



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Tacoma

For the period January 1, 2022 through December 31, 2022

Published September 29, 2023

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

September 29, 2023

Mayor and City Council
City of Tacoma
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Tacoma are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.218	COVID-19 – CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
66.958	Water Infrastructure Finance and Innovation (WIFIA)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,540,544.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2022-001 and 2022-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2022 through December 31, 2022

2022-001 The City's internal controls were inadequate for ensuring compliance with federal requirements for reporting and suspension and debarment.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	Yes, Finding 2021-002

Background

The objectives of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program are to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2022, the City spent \$27,043,504 in program funds for these activities.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Suspension and Debarment

Federal requirements prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. Whenever the City makes subawards, it must verify the subrecipients have not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the subrecipient, adding a clause or condition into the contract that states the subrecipient is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must perform this verification before making the subaward, and it must keep documentation demonstrating compliance with this federal requirement.

Reporting

Cities with a population below 250,000 residents that are allocated more than \$10 million in SLFRF funding are required to submit a Project and Expenditure Report on financial data, projects funded, expenditures, and contracts and subawards more than \$50,000. This report is due by January 31, 2022, and then 30 days after the end of each quarter thereafter. The U.S. Department of the Treasury identified the following key line item as containing critical information:

1. Obligations and expenditures
 - Current period obligation
 - Cumulative obligation
 - Current period expenditure
 - Cumulative expenditure

Description of Condition

Suspension and Debarment

Our audit found the City's internal controls were inadequate for ensuring staff verified the suspension and debarment status of all recipients of federal subawards. Specifically, the City did not verify one subrecipient was not suspended or debarred from participating in federal programs before entering into the agreement.

Reporting

Although the City had a process to ensure reports were submitted, its controls were inadequate for ensuring key line items were accurate. The City's reports of expenditures to date and obligations were not supported by its general ledger or

supporting award documentation, which showed the Project and Expenditure Reports to be underreported for each quarter of fiscal year 2022.

We consider these internal control deficiencies to be material weaknesses, which led to material noncompliance.

Cause of Condition

Suspension and Debarment

The City typically includes a suspension and debarment clause in federal subawards. However, the City did not verify the subrecipient's status when deciding to charge the associated costs to the federal program.

Reporting

Staff responsible for completing the reports did not receive the appropriate training to ensure that expenditure and obligation amounts for each project were tracked properly, both in the aggregate or per subrecipient.

Effect of Condition

Suspension and Debarment

The City did not obtain a written certification, insert a clause into the agreement, or maintain support of checking SAM.gov to verify one subrecipient it paid \$237,000 was not suspended or debarred. Without this verification, the City increases its risk of providing federal funds to subrecipients that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the subrecipient was not suspended or debarred, so we are not questioning the costs.

Reporting

The U.S. Department of the Treasury uses the reports for oversight purposes, and any inaccurate information limits its ability to ensure transparency of program spending and fulfill its legal obligations.

Recommendation

Suspension and Debarment

We recommend the City strengthen its internal controls to ensure all recipients of federal subawards are not suspended or debarred from participating in federal programs before entering into agreements with them.

Reporting

We recommend the City review the Project Report User Guide section in the *Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance*, as well as the reporting webinars issued by Treasury, for all reporting requirements. We also recommend the City maintain quarterly records that trace the Project and Expenditure Reports to underlying documentation to ensure a clear audit trail, and thoroughly review these reports for completeness and accuracy before submitting them to Treasury.

City's Response

The City takes their responsibility for creating internal controls to ensure compliance with federal requirements in the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following actions:

Suspension & Debarment

- 1. Work with the Procurement and Payables division and Legal to update all contract templates to add self-certification language for suspension and debarment.*

Reporting

- 1. Provide training to appropriate staff that will be responsible for report submittal, and*
- 2. Require management review for completeness of report prior to submittal.*

Auditor's Remarks

We appreciate the City's commitment to improving its processes and resolving this issue. We thank the City for its cooperation and assistance during the audit. We will review the status of the City's corrective action during the next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

U.S. Department of the Treasury's *Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance*, Section B, page 17, provides the reporting requirements for the Project and Expenditure Report.

Title 2 CFR Part 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2022 through December 31, 2022

2022-002 The City's internal controls were inadequate for ensuring compliance with federal reporting requirements.

Assistance Listing Number and Title:	14.218 – Community Development Block Grants/Entitlement Grants 14.218 – COVID 19 – Community Development Block Grants/Entitlement Grants
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	B-16-MC-53-0007 B-17-MC-53-0007 B-20-MC-53-0007 COVID-19 B-20-MW-53-0007 B-21-MC-53-0007 B-22-MC-53-0007
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Description of Condition

The City spent \$4,671,311 in Community Development Block Grants/Entitlement Grants (CDBG) in 2022. Of that amount, the City passed through \$2,176,389 to four subrecipients.

The purpose of the CDBG program is to help provide decent and affordable housing, particularly for people with moderate, low and very low incomes. Funds also help recipients implement strategies for achieving an adequate supply of decent

housing and providing a suitable living environment and expanded economic opportunities for people with low incomes.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

To comply with federal reporting requirements, the City must submit certain financial and special reports to the U.S. Department of Housing and Urban Development (HUD). For the CDBG program, this includes the Cash on Hand Quarterly Report (PR29) and reports required under the Federal Funding Accountability and Transparency Act (FFATA).

Cash on Hand Quarterly Report

The City's Cash on Hand Quarterly Reports (PR29 and PR29-CV) must include accurate information relating to cash on hand, program income and revolving funds. We found the City's internal controls were ineffective for ensuring staff submitted the required reports in compliance with federal reporting requirements.

We found the City did not complete eight required Cash on Hand Quarterly Reports (four PR29 and four PR29-CV) during the audit period. Therefore, none of the grantees' information was submitted to their awarding agency.

FFATA Reporting

The FFATA requires direct recipients that make first-tier subawards of \$30,000 or more to report them in the FFATA Subaward Reporting System (FSRS). The City must report subawards by the end of the month following the month in which it made the subaward or subaward amendment. We found the City's internal controls were ineffective for ensuring it reported four subawards obligated in 2022 in the FSRS, as federal regulations require.

We consider these internal control deficiencies to be material weaknesses, which led to material noncompliance.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The City staff responsible for submitting these reports did not have the necessary training or a clear understanding of the reporting requirements.

Effect of Condition

Cash on Hand Quarterly Report

The PR29 and PR29-CV reports document a grantee's compliance with the low- and moderate-income benefit requirement, the amount obligated and expended for public services, and the amount obligated for planning and administration for the selected program year. The reports include funding data that HUD then reports to Congress and uses to monitor grantees. Failing to submit accurate and complete information to HUD diminishes the federal government's ability to ensure proper monitoring of grantees.

FFATA

Failing to submit the required reports on time with accurate information diminishes the federal government's ability to ensure accountability and transparency of federal spending.

Below is a summary of the missing reports we identified.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
4	4	0	\$0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$2,176,389	\$2,176,389	0	\$0	0

Recommendation

We recommend the City establish and follow internal controls over federal reporting requirements to ensure it submits accurate Cash on Hand Quarterly Reports and FFATA reports by the federal deadlines.

City's Response

The City takes their responsibility for creating internal controls to ensure compliance with federal requirements in the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following action:

The City will clarify roles and responsibilities for the departments that have a role in federal reporting requirements. The City will also establish internal controls and ensure staff have a clear understanding of the reporting requirements.

Auditor's Remarks

We thank the City for its response and consideration in this matter, as well as the steps it is taking to address this issue. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 328, Financial reporting, establishes requirements for recipients' financial information.

Title 2 CFR Part 170, *Reporting Subaward and Executive Compensation Information*, section 200, Federal Awarding Agency Reporting Requirements, establishes the Federal Funding Accountability and Transparency Act (FFATA) requirements of reporting the subaward information through the FFATA Subaward Reporting System (FSRS).



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Tacoma January 1, 2022 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2021 – December 31, 2021	Report Ref. No.: 1031332	Finding Ref. No.: 2021-001	Assistance Listing Number(s): 21.023
Federal Program Name and Granting Agency: COVID-19 – Emergency Rental Assistance Program U.S. Department of the Treasury		Pass-Through Agency Name: N/A	
Finding Caption: The City’s internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.			
Background: <p>Whenever the City passes on federal funding to subrecipients, federal regulations require it to clearly identify the award as a subaward by providing the information described in the regulation and including all applicable program requirements in the agreement. Further, the City must monitor its subrecipients to ensure they comply with the terms and conditions of the federal award. To determine the appropriate level of monitoring, the City must evaluate each subrecipient’s risk of noncompliance with federal requirements. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient’s risk of noncompliance.</p> <p>During the audit period, the City contracted with a local nonprofit organization to administer a housing assistance program. The nonprofit determined which households were eligible to receive funds and used program funds to provide emergency rental assistance to households affected by COVID-19. The nonprofit is considered a subrecipient because determining household eligibility is carrying out part of the program’s objectives on the City’s behalf. However, the City incorrectly determined the nonprofit was a contractor and, as a result, did not follow subrecipient monitoring requirements.</p> <p>The City did not identify it was a subaward and did not include all required elements in the subaward agreement. Additionally, the City did not perform a risk assessment and monitor the subrecipient for program compliance.</p>			

Status of Corrective Action: (check one)			
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken: <i>The City updated contract templates in collaboration with Legal and Procurement to add necessary subrecipient federal provisions. The City also created a monitoring checklist and conducted risk analyses of subrecipients. A checklist comparing subrecipient and contractor requirements was also created. Training on these tools will be developed and provided to departmental staff in 2023.</i>			

Audit Period: January 1, 2021 – December 31, 2021	Report Ref. No.: 1031332	Finding Ref. No.: 2021-002	Assistance Listing Number(s): 21.027
Federal Program Name and Granting Agency: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds U.S. Department of the Treasury		Pass-Through Agency Name: N/A	
Finding Caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.			
Background: <i>Suspension and Debarment</i> Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must perform this verification before entering into the contract or, in this specific case, prior to charging the costs to a federal award, and it must keep documentation demonstrating compliance with this federal requirement. During the audit period, the City did not verify four contractors were not suspended or debarred from participating in federal programs before entering into a contract or paying them. <i>Subrecipient Monitoring</i> Whenever the City passes on federal funding to subrecipients, federal regulations require it to clearly identify the award as a subaward by providing the information described in the regulation and including all applicable program requirements in the agreement. Further, the City must monitor its subrecipients to ensure they comply with the terms and conditions of the federal award. To determine the appropriate level of monitoring, the City must evaluate each			

subrecipient's risk of noncompliance with federal requirements. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

During the audit period, the City contracted with six nonprofit organizations to carry out the SLFRF program's objectives. These organizations identified eligible beneficiaries in the community and used program funds to deliver services to them. However, the City incorrectly determined these nonprofits were contractors. As a result, the City did not follow subrecipient monitoring requirements and did not include all required elements in the subaward agreements. Additionally, the City did not perform risk assessments or monitor the subrecipients for program compliance.

Status of Corrective Action: (check one)

☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid

Corrective Action Taken:

The City worked with Legal and Procurement to update contract templates to include required subrecipient federal elements. The City also performed risk assessments of subrecipients and developed a monitoring checklist. In addition, a checklist on subrecipient versus contractor criteria was developed. Training on these tools will be developed and provided to departmental staff in 2023.

Audit Period: January 1, 2021 – December 31, 2021	Report Ref. No.: 1031332	Finding Ref. No.: 2021-003	Assistance Listing Number(s): 66.958
Federal Program Name and Granting Agency: Water Infrastructure Finance and Innovation (WIFIA) Environmental Protection Agency		Pass-Through Agency Name: N/A	
Finding Caption: The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.			
Background: <p>Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor has not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking the System for Award Management (SAM.gov) for exclusion records. The City must perform this verification before awarding the contract or paying the contractor more than \$25,000, and it must keep documentation demonstrating compliance with this federal requirement.</p> <p>During the audit period, the City did not verify a construction contractor was not suspended or debarred from participating in federal programs before paying them \$1,954,350 for electrical engineering work.</p>			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Updated contract templates now include a clause stating that the contractor is not suspended or debarred or ask the contractor to self-certify that they are not. Check system for award management for exclusion records and a record is kept with the contract files.</i>			

INDEPENDENT AUDITOR'S REPORT

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

City of Tacoma January 1, 2022 through December 31, 2022

Mayor and City Council
City of Tacoma
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 11, 2023.

