STATEMENT OF NET POSITION
December 31, 2012
(amounts expressed in thousands)
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	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 159,935	$ 459,123	$ 619,058
Investments at fair value	4,190	-	4,190
Receivables (net of allowance for uncollectibles)	16,135	93,850	109,985
Due from other governmental units	31,696	1,683	33,379
Internal balances	11,046	(11,046)	-
Inventories	3,451	10,551	14,002
Prepaids	854	6,991	7,845
Other current assets	-	4,190	4,190
Temporarily restricted assets:			
Cash and cash equivalents	-	320,743	320,743
Investments at fair value	-	1,060	1,060
Notes and contracts receivable	-	465	465
Customer Deposits	-	174	174
Contracts, notes, non-current leases	-	37,183	37,183
Capital assets (not being depreciated):			
Land	34,726	149,651	184,377
Property, plant, and equipment	1,829	-	1,829
Construction in progress	54,758	125,512	180,270
Capital assets:			
Property, plant, and equipment	223,601	3,577,827	3,801,428
Infrastructure	1,303,723	-	1,303,723
Accumulated depreciation	(762,891)	(1,358,906)	(2,121,797)
Non-current assets			
Other non-current assets	-	60,796	60,796
Total assets	1,083,053	3,479,847	4,562,900
LIABILITIES			
Accounts payable and other current liabilities	35,075	93,847	128,922
Deposits payable	103	790	893
Due to other governments	212	511	723
Unearned revenue	8,063	31,431	39,494
Payable from restricted assets current liabilities	-	3,708	3,708
Other liabilities	-	117,116	117,116
Special assessment debt with governmental commitment	1,647	-	1,647
Non-current liabilities:			
Due within one year	67,210	59,245	126,455
Due in more than one year	253,921	1,349,250	1,603,171
Total liabilities	366,231	1,655,898	2,022,129
NET POSITION			
Net investment in capital assets	699,307	1,401,679	2,100,986
Restricted for:			
Capital purchases	16,667	29,340	46,007
Debt Service	2,486	42,665	45,151
Water & assurance & system development	-	24,266	24,266
Culture and recreation	13,350	-	13,350
Self-insurance	-	2,579	2,579
Environmental services and programs	-	3,011	3,011
Inspections	-	45	45
Wynoochee reserve	-	2,490	2,490
Agreements with federal government	-	(1,046)	(1,046)
Crime prevention & safety	11,629	-	11,629
Local improvement districts and neighborhoods	6,578	-	6,578
Public works projects	14,474	-	14,474
Grants	1,311	-	1,311
Facilities and garages	8,371	-	8,371
Public services and housing urban development	7,539	-	7,539
Unrestricted	(64,890)	318,920	254,030
Total net position	$ 716,822	$ 1,823,949	$ 2,540,771

COMPONENT UNITS		
TCRA	GTRCC PFD	FWDA
$ 3,705	$ 481	$ 1,195
-	-	-
715	-	132
1,648	492	-
-	-	-
-	-	-
11	-	37
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,357	-	8,408
-	-	-
-	-	2,396
2,606	-	19,400
-	-	80
6	-	(2,905)
45,050	-	-
55,098	973	28,743
715	-	25
-	-	29
-	973	38
-	-	26
-	-	-
-	-	5
-	-	-
456	-	44
3,357	-	4,100
4,528	973	4,267
3,969	-	23,266
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
46,602	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	1,210
$ 50,571	$ -	$ 24,476

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(amounts expressed in thousands)
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FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANT & CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	$ 52,038	$ 6,607	$ 4,097	$ 150
Public safety	150,575	20,306	6,164	1,008
Utilities and environment	2	93	-	-
Transportation	52,424	9,434	528	35,668
Mental and physical health	757	421	776	-
Economic environment	23,510	2,380	542	-
Culture and recreation	10,690	1,180	2,867	512
Interest on long-term debt	6,351	2,658	-	-
Total governmental activities	296,347	43,079	14,974	37,338
Business-type activities:				
Permit Services	6,335	5,978	-	-
Mountain Rail	2,267	1,655	-	3,199
Parking Garage	5,638	4,812	-	136
Convention Center	9,991	4,606	-	69
Cheney Stadium	1,679	818	-	186
Tacoma Dome	5,656	4,627	-	139
Performing Arts	1,098	-	-	103
Solid Waste	59,391	57,541	275	-
Waste Water	83,294	81,582	355	4,872
Union Station	2,435	-	-	-
Tacoma Rail	22,486	24,314	-	174
Water	76,755	81,508	-	11,320
Power	395,954	395,105	(450)	8,946
Low income Assistance	69	64	-	206
Power - Conservation	308	2	-	1,872
Total business-type activities	673,356	662,612	180	31,222
Total primary government	969,703	705,691	15,154	68,560
Component units:				
TCRA	2,383	-	2,840	-
GRTCC PDF	2,947	-	-	-
FWDA	1,001	687	380	2,838
Total component units	$ 6,331	$ 687	$ 3,220	$ 2,838
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 position beginning				
Prior period adjustment				
Net position beginning (restated)				
Net position ending				

CHANGES IN NET POSITION					
PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TCRA	GTRCC PFD	FWDA
$ (41,184)	$ -	$ (41,184)	$ -	$ -	$ -
(123,097)	-	(123,097)	-	-	-
91		91	-	-	-
(6,794)	-	(6,794)	-	-	-
440	-	440	-	-	-
(20,588)	-	(20,588)	-	-	-
(6,131)	-	(6,131)	-	-	-
(3,693)	-	(3,693)	-	-	-
(200,956)	-	(200,956)	-	-	-
	(357)	(357)	-	-	-
-	2,587	2,587	-	-	-
-	(690)	(690)	-	-	-
-	(5,316)	(5,316)	-	-	-
-	(675)	(675)	-	-	-
-	(890)	(890)	-	-	-
-	(995)	(995)	-	-	-
-	(1,575)	(1,575)	-	-	-
-	3,515	3,515	-	-	-
-	(2,435)	(2,435)	-	-	-
-	2,002	2,002	-	-	-
-	16,073	16,073	-	-	-
-	7,647	7,647	-	-	-
-	201	201	-	-	-
-	1,566	1,566	-	-	-
-	20,658	20,658	-	-	-
(200,956)	20,658	(180,298)	-	-	-
-	-	-	457	-	-
-	-	-	-	(2,947)	-
-	-	-	-	-	2,904
$ -	$ -	$ -	$ 457	$ (2,947)	$ 2,904
$ 64,900	$ -	$ 64,900	$ -	$ -	$ -
46,738	-	46,738	-	2,939	-
90,710	-	90,710	-	-	-
856	18,947	19,803	22	8	11
1,684	341	2,025	-	-	-
(10,186)	10,186	-	-	-	-
194,702	29,474	224,176	22	2,947	11
(6,254)	50,132	43,878	479	-	2,915
729,358	1,774,363	2,503,721	49,853	-	21,561
(6,282)	(546)	(6,828)	239	-	-
723,076	1,773,817	2,496,893	50,092	-	21,561
$ 716,822	$ 1,823,949	$ 2,540,771	$ 50,571	$ -	$ 24,476

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
(amounts expressed in thousands)

	GENERAL FUND #0010	STREET FUND #1060	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 17,951	$ 2,599	$ 92,462	$ 113,012
Investments at fair value	-	-	4,190	4,190
Accounts receivables (net)	7,000	2,771	6,153	15,924
Due from other funds	1,553	443	403	2,399
Due from other governments	22,295	4,581	5,113	31,989
Inventories	1,058	1,793	75	2,926
Prepayments	173	25	19	217
Advances to other funds	11,803	-	4,053	15,856
TOTAL ASSETS	$ 61,833	$ 12,212	$ 112,468	$ 186,513
DEFERRED OUTFLOWS OF RESOURCES				
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ -	$ -	$ -	$ -
LIABILITIES				
Accounts payable	2,038	4,328	1,933	8,299
Due to other funds	2,212	353	1,396	3,961
Due to other governments	212	-	-	212
Accrued wages	4,393	437	766	5,596
Accrued benefits	546	-	-	546
Accrued taxes	44	-	69	113
Customer deposits	-	5	98	103
Other current liabilities	912	-	-	912
Advances from other funds	-	-	5,597	5,597
Unearned revenue	8,780	4,142	2,849	15,771
TOTAL LIABILITIES	19,137	9,265	12,708	41,110
DEFERRED INFLOWS OF RESOURCES				
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES (DEFICITS)				
Nonspendable	16,719	1,818	95	18,632
Restricted	-	-	78,341	78,341
Committed	-	-	20,669	20,669
Committed - Council Contingencies	1,130	-	-	1,130
Assigned	1,274	1,129	5,734	8,137
Unassigned	23,573	-	(5,079)	18,494
TOTAL FUND BALANCES (DEFICITS)	42,696	2,947	99,760	145,403
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 61,833	$ 12,212	$ 112,468	$ 186,513

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITON - GOVERNMENTAL FUNDS
December 31, 2012
(amounts expressed in thousands)

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	145,403
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet.		821,823
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.		22,209
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.		3,686
Long Term Liabilities are not reported in the governmental funds balance sheet.		(749)
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.		(274,614)
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.		(5,000)
Street Fund audit adjustments not material to the government-wide statements.		4,064
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	716,822

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)

	GENERAL FUND #0010	STREET FUND #1060	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 179,471	$ -	$ 23,557	$ 203,028
Licenses and permits	2,789	109	145	3,043
Intergovernmental revenue	10,460	23,015	18,820	52,295
Charges for goods and services	15,051	2,672	6,392	24,115
Fines and penalties	693	-	3,079	3,772
Interest and other earnings	657	97	1,904	2,658
Miscellaneous revenues	2,125	216	4,100	6,441
TOTAL REVENUES	211,246	26,109	57,997	295,352
EXPENDITURES				
Current:				
General government	45,615	-	3,593	49,208
Public safety	114,305	-	24,101	138,406
Transportation	286	17,549	3,544	21,379
Economic environment	12,595	-	7,038	19,633
Mental and physical health	-	-	684	684
Culture and recreation	11,100	-	3,033	14,133
Debt service:				
Principal payments	-	-	3,991	3,991
Interest and other related costs	-	-	6,117	6,117
Capital expenditures	1,771	50,371	3,253	55,395
TOTAL EXPENDITURES	185,672	67,920	55,354	308,946
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,574	(41,811)	2,643	(13,594)
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	-	30,235	-	30,235
Issuance discount on long-term debt	-	-	(3)	(3)
Proceeds from sales of capital assets	654	-	1,030	1,684
Insurance recoveries	37	6	-	43
Transfer in	4,783	11,627	12,345	28,755
Transfer (out)	(20,426)	(1,357)	(11,240)	(33,023)
TOTAL OTHER FINANCE SOURCES(USES)	(14,952)	40,511	2,132	27,691
NET CHANGE IN FUND BALANCE	10,622	(1,300)	4,775	14,097
FUND BALANCE - JANUARY 1	34,852	4,299	94,141	133,292
Prior period adjustment	(2,778)	(52)	844	(1,986)
FUND BALANCE - JANUARY 1. RESTATED	32,074	4,247	94,985	131,306
FUND BALANCE - DECEMBER 31	$ 42,696	$ 2,947	$ 99,760	$ 145,403

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, 2012
(amounts expressed in thousands)

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	14,097
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.		23,452
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(680)
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		(7,771)
Net pension obligation		(4,840)
Compensated absences		(1,732)
Accrued Interest Expense		(234)
The net revenue of certain activities of internal service funds is reported with governmental activities:		
Profit Loss reallocation that decrease expenditure		(5,454)
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		(31,147)
Principal repayment		3,991
Street Fund audit adjustments not material to the government-wide statements.		4,064
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(6,254)

STATEMENT OF NET POSTION
PROPRIETARY FUNDS
December 31, 2012
(amounts expressed in thousands)
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	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTE WATER FUND #4300-03	WATER FUND #4600	POWER FUND #4700
ASSETS				
Current assets:				
Cash and cash equivalents	$ 34,580	$ 80,607	$ 37,666	$ 261,385
Accounts receivable (net)	6,231	10,856	10,503	58,867
Due from other funds	26	16	947	3,412
Advances to other funds - current	-	-	-	-
Due from other governments	143	446	320	-
Inventory	-	856	2,341	6,116
Prepayments	-	114	603	3,915
Other current assets	-	159	4,027	-
Current restricted assets:	-	-	-	-
C&CE - debt services, deposits and replacements	2,112	8,592	3,318	58,500
C&CE - construction accounts	3,692	15,789	58,834	42,584
C&CE - other special purposes	2,780	-	98,699	19,543
Investments - other special purposes	-	-	-	-
Notes and contracts receivable (current)	-	-	465	-
Customer deposits	64	110	-	-
Total restricted assets	8,648	24,491	161,316	120,627
Total current assets	49,628	117,545	217,723	454,322
Non-current assets:				
Notes and contracts receivable (non-current)	-	-	-	1,495
Advances to other funds	-	-	-	-
Other non-current assets	1,650	5,333	10,086	42,380
Capital assets:	-	-	-	-
Land	3,104	10,322	22,706	76,128
Property, plant, and equipment	178,962	637,455	798,029	1,616,161
Less: accumulated depreciation	(98,044)	(193,705)	(156,877)	(783,904)
Construction work in progress	243	17,997	59,542	45,938
Total capital assets net of depreciation	84,265	472,069	723,400	954,323
Total non-current assets	85,915	477,402	733,486	998,198
TOTAL ASSETS	135,543	594,947	951,209	1,452,520
DEFERRED OUTFLOW OF RESOURCES				
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	-	-	-

