The AAL as of December 31, 2009, based on the actuarial valuation as of January 1, 2010, was \$35.5 million for Firefighters' Relief and Pension and \$22.0 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 requirements are funded through the City's adopted budgets, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

**ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREFIGHTER'S POICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2011**

(In Thousands)

	Firefighter's Relief and Pension			Police Relief and Pension		
	2011	2010	2009	2011	2010	2009
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	5	5	5	-	-	-
Amortization of UAAL - Beginning of Year	2,522	2,522	2,546	1,228	1,228	1,469
Interest to End of Year	101	101	128	49	49	74
ARC at End of Year	2,628	2,628	2,679	1,277	1,277	1,543
Interest on NPO	330	308	384	(79)	(208)	(220)
Adjustment to ARC	(626)	(584)	(586)	154	381	337
Annual Pension Cost (APC)	2,332	2,372	2,477	1,340	1,490	1,660
Employer Contribution	1,801	1,832	2,448	50	(1,990)	2,459
Change in NPO	531	540	29	1,290	3,440	(799)
NPO at Beginning of Year	8,243	7,703	7,674	(1,763)	(5,203)	(4,404)
NPO at End of Year	8,774	8,243	7,703	(473)	(1,763)	(5,203)

The net pension obligation of the Firefighter's Relief and Pension Fund is \$38.8 million net pension liability at December 31, 2011. The net pension obligation of the Police Relief and Pension Fund is \$0.5 million net pension asset at December 31, 2011.

5. 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, 2012	January 1, 2012
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	17 years	17 years
Amortization method	30-years, closed as of January 1999	30-years, closed as of January 1999
Actuarial assumptions		
Investment rate of return	4.00%	4.00%
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
Post retirement benefit increase	3.50%	3.50%

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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, 747 Market Street, Room 1540, Tacoma, WA 98402.

D. Other Post Employment Benefits (OPEB) Than Pensions

1. Plan description:

The City contributes to two single-employer defined benefit plans: Tacoma Employees' Retirement System Fund (TERS) and Law Enforcement Officers' and Firefighters' Retirement System Plan 2 (LEOFF Plan 2), one agent multi-employer plan: Law Enforcement Officers' and Firefighters' Retirement System Plan 1 (LEOFF Plan 1) 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 Plan 1 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 4.00% 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

	TERS	LEOFF Plan 1	LEOFF Plan 2	Rail
Annual Required Contribution				
Normal Cost at Year-end	\$ 3,620,985	\$ 269,060	\$ 1,544,549	\$ 124,757
Amortization of UAAL	1,525,241	11,923,763	655,021	70,664
Annual Required Contribution (ARC)	5,146,226	12,192,823	2,199,570	195,421
Net OPEB Obligation				
Annual Required Contribution (ARC)	5,146,226	12,192,823	2,199,570	195,421
Interest on prior year Net OPEB obligation	432,795	364,805	256,945	129
Less Adjustments to ARC	403,779	548,676	239,719	120
Annual OPEB Cost	5,175,242	12,008,952	2,216,796	195,430
Contributions made	1,586,833	7,625,508	248,747	108,560
Increase in Net OPEB Obligation	3,588,409	4,383,444	1,968,049	86,870
Net OPEB Obligation - Beginning of Year	10,819,863	9,120,137	6,423,622	3,226
Net OPEB Obligation - End of Year	\$ 14,408,272	\$ 13,503,581	\$ 8,391,671	\$ 90,096

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.

Value of Subsidy at 4% Interest Rate	Total Value	Member Paid	City-Paid
	of Benefits	Benefits	Benefits
Present Value of Benefits	\$ 445,647,729	\$ 126,097,310	\$ 319,550,419
Actuarial Accrued Liability (AAL)	305,186,964	56,615,173	248,571,791
Normal Cost	10,741,744	5,182,394	5,559,350
Annual Benefit Payments	12,218,978	2,649,330	9,569,648

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	Percentage of	Net OPEB
		Cost	OPEB Cost Contributed	Obligation
	12/31/2009	\$ 4,424,674	27.3%	\$ 7,925,279
	12/31/2010	4,431,662	34.7%	10,819,864
	12/31/2011	5,175,241	30.7%	14,408,271

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

LEOFF Plan 1	Year Ended	Annual OPEB	Percentage of	Net OPEB
		Cost	OPEB Cost Contributed	Obligation
	12/31/2009	\$ 10,570,243	65.7%	\$6,059,518
	12/31/2010	10,498,975	70.8%	9,102,137
	12/31/2011	12,008,953	63%	13,503,582

LEOFF Plan 2	Year Ended	Annual OPEB	Percentage of	Net OPEB
		Cost	OPEB Cost Contributed	Obligation
	12/31/2009	1,638,600	6.6%	4,952,248
	12/31/2010	1,640,352	10.3%	6,423,662
	12/31/2011	2,216,796	11.2%	8,391,671

Rail	Year Ended	Annual OPEB	Percentage of	Net OPEB
		Cost	OPEB Cost Contributed	Obligation
	12/31/2009	128,716	43.6%	(64,313)
	12/31/2010	129,196	47.7%	3,226
	12/31/2011	195,430	55.5%	90,096

3. Funding Status and Funding Process:

The funded status of the plans as of December 31, 2011, were as follows:

	TERS	LEOFF 1	LEOFF 2	Rail
Annual City Benefit Payments	\$ 1,586,833	\$ 7,625,508	\$ 248,747	\$ 108,560
Discount Rate	4.00%	4.00%	4.00%	4.00%
Present Value of Benefits	85,789,671	191,334,011	30,560,859	3,865,878
Actuarial Accrued Liability Assets	39,299,129	190,574,762	16,877,181	1,820,719
Plan Assets	-	-	-	-
Unfunded Actuarial Liability (UAAL)	39,299,129	190,574,762	16,877,181	1,820,719
Funded Ratio	0.0%	0.0%	0.0%	0.0%
Covered Payroll	1,586,833	7,625,508	248,747	108,560
UAAL as a % of covered payroll	2477%	2499%	6785%	1677%

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 presented as required supplementary information provides the first year OPEB information and future years will show whether the actuarial value of plan assets is changed over time (based on how OPEB is funded) relative to the actuarial accrued liability for benefits.

The City uses the same premiums for retirees under age 65 as for active employees. Therefore, the retiree premium

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

rates are being subsidized by the inclusion of active lives in the setting non-Medicare retiree rates. To account for the fact that per member health costs vary depending on age and number of dependents, the consulting actuary (Milliman) calculated equivalent Per Member Per Month (PMPM) costs that vary by age based on the age distribution of covered members and based on relative cost factors by age and gender. The relative age/gender cost factors were developed from Milliman's Health Cost Guidelines database. Based on the 2011 premium rates and relative age cost factors assumptions, Milliman developed the following age adjusted monthly PMPM health costs for 2011.

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

Age	Retiree		Spouse	
	Male	Female	Male	Female
45	\$ 1,108.37	\$ 1,124.58	\$ 641.54	\$ 773.04
50	988.61	1,021.54	720.80	838.86
55	1,054.10	1,035.91	862.11	941.05
60	1,279.98	1,202.67	1,058.33	1,084.05
64	1,589.11	1,451.62	1,292.74	1,279.66

No retiree contributes toward the cost of retiree medical benefits for Leoff 1. Based on the City's historical retiree medical cost experience from 2008 and 2009, the relative age cost factors assumptions, Milliman developed age adjusted monthly PMPM health costs for 2010 as follows:

Monthly Medical Claims Costs at Sample Ages LEOFF 1

Age	Police		Fire	
	Male	Female	Male	Female
45	\$ 408.04	\$ 503.25	\$ 396.08	\$ 527.30
50	537.00	627.64	523.88	612.31
55	712.99	749.22	695.58	730.92
60	930.30	894.15	907.57	872.31
64	1,169.80	1,075.12	1,141.23	1,048.86
65	854.83	859.08	643.21	646.40
70	960.66	955.00	722.83	718.58
75	1,061.83	1,043.80	798.96	785.39
80	1,136.02	1,106.45	854.78	832.53
85	1,176.73	1,135.88	885.41	854.67

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:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

	TERS/LEOFF Plan 2/Rail	LEOFF Plan 1
Valuation Date	January 1, 2011	January 1, 2010
Census Date	January 1, 2011	January 1, 2010
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level percentage of expected salary	Level percentage of earnings between entry and exit age
Remaining Amortization Period	26 year, closed	19 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	4%	4%
Health Cost Trend	year, 7.3% in the second, 6.6% in the third, 6.5% from 2014-2019, 6.4% for 2020-2027 and grading down to an ultimate of 5.2% in 2082 and beyond.	year, 7.8% in the second, 6.6% in the third, 6.1% from 2013 to 2015, 6.0% from 2016-2020, 5.9% from 2021-2025 and grading down to an ultimate
Projected Payroll Increases	4.25%	3.50%

Note 6 Deferred compensation

The City offers its employees a deferred compensation plan the plan, through a third party. The plan was created in accordance with Internal Revenue Code Section 457. The plan, available to all City permanent full-time and part-time employees, permits 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 2011 contribution limits are \$16,500 for regular deferral, \$33,000 for pre-retirement and \$22,000 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	Employer Contributions	Employee Contributions	Total by Plan
457 deferred compensation	ICMA	\$ 1,759,531.57	\$ 10,596,337.08	\$ 12,355,868.65
457 deferred compensation	Nationwide	781,009.58	1,294,801.17	2,075,810.75
Total		\$ 2,540,541.15	\$ 11,891,138.25	\$ 14,431,679.40

Note 7 Interfund activity

Interfund activity is composed of three types of transactions. 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. Advances to and from other funds are loans between funds for capital or cash flow purposes. Due to and due from other funds represent internal charges for services except for billings for utility services which are considered "external" in nature. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

The composition of Interfund balances (amounts expressed in thousands) at December 31, 2011 is as follows:

Interfund balances result when transactions are recorded in the accounting system and payments are made between funds after December 31, 2011.