Our report includes a reference to other auditors who audited the financial statements of the Power, Wastewater, Water, Solid Waste, and Tacoma Rail funds, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

September 11, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Tacoma January 1, 2022 through December 31, 2022

Mayor and City Council
City of Tacoma
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Tacoma, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Tacoma Community Redevelopment Authority (TCRA), which expended \$4,189,911 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2022. Our audit, described below, did not include the operations of the Tacoma Community Redevelopment Authority (TCRA) because it has arranged for a separate audit of its federal awards in accordance with the uniform guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but

not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in

internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2022-001 and 2022-002 that we consider to be material weaknesses.


In addition, we noted certain other matters that we will report to the management of the City in a separate letter dated September 28, 2023.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Tacoma January 1, 2022 through December 31, 2022

Mayor and City Council
City of Tacoma
Tacoma, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Power, Wastewater, Water, or Solid Waste funds, which are presented as major funds and in aggregate represent 92.4 percent, 90.1 percent, and 91.4 percent, respectively, of the assets, net position and revenues of the business-type activities. We also did not audit the financial statements of the Tacoma Rail fund, which represents 1.2 percent, 0.9 percent and 3.0 percent, respectively, of the assets, net position, and revenues of the business-type activities and 1.9 percent, 0.9 percent, and 12.5 percent, respectively, of the assets, net position, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Power, Wastewater, Water, Solid Waste, and Tacoma Rail funds, is based solely on the reports of the other auditors.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 11, 2023

FINANCIAL SECTION

City of Tacoma January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet – Governmental Funds – 2022

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
– 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2022

Statement of Net Position – Proprietary Funds – 2022

Reconciliation of Total Enterprise Net Position to the Government Wide Statement of
Net Position – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position of
Enterprise Funds to the Statement of Activities – Business-Type Activities – 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Proportionate Share of Net Pension Liability –LEOFF 1, LEOFF 2, TERS – 2022

Schedule of the City of Tacoma's Contributions –LEOFF 2, TERS – 2022

Schedule of Changes in the Total Pension Liability and Related Ratios – Firefighters and
Police Pension Funds – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – Total City, TERS,
LEOFF 1, LEOFF 2, Rail – 2022

Notes to Required Supplementary Information – 2022
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

Management's Discussion and Analysis For the Year Ended December 31, 2022

As management of the City of Tacoma (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page 1-1 to 1-6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of resources exceeded the City's liabilities and deferred inflows of resources by \$3.3 billion. Of this amount, \$398.0 million is reported as unrestricted net position, representing amounts which are available to meet the City's on-going obligations to citizens and creditors.
- The City's overall net position increased by \$139.7 million in 2022. Governmental activities increased the City's net position by \$66.5 million and business-type activities increased the net position by \$73.2 million.
- Tacoma Power's net Position for 2022 was \$875.9 million which was a decrease of \$0.1 million from 2021.
- Tacoma Water's net position for 2022 was \$675.7 million which was an increase of \$23.1 million from 2021.
- Tacoma Wastewater and Stormwater's net position for 2022 was \$524.8 million which was an increase of \$22.0 million from 2021.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both the Statement of Net Position and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic

Management's Discussion and Analysis

For the Year Ended December 31, 2022

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

There are two types of proprietary funds, internal service and enterprise, both of which the City uses. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. Because these services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. There are two exceptions, Self Insurance and Utility Fleet funds, which only service utilities funds and are included within business-type activities. Enterprise funds account for various utilities which provide services such as power, water, wastewater, stormwater, and solid waste collection. The service area for these utilities is generally broader than the corporate limits of the City. The activities in these funds are primarily supported by user fees and

Management's Discussion and Analysis For the Year Ended December 31, 2022

are presented as business-type activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 3-10 to 3-21 of this report.

Fiduciary Funds

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-25 to 3-100 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain **Required Supplementary Information** (RSI) concerning the City's budget. Required supplementary information can be found on pages 4-1 to 4-12 of this report. The **Combining Statements** referred to earlier in connection with Non-Major governmental funds, Non-Major enterprise funds, and internal service funds can be found on pages 5-1 to 5-97 of this report. The **Statistical Section** provides financial trends, revenue and debt capacity, and demographic and economic information about the City's operations. The Statistical Section can be found on pages 6-1 to 6-34.

Management's Discussion and Analysis For the Year Ended December 31, 2022

Government-wide Financial Analysis

Statement of Net Position

The following table is a condensed Statement of Net Position for the City for December 31, 2022, which compares the current year to the prior year.

STATEMENT OF NET POSITION (in thousands \$)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 692,338	\$ 658,702	\$ 1,376,655	\$ 1,028,890	\$ 2,068,993	\$ 1,687,592
Capital assets, net of accumulated depreciation	789,409	791,611	3,105,168	3,012,277	3,894,577	3,803,888
Total assets	1,481,747	1,450,313	4,481,823	4,041,167	5,963,570	5,491,480
Deferred Outflows of Resources	110,426	83,351	70,703	80,346	181,129	163,697
Long-term liabilities	428,044	465,379	1,593,044	1,497,199	2,021,088	1,962,578
Other liabilities	81,393	62,375	153,115	147,361	234,508	209,736
Total liabilities	509,437	527,754	1,746,159	1,644,560	2,255,596	2,172,314
Deferred Inflows of Resources	149,434	139,073	403,148	146,980	552,582	286,053
Net position						
Net investment in capital assets	656,183	646,034	1,716,964	1,722,339	2,373,147	2,368,373
Restricted	334,353	325,466	231,034	156,412	565,387	481,878
Unrestricted	(57,234)	(104,663)	455,221	451,222	397,987	346,559
Total net position	\$ 933,302	\$ 866,837	\$ 2,403,219	\$ 2,329,973	\$ 3,336,521	\$ 3,196,810

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3.3 billion on December 31, 2022. The City's investment in capital assets less any outstanding debt used to acquire those assets, known as the Net Investment in Capital Assets is 71.1% of the total net position. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Unrestricted net position is 11.9% of the total net position, these are funds readily available for meeting the City's ongoing obligations such as road maintenance, employee salaries and other general government services. The remaining 17.0% of net position is restricted for other purposes such as debt redemption and new capital



Management's Discussion and Analysis For the Year Ended December 31, 2022

construction. Governmental activities represent 28.0% of total net position and business-type activities represent 72.0% of total net position.

Changes in Net Position

The following table is a condensed version of the City's changes in net position. This table will show the revenue, expenses, and related changes in net position for the governmental activity as well as business-type activities.

CHANGES IN NET POSITION (in thousands \$)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues						
Charges for services	\$ 43,019	\$ 30,532	\$ 898,453	\$ 869,904	\$ 941,472	\$ 900,436
Operating grants and contributions	94,762	72,676	-	-	94,762	72,676
Capital grants and contributions	10,630	24,603	39,676	35,331	50,306	59,934
General revenues						
Property taxes	79,119	81,783	-	-	79,119	81,783
Retail Sales & Use Tax	120,772	106,635	-	-	120,772	106,635
Business	50,768	46,381	-	-	50,768	46,381
Excise taxes	21,319	23,340	-	-	21,319	23,340
Investment earnings	(6,945)	(988)	(29,687)	(3,885)	(36,632)	(4,873)
Miscellaneous revenue	643	2,353	384	3,101	1,027	5,454
Total revenues	414,087	387,315	908,826	904,451	1,322,913	1,291,766
Expenses:						
General government	25,352	44,056	-	-	25,352	44,056
Public safety	236,506	160,016	-	-	236,506	160,016
Transportation	76,017	47,414	-	-	76,017	47,414
Nature and Economic Environment	12,240	29,618	-	-	12,240	29,618
Social Service	17,726	14,368	-	-	17,726	14,368
Culture and recreation	21,211	20,417	-	-	21,211	20,417
Interest on long-term debt	7,170	9,531	-	-	7,170	9,531
Solid Waste	-	-	65,792	64,787	65,792	64,787
Waste Water	-	-	103,029	102,481	103,029	102,481
Water	-	-	101,687	103,268	101,687	103,268
Power	-	-	437,711	441,413	437,711	441,413
Nonmajor Business-Type Activities	-	-	80,883	75,496	80,883	75,496
Total expenses	396,223	325,419	789,102	787,445	1,185,325	1,112,864
Change in net position before transfers	17,864	61,896	119,724	117,006	137,588	178,902
Transfers	47,396	53,569	(47,396)	(53,569)	-	-
Change in net position	65,260	115,465	72,328	63,437	137,588	178,902
Net Position, January 1, as Previously Reported	866,837	750,682	2,329,973	2,266,584	3,196,810	3,017,266
Prior Period Adjustment	1,205	690	73	(48)	1,278	642
Change in Accounting Principle	-	-	845	-	845	-
Net Position, January 1, as Restated	868,042	751,372	2,330,891	2,266,536	3,198,933	3,017,908
Net position, December 31	\$ 933,302	\$ 866,837	\$2,403,219	\$2,329,973	\$3,336,521	\$3,196,810

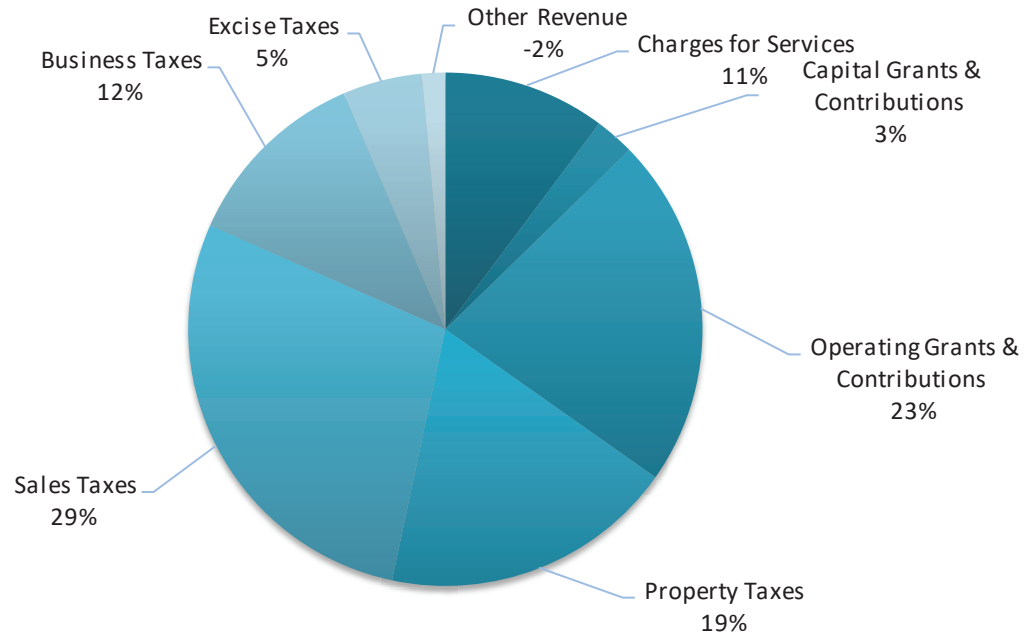
Management's Discussion and Analysis For the Year Ended December 31, 2022

Governmental Activities net position increased by \$66.4 million which was a 7.7% increase from 2021. In 2022, revenues increased approximately \$26.8 million from 2021, and expenditures also increased by \$70.8 million from 2021. Some key revenue and expenditure highlights of governmental activities for 2022 are as follows:

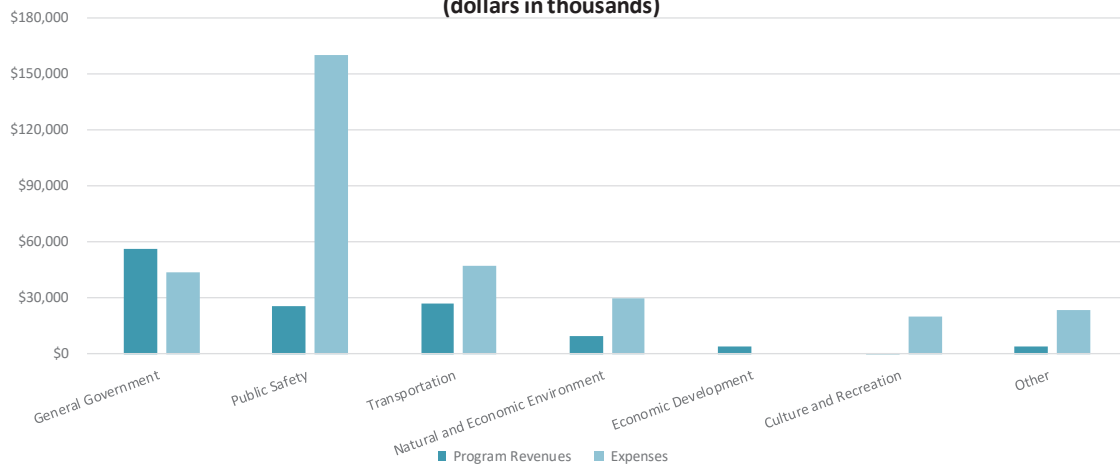
- Operating grants and contributions increased by \$22.1 million, which was 30.4% increase from 2021. The majority of this increase was due to \$14.0 million from Department of Treasury Grant to provide funding for public and private water, sewer, garbage, electric and natural gas utilities to address low-income customer arrearages compounded by the COVID-19 pandemic and related to economic downturn. In addition, \$7.4 million increase in intergovernmental revenue from Fire Department EMS primarily due to increase reimbursement from Washington State Health Care Authority (HCA) for Ground Emergency Medical Transportation (GEMT), and \$0.5 million for Opioid settlement.
- Capital grants and contributions decreased \$14.0 million or 56.8% decrease from 2021. This decrease is attributable to less transportation work performed in 2022 compared to 2021 by \$11.2 million and decrease in social services allocated to emergency shelter funds from the American Rescue Plan grant by \$2.7 million
- Charges for services increased by \$12.5 million, which was 40.9% increase from 2021.
 - General government increased \$3.6 million primarily due to an increase in business licenses, non-business licenses, fines and forfeitures and LID collections principal.
 - Public Safety increased \$5.8 million primarily due to the Fire Department's expansion of services in 2021. Specifically, the department began providing Basic Life Support Services, and in 2022, the number of transports increased from 2,903 to 6,564 with the addition of transport units into service.
 - Culture and Recreation increased \$2.4 million primarily due to \$2.6 million contribution from Wastewater, Stormwater, and Water fund to Capital Project Fund related to Hilltop Tacoma Link Extension.
- Overall general tax revenues increased by \$13.8 million which is a 5.4% increase from 2021.
 - Retail & use tax revenue increased by \$14.1 million or 13.3%
 - Business Tax increased by \$4.4 million or 9.5%
 - Property Tax decreased by \$2.7 million or 3.3%
 - Excise taxes revenues decreased by \$2.0 million which or 8%.
- Governmental activities expenditures increased by \$70.8 million or 21.8%.
 - The majority of the increase in spending, \$76.5 million or 47.8%, can be attributed to public safety. This includes an increase of \$9.2 million in Fire Department DMS, \$6.8 million in American Rescue Plan, \$18.5 million increase in Fire and Police function expenditures, \$32.0 million in GASB 68 accruals, and an additional \$9.6 million increase associated with a change in the report line police pension and firefighter pension funds compared to 2021.
 - Transportation activities increase of \$28.6 million (60.3%).
 - Social service increase of \$3.3 million (23.4%).
 - These increases are offset by general government activities decrease of \$18.7 million (42.5%), nature and economic environment decrease of \$17.4 million (58.6%) and interest expense on long term debt decrease of \$2.4 million (24.8%).

There are two charts depicted below for governmental activities. The first chart provides a summary of the governmental revenue sources by activity while the second shows the relationship of the revenues to expenses for the varying activities of the City.

Revenue by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities (dollars in thousands)



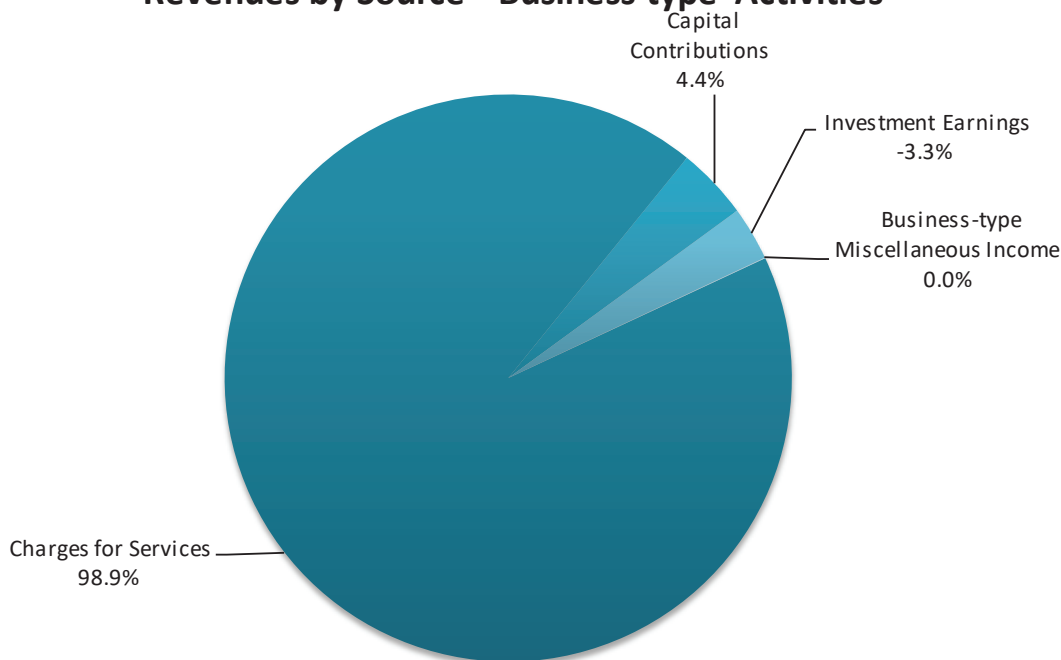
Management's Discussion and Analysis For the Year Ended December 31, 2022

Business-Type Activities net position increased by \$73.2 million which was a 3.1% increase with an ending net position of \$2.4 billion. The major enterprise funds are the Solid Waste, Wastewater and Stormwater, Water and Power funds.

- Charges for Services increased by \$29.7 million or 3.4% in 2022. The largest portion of this increase is from power for \$10.8 million, \$7.9 million in water, wastewater increased \$6.8 million, and solid waste revenues increased \$4.4 million.
- Capital grants and contributions increased \$4.3 million. The largest portion of this increase was due to \$2.7 million increased in Wastewater and Stormwater as they received direct grant from Washington Department of Ecology for the Upper Buckley Water Quality Grant project. Water increased \$1.3 million, Power decreased \$0.3 million, and Nonmajor Business-Type Activities increased \$0.7 million.
- Investment Earnings decreased by \$27.0 million in 2022. The Annual GASB 31 mark to fair value adjustment accounted for \$15.7 million of the decrease. Interest earnings were \$11.3 million lower compared to 2021.
- The business-type activities expenses overall increased by 0.2% in 2022 to \$789.1 million. Power expenses decreased by \$3.7 million (0.8%), and water expenses decreased by \$1.6 million (1.5%). This is offset by increases in Nonmajor business Type actives by \$5.4 million (7.1%) and Solid waste expenses increased by \$1.0 million (1.6%), and Wastewater and Stormwater expenses increased by \$0.5 million (0.5 %)

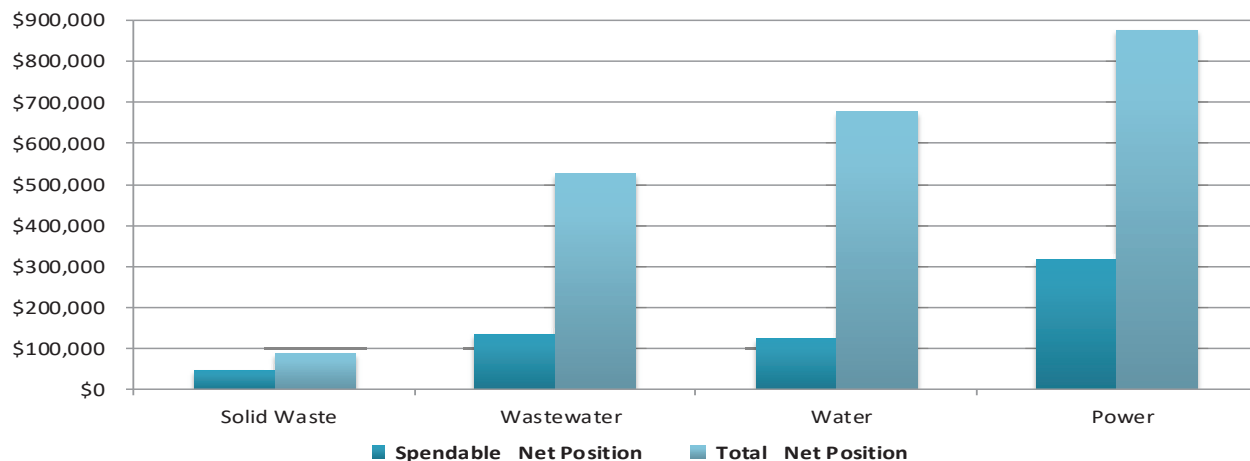
The following charts present the business-type activities. The first chart provides a summary of the business-type activities while the second chart shows the relationship of spendable net position to the total net position of the utility funds. A majority of the net position in each of these funds is related to capital infrastructure such as hydroelectric dams, water mains, Wastewater and Stormwater mains. Therefore, these funds are not readily available for spending in support of ongoing expenses.

Revenues by Source - Business-type Activities



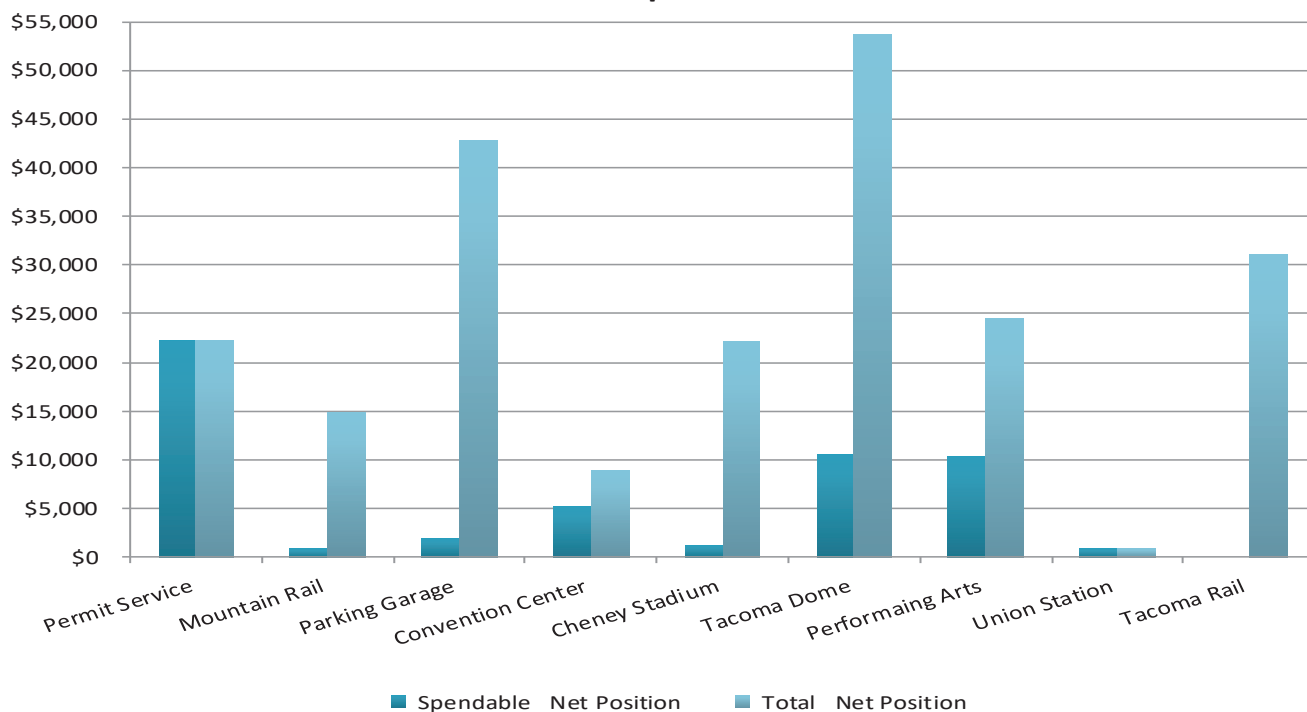
Management's Discussion and Analysis For the Year Ended December 31, 2022

**Comparison of Spendable Net Position to Total Net Position -
Utility Funds**



The following chart shows the remaining enterprise funds and their relationship between net positions that is spendable to the total net position. Like the major enterprise funds, a majority of the net position in each of these funds is related to capital infrastructure such as parking garages, buildings. Therefore, these funds are not readily available for ending in support of ongoing expenses.