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTE WATER FUND #4300-03	WATER FUND #4600	POWER FUND #4700
LIABILITIES				
Current liabilities:				
Accounts payable	$ 1,844	$ 4,417	$ 17,997	$ 11,690
Due to other funds	685	1,073	1,371	3,975
Due to other governments	-	510	-	-
Advances from other funds	-	-	-	-
Interest payable	-	285	1,949	13,514
Deposits payable	212	-	-	-
Accrued wages	543	1,058	1,064	4,485
Accrued benefits	115	272	-	-
Accrued taxes	614	648	1,596	18,785
Environmental liability - current	3,000	966	-	-
Notes, contracts & leases - current	144	4,110	3,637	-
Revenue bonds - current	2,388	-	7,205	28,785
Unearned revenue	-	25,179	-	-
Other	4,650	-	266	-
Current payables from restricted assets:				
Debt principal payable	217	-	-	-
Debt interest payable	272	365	-	-
Deposits and other payables	62	110	-	2,837
Total current liabilities	14,746	38,993	35,085	84,071
Non-current liabilities:				
Revenue bonds payable (net)	62,860	93,822	362,310	518,251
Advances from other funds	-	-	-	-
Compensated absences	1,032	2,444	2,122	8,702
Environmental liability - non-current	-	550	-	-
Notes, contracts & leases payable - non-current	7,012	87,276	46,871	-
Net OPEB obligation	1,101	1,671	2,055	6,281
Other - non-current liabilities	-	-	49,886	53,919
Non-current payables from restricted assets:				
Accrued landfill liability	24,935	-	-	-
Total non-current liabilities	96,940	185,763	463,244	587,153
TOTAL LIABILITIES	111,686	224,756	498,329	671,224
DEFERRED INFLOW OF RESOURCES				
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-
NET POSITION				
Net investment in capital assets	23,088	346,184	384,739	492,577
Restricted:				
Restricted for capital purchases	-	-	-	-
Restricted for debt	1,624	8,227	1,369	29,070
Restricted for waste assurance and systems development	-	-	24,266	-
Restricted for self-insurance	-	-	-	-
Restricted for environmental services and programs	-	-	-	-
Restricted for inspections	-	-	-	-
Restricted agreements with federal government	-	-	-	-
Restricted for Wynoochee Reserve	-	-	-	2,490
Unrestricted	(855)	15,780	42,506	257,159
TOTAL NET POSITION	$ 23,857	$ 370,191	$ 452,880	$ 781,296

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(amounts expressed in thousands)
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	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
ASSETS			
Current assets:			
Cash and cash equivalents	$ 16,815	$ 431,053	$ 74,993
Accounts receivable (net)	7,385	93,842	219
Due from other funds	1,945	6,346	7,262
Advances to other funds - current	-	-	118
Due from other governments	774	1,683	20
Inventory	617	9,930	1,146
Prepayments	2,359	6,991	637
Other current assets	4	4,190	-
Current restricted assets:			
C&CE - debt services, deposits and replacements	4,399	76,921	-
C&CE - construction accounts	-	120,899	-
C&CE - other special purposes	1,901	122,923	-
Investments - other special purposes	1,060	1,060	-
Notes and contracts receivable (current)	-	465	-
Customer deposits	-	174	-
Total restricted assets	7,360	322,442	-
Total current assets	37,259	876,477	84,395
Non-current assets:			
Notes and contracts receivable (non-current)	35,688	37,183	-
Advances to other funds	-	-	729
Other non-current assets	1,347	60,796	-
Capital assets:			
Land	37,391	149,651	357
Property, plant, and equipment	293,552	3,524,159	158,903
Less: accumulated depreciation	(90,963)	(1,323,493)	(109,840)
Construction work in progress	3	123,723	4,547
Total capital assets net of depreciation	239,983	2,474,040	53,967
Total non-current assets	277,018	2,572,019	54,696
TOTAL ASSETS	314,277	3,448,496	139,091
DEFERRED OUTFLOW OF RESOURCES			
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	-	-

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(amounts expressed in thousands)
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	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,425	$ 37,373	$ 11,511
Due to other funds	804	7,908	4,451
Due to other governments	1	511	-
Advances from other funds	863	863	133
Interest payable	727	16,475	54
Deposits payable	578	790	-
Accrued wages	864	8,014	940
Accrued benefits	-	387	5
Accrued taxes	451	22,094	9
Environmental liability - current	-	3,966	-
Notes, contracts & leases - current	1,532	9,423	969
Revenue bonds - current	5,826	44,204	-
Unearned revenue	6,252	31,431	42
Other	1,610	6,526	43,609
Current payables from restricted assets:			
Debt principal payable	-	217	-
Debt interest payable	-	637	-
Deposits and other payables	62	3,071	-
Total current liabilities	20,995	193,890	61,723
Non-current liabilities:			
Revenue bonds payable (net)	116,615	1,153,858	-
Advances from other funds	9,121	9,121	989
Compensated absences	1,539	15,839	1,603
Environmental liability - non-current	-	550	-
Notes, contracts & leases payable - non-current	1,064	142,223	-
Net OPEB obligation	183	11,291	-
Other - non-current liabilities	13,311	117,116	8,291
Non-current payables from restricted assets:			
Accrued landfill liability	-	24,935	-
Total non-current liabilities	141,833	1,474,933	10,883
TOTAL LIABILITIES	162,828	1,668,823	72,606
DEFERRED INFLOW OF RESOURCES			
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	135,047	1,381,635	52,574
Restricted:			
Restricted for capital purchases	4,691	4,691	24,649
Restricted for debt	2,375	42,665	-
Restricted for waste assurance and systems development	-	24,266	-
Restricted for self-insurance	-	-	2,579
Restricted for environmental services and programs	3,011	3,011	-
Restricted for inspections	45	45	-
Restricted agreements with federal government	(1,046)	(1,046)	-
Restricted for Wynoochee Reserve	-	2,490	-
Unrestricted	7,326	321,916	(13,317)
TOTAL NET POSITION	$ 151,449	$ 1,779,673	$ 66,485

RECONCILIATION OF TOTAL ENTERPRISE NET POSITON
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2012
(amounts expressed in thousands)

NET POSITION - TOTAL ENTERPRISE FUNDS	$	1,779,673
Amounts reported for business activities in the statement of net position assets are different because:		
Internal service fund are used by management to charge the cost of support services to individual enterprise funds. In this case the support service is fleet management. The assets and liabilities of the fleet fund are included in the business activities in the government-wide statement of net position.		44,276
NET POSITION OF BUSINESS ACTIVITIES	$	1,823,949

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)
Page 1 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTE WATER FUND #4300-03	WATER FUND #4600	POWER FUND #4700
OPERATING REVENUES				
Charges for goods and services	$ 55,917	$ 79,212	$ 80,681	$ 387,883
Interfund insurance premiums	-	-	-	-
Miscellaneous revenues	891	990	-	-
TOTAL OPERATING REVENUES	56,808	80,202	80,681	387,883
OPERATING EXPENSES				
Salary and wages	11,579	24,039	11,931	61,933
Personnel benefits	3,857	-	8,136	36,094
Supplies	2,605	5,375	1,547	117,239
Services	22,745	21,157	10,988	52,195
Intergovernmental services (interfund taxes)	4,544	6,698	8,567	42,108
Interfund payments for services (health benefits)	2,469	4,881	-	-
Depreciation expense	6,855	12,674	15,263	57,842
TOTAL OPERATION EXPENSES	54,654	74,824	56,432	367,411
OPERATING INCOME (LOSS)	2,154	5,378	24,249	20,472
NON-OPERATING REVENUES (EXPENSES)				
Interest and other earnings	775	2,161	7,203	5,836
Interest and other related costs	(3,732)	(6,279)	(19,418)	(23,267)
Amortization of bond discount & expense	(40)	(371)	128	54
Operating contributions - interfund	-	-	-	(450)
Operating contributions - federal/state/local	251	332	-	-
Other non revenues and (expenses)	89	493	-	2,961
Gain(loss) of disposition of property	(166)	(699)	-	95
NON OPERATING REVENUE NET OF EXPENSE	(2,823)	(4,363)	(12,087)	(14,771)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(669)	1,015	12,162	5,701
Capital contributions - interfund	-	-	-	-
Capital contributions - federal/state/local	-	4,845	3,841	4,349
Capital contributions - private	-	27	7,479	4,597
Transfer in	901	684	401	1,446
Transfer (out)	(153)	(2)	(191)	(183)
CHANGES IN NET POSITION	79	6,569	23,692	15,910
NET POSITION				
NET POSITION - JANUARY 1	23,778	363,622	429,188	765,386
Prior period adjustments	-	-	-	-
NET POSITION - JANUARY 1 RESTATED	23,778	363,622	429,188	765,386
NET POSITION - DECEMBER 31	$ 23,857	$ 370,191	$ 452,880	$ 781,296

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
OPERATING REVENUES			
Charges for goods and services	$ 41,966	$ 645,659	$ 47,030
Interfund insurance premiums	-	-	83,735
Miscellaneous revenues	89	1,970	2,795
TOTAL OPERATING REVENUES	42,055	647,629	133,560
OPERATING EXPENSES			
Salary and wages	16,044	125,526	16,686
Personnel benefits	6,567	54,654	78,249
Supplies	2,054	128,820	3,676
Services	15,384	122,469	27,322
Intergovernmental services (interfund taxes)	2,196	64,113	74
Interfund payments for services (health benefits)	-	7,350	-
Depreciation expense	7,626	100,260	8,903
TOTAL OPERATION EXPENSES	49,871	603,192	134,910
OPERATING INCOME (LOSS)	(7,816)	44,437	(1,350)
NON-OPERATING REVENUES (EXPENSES)			
Interest and other earnings	2,773	18,748	1,056
Interest and other related costs	(7,167)	(59,863)	(144)
Amortization of bond discount & expense	(19)	(248)	-
Operating contributions - interfund	-	(450)	-
Operating contributions - federal/state/local	-	583	47
Other non revenues and (expenses)	4,204	7,747	(1,084)
Gain(loss) of disposition of property	-	(770)	245
NON OPERATING REVENUE NET OF EXPENSE	(209)	(34,253)	120
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(8,025)	10,184	(1,230)
Capital contributions - interfund	425	425	234
Capital contributions - federal/state/local	3,233	16,268	-
Capital contributions - private	2,426	14,529	-
Transfer in	8,879	12,311	3,986
Transfer (out)	(1,966)	(2,495)	(9,534)
CHANGES IN NET POSITION	4,972	51,222	(6,544)
NET POSITION			
NET POSITION - JANUARY 1	147,023	1,728,997	61,760
Prior period adjustments	(546)	(546)	11,269
NET POSITION - JANUARY 1 RESTATED	146,477	1,728,451	73,029
NET POSITION - DECEMBER 31	$ 151,449	$ 1,779,673	$ 66,485

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS
TO THE STATEMENT OF ACTIVITIES -
BUSINESS ACTIVITIES
For the Year Ended December 31, 2012
(amounts expressed in thousands)

NET CHANGES IN NET POSITION - TOTAL ENTERPRISE FUNDS	$	51,222
Amounts reported for busnines activities in the statement of activities are different because:		
The net revenue of certain activities of internal service funds is reported with business activities:		
Profit Loss reallocation that decrease expenditure		(1,090)
CHANGES IN NET POSITION OF BUSINESS ACTIVITIES	$	50,132

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 56,271	$ 80,498	$ 74,829	$ 380,191
Receipts from interfund services provided	-	-	-	-
Contributions received - employee/employer	-	-	-	-
Payments to suppliers	(27,144)	(24,034)	1,127	(179,579)
Payments to employees	(17,838)	(27,721)	(20,102)	(99,326)
Payments to insurance carriers	-	-	-	-
Payments for taxes	(1,008)	(8,146)	(8,145)	(41,487)
Payments for interfund services used	-	-	-	-
Other operating or non-operating revenues (expenses)	-	201	-	125
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10,281	20,798	47,709	59,924
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	901	682	-	278
Transfers (to) other funds	(4,583)	-	(146)	-
Grants received	292	678	-	-
Debt service related to environmental	(331)	(1,915)	-	-
Contributions and Donations	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(3,721)	(555)	(146)	278
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	-	-
Transfers (to) funds	(153)	-	-	-
Acquisition and construction of capital assets	(2,215)	(34,568)	(68,817)	(62,534)
System development charges	-	-	9,791	-
Proceeds from capital debt	-	-	4,741	-
Proceeds from the sale of capital assets	40	-	-	-
Proceeds from leased property	-	-	(9,274)	-
Lease and leaseback	(528)	-	-	-
Principal paid on capital debt	(2,350)	(14,434)	(19,595)	(43,200)
Interest paid on capital debt	(3,025)	(2,905)	-	(28,825)
Premium and net refunding from capital debt	-	-	-	3,955
Capital lease obligation	-	(2,089)	-	-
Change in deferred credits	-	-	-	14,646
Contributions and donations	-	3,763	-	5,131
Grants received	-	-	-	393
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(8,231)	(50,233)	(83,154)	(110,434)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends received	775	2,161	2,321	5,836
Rental and other income	125	375	288	3,056
Investment long-term	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	900	2,536	2,609	8,892
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(771)	(27,454)	(32,982)	(41,340)
CASH & CASH EQUIVALENTS, JANUARY 1	43,999	132,552	231,499	423,352
CASH, RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	$ 43,228	$ 105,098	$ 198,517	$ 382,012