Due To	Due From										Total
	General Fund	Street Fund	Sewer Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds	Pension and Trust Funds		
General Fund	\$ -	\$ 222	\$ 173	\$ 130	\$ 368	\$ 255	\$ 844	\$ 391	\$ -	\$ -	\$ 2,392
Street Fund	4	-	174	-	-	5	425	124	-	-	834
Sewer Fund	-	56	-	-	-	6	6	38	-	-	126
Water Fund	-	-	-	-	22	30	16	-	-	-	68
Power Fund	28	1	202	443	-	73	30	108	-	-	1,855
Internal Service Funds	462	122	297	203	727	171	868	299	-	-	3,149
Non-major Governmental Funds	774	8	1	8	11	7	9	256	-	-	1,074
Non-major Enterprise Funds	80	1	0.0	27	21	9	494	22	-	-	720
Pension and Trust Funds	-	-	-	-	-	-	-	(11)	-	-	-
Total	\$ 1,254	\$ 410	\$ 1,009	\$ 820	\$ 1,149	\$ 556	\$ 2,692	\$ 1,297	\$ 11	\$ -	\$ 9,418

Advance Owed From	Advances Owed To			Total
	Major Governmental	Non-major Governmental	Internal Service Funds	
Non-major Governmental	\$ 4,300	\$ 1,464		\$ 5,764
Non-major Enterprise	6,785	2,589	1,219	10,593
Internal Service Funds	1,096	266		1,362
Total	\$ 12,181	\$ 4,319	\$ 1,219	\$ 17,719

The below information provides detail of the Interfund payable transactions:

\$535,000 was authorized from the General Fund (#0010) to the Performing Arts Fund (#4190) to finance construction of improvements to the Pantages Theater.

\$751,728.11 was authorized from the General Fund (#0010) to the Facilities Management Fund (#5700) for acquisition and rehabilitation of a building and for cost associated with a bond refunding.

\$ 344,124.42 was authorized from the General Fund (#0010) to the Facilities Management Fund (#5700) for acquisition and rehabilitation of a building and for cost associated with a bond refunding.

\$4,200,000.00 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.

\$23,400.00 was authorized from the General Fund (#0010) to the Consolidated LID Fund (#2-7999) to establish LID #62.

\$ 77,000.00 was authorized from the General Fund (#0010) to the Consolidated LID Fund (#2-7999) to establish LID #61.

\$130,000.00 was authorized from the Economic Development Fund to 1997 Bond Issue Fund (#3209) as an interfund loan secured by a land parcel.

\$133,332.43 was authorized from the Capital Projects Fund (#3211) to the BSIP Project Fund (#5027) to acquire business system improvements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

\$133,333.27 was authorized from the Capital Projects Fund (#3211) to the BSIP Project Fund (#5027) to acquire business system improvements.

\$2,589,182.81 was authorized from the Capital Projects Fund (#3211) to the Tacoma Dome (#4180) to finance various Tacoma Dome projects.

\$1,333,330.00 was authorized from the Capital Projects Fund (#3211) to the Fire Department Fund (#1090) to refit and renovate a fireboat.

\$278,500.00 was authorized from the Payroll Fund (#5007) to the Performing Arts Fund for cash flow purposes.

\$278,500.00 was authorized from the Payroll Fund (#5007) to the Performing Arts Fund for cash flow purposes.

\$303,416.74 was authorized from the Information Services Fund (#5800) to the Tacoma Rail Mountain Division Fund (#4120) for cash flow purposes.

\$27,853.26 was authorized from the Information Services Fund (#5800) to the Tacoma Rail Mountain Division Fund (#4120) for cash flow purposes.

\$331,000.00 was authorized from the Information Services Fund (#5800) to the Tacoma Rail Mountain Division Fund (#4120) for cash flow purposes.

(amounts expressed in thousands)

Transfer Out	Transfer In								Total
	General Fund	Street Fund	Sewer Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$ -	\$ 11,506	\$ -	\$ -	\$ -	\$ -	\$ 4,086	\$ 781	\$ 16,373
Street Fund	-	-	-	-	-	-	247	-	247
Sewer Fund	-	-	-	-	-	-	-	-	-
Water Fund	-	-	-	-	-	29	-	-	29
Power Fund	-	-	-	-	-	208	-	-	208
Internal Service Funds	1,136	-	961	-	-	474	25	-	2,596
Non-major Governmental Funds	150	1,601	100	-	-	1,775	4,267	7,906	13,799
Non-major Enterprise Funds	-	-	-	-	-	1,934	1,508	-	3,442
Total	\$ 1,286	\$ 13,107	\$ 1,061	\$ -	\$ -	\$ 4,420	\$ 10,133	\$ 8,687	\$ 38,694

\$1,136,000 was transferred from Internal Service funds to the General fund for capital projects funded by bonds and to transfer back surplus funds.

\$150,000 was transferred from Non-Major Governmental funds to the General fund to fund Emergency Medical Services.

\$11,506,000 was transferred from the General fund to the Street fund to record the 2011 Street contributions.

\$1,601,000 was transferred from Non-Major Governmental funds to the Street fund for capital road projects.

\$961,000 was transferred from Internal Service funds to the Sewer fund to record Fleet asset transfers.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

\$100,000 was transferred from Non-Major Governmental funds to the Sewer fund for services required by Cheyenne Street Improvements.

\$29,000 was transferred from the Water Fund to Internal Service funds to record the 2011 Fleet Services contribution.

\$208,000 was transferred from the Power Fund to Internal Service funds to record the 2011 Fleet Services contribution.

\$474,000 was transferred from Internal Service funds to Internal Service funds to support an enterprise software system upgrade.

\$1,775,000 was transferred from Non-Major Governmental funds to Internal Service funds for Fleet capital purchases.

\$1,934,000 was transferred from Non-Major Enterprise funds to Internal Service funds to record 2011 Fleet Services contributions, support an enterprise software system upgrade, and to record donated vehicles.

\$4,086,000 was transferred from the General Fund to Non-Major Governmental funds to record Traffic contributions and debt service payments.

\$247,000 was transferred from the Street fund to Non-Major Governmental funds for road capital projects and debt service payments.

\$25,000 was transferred from Internal Service funds to Non-Major Governmental funds for Facilities capital improvements.

\$4,267,000 was transferred from Non-Major Governmental funds to Non-Major Governmental funds for various capital projects and debt service payments.

\$1,508,000 was transferred from Non-Major Enterprise funds to Non-Major Governmental funds for debt service payments.

\$781,000 was transferred from the General fund to Non-Major Enterprise funds to assist the theaters (BCPA) throughout the year and for Cheney Stadium debt service payments.

\$7,906,000 was transferred from Non-Major Governmental funds to Non-Major Enterprise funds to transfer funds for debt service payments, and Theater fund capital projects.

Note 8 Other Information

A. Accounting changes

There was one new fund created and two funds eliminated in 2011.

- The Traffic Enforcement Engineering & Education Fund (Fund 1650) - This fund was created to account for traffic related activities.
- The Legal Fund (Fund 1400) - This fund was eliminated and previously was used to account for grant expenditures.
- The Airport (Fund 4100) - This fund was eliminated as the City of Tacoma no longer provides this service.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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 \$20 million limit and a \$3 million deductible, renewable on August 13 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 \$100,000 deductible per occurrence, with exceptions. Earthquake coverage has a 5% or \$250,000, whichever is greater per building deductible. 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 \$3.9 million. Settlement payments were within amounts available for coverage for the last three years—2011, 2010 and 2009.

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	
	2011	2010	2011	2010	2011	2010
Balance 01/01/11	\$ 27,001	\$ 47,431	\$ 4,240	\$ 3,282	\$ 2,487	\$ 1,363
New Claims	3,880	8,105	2,755	2,911	354	1,873
Adjustments to Claims	17,607	(27,218)	1,596	3,087	327	(521)
Claims Payment	(1,226)	(1,317)	(4,352)	(5,040)	(1,010)	(228)
Balance 12/31/11	\$ 47,262	\$ 27,001	\$ 4,239	\$ 4,240	\$ 2,158	\$ 2,487

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, 2010 financial statements, prior period adjustments were made.

(amounts expressed in thousands)

Governmental Funds

Fund Name	Amount	Description
General Fund #0010	\$ (318)	Write-off alarm monitoring revenue & reduced red light camera expenses related to prior year
Street Fund #1060	\$ (2,950)	Eliminated revenue accruals related to prior years
Fire Department #1090	89	Eliminated encumbrances related to prior year
Library #1200	179	Write-off liability account related to prior year
Total	\$ (3,000)	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Enterprise Funds

Fund Name	Amount	Description
Convention Center #4165	\$ (36)	Adjustment for BIA Assessments and unrecorded salary and wage expenses related to the prior year
Total	\$ (36)	

Internal Service Funds

Fund Name	Amount	Description
Finance Fund #5007	\$ (5)	Adjust prior year ending fund balance for transfer to the General Fund
Graphic Services #5042	(342)	Record liability for buy-out of lease agreement from the prior year
Information Services Fund #5800	(1,505)	Adjustment for depreciation expense not recorded in prior year for SAP asset
Total	\$ (1,852)	

Government-wide Statements

Activity	Amount	Description
Governmental	\$ (1,902)	General Fund, Fire, Library, Finance, Graphics, and Information Service Fund. Detail described above.
Business	(36)	Convention Center Fund. Detail described above.
Total	\$ (1,938)	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

D. Segment Information

The following are the three segment enterprise funds maintained by the City. Segment information was as follows:

(amounts expressed in thousands)

CONDENSED STATEMENT OF NET ASSETS

	Convention Center & Bicentennial Pavilion Fund	Solid Waste Fund	(Belt line) Tacoma Rail	Total
Assets:				
Current assets	\$ 413	\$ 36,102	\$ 8,836	\$ 45,351
Due from other funds	1	117	32	150
Restricted assets	502	14,225	400	15,127
Capital assets (net)	71,814	89,072	13,958	174,844
Other non-current assets	807	1,177	5	1,989
Total assets	73,537	140,693	23,231	237,461
Liabilities:				
Current liabilities	618	12,138	1,821	14,577
Due to other funds	43	723	128	894
Current liabilities payable from restricted assets	-	534	68	602
Non-current liabilities	75,194	103,520	3,062	181,776
Total liabilities	75,855	116,915	5,079	197,849
Net assets:				
Investment in capital assets, net of related debt	(3,336)	28,641	11,412	36,717
Restricted	501	1,850	400	2,751
Unrestricted	517	(6,713)	6,340	144
Total Net Assets	\$ (2,318)	\$ 23,778	\$ 18,152	\$ 39,612

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

CONDENSED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET ASSETS

	Convention Center & Bicentennial Pavilion Fund			
	Pavillion Fund	Solid Waste Fund	(Belt line) Tacoma Rail	Total
Operating revenues	\$ 2,316	\$ 57,102	\$ 19,404	\$ 78,822
Depreciation expense	(2,200)	(6,100)	(641)	(8,941)
Other operating expenses	(4,517)	(44,024)	(18,089)	(66,630)
Operating income	(4,401)	6,978	674	3,251
Nonoperating revenues (expenses)				
Interest revenue	20	1,698	132	1,850
Interest expense	(3,346)	(3,604)	(81)	(7,031)
Other nonoperating revenues (expenses)	2,435	103	660	3,198
Capital contributions	-	-	-	-
Transfers	2,871	-	3,158	6,029
Change in net assets	(2,421)	5,175	4,543	7,297
Beginning net assets	139	18,603	13,609	32,351
Prior period adjustments	(36)	-	-	(36)
Ending net assets	\$ (2,318)	\$ 23,778	\$ 18,152	\$ 39,612