**Comparison of Spendable Net Position to Total Net Postion - Other
Enterprise Funds**



Management's Discussion and Analysis For the Year Ended December 31, 2022

Financial Analysis of the City's Fund Statements

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

Governmental Fund Statements

Fund balance for the City's General Fund was \$109.2 million, an increase of \$4.0 million or 3.8% higher than 2021. Revenues for the general fund as a whole grew in 2022 by \$13.7 million, or 6.5%. Retail Sales & Use Tax rose by \$7.5 million as a result of increased consumer spending on goods and services, higher inflation, and higher costs of goods subject to the retail sales tax. Property tax increased \$1.0 million due to the increase in the assessed value of property. Business tax increased \$4.3 million. Licenses and permit increased \$2.2 million. Intergovernmental revenue decreased \$1.3 million. As a result of the financial market decline, investment profits declined by \$1.1 million. Additionally, there was an increase of \$1.1 million from other categories.

Fund balance for the Transportation Capital and Engineering fund reported a fund balance of \$6.5 million, a decrease of \$0.3 million from 2021. Revenue decreased by \$9.6 million as a result of a reduction in intergovernmental revenue, and a decrease of \$4.7 million in expenses. This was offset by a \$6.2 million net increase in transfers in and out.

Fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, was \$273.0 million, an increase of \$52.3 million. Overall other governmental funds revenue increased by \$28.5 million, with an increase of \$18.8 million intergovernmental revenues being the largest contributors from Fire Department EMS, Neighborhood Community and American Rescue Plan. An increase in expenditures of \$2.7 million from 2021 to 2022 was primarily due to a \$15.9 million increase in public safety, \$4.7 million increase in transportation, offset by a \$17.9 million decrease in principal payments for debt servicing.

Fund Balances

On December 31, 2022, the City's governmental funds reported combined ending fund balances of \$388.8 million. Of this amount, \$7.2 million is nonspendable, either due to its form or legal constraints. \$187.5 million is restricted for specific programs by external constraints. \$42.6 million is committed for specific purposes as approved by City Council. \$45.2 million is assigned to specific purposes by management and the remaining \$106.2 million is unassigned.

Proprietary Fund Statements

Total net position for enterprise funds for 2022 was \$2.4 billion an increase of \$63.3 million from 2021. Power, Water, Solid Waste and Wastewater and Stormwater utilities make up the majority of the proprietary funds and activity in these utilities contributed \$59.4 million for the change in the net position, and non-major enterprise funds contributed \$3.9 million.

In 2022, the net position of the Power fund was \$876 million, which represents a slight decrease of \$0.1 million or 0.1% compared to 2021. Operating revenues for the year amounted to \$480.5 million, indicating an increase of \$10.6 million or 2.3%. The sales of electric energy rose by \$6.5 million or 1.5%, mainly driven by higher revenues from residential, commercial, general, and new large load customers, amounting to \$19.2 million (3.1%). This increase was partially offset by a decrease in accrued unbilled revenue, contract industrial, and wholesale of \$12.7 million. The 2.0% rate increase that became effective on April 1, 2022 contributed \$4.5 million to the total revenue increase, with the remaining increase attributed to higher

Management's Discussion and Analysis

For the Year Ended December 31, 2022

consumption. In addition, other operating revenues increased by \$4.1 million, mainly due to an increase in the reimbursement of qualified conservation expenses. Meanwhile, total operating expenses decreased by \$1.8 million or 0.4% compared to 2021. Salaries, wages, and pension expenses accounted for \$5.5 million or 4.3% of the decrease, while services decreased by \$6.8 million or 8.7%. However, supplies increased by \$6.6 million or 4.4%. Taxes also increased by \$2.4 million or 11.1%, primarily due to higher revenues earned before the transfer to the rate stabilization fund, compared to 2021.

In 2022, the Water fund's net position was \$675.7 million, which represents an increase of \$23.1 million or 3.5% compared to 2021. Tacoma Water's operating revenues amounted to \$115.2 million, an increase of \$3.9 million or 3.5% from the previous year. Sales of water increased by a net of \$2.2 million, with \$10.7 million due to an average service rate increase of 2.0% effective January 1, 2022, and an \$8.5 million decrease due to lower consumption. Other operating revenues also increased by \$989,000, while contract resource obligations revenues from Regional Water Second Supply (RWSS) Partners increased by \$674,000 to reimburse Tacoma Water for O&M-related expenses. Operating expenses decreased by \$0.6 million or 0.7% in 2022. Salaries and wages decreased by \$1.9 million, while services increased by \$4.2 million or 19.4%. The decrease in operating expenses is mainly due to a \$3.5 million decrease in bad debt expense, resulting from lower aging accounts receivable, and a \$4.2 million decrease in GASB 68 pension adjustment. However, these decreases were offset by increases of \$2.3 million in labor costs due to general wage increases and additional filled positions, as well as a \$3.5 million increase due to price increases, inflation, and supply chain issues. Taxes also increased by \$718,000 due to a University Place franchise administrative rate increase from 3% to 6% in 2022. Depreciation increased by \$673,000 due to a net increase in depreciable assets of \$11.8 million in 2020.

In 2022, the Wastewater and Stormwater fund's net position increased to \$524.8 million, up \$22.0 million or 4.4% from the previous year. Operating revenues also increased to \$129.5 million, up \$6.3 million or 5.1% from 2021. The Wastewater and Stormwater approved average rate increased by 2.0% for 2022, while the Stormwater rate increased by the same percentage, effective from January 1st of each year. Residential revenues increased by \$1.5 million or 2.6% in 2022, while commercial and public authority (PA) revenues decreased by \$2.2 million or 8.8% compared to the previous year. Operating expenses decreased to \$89.1 million in 2022, down \$6.8 million or 7.1% from 2021. Labor expenses, including all payroll associate costs, decreased by \$4.7 million mainly due to the decrease in pension benefit adjustment and pension withdrawal expense. Service expenditures also decreased by \$4.0 million, while supplies increased by \$1.0 million.

In 2022, the net position of the Solid Waste fund increased by \$14.4 million, reaching \$88.7 million, reflecting a 19.4% rise from 2021. Operating revenue also rose by \$4.0 million or 4.8%, mainly attributed to a 2.0% rate hike for residential customers starting on January 1, 2022, which resulted in \$600,000 increase in revenue in 2022 and \$1.9 million in 2021. The revenue from commercial customers also increased by \$1.5 million due to higher recycling rates and increased commercial housing and construction activities in the service areas, which resulted in higher commercial collection revenue due to increased volume. Additionally, disposal revenues increased by \$1.8 million due to customer self-haul trips to the landfill and tonnage volume. The operating expenses for 2022 were \$63.5 million, a \$0.2 million increase from 2021. Moreover, the Solid Waste fund received \$1.9 million in federal funds passed through the City Neighborhood & Community Services to assist with overdue utility accounts receivable, and \$0.3 million from the Public Work Department to support the Tacoma Tidy-Up program. Additionally, \$7.1 million was transferred to the general fund for gross earnings tax.

General Fund Budgetary Highlights

Management's Discussion and Analysis

For the Year Ended December 31, 2022

The City budgets on a biennial basis; that is, the City Council adopts a budget that spans two years. Each budget begins on January 1 of an odd-numbered year and is concluded on December 31 of an even-numbered year. City departments, with the approval of the City Manager and City Council, will adjust their budgets at the conclusion of the odd-numbered year, if necessary, as the needs of the department and city residents shift.

Major General Fund Variances for 2022 include:

- \$7.27 million in revenues above the projection used to develop the 2023-2024 forecast and budget. The increase in revenues included higher collection than expected of utility taxes, business taxes, and internal transfers.
- \$17.9 million in expenditure savings. The budget was increased at the end of the year by \$10.4 million to account for trends in Police and Fire overtime, liability insurance, equipment replacement costs, and corrections. The primary area of under-spending is personnel costs and delayed transfer costs.

Capital Assets, Infrastructure, Bond Debt Administration

Capital Assets

The City's capital assets net of accumulated depreciation and amortization for its governmental and business-type activities as of December 31, 2022, is \$3.9 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, right of use, and infrastructure.

There was a net increase of \$2.3 million in land for governmental activities, largely attributed to the acquisition of land on 69th and Proctor totaling \$1.8 million and \$0.4 million in land at Fire Station #5. On the other hand, construction in progress in governmental activities decreased by \$14.9 million, primarily due to the capitalization of \$35.0 million in construction in progress. However, this reduction in total construction in progress was offset by significant increases in major projects such as \$3.7 million for Revitalizing Tacoma's Brewery District, \$2.8 million for the 56th & Cirque Corridor improvement, \$2.6 million for Fawcett, \$2.6 million for Site 10 and 12 Seawall and Muni Dock Demo Project, among many others. Infrastructure increased \$29.0 million primarily due to capitalization of projects, namely \$20.1 million for the Taylor Way Rehabilitation Project and \$4.0 million for the East Portland Ave Safety Improvement and ADA project.

Property, plant and equipment in governmental activities decreased \$11.0 million. The decrease is primarily due to \$12.0 million in the retirement of information systems equipment, \$5.1 million from the retirement of the fireboat Commencement, \$2.5 million in Fleet retirements, \$2.4 million in other Fire department retirements, \$1.3 million in the retirement of police equipment, and \$0.8 million in the retirement of TV Tacoma equipment. The decrease was offset by new acquisitions of equipment and intangible assets.

Construction in Progress in business activities decreased by \$65.3 million. There was a total of \$266.5 million capitalized from construction in progress projects in 2022. This included \$113.6 million in wastewater/stormwater projects, \$94.5 million in Power projects, and \$46.7 million in Water projects. The decrease was offset by \$201.2 million in additional construction in progress costs, including \$61.0 million in wastewater/stormwater, \$83.7 million in Power, and \$42.3 million in water projects.

Property, plant and equipment in business activities increased \$241.3 million. The increase is attributable to power fund increase of \$68.4 million primarily due to increase \$6.1 million in intangible plant such as customer engagement portal and drawing management solution, adding \$22.0 million to Hydraulic Plant,

Management's Discussion and Analysis For the Year Ended December 31, 2022

\$10.9 million for transmission included Mayfield bank transformer replacement, central treatment plant, and narrows tower fall projection, adding \$36.1 million to distribution plant, and adding \$9.4 million to General plant such as administrative building elevator replacement, fleet related vehicles and equipment. Water Fund increase of \$50.5 million is due to \$18.9 million increase in cast iron mains, \$18.1 million in Advance Metering infrastructure, \$3.4 million in services, pipes and accessories, and \$6.2 million in miscellaneous intangible assets. Wastewater and Stormwater increase of \$117.2 million is primarily due to \$26.0 million increase in building due to the completion of the Energy management and Central Treatment Plant (CTP) Electrical replacement project, \$17.1 million increase in machinery and equipment for assets created for CTP electrical replacement project, and \$70.4 million increase in transmission lines and other improvements. Additional changes include Solid Waste increase of \$2.1 million, Tacoma Rail decrease of \$1.2 million, and other funds increase of \$4.4 million.

	Schedule of Capital Assets					
	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 41,899	\$ 39,628	\$ 166,686	\$ 165,932	\$ 208,585	\$ 205,560
Art	3,018	3,018			3,018	3,018
Construction in progress	37,317	52,199	69,903	135,213	107,220	187,412
Property, plant and equipment	311,995	322,987	5,096,504	4,855,172	5,408,499	5,178,159
Right of use	10,086		1,956	1,360	12,042	1,360
Infrastructure	1,528,471	1,499,425			1,528,471	1,499,425
Less Accumulated depreciation and Amortization	(1,143,377)	(1,125,646)	(2,229,881)	(2,144,836)	(3,373,258)	(3,270,482)
	\$ 789,409	\$ 791,611	\$ 3,105,168	\$ 3,012,841	\$ 3,894,577	\$ 3,804,452

Additional information on the City's capital assets can be found in Notes 1-D5 and 3-C of the Notes to the Financial Statements.

Outstanding Debt

The City's debt on December 31, 2022, was \$2.0 billion, a decrease of \$37.3 million from governmental activities and an increase of \$95.8 million from business-type activities caused the \$58.5 million increase total primary government from 2021. Approximately 78.8% of the bonded debt is related to business-type activities with repayment pledged by specific revenue sources generated by the business-type activities. Of the remaining 21.2% bonded debt, debt is either secured by voter approved special levies or general government resources.