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)
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	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SOLID WASTE FUND #4200	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)	$ 2,154	$ 5,378	$ 24,249	$ 20,472
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	6,855	12,674	15,263	57,842
(increase) decrease in accounts receivable	(45)	(1,480)	(5,227)	(7,888)
(Increase) decrease in intergovernmental receivables	(41)	17	-	125
(Increase) decrease in due from other funds	92	110	(878)	(2,357)
(Increase) decrease in inventories	-	169	163	(387)
(Increase) decrease in prepaid items	-	(13)	(353)	-
(Increase) decrease in other current assets	-	(9)	(636)	-
Increase (decrease) in deposits payable	(14)	-	(4)	-
Increase (decrease) in accounts payable	(1,408)	129	421	(11,138)
Increase (decrease) in accrued wages payable	(139)	877	53	317
Increase (decrease) in compensated absences	-	-	(88)	245
Increase (decrease) in deferred credits	-	2,500	12	-
Increase (decrease) in intergovernmental payables	4,544	4	-	2,826
Increase (decrease) in due to other funds	(38)	(16)	551	-
Increase (decrease) in unearned revenues	47	11	-	(133)
Increase (decrease) in other current liabilities	(29)	27	-	-
Increase (decrease) in notes, contracts, and leases payable	-	-	14,183	-
Increase (decrease) in other long-term liabilities	(1,622)	(100)	-	-
Increase (decrease) in prior period adjustments	-	-	-	-
Miscellaneous non-operating revenues (expenditures)	(75)	520	-	-
Total adjustments	8,127	15,420	23,460	39,452
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 10,281	$ 20,798	$ 47,709	$ 59,924
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Prior period adjustment	$ -	$ -	$ -	$ -
Contributions of capital assets	-	-	3,263	207
Investment long-term	-	-	-	-

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)
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	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	$ 43,210	$ 634,999	$ 45,396
Receipts from interfund services provided	(773)	(773)	915
Contributions received - employee/employer	-	-	73,710
Payments to suppliers	(18,979)	(248,609)	(22,064)
Payments to employees	(19,011)	(183,998)	(13,652)
Payments to insurance carriers	-	-	(73,361)
Payments for taxes	(486)	(59,272)	(18)
Payments for interfund services used	(13)	(13)	(43)
Other operating or non-operating revenues (expenses)	(36)	290	(2,563)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,912	142,624	8,320
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	5,005	6,866	(2,410)
Transfers (to) other funds	(1,559)	(6,288)	(4,011)
Grants received	-	970	-
Debt service related to environmental	-	(2,246)	-
Contributions and Donations	348	348	52
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	3,794	(350)	(6,369)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	1,543	1,543	1,928
Transfers (to) funds	-	(153)	-
Acquisition and construction of capital assets	(7,017)	(175,151)	(5,601)
System development charges	-	9,791	-
Proceeds from capital debt	282	5,023	(53)
Proceeds from the sale of capital assets	-	40	318
Proceeds from leased property	4,739	(4,535)	-
Lease and leaseback	(129)	(657)	-
Principal paid on capital debt	(3,677)	(83,256)	(405)
Interest paid on capital debt	(4,676)	(39,431)	(66)
Premium and net refunding from capital debt	888	4,843	-
Capital lease obligation	-	(2,089)	-
Change in deferred credits	-	14,646	-
Contributions and donations	6,077	14,971	-
Grants received	-	393	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(1,970)	(254,022)	(3,879)
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-	-
Interest and dividends received	374	11,467	769
Rental and other income	5	3,849	-
Investment long-term	(38)	(38)	14
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	341	15,278	783
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	6,077	(96,470)	(1,145)
CASH & CASH EQUIVALENTS, JANUARY 1	17,038	848,440	76,138
CASH, RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER	23,115	751,970	74,993

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(amounts expressed in thousands)
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	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)	$ (7,816)	$ 44,437	$ (1,350)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	7,626	100,260	8,903
(increase) decrease in accounts receivable	(390)	(15,030)	399
(Increase) decrease in intergovernmental receivables	-	101	239
(Increase) decrease in due from other funds	(1,533)	(4,566)	(3,896)
(Increase) decrease in inventories	97	42	(51)
(Increase) decrease in prepaid items	(291)	(657)	1,246
(Increase) decrease in other current assets	20	(625)	-
Increase (decrease) in deposits payable	172	154	-
Increase (decrease) in accounts payable	1,924	(10,072)	1,616
Increase (decrease) in accrued wages payable	(50)	1,058	(86)
Increase (decrease) in compensated absences	271	428	(59)
Increase (decrease) in deferred credits	(5)	2,507	8
Increase (decrease) in intergovernmental payables	8	7,382	278
Increase (decrease) in due to other funds	519	1,016	3,427
Increase (decrease) in unearned revenues	2,577	2,502	(31)
Increase (decrease) in other current liabilities	1,247	1,245	(10,616)
Increase (decrease) in notes, contracts, and leases payable	19	14,202	(87)
Increase (decrease) in other long-term liabilities	201	(1,521)	-
Increase (decrease) in prior period adjustments	(546)	(546)	9,000
Miscellaneous non-operating revenues (expenditures)	(138)	307	(620)
Total adjustments	11,728	98,187	9,670
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 3,912	$ 142,624	$ 8,320
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Prior period adjustment	$ -	$ -	$ 9,021
Contributions of capital assets	322	3,792	-
Investment long-term	(38)	(38)	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012
(amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6150, 6450	AGENCY FUNDS #6570, 6790
ASSETS		
Cash and cash equivalents	$ 29,167	$ 5,152
Investments at fair value:		
Equities	619,219	-
Fixed income	376,274	-
Real estate	51,699	-
Venture capital and partnerships	148,061	-
Securities lending collateral	37,423	-
Receivables - net uncollectible accounts	1,482	-
Due from other funds	672	-
Interest and dividends	2,132	-
Investment sales	1,335	-
Capital assets - net of accumulated depreciation	14	-
TOTAL ASSETS	1,267,478	5,152
DEFERRED OUTFLOW OF RESOURCES	-	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	-
LIABILITIES		
Current liabilities:		
Accounts payable	1,330	-
Accrued wages and benefits payable	592	831
Due to other funds	359	-
Due to the governmental units	17	4,321
Investments purchase payable	37,423	-
Securities lending collateral	7,940	-
Other current liabilities	158	-
Total current liabilities	47,819	5,152
Non-current liabilities:	-	-
Accrued employee leave benefits	59	-
Total non-current liabilities	59	-
TOTAL LIABILITIES	47,878	5,152
DEFERRED INFLOW OF RESOURCES	-	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	-
NET POSITION	-	-
Held in trust for pension benefits and other purposes	$ 1,219,600	$ -

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2012
(amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6150, 6450
ADDITIONS	
Employer contributions	$ 32,653
Member contributions	20,364
Other contributions	244
Total contributions	53,261
Investment income:	
Net appreciation (depreciation) in fair value of investments	127,410
Interest & dividends	28,522
Total investment income	155,932
Less investment expenses:	-
Investment management fees	4,405
Securities lending - agent fees	47
Securities lending - broker rebates	(31)
Total investment expense	4,421
Net investment income	151,511
TOTAL ADDITIONS	204,772
DEDUCTIONS	
Wages and benefits	1,138
Benefit payments	64,376
Refunds of contributions	2,705
Administrative expense	567
TOTAL DEDUCTIONS	68,786
NET INCREASE (DECREASE)	135,986
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
Net position - beginning	1,083,577
Net position - ending	$ 1,219,600

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTES TO FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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. For related party transactions refer to Note 4 Section H.

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.

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

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

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

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

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

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

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.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* effective for financial statements for periods beginning after December 15, 2011. The City implemented this new pronouncement in the current year. The effect of the implementation resulted in renaming the *Net Asset* statement to *Net Position* and adding Deferred Outflows and Inflows sections within.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year-end are no longer specifically reported as reservations of fund balances for governmental type funds. They are included in the restricted, committed, or assigned fund balance as defined by GASB Statement No. 54. Encumbrances outstanding at the end of the biennium are reappropriated at the beginning of the next biennium. The amount of encumbrances 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
$ 1,274	$ 25,019	$ 12,289

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Deferred 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 in the Statistical Section, Table 8. All other revenue items are considered to be measurable and available only when cash is received by the government.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. In addition, the City has 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 Solid Waste fund provides solid waste collection and disposal services for residential and commercial customers. Services include recycling, long-haul to an outside landfill, and disposal in the City owned landfill.

- The Wastewater and Surface Water (Sewer) fund accounts 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, 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 (TERS) 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 LEOFF pension system. The employees benefit trust fund (Deferred Compensation) 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.

D. Assets, liabilities and net position or fund balances

1. *Cash and investments*
The City's cash and cash equivalents include cash on hand, cash working fund, restricted cash, short term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments are stated at fair value, except for the Pension trust fund which is reported on a trade date basis, at fair value. No direct investments restricted or otherwise, are considered to be cash equivalents. The City uses a pooled investment portfolio. Each fund receives interest based on a pro-rata share of its cash balance to the total cash invested. Portfolio earnings are distributed monthly based on average daily cash balances of the participating funds.

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

Advances between funds, as reported in the governmental fund financial statements, are 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 uncollectables. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

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

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 position. 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.

8. *Fund equity*

Fund balance

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

1. Nonspendable: Includes amounts that are not in a spendable form, such as inventories, prepaid items, long-term interfund receivables, and amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
2. Restricted: Includes amounts that can be spent only for the specific purposes stipulated by external resource providers. Amounts should be reported as restricted when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
3. Committed: Includes amounts that have been limited to specific purposes by formal City Council actions. 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 by Department Directors and approved by the City Manager. 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

Net position

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 2 Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between *fund balances—total governmental funds* and *net position —governmental activities* as reported in the government-wide statement of net position. As explained in Note 1 C, this reconciliation is necessary because of the differences in accounting basis, most significantly the differences in accounting for capital assets and debt.

One element of the reconciliation explains:

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

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

Bonds and leases payable	$ (221,622)
Discount on bond issuance	78
Premium on bond issuance	(2,356)
Net other post employment benefits obligation	(35,178)
Net pension obligation	(5,000)
Compensated absences	(15,536)
Net adjustment to reduce fund balance for total governmental funds to arrive at net position for governmental activities	$ (279,614)

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

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

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

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

Capital Outlay	$ 55,395
Depreciation Expense	(31,943)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 23,452

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	$ (7,771)
Net pension obligation	(4,840)
Compensated absences	(1,732)
Accrued interest	(234)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position	$ (14,577)

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 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 position
The following governmental and proprietary funds had deficit net position.

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 2012 and reduced the prior year deficit by $418 thousand. The 2002 Police Facilities fund net change decreased over the prior year by $24.

The 1997 Bond Issue fund has a $44 thousand deficit fund balance resulting from a transfer out of $58 thousand in 2010. This is being reduced each year, with the bulk coming from the sale of the Jefferson Street Property when sold.

The $4.7 million deficit in the Convention Center fund resulted from expenses exceeding revenues decreasing net position by $2.4 million. Operating losses however were $ 4.5 million for the year. The general fund increased its contribution during 2012 to $3 million.

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 2012 and reduced the prior year by $1,571 thousand.

The Graphic Services fund had deficit in net position of $273 thousand. Two factors contributed to this deficit. There was a buy-out of a copier lease in 2011 and cumulative prior year operating losses. The 2012 change in net position was $248 thousand.

The Third Party Liability Claims Fund has a net position deficit of $32 million, a decrease of $7,928 thousand over the prior year, due to a decrease in claims.

The Worker's Compensation Fund has a net position 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 negative net change in 2012 which increased the deficit by $306 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)	$ (122)
1997 Bond Issue Fund (#3209)	(44)
2002 Police Facility (#3216)	(4,163)
Convention Center (#4165)	(4,681)
Power Conservation Fund (#4850)	(3,212)
Graphic Services (#5042)	(273)
Third Party Liability Claims (#5550)	(32,179)
Worker's Compensation (#5570)	(2,817)
	$ (47,491)

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.

The calculated debt limit in Table 14 in the Statistical Section shows the City of Tacoma exceeded its 1.5% G.O. debt limitation by $28.7 million. Management believes this computation is not a violation of constitutional indebtedness as RCW 39.36.030 states:

"If reductions in assessed valuation of property within a taxing district resulted in the outstanding indebtedness of the taxing district exceeding its statutory indebtedness limitation, the amount of such excess indebtedness shall not be included in the statutory indebtedness ceiling."

At the end of 2012 the amount remaining for non-voted debt for general purposes was $64 million. Assessed values declined $1.635 billion from the prior year.

The City of Tacoma's G.O. Debt increased $10.6 million in 2012 to account for accreted interest not previously reported in the current and prior years. The bonds related to the accreted interest were issued in 1997 and 2009. An additional increase of $19 million occurred due to a distribution of proceeds in 2012 from a contract with the State of Washington signed in 2010. A final distribution of $1 million will occur in 2013.