CONDENSED STATEMENT OF CASH FLOWS

	Convention Center & Bicentennial Pavilion Fund			
	Pavillion Fund	Solid Waste Fund	Tacoma Rail	Total
Net cash provided (used) by:				
Operating activities	\$ (2,288)	\$ 11,847	\$ 1,198	\$ 10,757
Noncapital financing activities	2,871	-	625	3,496
Capital and related financing activities	(940)	(40,574)	(2,149)	(43,663)
Investing activities	20	1,784	132	1,936
Net increase (decrease)	(337)	(26,943)	(194)	(27,474)
Beginning cash and cash equivalents	1,063	70,942	5,108	77,113
Ending cash and cash equivalents	\$ 726	\$ 43,999	\$ 4,914	\$ 49,639

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

E. The Performing Arts Center

As a result of subsequent transactions, the City entered into an Operating Agreement for possession and use of the building for a term of 35 years with two automatic renewal options of 10 years and 20 years. The future minimum annual lease payments paid by the Performing Arts Center Fund calculated at an implicit interest rate of 8 percent are as follows (amounts expressed in thousands):

2011	\$ 321
2012	297
2013	275
2014	254
2015	236
2016-2020	881
2021-2025	402
2026-2028	177

In addition, the future annual minimum sublease payments received by the Performing Arts Center Fund calculated at an implicit interest rate of 8 percent are as follows (amounts expressed in thousands):

2011	\$ 288
2012	266
2013	247
2014	228
2015	211
2016-2020	725
2021-2025	99
2026-2028	44

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 with Pierce County: the Law Enforcement Support Agency (LESA) and the Tacoma-Pierce County Health Department. The City and Pierce County are jointly responsible for approving the organizations budgets, financing their deficits, receiving entitlement to their surpluses, and funding their operations (approximately 50% each). 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. The City is the fiscal agent for LESA.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Joint Venture
(amounts expressed in thousands)

	LESA		HEALTH DEPARTMENT	
	12/31/2010		12/31/2010	
Balance Sheet Date	\$	7,194	\$	9,359
Total Assets				
Total Liabilities		1,875		3,549
Total Net Assets		5,319		5,810
Non-current Liabilities		855		450
Capital Assets (net of accumulated depreciation)		1,147		1,689
Total Revenues		19,864		31,563
Total Expenditures/Expenses		17,173		31,218
Other Non-operating Revenues/Expenditures		-		-
Transfers		-		-
Net Increase/(Decrease) in Net Assets		799		(1,115)

Additional information about each entity can be obtained from separately published financial statements by each entity by contacting LESA, 955 Tacoma Avenue South #102, Tacoma, WA 98402 and the Tacoma/Pierce County Health Department, 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 and the Law Enforcement Support Agency. If, in fact, any of these entities 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, 2011. 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)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

Project	Authorized	Spent-to-date	Remaining Commitment
2012 January Storm Event Tree and Debris Removal - Tucl	\$ 200	\$ -	\$ 200
2012 January Storm Event Tree and Debris Removal - Woodland	200	-	200
Hytebos Bridge Rehabilitation	16,974	15,999	975
LID 8644 (1-5) Permanent Alley, Storm and Sewer Improvements	919	812	107
City of Tacoma Stormwater Pipe Retrofit Project	846	588	258
Construction and Installation of ADA Compliance Upgrades	1,647	1,676	(29)
On-Call Environmental Contractor Services for Tacoma Landfill	157	50	107
Cured In Place Pipe (CIPP) Rehab	1,364	605	759
Solid Waste Management Recovery and Transfer Center	16,045	15,540	505
Landfill Administration and Shop Building Remodel	6,403	6,295	108
Sanitary Sewer Cured-In-Place-Pipe Rehabilitation North End	921	129	792
Eductor Decant Facility	2,760	2,029	731
Titlow Beach Seawall Repair	200	80	120
Commerce Street Station	444	429	15
13th and A Street Vaulted Sidewalk Repair	200	166	34
Salmon Beach Pump Station AN1304 Rehabilitation	1,649	659	990
Blakeslee Junction Track Realignment	1,293	702	591
2011 Wastewater Sewer Main Replacement and Extensions	624	498	126
Wastewater Sewer Reroute Sound Transit S 66th to S 72nd	502	554	28
Arterial Street Improvement - Alaska from S 56th to S 72nd	4,280	1,126	3,154
Tacoma Landfill Stage 3 Closure - Central Area Phase I	3,569	3,207	362
Puget Gulch - Wastewater Sewer Rehabilitation and Replacement	1,655	1,413	242
2011 (A) Sanitary Sewer Spot Repair Project	221	163	58
On-Call Wastewater Sewer & Side Sewer Connection Repair	260	28	232
Cheney Stadium Stormwater	1,399	841	558
Marine View Drive Pump Station AN4103 Upgrade	233	72	161
Arterial Street Repairs - S Tacoma Way & S Mildred	1,648	-	1,648
S 9th Pedestrian Improvements - Market to Commerce	571	384	187
Wastewater Sewer Main - Stevens from N 21st to N 27th	980	651	329
739 BJJD Structural Sidewalk Replacement	282	149	133
Tacoma Landfill Probe Station Abandonment	115	100	15
Central Wastewater Treatment HPOGS Improvements	1,911	-	1,911
303 East D Street Site Improvement	136	-	136
2011 (B) Sanitary Sewer Spot Repair Project	227	125	102
Tacoma Top 4 Bikeways - Phase I	49	-	49
S 15th & Fawcett Utilities Improvement	1,100	-	1,100
2011 On-Call Citywide Guardrail Installation	39	-	39
Foss Waterway Seaport North Wall	1,101	30	1,071
Wastewater Sewer Assessment - Video Inspection #2	39	39	-
Wastewater Sewer Assessment - Video Inspection #3	34	31	3
Wastewater Sewer Assessment - Video Inspection #4	8	-	8
Wastewater Sewer Assessment - Video Inspection #1	15	-	15
House Demo at 7202 S Lawrence	8	-	8
Central Treatment Plant Clarifier Safety Platforms	148	-	148
House Demo at 1402 S 11th	11	-	11
Tacoma Rail Maintenance Facility Improvements	996	813	183
	74,463	55,983	18,480

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1C. Solid waste utility—landfill closure and post closure liabilities

The Solid Waste Utility 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-89C583T, 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.

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 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. Due to the success of the City's groundwater pump and treat system, on February 11, 2009 EPA and DOE granted the City's request to shut down 14 of the Landfill's 19 groundwater extraction wells.

On December 21, 2009, EPA and DOE conditionally approved the City's request for an extension of the Landfill closure date until 2014. One of the conditions is for the City to fill the Landfill's remaining open cell and place a permanent cap over it by December 2014. The City began placing solid waste and fill in the open cell in 2010. Although future closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the Solid Waste Utility began reporting a portion of these future closure and post-closure care costs as an operating expense in 1994 based on landfill capacity used as of the balance sheet date.

The \$29,412,162 reported as landfill closure and post closure liability at December 31, 2011 represents an estimated closure and post-closure liability based on 99% use of total capacity of the landfill. This compares to \$31,367,832 at December 31, 2010 based on 97% of capacity. Based on 100% of capacity, the liability yet to be recognized is \$179,067 as of December 31, 2011 compared to \$874,988 as of December 31, 2010. Actual cost 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. The City satisfies the requirements of 40 CFR Part 258(f) - "Local government financial test." To meet previous requirements of State and Federal laws and regulations, annual contributions were made to a reserve for financing closure and post closure care. As of December 31, 2011, \$2,780,404 compared to \$2,771,660 in 2010 is held for these purposes, and is reported as a restricted asset on the balance sheet.

D. Potential environmental contamination or utility claims or suits

The City is identified as a responsible party in various environmental cleanup projects under the federal superfund statute. The City is involved in lawsuits to recover a portion of the cleanup costs from other parties and recovery from insurance policies. The City has also received grant funding to defray some of these costs. Other disclosures have been included for possible events of financial significance.

Part of Tacoma Lincoln Avenue Grade Separation Project Claim

On October 2, 2009, the Port of Tacoma ("Port") presented a claim against the City for recovery of a portion of the additional environmental costs to the Port incurred to handle, remove and dispose of contaminated soil and refuse during the construction of its Lincoln Avenue Grade Separation project ("Project"). The project includes surface street and utility improvements. In its claim, the Port alleged that the additional costs it incurred was a direct result of the City's prior operation of a solid waste landfill in the area where the project site is located. The City did use a portion of the project site to dispose of municipal solid waste in the 1940's and 1950's. The City settled the Port's claim in December 2009, by agreeing to pay \$498,973 toward the Port's additional environmental costs for Phases 1-4 of the Project. This payment represents forty percent of the Port's additional environmental costs. The Port completed the final phase of the project in 2011 and the City paid a settlement of \$122,100 in February 2012.

EPA Clean Air Act Penalty Action - During January 2009, the Department of Justice ("DOJ") and Environmental Protection Agency ("EPA") notified the City that the Tacoma Landfill had allegedly violated the federal clean air act and its implementing regulation by failing to properly recover ozone-depleting substances between October 2004 and August 2008 from refrigerant-containing appliances which were processed by Landfill staff for disposal. The City resolved any liability it may have had for the alleged violations by entering a Consent Decree settlement with

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

DOJ and EPA in August 2010. Under the terms of the settlement, the City paid the federal government a civil penalty in the amount of \$224,684, and agreed to complete three supplemental environmental projects ("SEPs"). These SEPs include purchasing a hydraulic launch garbage truck and a hybrid electric "yard mule" vehicle and using both for five years and retrofitting ten long-haul trucks with diesel reduction equipment and operating them for five years, or until the end of their useful life, whichever occurs first. The City has one vehicle purchase remaining under the SEP with an estimated cost of \$211,937.

Tacoma Rail, Department of Public Works, Mountain Division - Public Works own approximately 113 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 Mountain Rail operations. As of December 31, 2011, Mountain Rail has incurred a deficit of over \$1 million and is projected to be funded in 2012.

Coal Gasification Site

In 1993, Ecology designated the City as one of six Potentially Liable Persons ("PLP") for the release and threatened release of hazardous substances at the Coal Gasification Site. Ecology named the City a PLP because public rights-of-way traverse the Site, and because hazardous substances present at the Site migrated into the City municipal storm drain system, for eventual discharge to the Thea Foss Waterway. At this time, it is unclear whether Ecology will require the City to pay for any additional cleanup work at the site. The City spent \$674,383 on the site from 1993 through 2003, the majority of which was spent in the earlier years. Ecology has indicated in the past that it has plans to initiate Consent Decree negotiations with the City and other PLP's, to address additional remedial actions that must be performed to complete the clean-up of the Coal Gasification Site. To date, Ecology has not commenced Consent Decree negotiations.