Tacoma Power drew down \$70.0 million from their line of credit with Wells Fargo in 2022. To provide the money required to pay the City's costs related with the building, improvement, and equipping of the utility, Sewer issued \$86.4 million in revenue bonds. Tacoma Solid Waste issued \$13.2 million in 2022 Revenue Bonds to finance capital improvements supporting environmental sustainability and cover insurance costs. The East Locomotive Service Facility received \$840,000 in draws, the Lincoln Track Upgrade received \$210,000, and the Tacoma Rail Yard Track Upgrades received \$16,550 from Washington State loans from the Department of Transportation.

State law places a ceiling of 7.5% of the assessed value of taxable properties on the City's limited and unlimited tax general obligation debt. The City's assessed valuation for 2022, according to the most recent report, was \$42.7 billion, giving it a legal debt capacity of \$3.2 billion. By the end of 2022, the City's net outstanding general obligation debt, which includes bonds and a loan from the State of Washington Public

Management's Discussion and Analysis For the Year Ended December 31, 2022

Works Trust Fund, would total \$157.2 million, far less than the limit allowed by law, putting the City's legal debt margin at \$3 billion. State law limits existing LTGO bonds to 1.5% of assessed value, which for 2022 was a capacity of \$640.2 million, under the 7.5% restriction. By the end of 2022, the LTGO's net outstanding debt was \$156.0 million.

Additional information on the City's long-term debt can be found in Note 3-E and Note 12 of the Notes to the Financial Statements.

	Schedule of Long Term Liabilities					
	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2022	2021	2022	2021	2022	2021
Bonded debt and loans	\$ 136,211	\$ 145,893	\$ 1,512,899	\$ 1,369,756	\$ 1,649,110	\$ 1,515,649
Claims and judgments	36,228	39,013	-	-	36,228	39,013
Accrued landfill liability	-	-	15,190	16,374	15,190	16,374
Net OPEB Obligation	-	-	-	-	-	-
Total OPEB Liability	190,320	192,965	37,122	36,298	227,443	229,264
Net Pension Obligation	-	-	-	-	-	-
Total Pension Liability Police and Firefighters	39,926	41,519	-	-	39,926	41,519
Pension Liability	-	21,490	-	47,870	-	69,360
Compensated absences	25,358	24,498	27,832	26,900	53,190	51,398
	\$ 428,044	\$ 465,379	\$ 1,593,044	\$ 1,497,199	\$ 2,021,087	\$ 1,962,578

The City's debt rating for 2022 is as follows:

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

Economic Factors

Rate increases for residential and commercial services for solid waste management of about 4% become effective on January 1, 2023. For 2023, it is anticipated that the rate increases will result in an increase of operating revenues of \$2.9 million. The rate increases remain competitive with surrounding jurisdictions.

Starting on April 1, 2023, a new 6% fee will be added to solid waste bills for Tacoma homeowners and businesses to finance and increase community cleanup initiatives. The programs include coordinated services

Management's Discussion and Analysis

For the Year Ended December 31, 2022

for cleaning up trash, debris, and graffiti; maintaining trails; maintaining and replacing public trash cans in business districts; cleaning up around encampment sites; hiring more staff to deal with issues in the community; providing low-income households with bill credit payment assistance; and providing opportunities for community input on Tidy-Up Tacoma programs and services.

Property taxes collected countywide total \$1.85 billion in 2023, a 5.1% increase over 2022. Property taxes support the city and county governments, fire departments, ambulance services, parks, libraries, roads, the Port of Tacoma, Sound Transit, and flood control in addition to funding public schools. On the property tax statement, there are additional charges for stormwater management, noxious weed control, and conservation. In Pierce County, 59% of all property taxes are made up of local and state levies for schools. Fire/EMS districts make up 11.8% of the total, followed by cities and county (including the road district) at 19.6%. Together, these comprise more than 90% of Pierce County's property tax.

In 2022, the Tacoma Streets Initiative had finished its seventh year. Two measures approved by voters in November 2015 made up the initiative. Proposition 3 permitted an additional 1.5% earning tax for natural gas, electric, and phone providers as well as an increase in the standard property tax levy of \$.20 per \$1,000 of assessed value. Proposition A increased sales tax by 1/100 of 1% over ten years. Of the final target of \$325 million over ten years, the program has raised about \$289.5 million, including grant and partnership funding. Total overlays, surface treatments, or other preventative maintenance, the initiative's maintenance work improved or maintained 890 blocks in 2022, bringing the overall number of blocks up to 3,538.

The Federal Reserve raised its key short-term interest rate by a quarter percentage point on May 3, 2023 and signaled it could now pause if inflation continues to ease as expected.

Requests for Information

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

STATEMENT OF NET POSITION
December 31, 2022
(amounts expressed in thousands)
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	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 466,431	\$ 716,127	\$ 1,182,558
Accounts Receivables (Net)	53,800	128,949	182,749
Due From Other Governmental Units	26,172	3,817	29,989
Internal Balances	(6,177)	6,177	-
Inventory	4,170	20,527	24,697
Prepays	1,088	17,399	18,487
Restricted Cash			
Cash and Cash Equivalents	-	242,888	242,888
Notes and Contracts Receivable	-	199	199
Leases Receivable, current	-	3,993	3,993
Non Current Assets			
Cash and Cash Equivalents	-	33,467	33,467
Lease Receivables, noncurrent	8	53,369	53,377
Long-Term Contracts and Notes	-	11,317	11,317
Net Pension Asset	146,846	101,556	248,402
Other Non Current Assets	-	36,870	36,870
Capital Assets			
Depreciable Capital Assets (Net of Accumulated Depreciation)	697,624	2,866,964	3,564,588
Non-Depreciable Capital Assets	82,234	236,589	318,823
Right to Use Lease Assets (Net of Amortization)	9,551	1,615	11,166
Total Assets	1,481,747	4,481,823	5,963,570
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows related to Bond Refunding	411	5,526	5,937
Deferred Outflows related to Pensions	65,425	55,844	121,269
Deferred Outflows related to OPEB	44,590	9,333	53,923
Total Deferred Outflows of Resources	110,426	70,703	181,129
LIABILITIES			
Accounts Payable	40,382	54,345	94,727
Deposits Payable	218	19,468	19,686
Due to Other Governmental Units	40	818	858
Leases Payable, current	432	150	582
Unearned Revenue	7,332	12,170	19,502
Other Liabilities Payable	23,780	63,456	87,236
Payable From Restricted Assets:			
Other Current Liabilities	-	1,449	1,449
Leases Payable, non current	9,209	1,259	10,468
Special Assessment Debt with Government Commitment	19,305	-	19,305
Bonds and Other Debt Payable:			
Due Within One Year	43,672	48,724	92,396
Due in More Than One Year	365,067	1,544,320	1,909,387
Total Liabilities	509,437	1,746,159	2,255,596
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Advanced Payment of Special Assessments	17,418	-	17,418
Deferred Inflows - Property Taxes	1,835	-	1,835
Deferred Inflows - Rate Stabilization	-	225,575	225,575
Deferred Inflows related to Bond Refunding	2,093	127	2,220
Deferred Inflows related to Pensions	93,868	116,171	210,039
Deferred Inflows related to OPEB	27,682	5,639	33,321
Deferred Inflows related to OPIOID	6,530	-	6,530
Deferred Inflows related to Leases	8	55,636	55,644
Total Deferred Inflows of Resources	149,434	403,148	552,582
NET POSITION			
Net Investment in Capital Assets	656,183	1,716,964	2,373,147
Restricted:			
Capital Projects	47,339	3,339	50,678
Debt Service	16,770	12,273	29,043
Utility Donations & System Development	-	56,719	56,719
Culture and recreation	11,524	2,621	14,145
Self Insurance	-	8,621	8,621
Environmental Services and Programs	-	3,812	3,812
Inspection	-	1,097	1,097
Pension	146,846	101,556	248,402
Reserves	-	40,996	40,996
Public Safety	3,830	-	3,830
Transportation	28,723	-	28,723
Grants	49,733	-	49,733
Housing and Economic development	29,588	-	29,588
Unrestricted	(57,234)	455,221	397,987
Total Net Position	\$ 933,302	\$ 2,403,219	\$ 3,336,521

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

STATEMENT OF NET POSITION
December 31, 2022
(amounts expressed in thousands)
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Component Units			
TCRA		GTRCC PFD	
\$	6,819	\$	3,616
	-		971
	1,266		-
	-		-
	-		-
	29		-
	-		-
	1,493		-
	239		-
	-		-
	232		-
	40,107		-
	-		-
	186		-
	7,712		-
	1,585		-
	-		-
	<u>59,668</u>		<u>4,587</u>
	-		-
	-		-
	-		-
	-		-
	123		-
	-		-
	-		4,587
	-		-
	507		-
	-		-
	-		-
	-		-
	37		-
	<u>5,356</u>		<u>-</u>
	<u>6,023</u>		<u>4,587</u>
	-		-
	-		-
	-		-
	-		-
	-		-
	465		-
	<u>465</u>		<u>-</u>
	4,405		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	48,775		-
	-		-
\$	<u>53,180</u>	\$	<u>-</u>

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
(amounts expressed in thousands)
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		Program Revenues		
	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
<u>FUNCTIONS / PROGRAMS:</u>				
Primary Government				
Governmental Activities:				
General Government	\$ 25,352	\$ 20,562	\$ 38,320	\$ -
Public Safety	236,506	15,334	22,924	-
Transportation	76,017	1,337	6,489	9,165
Natural and Economic Environmen	12,240	2,504	7,354	-
Social Services	17,726	135	18,217	1,465
Culture and Recreation	21,217	3,147	1,458	-
Interest on Long-Term Debt	7,170	-	-	-
	<u>396,229</u>	<u>43,019</u>	<u>94,762</u>	<u>10,630</u>
Business-Type Activities				
Solid Waste	65,792	88,148	-	-
Waste Water	103,029	131,637	-	7,887
Water	101,687	120,113	-	19,800
Power	437,711	480,528	-	11,989
Nonmajor Business-Type Activities	80,883	78,027	-	-
	<u>789,102</u>	<u>898,453</u>	<u>-</u>	<u>39,676</u>
Total Primary Government	<u>\$ 1,185,331</u>	<u>\$ 941,472</u>	<u>\$ 94,762</u>	<u>\$ 50,306</u>
Component Units				
TCRA	2,820	397	2,327	-
GTRCC PFD	5,691	-	-	-
Total Component Units	<u>\$ 8,511</u>	<u>\$ 397</u>	<u>\$ 2,327</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Tax

Retail Sales & Use Tax

Business Tax

Excise Tax

Gain on Sale of Capital Assets

Total General Revenues

Lease Revenue

Lease Interest Revenue

Investment Earnings

Transfers

Change in Net Position

Net Position, January 1

Prior Period Adjustment

Change in Accounting Principle

Net Position, January 1 restated

Net Position, December 31

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
(amounts expressed in thousands)
Page 2 of 2

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	Business-Type Activities	Total	TCRA	GTRCC PFD
\$ 33,530	\$ -	\$ 33,530	\$ -	\$ -
(198,248)	-	(198,248)	-	-
(59,026)	-	(59,026)	-	-
(2,382)	-	(2,382)	-	-
2,091	-	2,091	-	-
(16,612)	-	(16,612)	-	-
(7,170)	-	(7,170)	-	-
(247,818)	-	(247,818)	-	-
-	22,356	22,356	-	-
-	36,495	36,495	-	-
-	38,226	38,226	-	-
-	54,806	54,806	-	-
-	(2,856)	(2,856)	-	-
-	149,027	149,027	-	-
\$ (247,818)	\$ 149,027	\$ (98,791)	\$ -	\$ -
			(96)	-
			-	(5,691)
			\$ (96)	\$ (5,691)
\$ 79,119	\$ -	\$ 79,119	\$ -	\$ -
120,772	-	120,772	-	5,744
50,768	-	50,768	-	-
21,319	-	21,319	-	-
643	384	1,027	-	-
272,621	384	273,005	-	5,744
6		6	233	
(6,945)	(29,687)	(36,632)	15	
47,396	(47,396)	-	(26)	(53)
65,260	72,328	137,588	-	-
866,837	2,329,973	3,196,810	126	-
1,205	73	1,278	52,894	-
-	845	845	160	-
868,042	2,330,891	3,198,933	-	-
\$ 933,302	\$ 2,403,219	\$ 3,336,521	53,054	-
			\$ 53,180	\$ -

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 99,789	\$ 5,989	\$ 257,661	\$ 363,439
Accounts Receivables (Net)	10,510	23	42,975	53,508
Due From Other Governmental Units	16,005	2,095	7,987	26,087
Inventory	1,570	-	1,567	3,137
Prepays	15	-	10	25
Lease Receivable	-	-	8	8
Total Assets	<u>127,889</u>	<u>8,107</u>	<u>310,208</u>	<u>446,204</u>
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
Total Assets and Deferred Outflows	<u>127,889</u>	<u>8,107</u>	<u>310,208</u>	<u>446,204</u>
LIABILITIES				
Account Payable	9,279	1,575	10,193	21,047
Customer Deposits	29	-	139	168
Other Liabilities Payable	6,667	9	2,162	8,838
Lease Liability	-	-	-	-
Due to Other Governmental Units	40	-	-	40
Advances from Other Funds	-	-	-	-
Unearned Revenue	-	-	1,005	1,005
Total Liabilities	<u>16,015</u>	<u>1,584</u>	<u>13,499</u>	<u>31,098</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	2,626	-	23,699	26,325
Deferred Inflows related to Leases	-	-	8	8
Total Deferred Inflow of Resources	<u>2,626</u>	<u>-</u>	<u>23,707</u>	<u>26,333</u>
FUND BALANCE				
Nonspendable	1,611	-	5,606	7,217
Restricted	225	6,236	181,046	187,507
Committed	14	-	42,618	42,632
Assigned	1,221	287	43,732	45,240
Unassigned	106,177	-	-	106,177
Total Fund Balance	<u>\$ 109,248</u>	<u>\$ 6,523</u>	<u>\$ 273,002</u>	<u>\$ 388,773</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 127,889</u>	<u>\$ 8,107</u>	<u>\$ 310,208</u>	<u>\$ 446,204</u>

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

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2022

(amounts expressed in thousands)

Total governmental fund balances as reported on this statement	\$	388,773
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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 not reported in the governmental funds.		753,132
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Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Net pension asset		125,907
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the governmental funds.