The City did not approve or incur any new G.O. debt after the reduction in assessed values.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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 depositaries to fully collateralize their uninsured public deposits at 100%. The WSPDPC allows for deposits up to the net worth of a qualified institution.

At year-end, the carrying amount of the City's deposits was $61,403,124.

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 2012, 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 2012.

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

City of Tacoma Securities Lent and Collateral
(In Thousands)

	2012		2011	
Type of Securities Lent	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	55,827	56,938	4,033	4,124
Total Securities Lent	55,827	56,938	4,033	4,124

Collateral	2012	2011
U.S. Corportate Obligations	8,471	3,082
U.S. Treasury Strips		1,042
Government Sponsored Enterprises	1,500	
Asset Backed Securities	6,326	-
Repurchase Agreements/Money Mkt	40,641	-
Total Collateral	56,938	4,124

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

1. Bankers Acceptances: City investment policy allows for purchases of bankers acceptances from the top 50 world banks as published by American Banker. Portfolio mix guidelines suggest a maximum of 40% of the total portfolio with no more than 10% of the total portfolio in any one bank.

2. U.S. Treasury Bills, Certificates, Notes and Bonds: Portfolio mix guidelines allow for a maximum of 100% of the total portfolio to be invested in these securities.

3. U.S. Government Agency Securities: Portfolio mix guidelines suggest a maximum of 90% of the total portfolio with no more than 50% of the total portfolio per agency.

4. Commercial Paper: Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than 10% of the portfolio invested in commercial paper with an additional limit of no more than 3% in any one issuer.

5. Repurchase Agreements: Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 15% of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by 2% over the term of the agreement. The collateral must be an investment instrument which the City is authorized to purchase.

6. Reverse Repurchase Agreements: The City did not participate in any reverse repurchase agreements in 2012.

2. Deposits and investments – December 31, 2012

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

At December 31, 2012, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments
December 31, 2012
amounts expressed in thousands)

Investments (less Component Units)	$	2,149,094
Certificates of Deposit		7,167
Treasurer's Cash, net		62,003
Petty Cash Funds		306
Sub-total		2,218,570
Component Units:		
Tacoma Community Redevelopment Authority (TCRA)		1,611
TCRA - External Cash		2,114
Foss Waterway Development Authority (FWDA)		987
FWDA - External Cash		228
Public Facililities District (PFD)		481
Sub-total (Component Units)		5,421
Total	$	2,223,991

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

Investments:	Fair Value @ 12/31/12
Financial Institutions	
WA State Local Government Investment Pool	$ 73,022
US Treasury Securities	1,059
Government Agencies (various)	811,878
Bankers Acceptances	-
Electric System Revenue Bond Investments	8,761
Equity in Pool Transferred to Component Units	(3,079)
Total Investments with Financial Institutions	891,641
Component Units	
TCRA Equity in Investment Pool	1,611
FWDA Equity in Investment Pool	987
PFD Equity in Investment Pool	481
Total Component Unit Investments	3,079
Total	894,720
Pension Trust	
Equities	619,219
Fixed Income	376,274
Real Estate	51,699
Venture Capital & Partnerships	148,061
Short Term Bill & Notes	3,139
Cash and Cash Equivalents	21,638
Securities Lending Collateral	37,423
Total Other Investments - Pension Trust	1,257,453
Total	$ 2,152,173

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 $73,021,408 with the State Treasurer's Local Government Investment Pool, $7,166,916 in an interest bearing demand deposit account with a commercial bank and $54,236,208 in the City's main demand deposit account with a commercial bank. The monies from these accounts are available immediately.

		Maturing (in months)				
Investment Type	Par	Less than 12	13-24	25-36	37-48	49-60
Main Bank Demand Deposits	$ 54,236,208	$ 54,236,208	$ -	$ -	$ -	$ -
Bank Demand Deposits & State Pool	80,188,324	80,188,324	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	245,420,000	45,205,000	87,270,000	47,625,000	58,810,000	6,510,000
Fixed Rate Non-Callable Agency Securities	346,750,000	69,473,000	48,375,000	94,189,000	30,000,000	104,713,000
Fixed Rate Callable Agency Securuities	199,300,000	-	-	19,400,000	65,000,000	114,900,000
Totals	$ 925,894,532	$ 249,102,532	$ 135,645,000	$ 161,214,000	$ 153,810,000	$ 226,123,000
Percent of Total		26.9%	14.7%	17.4%	16.6%	24.4%

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 2012 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 PDPC	AAA	AA	A
Bank Demand Deposits & State Pool	$ 134,424,532	FDIC & PDPC	$ 134,424,532	$ -	$ -	$ -
Fixed Rate Non-Callable Municipal Securities	245,420,000	A	-	81,675,000	156,745,000	7,000,000
Fixed Rate Non-Callable Agency Securities	346,750,000	AAA	-	346,750,000	-	-
Fixed Rate Callable Agency Securities	199,300,000	AAA	-	199,300,000	-	-
Total	$ 925,894,532		$ 134,424,532	$ 627,725,000	$ 156,745,000	$ 7,000,000

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

5. GASB 40 - concentration of credit risk

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

Issuer	Investment Type	Amount Reported	Percentage
New York, NY	Municipal Securities	$ 50,950,000	9.0%
Federal Farm Credit Bank	Agency Securities	57,000,000	10.0%
Federal Home Loan Bank	Agency Securities	69,400,000	12.2%
Federal Home Mortgage Corporation	Agency Securities	167,936,000	29.5%
Federal National Mortgage Association	Agency Securities	223,525,000	39.3%
Total		$ 568,811,000	100.0%

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

B. 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)	General Fund	Street Fund	Non-Major Governmental Funds	Solid Waste Fund	Waste Water Fund
Accounts Receivable (net short-term)	$ 30,848	$ 7,795	$ 11,669	$ 6,400	$ 11,318
Interest Receivable (net short-term)	-	-	-	-	-
Loans Receivable (net short-term)	11,803	-	4,053	-	-
Notes and Contracts Receivable (net short-term)	-	-	-	-	-
Notes and Contracts Receivable (net long-term)	-	-	-	-	-
TOTAL	$ 42,651	$ 7,795	$ 15,722	$ 6,400	$ 11,318

Accounts Receivable (amounts expressed in thousands)	Water Fund	Power Fund	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts Receivable (net short-term)	$ 11,770	$ 62,279	$ 10,104	$ 7,619	$ 2,154	$ 161,956
Interest Receivable (net short-term)	-	-	-	-	2,132	2,132
Loans Receivable (net short-term)	-	-	-	-	-	15,856
Notes and Contracts Receivable (net short-term)	465	-	1,060	-	-	1,525
Notes and Contracts Receivable (net long-term)	-	1,495	35,688	729	-	37,912
TOTAL	$ 12,235	$ 63,774	$ 46,852	$ 8,348	$ 4,286	$ 219,381

Reconciliation of accounts receivable to the financial statements:

	Accounts Receivable (net)	Due from Other Funds	Advances to Other Funds	Due from Other Governments	Totals
General Fund	$ 7,000	$ 1,553	$ -	$ 22,295	$ 30,848
Street Fund	2,771	443	-	4,581	7,795
Non-major Governmental Funds	6,153	403	-	5,113	11,669
Solid Waste	6,231	26	-	143	6,400
Waste Water	10,856	16	-	446	11,318
Water	10,503	947	-	320	11,770
Power	58,867	3,412	-	-	62,279
Non-major Enterprise Funds	7,385	1,945	-	774	10,104
Internal Service Funds	219	7,262	118	20	7,619
Fiduciary Funds	1,482	672	-	-	2,154
Totals	$ 111,467	$ 16,679	$ 118	$ 33,692	$ 161,956

C. Capital assets

Capital asset activity for the year-ended December 31, 2012 was as follows (amounts expressed in thousands):

Governmental Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets not being depreciated:					
Land	$ 28,656	$ 7,275	$ (1,205)	$ -	$ 34,726
Property, plant, and equipment	1,829	-	-	-	1,829
Construction work in progress	124,562	18,150	(87,954)	-	54,758
Total capital assets, not being depreciated	155,047	25,425	(89,159)	-	91,313
Capital assets, being depreciated:					
Property, plant, and equipment	226,752	15,392	(18,543)	-	223,601
Infrastructure	1,190,680	113,163	(120)	-	1,303,723
Total capital assets, being depreciated	1,417,432	128,555	(18,663)	-	1,527,324
Less accumulated depreciation:					
Property, plant, and equipment	(135,956)	(15,333)	19,415	-	(131,874)
Infrastructure	(601,171)	(29,856)	10	-	(631,017)
Total accumulated depreciation	(737,127)	(45,189)	19,425		(762,891)
Governmental activities, capital assets (net of accumulated depreciation)	$ 835,352	$ 108,791	$ (88,397)	$ -	$ 855,746

Business-Type Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets not being depreciated:					
Land	$ 141,475	$ 8,176	$ -	$	$ 149,651
Construction work in progress	83,809	178,259	(136,556)		125,512
Total capital assets, not being depreciated	225,284	186,435	(136,556)	-	275,163
Capital assets, being depreciated:					
Property, plant, and equipment	3,458,235	140,276	(20,684)	-	3,577,827
Total capital assets, being depreciated	3,458,235	140,276	(20,684)	-	3,577,827
Less accumulated deptreciation:					
Property, plant, and equipment	(1,277,849)	(103,236)	18,056	4,123	(1,358,906)
Total accumulated depreciation	(1,277,849)	(103,236)	18,056	4,123	(1,358,906)
Business-type activities, capital assets (net of accumulated depreciation)	$ 2,405,670	$ 223,475	$ (139,184)	$ 4,123	$ 2,494,084

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

Governmental Activities:

General Government	$	377
Public Safety		3,198
Transportation		33,255
Economic Environment		46
Culture and Recreation		2,126
Capital assets held by Internal Services funds which are charged to various functions based on their usage of the assets		6,187
Total depreciation expense - governmental activities		45,189

Business-type activities:

Permit		6
Mountain Rail		812
Parking Garage		1,350
Convention Center		2,195
Baseball Park		1,538
Tacoma Dome		655
Performing Arts		507
TPU Fleet		2,715
Solid Waste		6,855
Waste Water		12,674
Tacoma Rail		824
Water		15,263
Power		57,842
Total depreciation expense - business-type activities	$	103,236

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

D. Leases

Capital leases
The City leases certain equipment under various capital lease agreements. Capital lease balances at December 31, 2012:

(amounts expressed in thousands)

Governmental Activities

Information Systems Fund San Storage & CISCO Lease Purchase, $ 626:

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
2013		626
Total lease payments	$	626

Business Activities

Tacoma Dome Energy Upgrades, $50:

This capital lease for building improvements was 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
2013		50
Principal payments		50
Plus interest amount		2
Total lease payments	$	52

TES/Urban Waters Capital Lease, $35,780:

This capital lease for the Urban Waters building was 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
2013	722
2014	752
2015	783
2016	813
2017	848
2018-2022	4,829
2023-2027	6,163
2028-2032	8,042
2033-2037	10,564
2038	2,264
Principal payments	35,780
Plus interest amount	31,863
Total lease payments	$ 67,643

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

E. Short-term debt

Governmental activities: No short-term debt was issued or outstanding in 2012.

Business activities: No short term debt was issued or outstanding in 2012.

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 $251 million. These issues carry variable interest rates adjusted quarterly equal to the composite interest rate earned on the investments of the City Treasury's pooled cash portfolio for the previous calendar quarter.

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	$ 7,175	$ 5,840	$ 1,580	$ 3,046
2014	6,892	5,754	1,640	2,967
2015	8,464	5,775	2,392	2,890
2016	12,315	5,732	2,468	2,792
2017	12,397	5,650	2,549	2,692
2018-2022	60,785	21,389	13,231	11,645
2023-2027	29,179	28,144	13,300	8,555
2028-2032	26,299	25,540	16,990	4,972
2033-2037	19,100	8,675	9,965	897
2038-2041	1,460	177	-	-
Total	$ 184,066	$ 112,676	$ 64,115	$ 40,456

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%	$ 154,942
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, 2012, the amount of LID Special Assessment delinquency equals $189,719. 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, 2012

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
2013	$ -	$ 65
2014	-	65
2015	-	65
2016	-	65
2017	-	65
2018-2022	-	325
2023-2027	1,647	86
Total	$ 1,647	$ 736

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 $1.6 billion. During the year $1.6 million were issued for refunding, construction and capital improvements in the Water, and Rail funds.