Commencement Bay Natural Resource Damage (NRD)

The City has resolved federal, state, and tribal natural resource damage claims associated with municipal stormwater 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. Four projects have been completed. The City is expected to complete the fifth project in late 2011. Ongoing monitoring and maintenance of the various projects will continue through 2013. Included in the financial statements for 2011 and 2010 are liabilities of \$310,000 and \$445,962, respectively. 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 releases from these properties to damage natural resources. A Thea Foss Waterway NRDA settlement between non-City parties and the Commencement Bay Natural Resource Trustees could be reached in 2012.

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 stormwater 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, 2011 the City was notified by the Hylebos Performing Party Group that the cost of the Hylebos Waterway remedial action project totaled \$110,991,511. This number has since been adjusted downward setting the City's share of cost overruns at \$233,029. The City expects to pay this amount to the Hylebos performing Party Group in early 2012. The City also anticipates making an additional payment of \$63,317 to fully resolve the City's liability for any post-2011 cost overruns. The City reported an expense and liability of \$306,346 as of December 31, 2011.

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 one million dollars have been recognized in the financial statements as environmental liabilities.

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)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, educational and other needs of the Tribe; and 5) limited access into the Green River Watershed. The settlement will resolve past damage claims by the Tribe for Tacoma Water's historical operations on the river, gain the Tribe's support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma has been implementing this agreement.

Tacoma v. Bonney Lake, et al. - Tacoma Water filed a Complaint for Declaratory Judgment in June 2009 against local governments that refused to pay for hydrant services provided by Tacoma Water. The local governments claimed the indemnification clauses in the franchise agreements required Tacoma Water to pay all costs associated with the hydrant services. On May 14, 2010, King County Superior Court ruled in favor of local governments and Tacoma Water appealed the decision to the Washington State Supreme Court, who affirmed this outcome on January 23, 2012. Water will now collect these costs through charges to the ratepayers in these jurisdictions (where there is a franchise agreement) both prospectively and retrospectively, and it will refund any funds received from local governments for these services.

Cushman Federal Energy Regulatory Commission License. - In 1974, Tacoma Power petitioned the Federal Energy Regulatory Commission (FERC) to relicense its Cushman Dam Project located on the Skokomish River near Hoodspout, Washington. The Skokomish Tribe, along with others, contested significant portions of Tacoma Power's proposal before FERC. FERC issued a license in 1998 for the Cushman Project, but the proposed conditions significantly increased the cost of operating the project.

Tacoma Power appealed the license conditions to the U.S. Court of Appeals for the D.C. Circuit. The D.C. Circuit remanded the license back to FERC for consultation under the Endangered Species Act (ESA) after several salmon species, including Fall Chinook, Summer Chum and Bull Trout, were listed as threatened under the ESA in 1999. FERC issued a license order in June 2004 that incorporated conditions from ESA biological opinions issued by USFWS and NOAA Fisheries in March 2004. At the same time, FERC lifted a stay of interim conditions, thus requiring Tacoma Power to install a valve in Cushman No. 2, increase the amount of spill from the project to 240 cfs and construct a bridge on the Reichert ranch. On February 14, 2005, FERC denied rehearing and affirmed the License Order. Tacoma filed a petition for judicial review of the license in the D.C. Circuit and obtained a stay of the "interim conditions." The D.C. Circuit issued an opinion on August 22, 2006, remanding the license to FERC and lifting the stay on the interim conditions.

Tacoma Power, the Skokomish Tribe and the various federal and state agencies charged with giving input on the licensing articles agreed to a settlement on January 12, 2009. The settlement agreement, along with the proposed amended licensing articles, has been submitted to FERC for review and approval. On July 15, 2010, FERC issued its Order amending the project license pursuant to the terms of the settlement. Numerous property owners attempted to intervene and filed over a dozen objections to the license. FERC denied their motion to intervene as untimely; however, property owner Gerald Richert, who previously received intervention status, alleged numerous deficiencies in the licensing process related to the articles requiring increased flows in the North Fork of the Skokomish River, and requested rehearing. On May 19, 2011, FERC dismissed all of Mr. Richert's claims and his request for rehearing was denied. Mr. Richert appealed FERC's order to the Ninth Circuit Court of Appeals. At FERC's request, briefing in the case has been delayed until spring 2012, with oral argument to be held sometime during the summer of 2012. The law firm of Van Ness Feldman is representing Tacoma Power in this matter.

Federal Energy Regulatory Commission Refund Proceedings. This case involves Tacoma's pursuit of refunds from the 2000-2001 West Coast Energy Crisis through the Federal Energy Regulatory Commission (FERC) complaint process. In 2003, FERC ruled there was no market manipulation so refunds were unnecessary. FERC's ruling did not specifically consider the Enron-type evidence that was presented late in the case. FERC's decision was appealed, and the Ninth Circuit Court of Appeals in 2009 ordered FERC to consider the Enron-type evidence but left to FERC how it should consider the evidence and whether refunds were needed. On October 3, 2011, FERC issued its Order on remand requiring that an evidentiary type hearing be conducted and allowing the parties the right to enter evidence regarding individual sellers' unlawful market activities. Tacoma and the other net purchasers have filed requests for rehearing, disputing numerous aspects of the Order. As part of its October 3, 2011, Order, FERC stayed the evidentiary hearing, and ordered the parties to attend a settlement conference. Settlement negotiations between the purchasers and sellers are on-going.

Richert, et al. v. Tacoma - Mr. Richert and 20 other individuals filed suit in mason County Superior Court on October 27, 2010, against Power and the City of Tacoma, asserting they suffer ongoing damages from the increased water flows from Tacoma Power's Cushman Hydroelectric Project into the North Fork of the Skokomish River. Plaintiffs have not provided a specific dollar amount of damages in the suit. Tacoma has denied the claims. The case

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

has now been transferred to retired Judge Ron Castleberry from Skokomish County, who has agreed to hear the case to its conclusion. Summary judgment motions were filed on Friday, February 24, 2012, and oral argument is scheduled for late April 2012.

Baskin, et al. v. Tacoma - On May 9, 2011, the same attorney (Karen Willie) in the Richert, et al. suit above, filed a lawsuit in mason County Superior Court on behalf of Russell Baskin "and class members," alleging the same damages as in the Richert, et al. matter. Ms. Willie has attached to her Complaint the parcel numbers for most (if not all) of the remaining properties in the Skokomish Valley. Tacoma denies the claims. As referenced above in the Richert, et al. matter, retired Judge Castleberry, from Skokomish County Superior Court, will be presiding in this case, too. Litigation is on-going.

Theresa Steiner v. Tacoma - Ms. Steiner filed a Claim for Damages with the City on June 16, 2011, alleging, among other things, disability discrimination under RCW 49.60.180. On October 17, 2011, Ms. Steiner filed her Complaint in Pierce County Superior Court Cause No. 11-2-14769-5. The City filed its Notice of Appearance and will be represented by outside counsel Karen Kruse, from the firm of Jackson Lewis in Seattle (appointed by our insurance carrier). The case is in the early stages of discovery.

People of the State of California - A \$1.7 million claim was filed in January 2006, seeking damages for overpayments for wholesale power sold by Tacoma Power. After the Ninth Circuit ruled that refunds were not available against municipalities in the California Refund case (on grounds that FERC did not have jurisdiction over said entities), California filed this claim to preserve a claim for refunds under a contract theory. Tacoma Power has denied the claim, and it has not been named in the suit filed in California state court.

William Dickson - On February 15, 2012, a \$1.2 million claim was filed alleging that the remediation efforts by the Tacoma Public Utilities, Tacoma Water, and the City of Tacoma to treat contaminated soils on old Time Oil properties that William Dickson purchased were ineffective. Mr. Dickson claims the efforts reduced the value of his property and resulted in nuisance and trespass by EPA and city entities. Tacoma is currently investigating the claims.

Note 10 Contingent liabilities

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

There are no subsequent events.

CITY OF TACOMA, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
FOR DECEMBER 31, 2011

NOTE 12
CHANGES IN LONG TERM DEBT
(in dollar values in thousands)

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNTS ISSUED		REDEEMED AMOUNTS	
						2011	2011	2011	12/31/11
GENERAL OBLIGATION BONDS, LOANS, & NOTES									
Unlimited General Obligation Bonds									
Gen/Obl Bonds 2002	Police HQ & Substations	06/01/02	2002-2022	34,300	4.8448	3,220	1,575	1,945	1,945
Gen/Obl Bonds 2010	Refunding 2002 Bonds	11/10/10	2011-2022	21,870	2.6323	21,870	15	21,855	21,855
	Sutroco Unlimited (Voter)					26,090	0	1,289	23,801
Limited General Obligation Bonds									
LM Gen/Obl Bonds 1997 Ser B	Capital Improvements	08/05/97	2008-2018	16,100	5.4554	5,119		5,119	5,119
LM Gen/Obl Bonds 2001	Cap Imp & Ref '02 & '04 LTGO	07/15/01	2009-2014	17,360	4.4598	1,105		1,105	1,105
LM Gen/Obl Bonds 2004 Conv Cr	Construction	08/05/04	2004-2004	51,900	4.8273	44,825		44,825	44,825
LM Gen/Obl Bonds 2005A Conv Cr	Improvements	08/19/06	2005-2011	12,845	4.8273	12,845		12,845	12,845
LM Gen/Obl Bonds 2005B Conv Cr	Improvements	08/19/06	2005-2011	12,845	4.8273	12,845		12,845	12,845
LM Gen/Obl Bonds 2007 Financing Structure	Berthoff Parking Structure	12/21/07	2008-2027	9,810	5.0328	8,050		8,050	8,050
LM Gen/Obl Notes 2009 ECMS	Software Purchase	07/13/09	2009-2013	1,738	2.6500	1,219		1,219	788
LM Gen/Obl Bonds 2009A Cherry	Capital Improvements	12/15/09	2011-2025	15,380	5.0000	15,380		15,380	15,380
LM Gen/Obl Bonds 2009B Dock & Gratiot	Capital Improvements	12/15/09	2011-2025	15,380	5.0000	15,380		15,380	15,380
LM Gen/Obl Bonds 2009C Cherry	Capital Improvements	12/15/09	2011-2025	15,380	5.0000	15,380		15,380	15,380
LM Gen/Obl Bonds 2009D Cherry	Capital Improvements	12/15/09	2011-2025	15,380	5.0000	15,380		15,380	15,380
LM Gen/Obl Bonds 2009E Multiple Projects	Capital Improvements	12/15/09	2010-2014	5,000	1.7400	4,000		4,000	1,000
LM Gen/Obl Bonds 2009F Cherry & Env Remed	Capital Improvements	12/17/09	2008-2025	13,526	5.7200	13,526		13,526	13,526
LM Gen/Obl Bonds 2009G Cherry & Env Remed	Capital Improvements	12/17/09	2008-2025	9,691	7.2000	9,691		9,691	9,691
LM Gen/Obl Bonds 2010C Refunding Bonds	Refunding	11/10/10	2010-2015	7,355	5.8075	7,355		7,355	7,355
LM Gen/Obl Bonds 2010D Refunding Bonds	Refund 2001, 2007, 2009 LTGO	11/10/10	2015-2023	30,225	5.0366	30,225		30,225	30,225
LM Gen/Obl Bonds 2010E Bonds	Capital Improvements	11/10/10	2015-2030	9,130	5.7158	9,130		9,130	9,130
LM Gen/Obl Bonds 2010E Bonds	Capital Improvements	11/10/10	2015-2040	9,130	5.7158	9,130		9,130	9,130
	Sutroco Limited (Councilmatic)					189,716	0	1,216	188,500
Washington State Public Works Trust Fund Loan									
CTED PWTF No. 96-791-065	Capital Improvements	06/17/98	1999-2018	9,000	1.0000	4,323		4,323	3,733
CTED PWTF No. 04-691-068	Capital Improvements	06/20/04	2004-2024	4,300	0.5000	7,444	500	625	7,416
	Sutroco Washington State Loan (Councilmatic)					11,721	500	1,872	11,189
Lease Purchases									
TAC0810-0001 Series F	Capital Improvements	12/01/01	2008-2013	426	4.9425	142		142	98
San Storage & Chco	Equip Purchase	12/01/08	2009-2013	3401	0.0000	1,676		1,676	625
	Sutroco Lease Purchase (Councilmatic)					2,218	0	659	1,341
	Total General Obligation Bonds, Loans, & Notes					228,994	500	4,247	224,247