Unearned revenue beyond the city's measurable and available period	18,163	
Unavailabe revenue reported for special assessments	(17,418)	745

Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet, maintenance and information technology, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		71,381
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Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds and loans payable	(132,977)	
Premium on Bonds Payable	(660)	
Deferred amount on bond refunding	(1,597)	
Deferred amounts related to OPEB	16,908	
Deferred amounts related to pensions	(16,005)	
Interest payable	(7,043)	
Police and Fire liability	(39,927)	
Total OPEB liability	(190,320)	
Lease Liability	(9,164)	
Deferred Inflow Related to OPIOID	(6,530)	
Compensated absences payable	(19,321)	
		(406,636)

Net position of government activities as reported on the statement of net position	\$	933,302
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The notes to the financial statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 65,689	\$ -	\$ 17,914	\$ 83,603
Retail Sales & Use	84,111	-	36,661	120,772
Business	48,260	-	2,508	50,768
Excise	3,470	-	17,849	21,319
Licenses and Permits	4,073	-	699	4,772
Intergovernmental	8,126	11,128	80,313	99,567
Charges for Services	9,541	103	14,027	23,671
Fines and Forfeitures	1,543	-	6,102	7,645
Investment Earnings	(1,237)	(23)	(4,017)	(5,277)
Miscellaneous	729	11	6,717	7,457
Total Revenues	<u>224,305</u>	<u>11,219</u>	<u>178,773</u>	<u>414,297</u>
EXPENDITURES				
Current:				
General Government	27,776	-	699	28,475
Public Safety	181,836	-	47,443	229,279
Transportation	-	9,210	39,023	48,233
Natural and Economic Environment	6,023	-	10,697	16,720
Social Services	10,751	-	7,138	17,889
Culture and Recreation	14,106	-	5,909	20,015
Debt Service:				
Principal	187	-	12,315	12,502
Interest and Other Costs	165	22	4,448	4,635
Capital Outlay	9,445	13,933	11,077	34,455
Total Expenditures	<u>250,289</u>	<u>23,165</u>	<u>138,749</u>	<u>412,203</u>
Excess (Deficiency) of Revenues OVER EXPENDITURES	<u>(25,984)</u>	<u>(11,946)</u>	<u>40,024</u>	<u>2,094</u>
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	473	-	2	475
Insurance Recoveries	-	-	5	5
Lease Revenue	8,066	-	1,354	9,420
Transfers In	60,630	14,576	74,842	150,048
Transfers Out	(39,304)	(2,455)	(64,584)	(106,343)
Total Other Financing Sources and Uses	<u>29,865</u>	<u>12,121</u>	<u>11,619</u>	<u>53,605</u>
Net Change in Fund Balance	<u>3,881</u>	<u>175</u>	<u>51,643</u>	<u>55,699</u>
Fund Balance - January 1, as Previously Reported	105,279	6,898	220,720	332,897
Prior Period Adjustment	88	(550)	639	177
Fund Balance - January 1, restated	105,367	6,348	221,359	333,074
Fund Balance - Ending	<u>\$ 109,248</u>	<u>\$ 6,523</u>	<u>\$ 273,002</u>	<u>\$ 388,773</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022

(amounts expressed in thousands)

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	55,699
Amount reported as change in net position in the Statement of Activities are different because:		
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.		
Capital Outlays	34,455	
Depreciation Expense	<u>(36,655)</u>	(2,200)
The net effect of various miscellaneous transactions involving capital assets.		3,994
Debt proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.		
Issuance of new debt		0
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(4,484)	
Amortization of bond premium	<u>101</u>	(4,393)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.		12,250
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
		4,207
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.		
Change in accrued interest payable	(2,624)	
Change in net pension obligation or asset	8,315	
Change in net other postemployment benefits	(213)	
Change in compensated absences payable	(611)	
Change in lease payable	(9,164)	
		(4,297)
Change in net position on the Statement of Activities	<u>\$</u>	<u>65,260</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(amounts expressed in thousands)
Page 1 of 4

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 68,858	\$ 159,492	\$ 60,997	\$ 360,161
Accounts Receivables (Net)	7,006	16,779	13,131	83,078
Due From Other Governmental Units	-	1,184	2,461	-
Inventory	-	2,588	5,289	10,753
Prepaid Expenses	-	314	2,232	11,856
Restricted Cash:				
Debt Service	539	1,733	3,646	18,009
Construction	11,272	59,733	-	6,573
Other	56	-	100,465	29,274
Leases Receivable	-	316	-	3,209
Note and Contracts Receivable	-	199	-	-
Total Current Assets	<u>87,731</u>	<u>242,338</u>	<u>188,221</u>	<u>522,913</u>
Noncurrent Assets				
Restricted Cash, Bond Reserves	2,110	-	21,687	4,998
Restricted Cash, Debt Reserves	-	4,672	-	-
Long-Term Lease Receivables	-	4,126	-	49,243
Long-Term Notes and Contracts	-	447	-	2,671
Net Pension Assets	8,325	15,099	14,153	55,918
Other non-current assets	-	-	3,284	32,684
Right to Use Lease Assets	-	267	53	1,039
Less: Accumulated Amortization	-	(114)	(27)	(181)
Capital Assets:				
Land	3,242	25,331	27,478	74,723
Property, Plant, and Equipment	207,767	1,013,459	1,245,791	2,278,678
Construction in Progress	1,531	19,977	16,113	25,996
Less: Accumulated Depreciation	<u>(122,477)</u>	<u>(351,263)</u>	<u>(356,634)</u>	<u>(1,229,728)</u>
Total Capital Assets (Net of A/D)	<u>90,063</u>	<u>707,504</u>	<u>932,748</u>	<u>1,149,669</u>
Total Noncurrent Assets	<u>100,498</u>	<u>732,001</u>	<u>971,898</u>	<u>1,296,041</u>
Total Assets	<u>188,229</u>	<u>974,339</u>	<u>1,160,119</u>	<u>1,818,954</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflow from Bond Refunding	-	3,013	427	-
Deferred Outflow related to Pensions	4,578	8,303	7,782	30,748
Deferred Outflow related to OPEB	765	1,590	1,807	3,512
Total Deferred Outflow of Resources	<u>5,343</u>	<u>12,906</u>	<u>10,016</u>	<u>34,260</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(amounts expressed in thousands)
Page 2 of 4

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 53,234	\$ 702,742	\$ 116,377
Accounts Receivables (Net)	8,955	128,949	292
Due From Other Governmental Units	172	3,817	85
Inventory	1,299	19,929	1,631
Prepaid Expenses	2,997	17,399	1,063
Restricted Cash:			
Debt Service	1,362	25,289	-
Construction	-	77,578	-
Other	10,226	140,021	-
Leases Receivable	468	3,993	-
Note and Contracts Receivable	-	199	-
Total Current Assets	<u>78,713</u>	<u>1,119,916</u>	<u>119,448</u>
Noncurrent Assets			
Restricted Cash, Bond Reserves	-	28,795	-
Restricted Cash, Debt Reserves	-	4,672	-
Long-Term Lease Receivables	-	53,369	-
Long-Term Notes and Contracts	8,199	11,317	-
Net Pension Assets	6,709	100,204	22,291
Other non-current assets	902	36,870	-
Right to Use Lease Assets	596	1,955	671
Less: Accumulated Amortization	(18)	(340)	(204)
Capital Assets:			
Land	35,913	166,687	357
Property, Plant, and Equipment	355,931	5,101,626	126,481
Construction in Progress	6,283	69,900	528
Less: Accumulated Depreciation	<u>(175,352)</u>	<u>(2,235,454)</u>	<u>(90,762)</u>
Total Capital Assets (Net of A/D)	<u>222,775</u>	<u>3,102,759</u>	<u>36,604</u>
Total Noncurrent Assets	<u>239,163</u>	<u>3,339,601</u>	<u>59,362</u>
Total Assets	<u>317,876</u>	<u>4,459,517</u>	<u>178,810</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow from Bond Refunding	2,086	5,526	-
Deferred Outflow related to Pensions	3,690	55,101	12,258
Deferred Outflow related to OPEB	1,659	9,333	-
Total Deferred Outflow of Resources	<u>7,435</u>	<u>69,960</u>	<u>12,258</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(amounts expressed in thousands)
Page 3 of 4

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,726	8,451	5,221	31,988
Due to Other Governmental Units	-	810	-	-
Customer Deposits	62	-	233	10,810
Interest Payable	-	137	1,590	11,769
Environment Liabilities - Current	499	1,781	-	375
Notes and Contracts Payable - Current	-	4,926	5,756	-
Compensated Absences - Current	155	372	355	1,550
Bonds Payable - Current	3,373	7,434	8,419	6,240
Payable From Restricted Assets:				
Debt Principal Payable - Current	307	676	-	-
Interest Payable	233	1,057	-	-
Deposits and Other Payable	55	4	-	-
Unearned Revenue	386	717	-	4,789
Claims and Judgements - Current	-	-	-	-
Lease Liability - Current	-	62	14	61
Other Liabilities Payable	1,090	1,775	3,365	10,418
Total Current Liabilities	<u>9,886</u>	<u>28,202</u>	<u>24,953</u>	<u>78,000</u>
Noncurrent Liabilities				
Bonds Payable	61,400	314,559	330,213	515,564
Unearned Revenue	-	-	6,037	-
Compensated Absences	1,393	3,347	3,196	13,949
Environmental Liabilities	11,634	901	-	-
Claims and Judgements	-	-	-	-
Leases Payable, noncurrent	-	95	11	583
Other LT Liabilities Payable	385	3,608	13,565	1,273
Notes and Contracts Payables	-	60,174	59,038	80,000
Total OPEB Liability	3,235	3,941	5,351	14,048
Net Pension Liability	-	-	-	-
Total Noncurrent Liabilities	<u>78,047</u>	<u>386,625</u>	<u>417,411</u>	<u>625,417</u>
Total Liabilities	<u>87,933</u>	<u>414,827</u>	<u>442,364</u>	<u>703,417</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow - Rate Stabilization	7,000	25,000	35,575	158,000
Deferred Inflow related to Bond Refunding	92	-	-	-
Deferred Inflow related to Pensions	9,523	17,272	16,189	63,964
Deferred Inflow related to Leases	-	4,279	-	50,911
Deferred Inflow related to OPEB	291	1,043	330	1,041
Total Deferred Inflow of Resources	<u>16,906</u>	<u>47,594</u>	<u>52,094</u>	<u>273,916</u>
NET POSITION				
Net Investment in Capital Assets	43,661	390,966	551,436	559,650
Restricted for:				
Capital Purchase	-	-	-	-
Debt Service	2,110	-	2,057	6,240
Utility Donations & System Development	-	-	56,719	-
Culture and Recreation	-	-	-	-
Self Insurance	-	-	-	-
Environment Service & Program	-	4	-	-
Inspection	-	-	-	-
Pension	8,325	15,099	14,153	55,918
Reserves	-	4,672	-	29,274
Unrestricted	<u>34,637</u>	<u>114,083</u>	<u>51,312</u>	<u>224,799</u>
Total Net Position	<u>\$ 88,733</u>	<u>\$ 524,824</u>	<u>\$ 675,677</u>	<u>\$ 875,881</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(amounts expressed in thousands)
Page 4 of 4