	Revenue Bonds and Loans (amounts expressed in thousands) Business-type activities	
	Principle	Interest
2013	$ 50,269	$ 58,583
2014	50,991	55,940
2015	58,642	53,866
2016	70,337	50,641
2017	73,596	47,295
2018-2022	353,466	186,203
2023-2027	151,038	136,960
2028-2032	150,831	103,687
2033-2037	205,981	44,491
2038-2041	61,250	7,016
Total	$ 1,226,401	$ 744,682

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	$ 147,584	$ 29,665	$ (3,270)	$ 173,979	$ 6,064
Less: Unamortized discount	(83)	-	5	(78)	(5)
Add: Unamortized premium	2,487	-	(131)	2,356	131
Public works trust fund loans	11,199	-	(1,112)	10,087	1,111
Bond anticipation notes	24,014	12,238	-	36,252	25,277
Special assessment debt	1,702	-	(55)	1,647	-
Capital leases	1,251	-	(625)	626	626
Claims and judgements	51,502	1,072	(11,985)	40,589	32,297
Other Post Employment Benefits	27,408	7,770	-	35,178	-
Net Pension Obligation	160	4,840	-	5,000	-
Accrued employee leave benefits	15,514	13,246	(11,618)	17,142	1,709
Governmental activities - long term liabilities	$ 282,738	$ 68,831	$ (28,791)	$ 322,778	$ 67,210

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	$ 1,296,275	$ 1,758	$ (71,632)	$ 1,226,401	$ 50,269
Muckleshoot liability	8,704	-	(168)	8,536	821
General obligation bonds	64,115	-	-	64,115	1,580
Plus: Unamortized premium	18,669	-	(3,359)	15,310	-
Less: Unamortized discount	(349)	-	81	(268)	-
Less: Loss on refundings	(13,044)	-	13,044	-	-
Less: Loss on defeasance	(431)	-	431	-	-
Capital leases	36,576	-	(745)	35,831	773
Environmental liability	1,950	-	(434)	1,516	966
Landfill closure cost liability	29,412	5,713	(7,189)	27,936	3,000
Other Post Employment Benefits	8,987	2,304	-	11,291	-
Accrued employee leave benefits	17,023	10,899	(10,095)	17,827	1,836
Business activities - long-term liabilities	$ 1,467,887	$ 20,674	$ (80,066)	$ 1,408,495	$ 59,245

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, $1.6 million 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.

Note 12 summarizes changes in long-term debt.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Bonds issued in 2012

There were no new bond issues in 2012.

G. Restricted assets

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

Cash for debt service	76,921
Cash for construction	120,899
Cash for other special purposes	122,923
Notes and contracts receivable	1,525
Customer deposits	174
	$ 322,442

H. Related party transactions

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

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

I. Federal compliance requirements for municipal securities issuers

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

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

The Internal Revenue Service (IRS) does correspondence examinations periodically. In May 2004 the IRS began an examination on six tax-exempt bond issues totaling $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, 2012

J. Fund balances

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

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

	General Fund	Street Fund	Special Revenue	Debt Service	Capital Project	Total Funds
Fund balances:						
Nonspendable:						
Long-term receivables/advances	$ 15,488	$ -	$ -	$ -	$ -	$ 15,488
Inventory	1,058	1,818	75	-	-	2,951
Prepaids	173	-	-	-	-	173
Trust	-	-	20	-	-	20
Total nonspendable	16,719	1,818	95	-	-	18,632
Restricted:						
Business districts	-	-	-	-	658	658
Capital purchases	-	-	-	-	2,783	2,783
Crime Prevention & Safety	-	-	11,629	-	-	11,629
Debt service	-	-	738	1,748	-	2,486
Facilities & Garages	-	-	-	-	8,371	8,371
Grants	-	-	1,311	-	-	1,311
Housing Development	-	-	3,887	-	-	3,887
Library, Arts & Preservation	-	-	4,914	-	121	5,035
Local Improvement District	-	-	4,318	-	1,470	5,788
Neighborhoods	-	-	-	-	790	790
Other capital	-	-	-	-	13,226	13,226
Parks & Recreation	-	-	-	-	6,599	6,599
Paths & Trails	-	-	518	-	1,198	1,716
Public services	-	-	3,652	-	-	3,652
Public Works projects	-	-	-	-	4,591	4,591
Sidewalk & Street projects	-	-	-	-	5,819	5,819
Total restricted	-	-	30,967	1,748	45,626	78,341
Committed:						
Business & Training Assistance	-	-	404	-	-	404
Council contingency	1,130	-	-	-	-	1,130
Crime Prevention & Safety	-	-	111	-	-	111
Demolitions	-	-	2,719	-	-	2,719
Economic development programs	-	-	12,467	-	-	12,467
Open Space Properties	-	-	1,034	-	-	1,034
Library, Arts & Preservation	-	-	1,612	-	-	1,612
Neighborhoods	-	-	1,148	-	86	1,234
Police facilities	-	-	-	-	37	37
Public services	-	-	1,051	-	-	1,051
Total committed	1,130	-	20,546	-	123	21,799
Assigned:						
Advances	-	-	-	-	3,919	3,919
Library	-	-	115	-	-	115
Municipal TV	-	-	1,220	-	-	1,220
Police activities	105	-	324	-	-	429
Public services	389	-	156	-	-	545
Steet related services	-	1,129	-	-	-	1,129
Other purposes	780	-	-	-	-	780
Total assigned	1,274	1,129	1,815	-	3,919	8,137
Unassigned:	23,573	-	(749)	-	(4,330)	18,494
Total fund balances:	$ 42,696	$ 2,947	$ 52,674	$ 1,748	$ 45,338	$ 145,403

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

Purpose		
Capital purchases	$	46,007
Debt service		45,151
Crime prevention and safety		11,629
Culture and recreation		13,350
Local improvement districts and neighborhoods		6,578
Inspections		45
Public works projects		14,474
Grants		1,311
Facilities and garages		8,371
Water & assurance & system development		24,266
Environmental services and programs		3,011
Wynoochee reserve		2,490
Agreeements with federal government		(1,046)
Self insurance		2,579
Public services and housing & urban development		7,539
	$	185,755

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 derives its authority in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. There are currently 2,107 retirees and beneficiaries receiving benefits, 426 vested terminated employees entitled to future benefits; and 2,861 active members of Tacoma Employees' Retirement System, as of December 31, 2012.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

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

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

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

Contributions City-wide totaled $43.1 million in 2012 ($22.7 million employer contributions and $ 20.4 million employee contributions) and totaled $42.4 million in 2011 ($22.5 million employer contributions and $19.9 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.

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

Schedule of Funding Progress ($ in millions):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabililty (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll
1/1/2009	1,097.3	1,002.3	(95.0)	109.5%	197.4	(48.1%)
1/1/2011	1,074.8	1,132.9	58.1	94.9%	219.6	26.5%
1/1/2012	1,068.3	1,185.5	117.2	90.1%	219.4	53.4%

Analysis of the dollar amounts of plan net position, actuarial accrued liability, and unfunded actuarial accrued liability in isolation may be misleading. Expressing plan net position 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 this percentage, the stronger the system.

9. *Actuarial Methods and Significant Actuarial Assumptions*:

Valuation Date:	January 1, 2012
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of the Systems Projected Payroll
Remaining Amortiztion Period:	30 years (Open), unless fixed rate amortizeds 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 2012 were as follows:

	(amounts expressed in millions)
Annual Required Contributions (ARC):	$ 22.7
Interest on Net Pension Obligation (NPO)	(1.1)
Adjustment to ARC:	1.3
Annual Pension Cost (ARC)	22.9
Employer Contribution:	22.7
Increase/(Decrease) in Pension Obligation:	0.2
Net Pension Obligation at beginning of year:	(13.7)
Net Pension Obligation at end of year:	$ (13.5)

Trend Information
(dollars in millions)

Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
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)
12/31/2011	17.1	133%	(13.7)
12/31/2012	22.7	99%	(13.5)

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

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

2. *Plan description*:
LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, fire fighters 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.

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

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined 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 provide 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, or if the death resulted from an occupational disease or infection that arouse naturally and proximately out of the member's 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 benefit or service retirement benefit.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. The 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 benefit.

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

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

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

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

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

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

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 receive 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, or surviving spouse or child(ren), may request interruptive military service credit.

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, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

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

There are 373 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, 2011:

Retirees and Beneficiaries Receiving Benefits	9,947
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	656
Active Plan Members Vested	13,942
Active Plan Members Nonvested	3,113
Total	27,658

3. *Funding Policy*

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

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. 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. For DRS' fiscal year 2012, the state contributed $52.8 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	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
2012	n/a	n/a	$	3.61
2011	n/a	n/a	$	3.79
2010	n/a	n/a	$	3.77

C. Police and Firefighter's Relief and Pension Funds

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

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

No new employees have been covered by either of these plans since March 1, 1970. Pension obligations for all firefighters and law enforcement officers retired since March 1, 1970, whether hired before or since that same date, have been assumed by the State of Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), with the exception of certain minimal benefits in excess of the LEOFF benefits. There are 0 active Police Officers and 0 active Firefighters with prior rights covered under these plans as of December 31, 2012. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 170 for the PRP and 222 for the FRP as of December 31, 2012. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

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

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

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

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

Post-employment medical benefits are available to firefighters and law enforcement officers hired before October 1, 1977 only. For retirees before June 8, 1961, only medical expenses that are directly related to their disability retirement are eligible for payment. Those who retired or will retire after June 8, 1961, have medical insurance paid by the City through the City's normal medical insurance carrier. The City will also pay any expense in excess of those covered by the medical insurance carrier. All benefits are funded on a pay-as-you-go basis. At December 31, 2012, there were 209 retired law enforcement officers and 265 retired firefighters who are eligible for medical coverage (this does not include active employees).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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 $2.2 million were made for PRP officers and FRP officers, respectively, which equaled benefits paid; and the ending fund balance is zero.

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

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

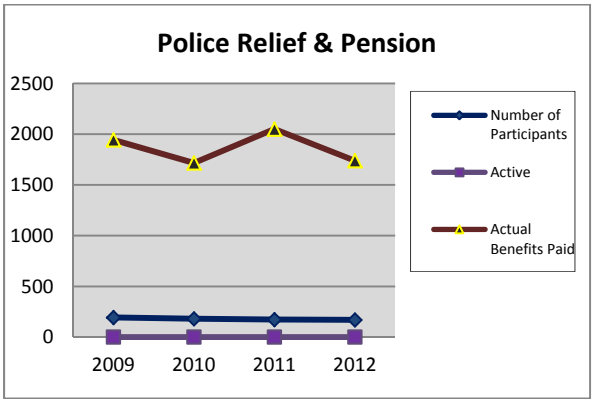
4. *Contributions required and contributions made*:
The PRP is funded entirely from a biennially budgeted contribution from the City's General Fund. Funding of these benefits is required by RCW. The General Fund is responsible for ensuring that the fund has adequate cash to pay its obligations each year. Total contributions to the PRP were $4.6 million in 2012.

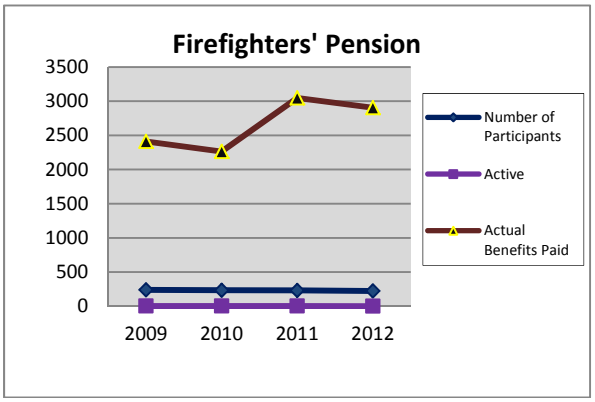
The FRP is funded from two sources: (1) 22-1/2 cents per $1,000 of assessed valuation has been earmarked from property taxes as authorized by R.C.W. 41.16.060, and 25% of the tax on fire insurance premiums collected by the State is earmarked by State law for distribution to cities for this purpose. This amount was $3.9 million in 2012; and (2) the balance of $1.4 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 $5.3 million in 2012. 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:

Year-end	Police Relief & Pension Number of Participants	Active	Actual Benefits Paid	Year-end	Firefighter's Relief & Pension Number of Participants	Active	Actual Benefits Paid
12/31/2009	193	0	1944	12/31/2009	239	2	2,243
12/31/2010	181	0	1,717	12/31/2010	233	2	2,264
12/31/2011	173	0	2,050	12/31/2011	231	2	3,048
12/31/2012	170	0	1,739	12/31/2012	222	0	2,905

(Tables amounts for Actual Benefits Paid expressed in thousands)





NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

5. ***Annual Pension Cost and Net Pension Obligation***:
Three-year trend information (in thousands) for the Firefighter's and Police Relief and Pension Funds as of the December 31, 2012, 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	2010	2,372	77	8,243
	2011	2,332	77	8,774
	2012	2,676	94	8,945
Police Relief & Pension	2010	1,450	(139)	(1,763)
	2011	1,340	4	(473)
	2012	1,513	98	(445)

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	Acuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funde d Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Firefighter's Relief & Pension	$ 235	$ 36,866	$ 36,631	1%	238	15391%
Police Relief and Pension	108	18,290	18,182	1%	0	N/A

The AAL as of December 31, 2011, based on the actuarial valuation as of January 1, 201, was $36.9 million for Firefighters' Relief and Pension and $18.3 million for Police Relief and Pension. The AAL for the Firefighter's and Police Relief and Pension are funded on a pay-as-you-go basis. Annual requirement are funded through the City's adopted budgets, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREFIGHTER'S POICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2012

(*In Thousands*)

	Firefighter's Relief and Pension			Police Relief and Pension		
	2012	2011	2010	2012	2011	2010
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	6	5	5	-	-	-
Amortization of UAAL - Beginning of Year	2,896	2,522	2,522	1,437	1,228	1,228
Interest to End of Year	116	101	101	58	49	49
ARC at End of Year	3,018	2,628	2,628	1,495	1,277	1,277
Interest on NPO	351	330	308	(19)	(71)	(208)
Adjustment to ARC	(693)	(626)	(564)	37	134	381
Annual Pension Cost (APC)	2,676	2,332	2,372	1,513	1,340	1,450
Employer Contribution	2,505	1,801	1,832	1,485	50	(1,990)
Change in NPO	171	531	540	28	1,290	3,440
NPO at Beginning of Year	8,774	8,243	7,703	(473)	(1,763)	(5,203)
NPO at End of Year	8,945	8,774	8,243	(445)	(473)	(1,763)

The net pension obligation of the Firefighter's Relief and Pension Fund is $ $8.9 million net pension liability at December 31, 2012. The net pension obligation of the Police Relief and Pension Fund is $0.5 million net pension asset at December 31, 2012.