Basic Financial Statements, 3-77

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

CITY OF TACOMA, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
FOR DECEMBER 31, 2011

NOTE 13

CHANGES IN LONG TERM DEBT
(in dollar values in thousands)

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNTS ISSUED		REDEEMED AMOUNTS	
						2011	2011	2011	12/31/11
GENERAL OBLIGATION BONDS, LOANS, & NOTES									
Greater Tacoma Convention Center									
Tac CC & Parking Rev Bonds, Series 2004	Construction	08/19/04	2006-2024	22,975	4.4207	23,050		23,050	23,050
Tac CC & Parking Rev/Bldg Bonds, Series 2010	Refunding 2004 Bonds	11/10/10	2015-2024	5,015	3.7656	5,015		5,015	5,015
	Sutroco Convention Center					26,065	0	0	26,065
Wastewater Utility									
Sewer Revenue Bonds 2011A	Improvements/Refunding	10/15/11	2016 - 2031	53,250	5.1599	36,026		36,026	0
Sewer Refunding Bonds 2002	Refunding	03/01/02	2002 - 2015	28,800	4.1250	28,800		28,800	28,800
State Revolving Fund (SRF) Loan	Treatment Plant Upgrade	09/11/00	2004 - 2027	72,000	1.5000	66,155		2,450	10,860
State Revolving Fund (SRF) Loan	Improvements/Refunding	06/29/08	2008 - 2038	55,000	4.8482	54,050		3,389	54,490
Sewer TSS3 Loan Water Treatment Plant Lease	Property Agreement	01/02/00	2010 - 2038	16,550	5.2172	15,972		287	16,083
Sewer Rev & Ref Bonds 2011	Refunding	10/21/11	2022 - 2031	34,315	3.9166		34,315		34,315
	Sutroco Sewer					191,927	34,315	44,151	182,091
Surface Water TSS/Urban Wetland Capital Lease									
DOE SFR Loan L-1000007	Property Agreement	01/20/09	2010 - 2026	14,246	5.2172	13,744		247	13,907
	Sewer Plant Upgrade	02/07/06	2011 - 2030	474	2.9608		474		468
	Sutroco Surface Water					13,744	474	256	13,962
Solid Waste Utility									
Reuse Utility Bonds 1997 B	Refunding	04/01/97	2000-2019	80,370	5.6725	4,655		2,315	2,350
Reuse Utility Bonds 2001	Additional Refunding	10/15/01	2006-2021	32,615	5.0504	6,000		6,000	0
Solid Waste Revenue Bonds, 2004A	Capital Improvements	07/17/06	2011-2026	29,385	4.2900	29,385		29,385	29,385
Solid Waste Revenue Bonds, 2006B	Capital Improvements	05/27/08	2008 - 2018	12,245	3.8577	12,245		12,245	12,245
Solid Waste Revenue Bonds, 2008	Refunding	09/25/08	2011-2017	12,245	3.8577	12,245		12,245	12,245
Solid Waste TSS/Urban Wetland Capital Lease	Property Agreement	01/20/09	2011-2038	7,102	5.2172	7,426		133	7,296
	Sutroco Refuse					81,338	0	5,438	73,901
Electric System									
Electric System 1989 Revenue Bonds	Capital Improvements	08/01/89	2013	36,646	5.4900	13,500		13,500	13,500
Electric System 1997 Revenue Bonds	Capital Improvements	10/20/91	2000-2012	101,860	4.7207	32,065		32,065	14,620
Electric System 2004A Revenue Bonds	Capital Improvements	07/17/06	2004-2017	60,450	4.0376	60,450		60,450	59,905
Electric System 2005A Revenue Bonds	Capital Improvements	09/04/05	2005-2021	158,425	4.2900	152,300		152,300	3,548
Electric System 2005B Revenue Bonds	Capital Improvements	09/04/05	2005-2021	158,425	4.2900	152,300		152,300	93,200
Electric System 2007 Rev & Ref Bonds	Refunding	07/13/07	2008-2015	81,130	3.7549	75,330		75,330	191,600
Electric System 2010 Rev Bonds (BABS)	Capital Improvements	07/27/10	2014-2015	16,000	1.8644	16,000		16,000	16,000
Electric System 2010C Rev Bonds (CREBS)	Capital Improvements	07/27/10	2013-2025	147,070	3.9071	147,070		147,070	147,070
	Sutroco Electric System					612,815	0	26,890	586,725
Water System									
Water Sys Ref Rev Bonds 2001	Construction	12/01/01	2005-2011	32,300	4.0731	650		650	0
PW-CW3RF-00-60-20-031	Construction	10/07/02	2003-2021	3,060	2.5020	1,775		1,775	1,611
PW-01-691-061	Construction	04/11/01	2003-2021	1,000	0.5000	575		575	521
PW-01-691-061-127	Construction	02/16/02	2003-2021	1,000	0.5000	587		587	533
	Construction	02/16/02	2003-2021	1,000	0.5000	596		596	542

Basic Financial Statements, 3-78

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

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT OS 01-01-11	ISSUED 2011	REDEEMED 12/31/11	AMOUNT OS 12/31/11
Construction Regional Supply	Construction Regional Supply	12/15/02	2005-2032	82,700	4.8820	17,550	631	800	78,790
Water Sys Ref & Rev Bonds 2003	Construction & Refinance	09/01/03	2004-2023	51,380	4.2340	31,915	3,185	28,020	26,320
PW-04-01-PRC-101	Construction	03/19/04	2006-2024	1,000	0.0000	747	1,885	53	694
Water Sys Ref & Rev Bonds 2005	Construction & Refinance	10/11/05	2006-2025	40,500	4.6390	39,385	370	76,599	37,420
Water Sys Ref & Rev Bonds 2006	Construction & Refinance	07/27/06	2007-2026	40,500	4.6390	39,385	370	76,599	37,420
Water Sys Rev Bonds 2009 (Tacoma BABS)	Capital Improvements	11/04/09	2033-2039	78,725	3.7780	76,725	0	0	76,725
PC08-051-047	Construction	11/25/09	2010-2028	10,000	0.5000	9,283	514	8,749	8,749
DM07-050-015	Construction	03/31/10	2010-2028	4,040	1.5000	3,448	191	3,257	3,257
WACO Revs 08-065-074	Construction	04/09/10	2013-2032	8,579	1.0000	5,480	0	0	5,984
Water Sys Ref & Rev Bonds 2010A	Construction	07/27/10	2013-2032	28,000	3.2490	27,485	0	0	27,485
Water Sys Ref & Rev Bonds 2010B	Construction	08/24/10	2013-2040	74,985	5.5636	74,985	0	0	74,985
Water RWSS Revenue Bonds 2010A	Construction	08/24/10	2013-2024	3,955	3.2490	3,956	0	0	3,956
Water RWSS Revenue Bonds 2010B	Construction	08/24/10	2025-2040	44,245	5.5636	44,245	0	0	44,245
PW-04-01-PRC-102	Construction	08/17/11	2015-2034	8,060	1.5000	0	5,450	0	5,450
Subtotal Water System									
						417,916	5,964	8,741	410,089
Tacoma Rail									
Rail Revenue Bond 2006 (B0A)	Capital Improvements	12/21/06	2007-2017	2,000	5.3900	1,274	190	190	1,184
WA State Rail Loan RR000407 2009	Capital Improvements	08/04/09	2010-2024	28	0.0000	25	2	2	23
WA State Rail Loan RR000408 2009	Capital Improvements	08/04/09	2011-2025	249	0.0000	249	15	15	233
WA State Rail Loan RRB-1007	Capital Improvements	12/09/11	2011-2022	450	0.0000	0	450	0	450
Subtotal Tacoma Rail									
						1,648	456	208	1,890
Lease Revenue									
Lease Revenue Bonds 1890	Construction	00/15/90	1992-2022	26,250	9.3478	25,180	1,300	1,300	23,880
Lease Revenue Bonds 1892	Construction	12/15/92	1993-2022	4,695	7.4759	3,125	165	165	2,960
Subtotal Lease Revenue									
						28,215	0	1,465	26,850
Conservation Revenue Bonds, guaranteed by BPA									
Conservation System 2003 Bonds	Conservation Project	09/02/03	2003-2014	17,065	4.1957	6,675	1,505	1,505	6,120
Total Conservation Bonds									
						6,675	0	1,505	5,120
Total Revenue Bonds									
						\$1,382,244	\$41,223	\$90,714	\$1,332,753