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,782	54,168	10,674
Due to Other Governmental Units	8	818	-
Customer Deposits	8,363	19,468	-
Interest Payable	156	13,652	-
Environment Liabilities - Current	-	2,655	-
Notes and Contracts Payable - Current	877	11,559	-
Compensated Absences - Current	322	2,754	633
Bonds Payable - Current	5,277	30,743	-
Payable From Restricted Assets:			
Debt Principal Payable - Current	-	983	-
Interest Payable	-	1,290	-
Deposits and Other Payable	100	159	50
Unearned Revenue	241	6,133	-
Claims and Judgements - Current	-	-	26,563
Lease Liability - Current	13	150	203
Other Liabilities Payable	2,039	18,687	18,361
Total Current Liabilities	22,178	163,219	56,484
Noncurrent Liabilities			
Bonds Payable	46,089	1,267,825	-
Unearned Revenue	-	6,037	-
Compensated Absences	2,897	24,782	5,700
Environmental Liabilities	-	12,535	-
Claims and Judgements	-	-	9,665
Leases Payable, noncurrent	570	1,259	274
Other LT Liabilities Payable	6,266	25,097	7,056
Notes and Contracts Payables	2,577	201,789	-
Total OPEB Liability	10,547	37,122	-
Net Pension Liability	-	-	-
Total Noncurrent Liabilities	68,946	1,576,446	22,695
Total Liabilities	91,124	1,739,665	79,179
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow - Rate Stabilization	-	225,575	-
Deferred Inflow related to Bond Refunding	35	127	-
Deferred Inflow related to Pensions	7,677	114,625	25,499
Deferred Inflow related to Leases	446	55,636	-
Deferred Inflow related to OPEB	2,934	5,639	-
Total Deferred Inflow of Resources	11,092	401,602	25,499
NET POSITION			
Net Investment in Capital Assets	170,457	1,716,170	37,071
Restricted for:			
Capital Purchase	3,339	3,339	-
Debt Service	1,866	12,273	-
Utility Donations & System Development	-	56,719	-
Culture and Recreation	2,621	2,621	-
Self Insurance	-	-	8,621
Environment Service & Program	3,808	3,812	-
Inspection	1,097	1,097	-
Pension	6,709	100,204	22,291
Reserves	7,050	40,996	-
Unrestricted	26,148	450,979	18,407
Total Net Position	\$ 223,095	\$ 2,388,210	\$ 86,390

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

**RECONCILIATION OF TOTAL ENTERPRISE NET POSITION
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION**

December 31, 2022

(amounts expressed in thousands)

NET POSITION - TOTAL ENTERPRISE FUNDS	\$ 2,388,210
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Amounts reported for business activities in the statement of net position are different because:

Internal service funds 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.	15,009
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NET POSITION OF BUSINESS-TYPE ACTIVITIES	<u><u>\$ 2,403,219</u></u>
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The notes to the financial statements are an integral part of this statement

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

For the Year Ended December 31, 2022

(amounts expressed in thousands)

Page 1 of 2

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
OPERATING REVENUES				
Charges for Services	\$ 86,838	\$ 125,093	\$ 101,188	\$ 454,760
Interfund Insurance Premiums	-	-	-	-
Lease Revenue		313		2,617
Other Operating Revenue	510	4,079	14,029	23,151
Total Operating Revenue	<u>87,348</u>	<u>129,485</u>	<u>115,217</u>	<u>480,528</u>
OPERATING EXPENSES				
Salaries and Benefits	21,684	33,464	29,724	123,716
Personal Benefits				
Supplies	1,596	6,316	3,895	154,951
Services	31,844	28,275	25,719	70,656
Taxes	1,528	1,814	1,572	23,764
Administration/Interfund payment for service				
Depreciation	6,853	19,210	28,400	52,082
Lease Amortization		57	14	39
Total Operating Expenses	<u>63,505</u>	<u>89,136</u>	<u>89,324</u>	<u>425,208</u>
Operating Income (Loss)	<u>23,843</u>	<u>40,349</u>	<u>25,893</u>	<u>55,320</u>
NON-OPERATING REVENUE (EXPENSE)				
Interest Revenue	985	2,876	(2,688)	(6,562)
Interest Revenue-Lease Activities				1,206
Operating Contributions	795	617	4,896	-
Other Non-Operating Revenues	5	1,535	-	-
Gain (Loss) on Sale of Capital Assets	33	(90)	230	530
Unrealized Net Gain(Loss) on Fair Value Investment	(2,277)	(6,134)	(5,259)	(11,122)
Interest Expense	(1,968)	(11,974)	(11,638)	(10,809)
Interest Expense-Lease Activities				(7)
Other Non-Operating Expenses	(148)	(908)	577	
External Contributions	(1,851)	(2,552)	(1,828)	(8,250)
Total Non-Operating Revenues (Expenses)	<u>(4,426)</u>	<u>(16,630)</u>	<u>(15,710)</u>	<u>(35,014)</u>
Income (Loss) Before Contributions & Transfers	<u>19,417</u>	<u>23,719</u>	<u>10,183</u>	<u>20,306</u>
Capital Contributions	-	7,887	19,800	11,989
Transfers In	2,194	2,568	1,828	8,880
Transfers Out	<u>(7,176)</u>	<u>(12,177)</u>	<u>(8,729)</u>	<u>(42,085)</u>
Change in Net Position	<u>14,435</u>	<u>21,997</u>	<u>23,082</u>	<u>(910)</u>
Net Position, January 1	74,298	502,778	652,595	875,995
Prior Period Adjustment	-	-	-	-
Change in Accounting Principle	-	49	-	796
Net Position, January 1 restated	<u>74,298</u>	<u>502,827</u>	<u>652,595</u>	<u>876,791</u>
Net Position, December 31	<u>\$ 88,733</u>	<u>\$ 524,824</u>	<u>\$ 675,677</u>	<u>\$ 875,881</u>

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

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

For the Year Ended December 31, 2022

(amounts expressed in thousands)

Page 2 of 2

	Enterprise Funds		
	Non-Major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES			
Charges for Services	\$ 70,074	\$ 837,953	\$ 72,133
Interfund Insurance Premiums	-	-	107,295
Lease Revenue	59	2,989	-
Other Operating Revenue	589	42,358	-
Total Operating Revenue	<u>70,722</u>	<u>883,300</u>	<u>179,428</u>
OPERATING EXPENSES			
Salaries and Benefits	35,635	244,223	45,754
Personal Benefits			
Supplies	2,430	169,188	3,536
Services	28,612	185,106	112,059
Taxes	781	29,459	-
Administration/Interfund payment for service			
Depreciation	10,654	117,199	6,407
Lease Amortization	18	128	182
Total Operating Expenses	<u>78,130</u>	<u>745,303</u>	<u>167,938</u>
Operating Income (Loss)	<u>(7,408)</u>	<u>137,997</u>	<u>11,490</u>
NON-OPERATING REVENUE (EXPENSE)			
Interest Revenue	929	(4,460)	1,376
Interest Revenue-Lease Activities	10	1,216	
Operating Contributions	6,356	12,664	153
Other Non-Operating Revenues	949	2,489	315
Gain (Loss) on Sale of Capital Assets	(319)	384	160
Unrealized Net Gain(Loss) on Fair Value Investment	(1,651)	(26,443)	(3,237)
Interest Expense	(2,017)	(38,406)	-
Interest Expense-Lease Activities	(12)	(19)	(11)
Other Non-Operating Expenses	(294)	(773)	(3)
External Contributions	-	(14,481)	-
Total Non-Operating Revenues (Expenses)	<u>3,951</u>	<u>(67,829)</u>	<u>(1,247)</u>
Income (Loss) Before Contributions & Transfers	<u>(3,457)</u>	<u>70,168</u>	<u>10,243</u>
Capital Contributions	-	39,676	-
Transfers In	13,468	28,938	3,691
Transfers Out	<u>(6,167)</u>	<u>(76,334)</u>	<u>-</u>
Change in Net Position	<u>3,844</u>	<u>62,448</u>	<u>13,934</u>
Net Position, January 1	219,178	2,324,844	71,275
Prior Period Adjustment	73	73	1,181
Change in Accounting Principle	-	845	-
Net Position, January 1 restated	<u>219,251</u>	<u>2,325,762</u>	<u>72,456</u>
Net Position, December 31	<u>\$ 223,095</u>	<u>\$ 2,388,210</u>	<u>\$ 86,390</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS
TO THE STATEMENT OF ACTIVITIES
BUSINESS-TYPE ACTIVITIES**

For the Year Ended December 31, 2022
(amounts expressed in thousands)

NET CHANGE IN NET POSITION - TOTAL ENTERPRISE FUNDS	\$ 62,448
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Amounts reported for business activities in the statement of activities are different because:

The net revenue of certain activities of internal service funds is reported with business activities.	9,880
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NET POSITION OF BUSINESS ACTIVITIES	<u>\$ 72,328</u>
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
CASH FLOW FROM OPERATING ACTIVITIES				
Receipt from customers and users	\$ 90,492	\$ 131,705	\$ 118,036	\$ 575,523
Receipts from interfund services provided	-	-	-	-
Contribution received - employee/employer	-	-	-	-
Payments to suppliers	(34,174)	(39,365)	(24,354)	(217,529)
Payments to employees	(24,356)	(38,403)	(34,011)	(142,278)
Payments for taxes	(1,562)	(2,230)	(6,177)	(22,123)
Payments for interfund services used	-	-	-	-
Other operating or non-operating revenues	-	-	-	(711)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>30,400</u>	<u>51,707</u>	<u>53,494</u>	<u>192,882</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	2,194	2,568	2,143	8,880
Grants and contributions received	902	520	-	-
Payments paid on noncapital debts	(332)	(451)	-	(1,000)
Transfer to other funds	(7,176)	(12,177)	(8,729)	(42,085)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(4,412)</u>	<u>(9,540)</u>	<u>(6,586)</u>	<u>(34,205)</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	-
Proceeds received from long term debts	15,156	9,306	-	-
Proceeds received from capital debts	-	97,839	-	70,000
Proceeds from sales of capital assets	39	17	179	568
Contributions and donations	-	3,127	10,482	11,695
Acquisitions and constructions of capital assets	(6,757)	(61,280)	(41,166)	(77,509)
Principal paid on capital debts	(3,140)	(12,412)	(14,745)	(5,945)
Interest and issuance costs paid on capital debts	(2,538)	(12,834)	(17,794)	(23,520)
Transfers to other funds	-	-	-	-
Other Long-Term Liabilities	-	(60)	(168)	(336)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>2,760</u>	<u>23,703</u>	<u>(63,212)</u>	<u>(25,047)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interests and dividends received	(1,284)	(3,360)	(2,688)	(6,562)
Change in fair value of investment	-	-	-	-
Other Non-Operating Revenues	(1,855)	(891)	(1,199)	(7,288)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,139)</u>	<u>(4,251)</u>	<u>(3,887)</u>	<u>(13,850)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>25,609</u>	 <u>61,619</u>	 <u>(20,191)</u>	 <u>119,780</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>57,226</u>	<u>164,011</u>	<u>206,986</u>	<u>299,235</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 82,835</u>	<u>\$ 225,630</u>	<u>\$ 186,795</u>	<u>\$ 419,015</u>