6. ***Actuarial Method and Assumptions:***
The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Firefighter Relief and Pension	Police Relief and Pension
Valuation date	January 1, 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	3.75%	3.75%
Inflation	2.75%	2.75%
Cost-of-living Adjustment	Based upon salary increase assumption, for FRP benefits	Based upon salary increase assumption, for PRP benefits
Post retirement benefit increase	3.75%	3.75%

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

7. *Individual financial statements:*

FIREFIGHTERS' AND POLICE RELIEF AND PENSION FUNDS

December 31, 2012

(In Thousand)

	Firefighters' Relief and Pension	Police Relief and Pension	2012	2011
ASSETS				
Cash and cash equivalents	$ 347	$ 236	$ 583	$ 832
Due from other fund	380	285	665	-
Total Assets	727	521	1,248	832
LIABILITY				
Accounts Payable	155	105	$ 260	296
Accrued wages and benenfits payable	2	2	$ 4	4
Due to other funds	184	174	$ 358	10
Other current liabilities	105	53	$ 158	179
Accured employee leave benefits	5	5	$ 10	-
Total Liability	451	339	790	489
Net Position Held in Trust for Pension	$ 276	$ 182	$ 458	$ 343

STATEMENT OF CHANGES IN PLAN NET POSITION

FIREFIGHTERS' AND POLICE RELIEF AND PENSION FUNDS

For Year Ended December 31, 2012

(In Thousand)

	Firefighters' Relief and Pension	Police Relief and Pension	2012	2010
Addition				
Employer Contributions	$ 5,301	$ 4,610	$ 9,911	$ 8,954
Member Contributions	(1)		(1)	-
Other Contributions	2	2	4	-
Interest and Dividend	7	4	11	29
Total Addition	5,309	4,616	9,925	8,983
Deduction				
Healthcare benefit payment	5,126	4,409	9,535	10,585
Wages and other benefit payable	65	60	125	159
Administrative expenses	77	73	150	122
Total Deduction	5,268	4,542	9,810	10,866
Change in Net Position	41	74	115	(1,883)
Net Position - Beginning of Year	235	108	343	2,226
Net Position - End of Year	$ 276	$ 182	$ 458	$ 343

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

D. Other Post Employment Benefits (OPEB) Than Pensions

1. ***Plan description:***
The City contributes to 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 statues 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 statues 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 statue under the Railroad Retirement Act (45 U.S.C. 23l 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, 2012

Annual Required Contribution	TERS	LEOFF Plan 1	LEOFF Plan 2	Rail
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	576,331	540,144	335,667	3,604
Less Adjustments to ARC	559,878	831,145	326,085	3,501
Annual OPEB Cost	5,162,679	11,901,822	2,209,152	195,524
Contributions made	1,971,606	6,933,133	385,757	102,935
Increase in Net OPEB Obligation	3,191,073	4,968,689	1,823,395	92,589
Net OPEB Obligation - Beginning of Year	14,408,272	13,503,582	8,391,671	90,096
Net OPEB Obligation - End of Year	$ 17,599,345	$ 18,472,271	$ 10,215,066	$ 182,685

Value of Subsidy at 4% Interest Rate

	Total Value of Benefits	Member Paid Benefits	City-Paid 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	9,393,431

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

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

TERS

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	4,431,662	34.7%	10,819,864
12/31/2011	5,175,241	30.7%	14,408,271
12/31/2012	5,162,679	38.2%	17,599,345

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

LEOFF Plan 1

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	10,498,975	70.8%	9,102,137
12/31/2011	12,008,953	73%	13,503,582
12/31/2012	11,901,822	58%	18,472,271

LEOFF Plan 2

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	1,640,352	10.3%	6,423,662
12/31/2011	2,216,796	11.2%	8,391,671
12/31/2012	2,209,152	17.5%	10,215,066

Rail

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	129,196	47.7%	3,226
12/31/2011	195,430	55.5%	90,096
12/31/2012	195,524	52.6%	182,685

3. Funding Status and Funding Process:

The funded status of the plans as of December 31, 2012, were as follows:

	TERS	LEOFF 1	LEOFF 2	Rail
Annual City Benefit Payments	$ 1,971,606	$ 6,933,133	$ 385,757	$ 102,935
Discount Rate	4.00%	4.00%	4.00%	4.00%
Present Value of Benefits	85,789,671	191,334,011	38,560,859	3,865,878
Acutuarial 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	210,560,034	1,579,845	70,551,245	8,383,549
UAAL as a % of covered payroll	19%	12063%	24%	22%

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

The City uses the same premiums for retirees under age 65 as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in the setting non-Medicare retiree rates. 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 2012 premium rates and relative age cost factors assumptions, Milliman developed the following age adjusted monthly PMPM health costs for 2012.

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

	Retiree		Spouse	
Age	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 2011 as follows:

Monthly Medical Claims Costs at Sample Ages LEOFF 1

	Police		Fire	
Age	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:

	TERS/LEOFF Plan 2/Rail	LEOFF Plan 1
Valuation Date	January 1, 2011	January 1, 2011
Census Date	January 1, 2011	January 1, 2011
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 valutations 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 utimate
Projected Payrol 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 2012 contribution limits are $17,000 for regular deferral, $34,000 for pre-retirement and $22,500 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	$ 238,105.58	$ 3,827,303.37	$ 4,065,408.95
457 deferred compensation	Nationwide	77,841.61	362,395.36	440,236.97
Total		$ 315,947.19	$ 4,189,698.73	$ 4,505,645.92

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, 2012

The composition of interfund balances (amounts expressed in thousands) at December 31, 2012 is as follows:

Interfund balances result when transactions are recorded in the accounting system and payments are made between funds after December 31, 2012.

	Due From										
Due To	General Fund	Street Fund	Solid Waste Fund	Waste Water Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds	Pension and Trust Funds	Total
General Fund	$ -	$ 1	$ -	$ 2	$ -	$ 29	$ 555	$ 104	$ 857	$ 664	$ 2,212
Street Fund	76	-	-	8	-	2	126	137	4	-	$ 353
Solid Waste Fund	219	63	-	-	-	238	161	4	-	-	$ 685
Waste Water Fund	166	4	12	-	-	502	384	4	1	-	$ 1,073
Water Fund	130	-	-	-	-	603	629	9	-	-	$ 1,371
Power Fund	353	1	1	2	295	-	3,284	37	2	-	$ 3,975
Internal Service Funds	222	33	13	4	652	1,965	1,133	4	425		$ 4,451
Non-major Governmental Funds	251	341	-	-	-	30	105	13	656	-	$ 1,396
Non-major Enterprise Funds	136	-	-	-	-	42	535	91	-	-	$ 804
Pension and Trust Funds	-	-	-	-	-	1	350	-	-	8	$ 359
Total	$ 1,553	$ 443	$ 26	$ 16	$ 947	$ 3,412	$ 7,262	$ 403	$ 1,945	$ 672	$ 16,679

	Advances Owed To			
Advance Owed From	Major Governmental	Non-major Governmental	Internal Service Funds	Total
Major Governmental				
Non-major Governmental	$ 4,267	$ 1,330		$ 5,597
Non-major Enterprise	6,785	2,590	609	9,984
Internal Service Funds	751	133	238	1,122
Total	$ 11,803	$ 4,053	$ 847	$ 16,703

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.

$751,727.88 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.

$18,600.00 was authorized from the General Fund (#0010) to the Consolidated LID Fund (#2-7999) to establish LID #62.

$ 48,000.00 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.

$133,333.27 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.

$1,199,996.00 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.

$331,000.00 was authorized from the Information Services Fund (#5800) to the Tacoma Rail (#4500) for cash flow purposes.

$236,571.97 was authorized from the Information Services Fund (#5800) to the Information Technology Graphics Fund (#5042) to finance the Konica/Xerox buyout.

(amounts expressed in thousands)	Transfer In									
Transfer Out	General Fund	Street Fund	Solid Waste Fund	Waste Water Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds	Total
General Fund	$ -	$ 8,917	$ -	$ -	$ -	$ -	$ -	$ 7,146	$ 4,363	$ 20,426
Street Fund	-	-	-	-	-	-	2	1,355	-	1,357
Solid Waste Fund	-	-	-	-	-	-	153	-		153
Waste Water Fund	-	-	-	-	-	-	2	-	-	2
Water Fund	-	-	-	-	-	-	145	46	-	191
Power Fund	-	-	-	-	-	-	183	-	-	183
Internal Service Funds	4,577	426	901	684	249	911	1,355	196	235	9,534
Non-major Governmental Funds	206	2,283	-	-	152	535	2,120	1,664	4,282	11,242
Non-major Enterprise Funds	-	-	-	-	-	-	26	1,939	-	1,965
Total	$ 4,783	$ 11,626	$ 901	$ 684	$ 401	$ 1,446	$ 3,986	$ 12,346	$ 8,880	$ 45,053

$8,917,000 was transferred from the General fund to the Street fund for 2012 Street contributions.

$7,146,000 was transferred from the General Fund to Non-Major Governmental funds for Traffic contributions, and debt service payments.

$4,363,000 was transferred from the General fund to Non-Major Enterprise funds to assist the theaters (BCPA) throughout the year, for permit services, for Tacoma Rail Mountain Division, and for the Tacoma Dome.

$2,000 was transferred from the Street fund to Internal Service funds to support an enterprise software system upgrade.

$1,355,000 was transferred from the Street fund to Non-Major Governmental funds for road capital projects and debt service payments.

$153,000 was transferred from the Solid Waste fund to Internal Service funds for fleet services.

$2,000 was transferred from the Waste Water fund to Internal Service funds for unemployment insurance.

$145,000 was transferred from the Water Fund to Internal Service funds for the 2012 Fleet Services contribution.

$46,000 was transferred from the Water Fund to Non-Major Governmental funds for LID installment notes.

$183,000 was transferred from the Power Fund to Internal Service funds for the 2011 Fleet Services contribution.

$4,577,000 was transferred from Internal Service funds to the General fund for the return of prior period

contributions.

$426,000 was transferred from Internal Service funds to the Street fund for the return of prior period contributions.

$901,000 was transferred from Internal Service funds to the Solid Waste fund for the return of prior period contributions.

$684,000 was transferred from Internal Service funds to the Waste Water fund for the return of prior period contributions.

$249,000 was transferred from Internal Service funds to the Water fund for the return of prior period contributions.

$911,000 was transferred from Internal Service funds to the Power fund for the return of prior period contributions.

$1,355,000 was transferred from Internal Service funds to Internal Service funds to support an enterprise software system upgrade.

$196,000 was transferred from Internal Service funds to Non-Major Governmental funds for the return of prior period contributions.

$235,000 was transferred from Internal Service funds to Non-Major Enterprise funds for the return of prior period contributions.

$206,000 was transferred from Non-Major Governmental funds to the General fund to fund Emergency Medical Services, and to correct a prior period posting error.

$2,283,000 was transferred from Non-Major Governmental funds to the Street fund for capital road projects.

$152,000 was transferred from Non-Major Governmental funds to the Water fund for LID installment notes.

$535,000 was transferred from Non-Major Governmental funds to the Power fund for LID installment notes.

$2,120,000 was transferred from Non-Major Governmental funds to Internal Service funds for Fleet capital purchases, for facilities debt service, and to support an enterprise software system upgrade.

$1,664,000 was transferred from Non-Major Governmental funds to Non-Major Governmental funds for various capital projects and debt service payments.

$4,282,000 was transferred from Non-Major Governmental funds to Non-Major Enterprise funds for capital projects and for debt service.

$26,000 was transferred from Non-Major Enterprise funds to Internal Service funds to record 2012 Fleet Services contributions, and support an enterprise software system upgrade.

$1,939,000 was transferred from Non-Major Enterprise funds to Non-Major Governmental funds for debt service payments.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Note 8 Other information

A. Accounting changes

There were no accounting changes in 2012.

B. Risk management

The City is self-insured for general liability, medical, benefits, unemployment and worker's compensation and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for "Incurred but Not Reported" (IBNR) claims. The estimate for reported claims is based on Risk Management and Legal Departments' projections and is adjusted annually. The IBNR for the self-insured employee's benefits is based on an average of 2-months claims from the reporting year. The General IBNR liabilities are calculated by a periodic actuarial study. The handling and paying of all general liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the TPU Self Insurance Claim Fund. Monies are appropriated from various cost centers based on prior claims history and paid to these funds.

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with the Revised Code of Washington in RCW 35.21.085 (2). The City carries a supplemental general liability policy with a $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 sub-limits, and $150,000 (previously $100,000) deductible per occurrence, with exceptions. Earthquake coverage has a 5% or $100,000, 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 $5.4 million. Settlement payments were within amounts available for coverage for the last three years—2012, 2011 and 2010.