Basic Financial Statements, 3-79

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

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT OS 01-01-11	ISSUED 2011	REDEEMED 12/31/11	AMOUNT OS 12/31/11
Total General Obligation & Revenue Bonds									
						\$1,610,838	\$41,723	\$98,591	\$1,557,000
SPECIAL ASSESSMENT BONDS									
Local Improvement District Bonds									
District #60 Bonds	Construction	04/01/04	2026	1,026	3.9290	205	80	145	145
District #63 Bonds	Construction	09/28/11	2023	1,557	4.1800	0	1,557	0	1,557
Subtotal LD Bonds/Notes									
						205	1,557	80	1,762
Bond Anticipation Notes									
Revolving Line of Credit	LD Construction	06/00/00	At CLD Issue	\$13mm Max	Floating	11,649	1,443	2,117	10,975
Revolving Line of Credit - Point Reason	LD Construction	06/29/11	2/28/2013	\$28mm Max	3.4500	10,039	0	0	13,039
Subtotal Bond Anticipation Notes									
						11,649	1,443	2,117	24,014
Total Special Assessment Bonds									
						\$11,854	\$15,029	\$2,177	\$25,716
Total All Bonds									
						\$1,622,692	\$57,752	\$97,738	\$1,582,716
						\$1,622,692	\$57,752	\$97,738	\$1,582,716

- Water related to debt increases:
- CTED PWTF No. 04-091-058 fire loan draw
 - Sewer Rev & Ref Bonds 2011 - Refunding of 2011A Sewer Revenue Bonds
 - PW-04-01-PRC-102 - Refunding of 2011A Sewer Revenue Bonds
 - PW-04-01-PRC-101 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-101 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-102 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-103 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-104 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-105 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-106 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-107 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-108 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-109 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-110 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-111 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-112 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-113 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-114 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-115 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-116 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-117 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-118 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-119 - Refunding of 2011A Sewer Revenue Bonds
 - CD-04-01-PRC-120 - Refunding of 2011A Sewer Revenue Bonds

Basic Financial Statements, 3-80

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

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) (b)	Unfunded AAL (UAAL) (2) (b-a)	Funded Ratio	Covered Payroll (3) (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/1995	\$ 367.1	\$ 394.50	\$ 27.4	93.1%	\$ 106.1	25.8%
1/1/1997	482.7	477.9	(4.8)	101.0%	116.3	-4.1%
1/1/1998	523.8	515.7	(8.1)	101.6%	116.1	-7.0%
(4) 1/1/1999	570.7	536.9	(33.8)	106.3%	122.3	-27.6%
(5) 1/1/1999	570.7	537.6	(33.1)	106.2%	122.3	-27.1%
(6) 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%
1/1/2010	1,074.8	1,132.9	58.1	94.9%	219.6	26.5%

- (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, 2009 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)
1/1/2004	\$ 0	\$ 39	\$ 39	1%	\$ 0	10933%
1/1/2006	1	38	37	2%	0	12867%
1/1/2008	1	35	34	2%	0	16481%
1/1/2010	1	36	34	3%	0	15176%

Required Supplementary Information, 4-1

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)
1/1/2004	\$ 1	\$ 26	\$ 25	4.0%	\$ 0	31390%
1/1/2006	3	25	22	10.6%	-	N/A
1/1/2008	3	23	20	13.4%	-	N/A
1/1/2010	5	22	17	23.7%	-	N/A

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)
1/1/2008	\$ -	\$ 33.21	\$ 33.21	0.0%	\$ 1.87	2887%
1/1/2009	-	34.93	34.93	0.0%	1.21	2895%
1/1/2010	-	34.93	34.93	0.0%	1.54	2272%
1/1/2011	-	39.30	39.30	0.0%	1.60	2477%

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)
1/1/2008	\$ -	\$ 130.99	\$ 130.99	0.0%	\$ 7.24	1809%
1/1/2009	-	156.69	156.69	0.0%	6.95	2255%
1/1/2010	-	156.69	156.69	0.0%	7.44	2107%
1/1/2011	-	190.57	190.57	0.0%	7.63	2499%

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)
1/1/2008	\$ -	\$ 13.22	\$ 13.22	0.0%	\$ 0.05	26440%
1/1/2009	-	12.39	12.39	0.0%	0.11	11371%
1/1/2010	-	12.39	12.39	0.0%	0.17	7330%
1/1/2011	-	16.88	16.88	0.0%	0.25	6785%

Required Supplementary Information, 4-2

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)
	1/1/2008	\$ -	\$ 0.71	\$ 0.71	0.0%	\$ 0.10	682%
	1/1/2009	-	1.16	1.16	0.0%	0.06	2070%
	1/1/2010	-	1.16	1.16	0.0%	0.06	1883%
	1/1/2011	-	1.82	1.82	0.0%	0.10	1677%

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 reappropriated 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

Required Supplementary Information, 4-3

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 and Street Fund's budgetary information is located in the Required Supplementary Information section on page 4-5 and 4-6. All Non-Major governmental funds budgetary information are located in the Combining Statements Non-Major Funds section on pages 5-19 to 5-50.

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.

Required Supplementary Information, 4-4

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended December 31, 2011
(amounts expressed in thousands)

	APPROVED ORIGINAL BUDGET 2011-2012 BIENNIUM	APPROVED REVISED BUDGET 2011-2012 BIENNIUM	ACTUAL BIENNIUM- TO-DATE THRU 12/31/2011	VARIANCE WITH APPROVED REVISED BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ 354,972	\$ 354,972	\$ 172,989	\$ (181,983)
Licenses and permits	7,002	7,002	3,242	(3,760)
Intergovernmental revenue	19,952	19,932	8,775	(11,157)
Charges for services	4,712	4,732	1,196	(3,536)
Fines and forfeitures	2,261	2,261	724	(1,537)
Investment earnings	2,832	2,832	1,046	(1,786)
Miscellaneous revenues	2,819	2,820	1,060	(1,760)
TOTAL REVENUES	394,550	394,551	189,032	(205,519)
EXPENDITURES				
Current:				
General government	53,929	52,501	21,578	(30,923)
Security of persons & property	244,646	245,674	128,370	(117,304)
Economic environment	31,392	32,193	13,694	(18,499)
Mental and physical health	24,259	2,511	1,354	(1,157)
Culture and recreation	5,674	27,110	12,845	(14,265)
Capital outlay	2,788	3,100	2,033	(1,067)
Debt service:				
Principal retirement	6,030	6,030	-	(6,030)
Interest and fiscal charges	-	-	13	13
TOTAL EXPENDITURES	368,718	369,119	179,887	(189,232)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,832	25,432	9,145	(16,287)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	419	419	-	(419)
Transfer in	3,603	3,602	1,286	(2,316)
Transfer (out)	(29,854)	(29,854)	(16,373)	13,481
TOTAL OTHER FINANCE SOURCES(USES)	(25,832)	(25,833)	(15,087)	10,746
NET CHANGE IN FUND BALANCE		(401)	(5,942)	(5,541)
FUND BALANCE - JANUARY 1	39,995	39,995	39,995	-
Prior period adjustment	-	-	(318)	(318)
FUND BALANCE - JANUARY 1, RESTATED	39,995	39,995	39,677	(318)
FUND BALANCE - DECEMBER 31	\$ 39,995	\$ 39,594	\$ 33,735	\$ (5,859)

Perspective Difference Reconciliation:
ACTUAL FUND BALANCE - GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

\$ 33,735

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
Unclaimed Property Fund#(1)6330

1,117

TOTAL FUND BALANCE - GENERAL FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS

\$ 34,852

Required Supplementary Information, 4-5

STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended December 31, 2011
(amounts expressed in thousands)

	APPROVED ORIGINAL BUDGET 2011-2012 BIENNIUM	APPROVED REVISED BUDGET 2011-2012 BIENNIUM	ACTUAL BIENNIUM- TO-DATE THRU 12/31/2011	VARIANCE WITH APPROVED REVISED BUDGET OVER (UNDER)
REVENUES				
Taxes	\$ -	\$ -	\$ 17	\$ 17
Licenses and permits	443	443	151	(292)
Intergovernmental revenue	77,475	89,975	37,809	(52,166)
Charges for services	4,418	4,418	2,606	(1,812)
Investment earnings	-	-	171	171
Miscellaneous revenues	7,850	7,850	293	(7,557)
TOTAL REVENUES	90,186	102,686	41,047	(61,639)
EXPENDITURES				
Current:				
Transportation	146,785	182,610	22,790	(159,820)
Capital outlay	-	142	49,048	48,906
TOTAL EXPENDITURES	146,785	182,752	71,838	(110,914)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,599)	(80,066)	(30,791)	49,275
OTHER FINANCING SOURCES (USES)				
Transfer in	40,917	40,917	13,107	(27,810)
Transfer (out)	(850)	(850)	(247)	603
Issuance of debt	11,530	32,710	14,986	(17,724)
TOTAL OTHER FINANCE SOURCES(USES)	51,597	72,777	27,846	(44,931)
NET CHANGE IN FUND BALANCE	(5,002)	(7,289)	(2,945)	4,344
FUND BALANCE - JANUARY 1	10,194	10,194	10,194	-
Prior period adjustment	-	-	(2,950)	(2,950)
FUND BALANCE - JANUARY 1, RESTATED	10,194	10,194	7,244	(2,950)
FUND BALANCE - DECEMBER 31	\$ 5,192	\$ 2,905	\$ 4,299	\$ 1,394

Required Supplementary Information, 4-6

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
American Recovery and Reinvestment Act of 2009 - Note 9			
Direct			
Department of Housing and Urban Development			
ARRA-Community Development Block Grant ARRA Entitlement Grants - Note 8A	14.253	B-09-MY-53-0007	35,899
Total CFDA Number-Community Development Block Grant ARRA Entitlement Grants	14.253		35,899
ARRA-Homelessness Prevention and Rapid Re-Housing Program - Note 8B	14.257	S-09-MY-53-0003	550,786
Total CFDA Number-ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257		550,786
Department of Housing and Urban Development Total			586,685
Department of Justice			
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009-RJ-WX-0087	642,978
Total CFDA Number-ARRA-Public Safety Partnership and Community Policing Grants	16.710		642,978
ARRA-Edward Byrne Memorial Justice Assistance Grant Program to Units of Local Government	16.804	2009-SB-B9-1674	267,361
Program Income-Expended	16.804	2009-SB-B9-1674	12,874
Total CFDA Number-ARRA-Edward Byrne Memorial Justice Assistance Grant Program to Units of Local Government	16.804		293,109
ARRA-Edward Byrne Memorial Competitive Grant Program	16.808	2009-SB-B9-0148	1,264,281
Total CFDA Number-ARRA-Edward Byrne Memorial Competitive Grant Program	16.808		1,264,281
Department of Justice Total			2,200,368
Environmental Protection Agency			
ARRA-Brownfields Job Training Cooperative Agreement	66.815	2J-00J03901, JT-00J48001	139,121
Total CFDA Number-ARRA-Brownfields Job Training Cooperative Agreements	66.815		139,121
Environmental Protection Agency Total			139,121
Department of Energy			
ARRA-Renewable Energy Research and Development Recovery	81.087	DE-EE0002669	2,756,432
Total CFDA Number-ARRA-Renewable Energy Research and Development Recovery	81.087		2,756,432
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) - Note 8C	81.128	DE-FOA-0000013	846,709
Total CFDA Number-ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		846,709
ARRA - Energy Efficiency and Renewable Energy Technology Deployment, Demonstration and Commercialization - Note 6A	81.129	DE-EE0003391	57,975
Total CFDA Number-ARRA-Energy Efficiency and Renewable Energy Technology Deployment, Demonstration and Commercialization	81.129		57,975
Department of Energy Total			3,661,116
American Recovery and Reinvestment Act Direct Total			6,587,290

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Indirect			
Department of Housing and Urban Development			
Pass Through Washington State Department of Commerce			
ARRA-Community Development Block Grants/State's Program	14.228	08-F6401-022	188,400
Total CFDA Number-ARRA-Community Development Block Grants/State's Program	14.228		188,400
ARRA-Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	F09-432AR-430	48
Total CFDA Number-ARRA-Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		48
Department of Housing and Urban Development Total			188,448
Environmental Protection Agency			
Pass Through Puget Sound Clean Air Agency			
ARRA-National Clean Diesel Emissions Reduction Program	66.039	96094801	2,365,427
Total CFDA Number-ARRA-National Clean Diesel Emissions Reduction Program	66.039		2,365,427
Pass Through Washington State Department of Ecology			
ARRA-Green Project Reserve-ARRA Storm Pipe Retrofit Loan-Capitalization Grants for Clean Water State Revolving Funds	66.458	L1000007	2,716
Total CFDA Number-ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458		2,716
Pass Through Washington State Department of Commerce-Public Works Board			
ARRA-Capitalization Grants for Clean Water State Revolving Funds - 2009 - Note 4A(1)	66.468	DR09-952-074 - 2011 draw	524,023
ARRA-Capitalization Grants for Clean Water State Revolving Funds - 2010 - Note 4A(2)	66.468	DM10-952-026 - 2011 draw	5,460,000
Total CFDA Number-ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.468		5,984,023
Environmental Protection Agency Total			8,352,166
Department of Energy			
Pass Through Puget Sound Clean Air Agency			
ARRA-Conservation Research and Development Recovery	81.086	DE-E0002020	126,245
Total CFDA Number-ARRA-Conservation Research and Development Recovery	81.086		126,245
Pass Through Chargepoint America			
ARRA-Renewable Energy Research and Development - Note 6A	81.087	DE-EE0002020	408,949
Total CFDA Number-ARRA-Renewal Energy Research and Development	81.087		431,449
Department of Energy Total			557,694

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Department of Health and Human Services			
<u>Pass Through WA State Child Care Resource & Referral Network</u>			
ARRA-Child Care and Development Block Grant	93.713	N/A	28,957
Total CFDA Number-ARRA-Child Care and Development Block Grant	93.713		28,957
Department of Health and Human Services Total			28,957
American Recovery and Reinvestment Act Indirect Total			9,127,265
American Recovery and Reinvestment Act Total - Note 9			15,714,555
Office of Drug Control Policy			
<u>Pass Through Pierce County</u>			
Nutrition Services NW HIDTA	07.570	17PNWP518Z	6,087
Total CFDA Number-Nutrition Services NW HIDTA	07.570		6,087
Office of Drug Control Policy Total			6,087
Department of Agriculture			
<u>Pass Through Washington State Department of Natural Resources</u>			
Cooperative Forestry Assistance	10.664	IAA-10-338/K244-07-DG-599	25,000
Total CFDA Number-Cooperative Forestry Assistance	10.664		25,000
Department of Agriculture Total			25,000
Department of Commerce			
<u>Pass Through Pierce County</u>			
Public Safety Interoperable Communications Grant Program	11.555	2007-IO-T8-0027	30,834
Total CFDA Number-Public Safety Interoperable Communications Grant Program	11.555		30,834
Department of Commerce Total			30,834
Department of Defense			
<u>Pass Through National Association of Child Care Resource and Referral Agency-Cost Reimbursement Contract</u>			
Army Child Care in Your Neighborhood	12.999	N/A	185,221
Total CFDA Number-Army Child Care in Your Neighborhood	12.999		185,221
<u>Pass Through National Association of Child Care Resource and Referral Agency-Cost Reimbursement Contract</u>			
DOD Enhanced Child Care Referral	12.999	N/A	9,340
Total CFDA Number-DOD Enhanced Child Care Referral	12.999		9,340
<u>Pass Through National Association of Child Care Resource and Referral Agency-Cost Reimbursement Contract</u>			
USAF Family Member Program Respite Care	12.999	N/A	4,153
Total CFDA Number-USAF Family Member Program Respite Care	12.999		4,153
Department of Defense Total			198,714

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Department of Housing and Urban Development			
Direct			
Community Development Block Grant Yr. 35 - Note 8D	14.218	B-09-MC-53-0007	758,899
Community Development Block Grant Yr. 36 - Note 8E	14.218	B-10-MC-53-0007	1,446,344
Program Income-Interest			101,960
Program Income-Expended			101,960
Total CFDA Number-Community Development Block Grants/Entitlement Grants	14.218		2,409,163
Special Purpose Grant 1995-BRLF-Community Development Block Grants/Technical Assistance Program	14.227	WA-19-SPG-501	5,830
Total CFDA Number-Community Development Block Grants/Technical Assistance Program	14.227		5,830
Emergency Shelter Program 2010 - Note 8F	14.231	S-10-MC-53-0003	79,362
Emergency Shelter Program 2011 - Note 8G	14.231	E-11-MC-53-0003	55,237
Total CFDA Number-Emergency Shelter Grants Program	14.231		134,599
Home Investment Partnerships Program Grant-2008-Note 8H	14.239	M-08-DC-53-0206	1,186,786
Home Investment Partnerships Program Grant-2009-Note 8I	14.239	M-09-DC-53-0206	1,057,643
Total CFDA Number-Home Investment Partnerships Program	14.239		2,244,429
Community Development Block Grants-Section 108 Loan Guarantees - Note 4B			14.248
Fair Housing Assistance Program State and Local 2010	14.401	FF-210K-10-1007	(185)
Fair Housing Assistance Program State and Local 2011	14.401	FF-210K-11-1007	94,904
Program Income (Fair Housing Conference Registration Fees)	14.401	FF-210K-11-1007	19,545
Program Income-Expended	14.401	FF-210K-11-1007	19,545
Total CFDA Number-Fair Housing Assistance Program State and Local	14.401		133,809
Department of Housing and Urban Development Direct Total			4,927,830
Indirect			
<u>Pass Through Pierce County</u>			
Community Development Block Grant - 2010	14.218	B-10-UC-53-0002	2,500
Total CFDA Number-Community Development Block Grants/Entitlement Grants	14.218		2,500
<u>Pass Through Puget Sound Regional Council</u>			
Sustainable Communities Regional Planning Grant Program - 2011	14.703	WARIP0042-10	87,446
Total CFDA Number-Sustainable Communities Regional Planning Grant Program	14.703		87,446
Department of Housing and Urban Development Indirect Total			89,946
Department of Housing and Urban Development Total			5,017,776
Department of the Interior			
Fish & Wildlife Service			
<u>Pass Through Washington State Recreation & Conservation Office</u>			
Boating Infrastructure Grant - North Moorage Float	15.622	Y-14-D-18-1304D	178,307
Total CFDA Number-Boating Infrastructure Grant	15.622		178,307
Department of the Interior Total			178,307

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Department of Justice			
Direct			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DJ-BX-0930	88,069
Program Income-Interest	16.580	2007-DJ-BX-0930	2,804
Program Income-Expended	16.580	2007-DJ-BX-0930	2,804
Total CFDA Number-Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		93,677
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0400	82,701
Program Income-Interest	16.738	2008-DJ-BX-0400	699
Program Income-Expended	16.738	2008-DJ-BX-0400	699
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0527	64,868
Program Income-Interest	16.738	2009-DJ-BX-0527	2,229
Program Income-Expended	16.738	2009-DJ-BX-0527	2,229
Edward Byrne Memorial Justice Assistance Grant Program - Note 8J	16.738	2010-DJ-BX-0619	303,589
Program Income-Interest	16.738	2010-DJ-BX-0619	3,668
Program Income-Expended	16.738	2010-DJ-BX-0619	3,668
Edward Byrne Memorial Justice Assistance Grant Program- Note 8K	16.738	2011-DJ-BX-3162	194,605
Program Income-Interest	16.738	2011-DJ-BX-3162	5,048
Program Income-Expended	16.738	2011-DJ-BX-3162	5,048
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	13,757
Total CFDA Number-Edward Byrne Memorial Justice Assistance Grant	16.738		682,808
Drug Enforcement Administration (DEA)			
Cost Reimbursement Contracts			
DEA - Tactical Diversion Task Force Prescription Fraud	16.999	N/A	6,277
DEA - Tacoma Regional Task Force Agreement	16.999	N/A	21,935
DEA - Tactical Diversion Task Force Prescription Drug	16.999	N/A	19,539
DEA - Organized Crime Drug Enforcement Task Force	16.999	PA-WAW-0218	483
Total CFDA Number-Drug Enforcement Administration Cost Reimbursement Contract	16.999		48,234
Federal Bureau of Investigation (FBI)			
Cost Reimbursement Contracts			
FBI - Pacific NW FBI Innocence Lost Task Force	16.999	N/A	7,449
FBI - Pierce County Violent Crimes Task Force	16.999	N/A	5,373
Total CFDA Number-Federal Bureau of Investigation Cost Reimbursement Contract	16.999		12,822
			Department of Justice Direct Total
			837,541
Indirect			
Pass Through Washington State Department of Social and Health Services - Juvenile Rehabilitation Administration			
Juvenile Accountability Incentive Block Grant - Note 8L	16.523	0664-98463-05	21,903
Total CFDA Number-Juvenile Accountability Incentive Block Grant	16.523		21,903
Pass Through Pierce County Sheriff			
Violence Against Women Formula Grant	16.588	N/A	7,551
Total CFDA Number-Violence Against Women Formula Grant	16.588		7,551