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	
	2012	2011	2012	2011	2012	2011
Balance 01/01/12	$ 47,262	$ 27,001	$ 4,239	$ 4,240	$ 2,158	$ 2,487
New Claims	988	3,880	2,585	2,755	960	354
Adjustments to Claims	(10,594)	17,607	1,627	1,596	918	327
Claims Payment	(1,523)	(1,226)	4,212	(4,352)	(685)	(1,010)
Balance 12/31/12	$ 36,133	$ 47,262	$ 12,663	$ 4,239	$ 3,351	$ 2,158

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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, 2012 financial statements, prior period adjustments were made.

(amounts expressed in thousands)

Fund Name	Amount	Description
General Fund #0010	$ (2,778)	Corrections and Adjustments: $75 and ($55) adjustments to liabiltiy accounts; ($131) and ($2,410) prior year correction of refunds; and ($257) Metro Park payment correction.
Street Fund #1060	(52)	Corrections: $32 Washington Recreation & Conservation Funding Board, $5 adjustment to AR, and $15 private work order reversal.
Fire Department #1090	19	Correct 2011 revenue deferral.
Fire EMS $1155	368	CWIP puchases should have been expensed prior year.
HR&HS #1185	239	Reclass revenue earned in 2011 and prior years.
City Manager #1600	243	Reclass captial expenditure in 2011 and prior years to operating expenses.
Capital Projects #3211	(25)	Prior year grant revenue accrual not reimbursed.
Total	$ (1,986)	

Enterprise Funds

Fund Name	Amount	Description
Permit Services #4110	$ (515)	Reduced revenue related to prior year Private Work Order Deposits in lieu of bond.
Parking Garage #4140	(31)	Reduced Amortization of Debt Discount expenses related to prior year.
Total	$ (546)	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Internal Service Funds

Fund Name	Amount	Description
Finance Fund #5007	$ 2,380	Prior year correction on a transfer to the GF in 2009.
Graphic Services #5042	(126)	Inventory adjustment .
Third Party Claims #5550	9,000	Adjusted prior year IBNR estimated claims.
Information Services #5800	15	Prior year correction of a liabilty account.
Total	$ 11,269	

Government-wide Statements

Activity	Amount	Description
Governmental	$ 9,283	General Fund, Street Fund, Fire Department, Fire EMS, HR&HS, City Manager, Capital Projects, Finance, Graphics, Third Party Claims, and Information Services. (Described above.)
Governmental	(10,628)	Prior year accreted Interest on general obligation bonds.
Governmental	(4,937)	Prior year adjustments to fund statement revenues and expenditures not recorded in government wide statements.
Business	(546)	Permit and Parking. (Described above.)
Total	$ (6,828)	

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 POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450	Power Conservation Fund #4850
Assets:				
Current assets	$ 2,758	$ 926	$ 4,144	$ 174
Due from other funds	2	-	-	-
Restricted assets	-	-	1,901	-
Capital assets (net)	53,647	69,617	-	-
Other non-current assets	226	804	35,688	317
Total assets	56,633	71,347	41,733	491
Liabilities:				
Current liabilities	1,549	694	4,684	1,719
Due to other funds	26	36	-	-
Current liabilities payable from restricted assets	-	-	-	-
Non-current liabilities	17,459	75,298	36,102	1,984
Total liabilities	19,034	76,028	40,786	3,703
Net position;				
Investment in capital assets, net of related debt	35,242	(4,891)	-	-
Restricted	-	25	855	-
Unrestricted	2,357	185	92	(3,212)
Total Net Position	$ 37,599	$ (4,681)	$ 947	$ (3,212)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

CONDENSED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450	Power Conservation Fund #4850
Operating revenues	$ 4,757	$ 2,078	$ -	$ -
Depreciation expense	(1,350)	(2,195)	-	-
Other operating expenses	(3,253)	(4,346)	(4)	-
Operating income	154	(4,463)	(4)	-
Nonoperating revenues (expenses)				
Interest revenue	50	10	-	-
Interest expense	(856)	(3,342)	-	(240)
Other nonoperating revenues(expenses)	(103)	2,501	-	(61)
Capital contributions	136	69	-	1,872
Transfers	(547)	2,862	-	-
Change in net position	(1,166)	(2,363)	(4)	1,571
Beginning net position	38,796	(2,318)	951	(4,783)
Prior period adjustments	(31)	-	-	-
Ending net position	$ 37,599	$ (4,681)	$ 947	$ (3,212)

CONDENSED STATEMENT OF CASH FLOWS

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450	Power Conservation Fund #4850
Net cash provided (used) by:				
Operating activities	$ 1,494	$ (1,951)	$ (4)	$ -
Noncaptial financing activities	(546)	2,931	-	-
Captial and related financing activities	(722)	(868)	5	-
Investing activities	50	10	-	3
Net increase (decrease)	276	122	1	3
Beginning cash and cash equivalents	2,451	726	1,993	171
Ending cash and cash equivalents	$ 2,727	$ 848	$ 1,994	$ 174

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

E. The Performing Arts Fund

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 Fund calculated at an implicit interest rate of 8 percent are as follows (amounts expressed in thousands):

2012	$	297
2013		275
2014		254
2015		236
2016		218
2017-2021		756
2022-2026		372
2027-2028		113

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

2012	$	266
2013		247
2014		228
2015		211
2016		196
2017-2021		552
2022-2026		92
2027-2028		28

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 (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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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.

Joint Venture
(amounts expressed in thousands)

	LESA	HEALTH DEPARTMENT
Balance Sheet Date	12/31/2011	12/31/2011
Total Assets	$ 9,591	$ 10,980
Total Liabilities	1,916	4,097
Total Net Assets	7,675	6,883
Non-current Liabilities	763	1,482
Captial Assets (net of accumulated depreciation)	1,436	1,563
Total Revenues	21,401	31,993
Total Expenditures/Expenses	19,063	30,920
Other Non-operating Revenues/Expendutures	-	-
Transfers	-	-
Net Increase/(Decrease) in Net Assets	2,338	1,073

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, 2012. The projects include street and capital project constructions for improvements of existing streets and bridges or new bridges. At year-end the City's major commitments with the contractors are as follows: (amounts expressed in thousands)

Project	Authorized	Spent-to-date	Remaining Commitment
City of Tacoma Stormwater Pipe Retorfit Project	846	592	254
Construction and Installation of ADA Compliance Upgrades	1,647	1,896	(249)
Titlow Beach Seawall Repair	200	80	120
Salmon Beach Pump Station AN1304 Rehabilitation	1,649	1,584	65
Arterial Street Improvement - Alaska from S 56th to S 72nd	4,280	3,864	416
Puget Gulch - Wastewater Sewer Rehabilitation and Replacement	1,655	1,434	221
On-Call Wastewater Sewer & Side Sewer Connection Repair	260	107	153
Arterial Stree Repairs - S Tacoma Way & S Mildred	1,648	454	1,194
S 9th Street Pedestrian Improvements	648	646	2
Central Wastewater Treatement Plant High Purity Oxygen System	1,911	1,081	830
303 East D Street Site Improvement	136	116	20
S 15th & Fawcett Utilities Improvement	1,100	970	130
Foss Waterway Seaport North Wall	1,101	1,146	(45)
North Waterview Street Repair	665	38	627
Wastewater & Water Main Replacement Court A & C	1,919	826	1,093
Wastewater & Water Main Replacement Court D & E	1,602	988	614
Wastewater Sewer Main Extenstion E 49th to E G	116	114	2
Hylebos View and Vista View Pump Stations Upgrade	544	13	531
Stadium Way Arterial	10,703	4,364	6,339
Wapato Pervious Street Project	1,809	1,363	446
Wastewater Sewer Replacement Pearl to Orchard	1,815	737	1,078
On-Call Contractor Services at the Landfill	175	6	169
Old Town Dock Repairs	1,701	1,201	500
Wastewater Sewer Replacement Bristol to Visscher St	1,948	544	1,404
2011 Sidewalk Reconstruction Project	538	102	436
Pacific Avenue Streetscapes Phase I	7,698	474	7,224
Pump Stations 4012, 4103, & 4106 Modifications	648	227	421
Sprague Enhancement Project	548	453	95
2012 Striping Contract	161	124	37
Annie Track Upgrades	562	487	75
	50,233	26,031	24,202

These commitments are being funded by a variety of funding sources such as Federal, State and Local Grants, Gas Tax Revenue, City contributions and long-term debt.

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

The Solid Waste Utility 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 Degree. 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 $27,935,614 reported as landfill closure and post closure liability at December 31, 2012 represents an estimated closure and post-closure liability based on 100% use of total capacity of the landfill. This compares to $29,412,162 at December 31, 2011 based on 99% of capacity. Based on 100% of capacity, the liability was fully recognized as of December 31, 2012 compared to $179,067 as of December 31, 2011. 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 had determined it 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, 2012, $2,780,404 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.

Port of Tacoma (Power)

The Port of Tacoma is claiming $676,608 in damages representing the alleged cost to clean up "hazardous waste" found at the Tacoma Steam Plant No. 2 that was transferred to the Port on August 27, 2007. This matter is currently being investigated, and no determination has been made as to liability. The Port of Tacoma has submitted their report to Tacoma Power, which is currently reviewing the allegations.

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 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 cost for the three SEPs was estimated to be $675,252

In 2012, the manufacturer of the hybrid electric "yard mule" vehicle notified the City that it had ceased production of the vehicle. In response, the City made a stipulated penalty payment to DOJ and the EPA in the mount of $81,378, in lieu of completing the SEP. The City also had technical issues with the diesel reduction equipment it installed as part of that SEP, which made the continued use of this equipment impractical. DOJ and the EPA were notified, and responded to the City on March 28, 2013 excusing further performance of this SEP, including payment of any stipulated penalties that may be owing for failure to complete it.

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, 2012, Mountain Rail has incurred a deficit of over $1 million and has been funded in 2012.

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 has now been transferred to retired Judge Ron Castleberry from Snohomish County, who has agreed to hear the case to its conclusion. Summary judgment motions were filed on Friday, February 24, 2012, Judge Castleberry ruled in favor of the plaintiffs. Judge Castleberry certified his ruling for a direct review, and the case is now pending in the Washington State Court of Appeals, Division II, at Tacoma.

Baskin, et al. v. Tacoma - On May 9, 2011, the same attorney in the Richert, et al. suit above, filed a lawsuit in Mason County Superior Court on behalf of Mr. Baskin "and class members," alleging the same damages as in the Richert, et al. matter. Attached to the Complaint are 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, Judge Castleberry, from Skokomish County Superior Court, will be presiding in this case, too. The case has been informally stayed pending the outcome of the appeal in Richert.

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. The City is being represented by outside counsel appointed by our insurance carrier. The case is in the early stages of discovery.

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 Mr. 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. The claim was denied March 2, 2012.

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

March 5, 2013 the City of Tacoma sold Limited General Obligation Bonds in the amount of $44,170,000 for the purpose of refunding Limited General Obligation Bonds issued in 2004. The City plans to issue LID Bonds later in 2013 in the amount of $30,999,358.

CITY OF TACOMA, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
FOR DECEMBER 31, 2012