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Pass Through WASPC & Pierce County Sheriff			
Community Prosecution and Project Safe Neighborhoods (Anti-Gang Initiative)			
Total CFDA Number-Community Prosecution and Project Safe Neighborhoods	16.609	2007-PG-BX-0031	4,428
	16.609		4,428
Pass Through WASPC & Pierce County Sheriff:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	38,201
Gang Emphasis	16.738	N/A	10,040
Gang Investigations	16.738	N/A	12,213
Gang Enforcement Initiative	16.738	2009-DJ-BX-0527	9,575
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	805
Total CFDA Number-Edward Byrne Memorial Justice Assistance Grant Program	16.738		70,834
			Department of Justice Indirect Total
			104,716
			Department of Justice Total
			942,257
Department of Transportation			
Direct			
Federal Railroad Administration			
Railroad Development (Rail Line Improvements)	20.314	WA278	3,201
Total CFDA Number-Railroad Development	20.314		3,201
			Department of Transportation Direct Total
			3,201
Federal Highway Administration			
Indirect			
Pass Through Washington State Department of Transportation			
Tyler Street (S. 38th-56th Sts)	20.205	STPUL-2971(002)	137,758
Tyler Street (S. 38th St to S. 56th St)	20.205	STPUL-2971(002)	70,685
Prairie Line Trail	20.205	STPE-1280(084)	4,567
Lincoln Avenue Bridge & Overlay	20.205	P-STPUL-TA96(314)	2,490,588
Pacific Avenue Streetscape	20.205	STPD-3081(004)	901,368
25th St S. Corridor Signal Improvements	20.205	HSIP-3240(001)	1,203
LINK Light Rail Pedestrian Improvements	20.205	CM-9927(045)	362,603
South Tacoma Way Corridor Multimodal Imp	20.205	STPUL-2977(088)	54,594
Portland Avenue (E. 29th St - E. 56th St)	20.205	STPUL-3133(006)	1,981
South Tacoma Way (Pine St - S. 38th St)	20.205	STPUL-2977(004)	11,211
Pavement Management System Improvement & Integration	20.205	STPUS-1280(030)	97
Pacific Ave Safety & Mobility Improvements	20.205	STUL-3081(003)	12,838
Stadium Way (S. 9th St - N. 1st St)	20.205	STPUL-3073(003)	746,660
2008 Sidewalk Reconstruction Project	20.205	CM-9927(048)	72,368
Thea Foss Waterway Esplanade - Site 1	20.205	CM-1280(029)	14,257
Foss Harbor Esplanade - Site 11 (Phase 1)	20.205	STPE-1280(031)	43,584
Pedestrian & Bicycle Safety Xing Signals	20.205	HLP-PB09(007)	13,205
Murray Morgan Bridge Rehabilitation - Note 10	20.205	STP-STPUL-3268(003)	27,418,166
2011 Sidewalk Reconstruction Project	20.205	CM-9927(051)	36,639
Foss Harbor Esplanade Site 11 (Phase 2)	20.205	STPE-1280(035)	24,266
Historic Water Ditch Trail - Phase II	20.205	STPUL-9927(052)	89,931
Thea Foss Waterway Study	20.205	TCSP-TC03(002) LA-5607	97,795
Total CFDA Number-Highway Research and Development	20.205		32,606,364

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Pass Through Washington State Traffic Safety Commission	20.600	AI10-03	(488)
State and Community Highway Safety	20.600		(488)
Total CFDA Number-State and Community Highway Safety			(488)
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	62,139
Total CFDA Number-Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		62,139
Department of Transportation Indirect Total			32,668,015
Department of Transportation Total			32,671,216
Equal Employment Opportunity Commission			
Employment Discrimination Title VII of the Civil Rights Act of 1964 (Fair Employment 2010)	30.001	EECCN090064	11,147
Employment Discrimination Title VII of the Civil Rights Act of 1964 (Fair Employment 2011)	30.001	EECCN090064	15,999
Total CFDA Number-Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001		27,146
Equal Employment Opportunity Commission Total			27,146
National Endowment for the Arts			
Promotion of the Arts-Grants to Organizations and Individuals - Note 8M	45.024	11-6200-7015	10,000
Promotion of the Arts-Grants to Organizations and Individuals - Note 8N	45.024	10-4229-7089	18,750
Total CFDA Number-Promotion of the Arts-Grants to Organizations and Individuals	45.024		28,750
National Endowment for the Arts Total			28,750
Institute Of Museum and Library Services, National Foundation on the Humanities			
Pass Through Washington State Library			
Library Service and Technology Act Grant Agreement- Grants to States	45.310	IG-12/118	2,000
Total CFDA Number-Library Service and Technology Act Grant Agreement-Grants To States	45.310		2,000
Total Institute of Museum and Library Services, National Foundation on the Humanities			2,000
Environmental Protection Agency			
Pass through King County			
Puget Sound Watershed Management Assistance	66.120	PO00J09001-1	76,362
Pass Through Washington State Department of Commerce-Public Works Board			
Puget Sound Watershed Management Assistance	66.120	PO00J09301-1	2,420
Total CFDA Number-Puget Sound Watershed Management Assistance	66.120		78,782
Environmental Protection Agency Total			78,782
Department of Health and Human Services			
Pass Through Washington State Child Care Resource & Referral Network			
Child Care and Development Block Grant	93.575	N/A	89,477
Program Income	93.575	N/A	14,145
Program Income Expenditures	93.575	N/A	14,145

CITY OF TACOMA, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Child Care and Development Block Grant	93.575	N/A	79,951
Program Income	93.575	N/A	9,587
Program Income Expenditures	93.575	N/A	9,587
Total CFDA Number-Child Care and Development Block Grant	93.575		216,892
Pass Through Tacoma-Pierce County Health Department			
National Bioterrorism Hospital Preparedness Program	93.889	N/A	273
Total CFDA Number-National Bioterrorism Hospital Preparedness Program	93.889		273
Department of Health and Human Services Total			217,165
Department of Homeland Security			
Direct			
Assistance to Firefighters Grant (SAFER 2010)	97.044	EMW-2010-FH-01042	652,200
Assistance to Firefighters Grant (Driving Simulator)	97.044	EMW-2010-FO-09988	83
Assistance to Firefighters Grant (Fire Exhaust System)	97.044	EMW-2009-FO-06693	431,041
Total CFDA Number-Assistance to Firefighters Grant	97.044		1,083,324
Department of Homeland Security Direct Total			1,083,324
Indirect			
Washington State Military Department			
National Urban Search and Rescue (US&R) Response System - Hurricane Irene EMAC Deployment	97.025	N/A	228
Total CFDA Number-National Urban Search and Rescue (US&R) Response System	97.025		228
Federal Emergency Management Administration - January 2009 Disaster	97.036	FD-1817-DR-WA, 30-581, 41-1369	368,415
Total CFDA Number-Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		368,415
Emergency Management Performance Grant (EMPG)	97.042	E10-307	95,991
Emergency Management Performance Grant (EMPG)	97.042	E12-082	32,590
Total CFDA Number-Emergency Management Performance Grants	97.042		128,581
Metro Medical Response Systems	97.071	E09-231	110,687
Metro Medical Response Systems	97.071	E09-054	12,549
Total CFDA Number-Metro Medical Response Systems	97.071		123,236
Washington State Military Department Indirect Total			620,460
Pierce County Department of Emergency Management			
National Urban Search and Rescue (US&R) Response System	97.025	2009-SR-24-K011	2,508
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2008-CA-150	795
Total CFDA Number-National Urban Search and Rescue Response System	97.025		3,303
Port Security Grant Program	97.056	N/A	13,209
Total CFDA Number-Port Security Grant Program	97.056		13,209

CITY OF TACOMA, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name Program Title	2 CFDA Number	3 Other Identification Number	4 Expenditures
Homeland Security Grant Program (UASI)	97.067	2009-SS-T9-0015	18,968
Homeland Security Grant Program (State Homeland Security)	97.067	2008-GE-T8-0038	34,152
Homeland Security Grant Program - Seattle UASI	97.067	FUASI09	27,997
Homeland Security Grant Program	97.067	N/A	24,028
Homeland Security Grant Program	97.067	2008-GE-T8-0038 E09-150	(2,001)
Homeland Security Grant Program - Note 6B	97.067	N/A	77,845
Homeland Security Grant Program - Note 6B	97.067	N/A	501,405
Homeland Security Grant Program (CERT)	97.067	N/A	17,776
Homeland Security Grant Program - Tacoma & Lakewood Exercise	97.067	N/A	1,432
Total CFDA Number-Homeland Security Grant Program	97.067		701,602
<u>Pierce County Dept of Emergency Management Indirect Total</u>			<u>718,114</u>
<u>Indirect Washington State Parks and Recreation Commission</u>			
U.S. Coast Guard Boating Safety Financial Assistance - Cost Reimbursement Contract	97.012	N/A	35,690
Total CFDA Number-U.S. Coast Guard Boating Safety Financial Assistance	97.012		35,690
<u>Department of Homeland Security Indirect Total</u>			<u>1,374,264</u>
<u>Department of Homeland Security Total</u>			<u>2,457,588</u>
<u>TOTAL FEDERAL ASSISTANCE</u>			<u>57,596,177</u>

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011**

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 award 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

(1) In 2009 Tacoma Water was provided a \$5,984,022 ARRA loan to improve its drinking water system by the Washington State Department of Commerce - Public Works Board as a pass through from the Environmental Protection Agency. \$524,023 was drawn in 2011.

(2) In 2010 Tacoma Water was provided a \$5,460,000 ARRA loan to Reconstruct the McMillin Reservoir by the Washington State Department of Commerce - Public Works Board as a pass through from the Environmental Protection Agency. \$5,460,000 was drawn in 2011.

The amount listed for each loan includes just the amounts drawn in the current year. Both the current year and prior year loans are also reported on Tacoma Water's Schedule of Long-Term Liabilities.

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 will not be issued until 2012.

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.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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NOTE 5 - NONCASH AWARDS - VACCINATIONS - N/A

NOTE 6 - NONCASH AWARDS - EQUIPMENT AND SUPPLIES

6A - Equipment and supplies purchased with Department of Energy funds by Coulomb Technologies. The amount reported on the schedule is the value of the property on the date it was received by the City and priced by the vendor.

6B - Equipment and supplies purchased with Homeland Security funds by the State of Washington or 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 the purchasing agency. Office of Drug Control Policy agency also provided and priced the equipment and supplies.

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	35,899	ARRA 14.253	B-09-MY-53-0007
8B	535,509	ARRA 14.257	S-09-MY-53-0003
8C	241,562	ARRA 81.128	DE-FOA-0000013
8D	353,833	14.218	B-09-MC-53-0007
8E	1,002,676	14.218	B-10-MC-53-0007
8F	69,137	14.231	S-10-MC-53-0003
8G	54,477	14.231	E-11-MC-53-0003
8H	1,160,915	14.239	M-08-DC-53-0206
8I	978,825	14.239	M-09-DC-53-0206
8J	248,232	16.738	2010-DJ-BX-0619
8K	199,653	16.738	2011-DJ-BX-3162
8L	21,903	16.523	0664-98463-05
8M	7,550	45.024	11-6200-7015
8N	18,750	45.024	10-4229-7089

NOTE 9 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Includes expenditures for programs funded by ARRA.

NOTE 10 - COMMINGLED FUNDING

Funding for the Murray Morgan Bridge Rehabilitation project is a mix of federal (USDOT Federal Highway Administration) and state (Washington State Department of Transportation) money. Cannot identify the federal / state portions of the funding because it is all passed through the state.