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

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-12	ISSUED 2012	REDEEMED 2012	AMOUNT O/S 12/31/12
GENERAL OBLIGATION BONDS, LOANS, & NOTES									
Unlimited General Obligation Bonds									
Genl Obl Bonds 2002	Police HQ & Substations	06/01/02	2003-2022	34,300	4.8448	1,645		1,645	0
Genl Obl Bonds 2010	Refunding 2002 Bonds	11/10/10	2011-2022	21,870	2.6323	21,855		70	21,785
	Subtotal Unlimited (Voted)					**23,500**	**0**	**1,715**	**21,785**
Limited General Obligation Bonds									
Ltd. Genl Obl Bonds 1997 Ser B	Capital Improvements	08/05/97	2008-2018	16,100	5.4554	5,119		0	5,119
Ltd. Genl Obl Bonds 1997 Ser B Acreted Interest		08/06/97	2008-2019	16,100	5.4554	0	6,644		6,644
Ltd. Genl Obl Bonds 2001	Cap Imp & Ref '92 & '94 LTGO	07/15/01	2003-2014	17,390	4.4598	1,105		0	1,105
Ltd. Genl Obl Bonds 2004 Conv Ctr	Construction	08/05/04	2004-2034	51,900	4.8573	44,525		0	44,525
Ltd Genl Obli Bonds 2006A Conv Ctr	Improvements	09/10/06	2008-2036	16,475	4.4537	14,865		0	14,865
Ltd. Genl Obl Bonds 2006B	Refund 1997A LTGO	10/09/06	2004-2014	12,885	4.3942	12,885		0	12,885
Ltd. Genl Obl Bonds 2007 Parking Structure	Retrofit Parking Structure	12/21/07	2008-2027	9,610	5.6328	8,050		0	8,050
Ltd. Genl Obl Note 2009 ECMS	Software Purchase	07/13/09	2009-2013	1,739	2.6500	788		445	343
Ltd. Genl Obl Bonds 2009A Cheney	Capital Improvements	12/17/09	2011-2035	15,380	5.8600	15,295		110	15,185
Ltd. Genl Obl Bonds 2009B Dock & Shalisahan	Capital Improvements	12/17/09	2035	3,320	3.5400	3,320		0	3,320
Ltd. Genl Obl Bonds 2009C Cheney	Capital Improvements	12/17/09	2034	4,975	4.8800	4,975		0	4,975
Ltd. Genl Obl Bonds 2009D Cheney	Capital Improvements	12/17/09	2010-2014	5,000	1.7400	3,000		1,000	2,000
Ltd. Genl Obl Bonds 2009E Multiple Projects	Capital Improvements	12/17/09	2026-2035	13,526	5.7500	13,526		0	13,526
Ltd. Genl Obl Bonds 2009E Acreted Interest		12/18/09	2026-2036	13,526	5.7500		2,441	0	2,441
Ltd. Genl Obl Bonds 2009F Cheney & Env Remed	Capital Improvements	12/17/09	2023-2026	6,681	7.2020	6,681		0	6,681
Ltd. Genl Obl Bonds 2009F Acreted Interest		12/18/09	2023-2027	6,681	7.2020		1,543	0	1,543
Ltd. Genl Obl Bonds 2010B Refunding Bonds	Refund 1997B, 2001, 2004, 20	11/10/10	2015-2022	7,355	2.7966	7,355		0	7,355
Ltd. Genl Obl Bonds 2010C Refunding Bonds	Refund 2001, 2007, 2009 LTG(	11/10/10	2015-2022	7,355	3.8076	7,355		0	7,355
Ltd. Genl Obl Bonds 2010D Bonds	Capital Improvements	11/10/10	2015-2033	30,225	5.0399	30,225		0	30,225
Ltd. Genl Obl Bonds 2010E Bonds	Capital Improvements	11/10/10	2015-2040	9,130	5.7155	9,130		0	9,130
	Subtotal Limited (Councilmanic)					**188,199**	**10,628**	**1,555**	**197,272**
Washington State Dept of Transportaion Loan									
STP-STPUL-3268(003)	Capital Improvements	11/03/10	2015-2020	20,000	0.0000	0	19,037	0	19,037
	Subtotal Washington State Dept of Transportation Loan (Councilmanic)					**0**	**19,037**	**0**	**19,037**
Washington State Public Works Trust Fund Loan									
CTED PWTF No. 98-791-065	Capital Improvements	08/17/98	1999-2018	9,000	1.0000	3,783		541	3,242
CTED PWTF No. 04-691-068	Capital Improvements	06/02/04	2004-2024	4,500	0.5000	7,416		571	6,845
	Subtotal Washington State PWTF Loan (Councilmanic)					**11,199**	**0**	**1,112**	**10,087**

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-12	ISSUED 2012	REDEEMED 2012	AMOUNT O/S 12/31/12
Lease Purchases									
TAC0610-0001 Series F	Capital Improvements	12/01/01	2002-2013	436	4.9425	98		48	50
San Storage & Cisco	Equip Purchase	12/31/08	2009-2013	3401	0.0000	1,251		625	626
	Subtotal Lease Purchase (Councilmanic)					**1,349**	**0**	**673**	**676**
Total General Obligation Bonds, Loans, & Notes						**224,247**	**29,665**	**5,055**	**248,857**
ENTERPRISE REVENUE BONDS, LOANS, & NOTES									
Greater Tacoma Convention Center									
Tac CC & Parking Rev Bonds, Series 2004	Construction	08/19/04	2005-2024	32,975	4.4307	23,050			23,050
Tac CC & Parking Rev/Ref Bonds, Series 2010	Refunding 2004 Bonds	11/10/10	2015-2024	5,015	3.7656	5,015			5,015
	Subtotal Convention Center					**28,065**	**0**	**0**	**28,065**
Wastewater Utility									
Sewer Refunding Bonds 2002	Refunding	03/01/02	2002 - 2015	28,990	4.4240	10,965		10,965	0
State Revolving Fund (SRF) Loan #40006A	Treatment Plant Upgrade	09/19/03	2008 - 2028	53,491	1.5000	46,536		2,505	44,031
State Revolving Fund (SRF) Loan #40006B	Treatment Plant Upgrade	09/20/03	2009 - 2028	21,687	2.6000	19,230		946	18,284
Sewer Rev & Ref Bonds 2006	Improvements/Refunding	06/29/06	2006 - 2036	55,000	4.8852	54,950		0	54,950
Sewer TES/Urban Waters Capital Lease	Property Agreement	01/20/09	2010 - 2038	16,558	5.2172	15,685		300	15,385
Sewer Rev & Ref Bonds 2011	Refunding	10/12/11	2022 - 2031	34,315	3.8768	34,315		0	34,315
	Subtotal Sewer					**181,681**	**0**	**14,716**	**166,965**
Surface Water Utility									
Surface Water TES/Urban Waters Capital Lease	Property Agreement	01/20/09	2010 - 2038	14,248	5.2172	13,497		258	13,239
DOE SFR Loan L-1000007	Sewer Plant Upgrade	02/07/06	2011 - 2030	474	2.9000	465		19	446
	Subtotal Surface Water					**13,962**	**0**	**277**	**13,685**
Solid Waste Utility									
Refuse Utility Bonds 1997 B	Refunding	04/01/97	2000-2019	60,370	5.8725	2,350		2,350	0
Solid Waste Revenue Bonds, 2006A	Capital Improvements	07/12/06	2013-2026	29,385		29,385		0	29,385
Solid Waste Rev/Ref Bonds, 2006B	Refunding	09/27/06	2014-2021	22,315		22,315		0	22,315
Solid Waste Rev/Ref Bonds, 2008	Refunding	09/05/08	2013-2017	12,055	3.8577	12,055		0	12,055
Solid Waste TES/Urban Waters Capital Lease	Property Agreement	01/20/09	2010-2038	7,702	5.2172	7,296		139	7,157
	Subtotal Refuse					**73,401**	**0**	**2,489**	**70,912**
Electric System									
Electric System 1999 Revenue Bonds	Capital Improvements	08/01/99	2013	36,045	5.4900	13,500		0	13,500
Electric System 2001B Rev & Ref Bonds	Capital Improvements	10/03/01	2006-2012	101,860	4.7307	14,650		14,650	0
Electric System 2004A Revenue Bonds	Capital Improvements	06/08/04	2005-2017	82,655	4.6376	56,905		5,300	51,605
Electric System 2005A Revenue Bonds	Capital Improvements	10/04/05	2010-2021	93,480	4.2200	93,280		335	92,945
Electric System 2005B Revenue Bonds	Capital Improvements	10/04/05	2006-2021	156,425	4.2900	151,660		3,245	148,415
Electric System 2007 Rev & Ref Bonds	Refunding	03/13/07	2008-2015	81,130	3.7949	69,475		18,760	50,715
Electric System 2010A Revenue Bonds	Capital Improvements	07/27/10	2014-2015	16,000	1.8644	16,000		0	16,000
Electric System 2010B Rev Bonds (BABS)	Capital Improvements	07/27/10	2031-2035	147,070	3.9071	147,070		0	147,070
Electric System 2010C Rev Bonds (CREBS)	Capital Improvements	07/27/10	2027	24,185	1.9235	24,185		0	24,185
	Subtotal Electric System					**586,725**	**0**	**42,290**	**544,435**

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-12	ISSUED 2012	REDEEMED 2012	AMOUNT O/S 12/31/12
Water System									
PW-DWSRF-00-65120-031	Construction	10/07/02	2003-2021	3,060	2.5000	1,611		162	1,449
PW -00-691-PRE-115	Construction	04/11/01	2003-2021	1,000	0.5000	526		52	474
PW-01-691-061	Construction	08/27/01	2003-2021	10,000	0.5000	5,333		533	4,800
PW -01-691-PRE-127	Construction	02/15/02	2003-2021	1,000	0.5000	542		54	488
PW-02-691-056	Construction	04/15/02	2004-2022	10,000	0.5000	5,844		531	5,313
Water Sys Rev Bonds 2002 (RWSS)	Construction Regional Supply	12/15/02	2005-2032	82,700	4.8820	76,750		825	75,925
Water Sys Ref & Rev Bonds 2003	Construction & Refinance	09/01/03	2004-2023	51,380	4.2340	28,630		3,345	25,285
PW-04-691-PRE-101	Construction	03/19/04	2006-2024	1,000	0.5000	694		54	640
Water Sys Ref & Rev Bonds 2005	Construction & Refinance	10/11/05	2006-2025	46,550	4.6390	37,420		1,935	35,485
PW-06-962-043	Construction	07/18/06	2008-2026	7,000	0.5000	5,559		371	5,188
Water Sys Rev Bonds 2009 (Taxable BABS)	Capital Improvements	11/04/09	2033-2039	76,775	3.7780	76,775		0	76,775
PC08-951-047	Construction	11/25/09	2010-2028	10,000	0.5000	8,749	500	515	8,734
DM07-952-015	Construction	03/31/10	2010-2028	4,040	1.5000	3,257	400	215	3,442
PW-DWSRF 09-952-074	Construction	04/09/10	2013-2032	6,579	1.0000	5,984		0	5,984
Water Sys Rev & Ref Bonds 2010A	Refunding	08/24/10	2012-2023	29,100	3.2789	29,100		515	28,585
Water Sys Rev Bonds 2010B (BABS)	Construction	08/24/10	2024-2040	74,985	5.5636	74,985		0	74,985
Water RWSS Revenue Bonds 2010A	Construction	08/24/10	2013-2024	3,595	3.2460	3,595		0	3,595
Water RWSS Revenue Bonds 2010B (BABS)	Construction	08/24/10	2025-2040	44,245	5.5636	44,245		0	44,245
PW-DWSRF 10-952-026	Construction	06/17/11	2015-2034	6,060	1.5000	5,460		0	5,460
	Subtotal Water System					**415,059**	**900**	**9,107**	**406,852**
Tacoma Rail									
Rail Revenue Bond 2006 (BofA)	Capital Improvements	12/21/06	2007-2017	2,000	5.3900	1,184		201	983
WA State Rail Loan RR00407 2009	Capital Improvements	08/04/09	2010-2024	26	0.0000	23		2	21
WA State Rail Loan RR00408 2009	Capital Improvements	08/04/09	2011-2025	249	0.0000	233		17	216
WA State Rail Loan RRB-1007	Capital Improvements	12/06/11	2013-2022	450	0.0000	450		0	450
WA State Rail Loan RRB-1010	Capital Improvements	03/28/12	2013-2022	612	0.0000	0	612	0	612
WA State Rail Loan RRB-1011	Capital Improvements	03/28/12	2013-2022	349	0.0000	0	245	0	245
	Subtotal Tacoma Rail					**1,890**	**857**	**220**	**2,527**
Lease Revenue									
Lease Revenue Bonds 1990	Construction	03/15/90	1992-2022	36,250	9.3476	23,890		1,420	22,470
Lease Revenue Bonds 1992	Construction	12/15/92	1993-2022	4,695	7.4769	2,960		185	2,775

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-12	ISSUED 2012	REDEEMED 2012	AMOUNT O/S 12/31/12
Subtotal Lease Revenue						**26,850**	**0**	**1,605**	**25,245**
Conservation Revenue Bonds, guaranteed by BPA									
Conservation System 2003 Bonds	Conservation Project	06/02/03	2003-2014	17,065	4.1957	5,120		1,625	3,495
Total Conservation Bonds`						**5,120**	**0**	**1,625**	**3,495**
Total Revenue Bonds						**$1,332,753**	**$1,757**	**$72,329**	**$1,262,181**
Total General Obligation & Revenue Bonds						**$1,557,000**	**$31,422**	**$77,384**	**$1,511,038**
SPECIAL ASSESSMENT BONDS									
Local Improvement District Bonds									
District #60 Bonds	Construction	04/01/04	2026	1,036	3.9290	145		55	90
District #63 Bonds	Construction	09/29/11	2023	1,557	4.1800	1,557		0	1,557
Subtotal LID Bonds/Notes						**1,702**	**0**	**55**	**1,647**
Bond Anticipation Notes									
Revolving Line of Credit	LID Construction	06/30/00	At CLID Issue	$13mm Max	Floating	10,975			10,975
Revolving Line of Credit - Point Ruston	LID Construction	08/29/11	2/28/2013	$28mm Max	3.4500	13,039	12,238		25,277
Subtotal Bond Anticipation Notes						**24,014**	**12,238**	**0**	**36,252**
Total Special Assessment Bonds						**$25,716**	**$12,238**	**$55**	**$37,899**
Total All Bonds						**$1,582,716**	**$43,660**	**$77,439**	**$1,548,937**
									$1,548,937

Notes related to debt increases:

1. Ltd. Genl Obl Bonds 1997 Ser B - Additions represent accreted interest capitalized to bond principal.
2. Ltd. Genl Obl Bonds 2009E Multiple Projects - Additions represent accreted interest capitalized to bond principal.
3. Ltd. Genl Obl Bonds 2009F Cheney & Env Remed - Additions represent accreted interest capitalized to bond principal.
4. Washington State Dept of Transportation Loan No. STP-STPUL-3268(003) for Murray Morgan Bridge Rehabilitation.
5. PC08-951-047 - Draw from remaining loan balance.
6. DM07-952-015 - Draw from remaining loan balance.
7. Revolving Line of Credit - Point Ruston - Short Term Financing for Point Ruston LIDs