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(amounts expressed in thousands)
Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt from customers and users	\$ 65,561	\$ 981,317	\$ 18,292
Receipts from interfund services provided	-	-	76,726
Contribution received - employee/employer	-	-	105,248
Payments to suppliers	(21,706)	(337,128)	(40,726)
Payments to employees	(37,904)	(276,952)	(147,575)
Payments for taxes	(779)	(32,871)	(1,693)
Payments for interfund services used	(6,325)	(6,325)	(458)
Other operating or non-operating revenues	361	(350)	(72)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(792)	327,691	9,742
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	8,995	24,780	3,452
Grants and contributions received	6,166	7,588	117
Payments paid on noncapital debts	-	(1,783)	-
Transfer to other funds	(2,775)	(72,942)	(1)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	12,386	(42,357)	3,568
CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	4,473	4,473	239
Proceeds received from long term debts	-	24,462	-
Proceeds received from capital debts	1,076	168,915	-
Proceeds from sales of capital assets	-	803	272
Contributions and donations	490	25,794	-
Acquisitions and constructions of capital assets	(8,178)	(194,890)	(2,358)
Principal paid on capital debts	(8,135)	(44,377)	-
Interest and issuance costs paid on capital debts	(2,227)	(58,913)	-
Transfers to other funds	(3,430)	(3,430)	-
Other Long-Term Liabilities	-	(564)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(15,931)	(77,727)	(1,847)
CASH FLOW FROM INVESTING ACTIVITIES			
Interests and dividends received	930	(12,964)	1,381
Change in fair value of investment	(1,651)	(1,651)	(3,236)
Other Non-Operating Revenues	-	(11,233)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(721)	(25,848)	(1,855)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (5,058)	 181,759	 9,608
CASH AND CASH EQUIVALENTS, JANUARY 1	69,870	797,328	106,769
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 64,812	\$ 979,087	\$ 116,377

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(amounts expressed in thousands)
Page 3 of 4

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 23,843	\$ 40,349	\$ 25,893	\$ 55,320
Adjustments to reconcile operating income (loss) to net cash provided (used) by:				
Operating Activities:				
Depreciation and amortization expenses	6,853	19,267	28,400	52,121
(Increase) decrease in accounts receivable	2,411	1,385	2,604	(5,290)
(Increase) decrease in intergovernmental receivables	-	-	-	-
(Increase) decrease in inventories	-	(226)	(2,122)	(1,225)
(Increase) decrease in prepaid items	-	(45)	637	-
(Increase) decrease in other assets	-	-	168	3,491
Increase (decrease) in deposit payable	26	4	47	1,335
Increase (decrease) in accounts payable	1,325	(4,196)	-	(397)
Increase (decrease) in accrued wages payable	10	67	11	372
Increase (decrease) in compensated absences	(26)	31	-	430
Increase (decrease) in intergovernmental payable	-	30	-	-
Increase (decrease) in deferred revenues	-	205	-	-
Increase (decrease) in other current liabilities	60	(234)	2,183	9,963
Increase (decrease) long term liabilities	(4,102)	(4,947)	(4,327)	76,334
Miscellaneous non-operating revenues (expenses)	-	17	-	428
Prior Period Adjustment	-	-	-	-
Total adjustments	6,557	11,358	27,601	137,562
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 30,400	\$ 51,707	\$ 53,494	\$ 192,882
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contribution of capital assets	-	3,820	10,814	294

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(amounts expressed in thousands)
Page 4 of 4

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
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)	\$ (7,408)	\$ 137,997	\$ 11,490
Adjustments to reconcile operating income (loss) to net cash provided (used) by:			
Operating Activities:			
Depreciation and amortization expenses	10,672	117,313	6,589
(Increase) decrease in accounts receivable	2,074	3,184	203
(Increase) decrease in intergovernmental receivables	-	-	(85)
(Increase) decrease in inventories	(117)	(3,690)	(74)
(Increase) decrease in prepaid items	710	1,302	586
(Increase) decrease in other assets	(371)	3,288	581
Increase (decrease) in deposit payable	(5,879)	(4,467)	-
Increase (decrease) in accounts payable	1,474	(1,794)	(1,900)
Increase (decrease) in accrued wages payable	(10)	450	2,733
Increase (decrease) in compensated absences	77	512	(2,322)
Increase (decrease) in intergovernmental payable	2	32	-
Increase (decrease) in deferred revenues	217	422	-
Increase (decrease) in other current liabilities	(79)	11,893	(3,406)
Increase (decrease) long term liabilities	(2,010)	60,948	(5,834)
Miscellaneous non-operating revenues (expenses)	(663)	(218)	-
Prior Period Adjustment	73	73	1,181
Total adjustments	6,616	189,694	(1,748)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (792)	\$ 327,691	\$ 9,742

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Contribution of capital assets	-	14,928	-
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The notes to the financial statements are an integral part of this statement

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2022
(amounts expressed in thousands)

	Custodial Forfeitures Fund	Pension Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 60	2,675
Investments	-	46,935
Equities	-	741,144
Fixed income	-	684,818
Real estate	-	125,707
Venture capital and partnerships	-	485,095
Securities lending collateral	-	73,999
Due From Other Governments	-	2,272
Interest and Dividends	-	3,467
Investment Sales	-	6,746
Capital Assets, net of accumulated depreciation	-	6
Total Assets	<u>60</u>	<u>2,172,864</u>
 DEFERRED OUTFLOW OF RESOURCES	 -	 -
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	-
 LIABILITIES		
Current Liabilities:		
Accounts Payable	-	2,245
Accrued Wages and Benefits Payable	-	112
Deposits payable	60	-
Investments Purchase Payable	-	167,735
Other Current Liabilities	-	5
Total Current Liabilities	<u>60</u>	<u>170,097</u>
Noncurrent Liabilities		
Accrued Employee Leave Benefits	-	341
Total Noncurrent Liabilities	<u>-</u>	<u>341</u>
Total Liabilities	<u>60</u>	<u>170,438</u>
 DEFERRED INFLOW OF RESOURCES	 -	 -
TOTAL DEFERRED INFLOW OF RESOURCES	-	-
 NET POSITION		
Net position restricted for pensions and other purposes	<u>\$ -</u>	<u>2,002,426</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2022
(amounts expressed in thousands)

	Custodial Forfeitures Fund	Pension Trust Fund
ADDITIONS		
Employer Contributions	\$ -	33,992
Member Contributions	-	29,886
Other Contributions	-	(24)
Total Contributions	-	63,854
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	-	(209,919)
Interest and Dividends	-	39,914
Total Investment Income	-	(170,005)
Less Investment Expenses:		
Investment Management Fees	-	(8,128)
Securities Lending - Agent Fees	-	(93)
Securities Lending - Broker Rebates	-	(1,189)
Total Investment Expense	-	(9,410)
Net Investment Income	-	(179,415)
Total Additions	-	(115,561)
DEDUCTIONS		
Wages and Benefit Payments	-	1,300
Healthcare Benefit Payments	-	101,513
Refunds of Contributions	-	3,777
Administrative Expense	-	1,035
Total Deductions	-	107,625
Net Increase (Decrease)	-	(223,186)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Net position - beginning	-	2,225,612
Net position - ending	\$ -	2,002,426

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

Notes to the Financial Statements For the Year Ended December 31, 2022

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tacoma's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for the fiscal year 2022, the City applied the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87 – Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Where applicable the City has made the required adjustments as prescribed by GASB Statement #87 as of December 31, 2022.

GASB Statement No. 91 – Conduit Debt Obligations. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The GASB statement was implemented and there's no effect on the City's financial statements as a result of this statement.

GASB Statement No. 92 – Omnibus 2020. The primary objective of this statement is to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Where applicable the City has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 92.

GASB Statement No. 93 - Replacement of Interbank Offered Rates (LIBOR). The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR effective after fiscal year end 6/15/22. The GASB statement was implemented and there's no effect on the City's financial statements as a result of this statement.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component unit in fiduciary fund financial statement; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meets the definition of a pension plan and for benefits provided through those plans. The GASB statement was implemented and there's no effect on the City's financial

Notes to the Financial Statements For the Year Ended December 31, 2022

statements as a result of this statement.

A. 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. Areas under City Council include:

1. Governmental functions: City Attorney, Community & Economic Development, Environmental Policy & Sustainability, Environmental Services, Finance, Fire, Governmental Relations, Hearing Examiner, Human Resources, Information Technology, Library, Municipal Court, Media & Communications, Neighborhood & Community Services, Office of Management and Budget, Planning & Development Services, Police, Tacoma Venues and Events, and Public Works; and,
2. Utility functions: Power, Water, Wastewater, Stormwater, Solid Waste and Rail.

The accompanying financial statements present the City and its component units.

Component units are required to be blended if the component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit/burden relationship between the primary government and the component unit or (2) management of the primary government has operational responsibility for the component unit. Additionally, per GASB Statement No. 80 a component unit should be included using blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member. A component unit should be presented as blended when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

Discretely presented component units are separate legal entities for which the City is financially accountable and there is a financial benefit/burden relationship with the City. Exclusion of these entities would cause the City's financial statements to be misleading or incomplete. To be presented as a discretely presented component unit all of the following criteria must be met:

1. The economic resources received or held by the organization are almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization of the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

For related party transactions refer to Note 3 Section G.

Blended Component Units:

Tacoma Transportation Benefit District (TBD) is governed by a Board, comprised of Tacoma City Councilmembers acting ex officio and independently of their elected position, as required by the authorizing state law. Though it is legally separated from the City the TBD is reported as if it was part of the primary government because its sole purpose is to acquire, construct, improve, and provide

Notes to the Financial Statements For the Year Ended December 31, 2022

funding for transportation improvements for the benefit of the City and City management has operational responsibility and services are provided entirely to the City. The authority to form a TBD was granted under Washington State RCW 35.21.225 and RCW 36.73.020. During 2012 City Council created the TBD, by ordinance No. 28099 and RCW 82.80.140 gives the TBD the authority to impose taxes, fees, charges, and tolls. The TBD approved Resolution No. TBD001 imposing a \$20 vehicle registration fee within the district's boundaries, effective in 2013.

Financial statements for the TBD can be found in the Combining Statements located in the Financial Section of this report.

Discretely presented Component Units:

Tacoma Community Redevelopment Authority (TCRA) is a separate public development authority established through City ordinances and the laws of the State of Washington. TCRA was created to administer Housing and Urban Development (HUD) and Economic Development Administration (EDA) funds assisting the City in housing rehabilitation and business economic development projects. The Tacoma Community Redevelopment Authority is governed by a 10-member board appointed by the Tacoma City Council. Although it is legally separated from the City, the TCRA is a component unit of the primary government because its sole purpose is to finance and provide housing rehabilitation and community & economic development loans to residents and businesses in the City of Tacoma. The City has operational responsibility for administration and contract approval.

Separate financial statements for TCRA can be obtained from: TCRA, 747 Market Street, Room 132, Tacoma, Washington, 98402.

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. Although it is legally separated from the City, the District is a component unit of the primary government because its sole purpose is to assist finance, and otherwise facilitate the construction and operation of a Convention Center. The City appoints a voting majority of the board and has responsibility for administration for the debt service on bonds issued by the City for the construction of the 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 for bond issued by the City of Tacoma to fund the design, development, construction and operation of Convention Center inclusive of real property, buildings, fixtures, furnishings, appurtenances and improvements.

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.

Joint Ventures:

Tacoma-Pierce County Health Department (TPCHD)

The Health Department is a joint venture of the City and County providing personal and environmental health services throughout the County. The Department provides community leadership in protecting the public's health, preventing health problems, and promoting healthy and safe living. The Health Department was created pursuant to the provisions of Chapter 70.08 of the Revised Code of Washington (RCW) to serve the needs of the constituents of the City of Tacoma, Pierce County, and other cities and towns within the County. The operations of the Health Department are governed by an agreement,

Notes to the Financial Statements

For the Year Ended December 31, 2022

dated May 23, 2006, between the City of Tacoma and Pierce County. The Health Department is managed by the Board of Health, which consists of the Pierce County Executive or a duly designated representative, three members of the County Council, Mayor of the City of Tacoma or a duly designated representative, one member of the City Council, one member representing Pierce County Cities and Towns Association, and one member-at-large appointed by the first six representatives. The City of Tacoma and Pierce County are responsible for its debts and are entitled to the surplus.

Financial information for TPHCD is included in Note 7 Section E. The City of Tacoma, however, does not report an equity interest in the Government-wide financial statements.

B. Government-wide and fund financial statements

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

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

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

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

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

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

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded

Notes to the Financial Statements

For the Year Ended December 31, 2022

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.

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 service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The City reports the following major governmental funds:

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

Notes to the Financial Statements

For the Year Ended December 31, 2022

The City reports the following major proprietary funds:

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

The City reports the following major fiduciary funds:

- The Tacoma Employees' Retirement System (#6100) is a cost-sharing, multiple-employer defined benefit public employee pension plan, covering a majority of the employees of the City of Tacoma, and three Member Public Agencies.
- The Custodian Forfeiture fund (#6331) accounts for deposits being held in trust until various court cases are adjudicated.

D. Assets, liabilities and net position or fund balances

1. *Cash and investments*

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

2. *Receivables and payables*

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

Advances between funds, as reported in the governmental fund financial statements, are included in the non-spendable 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

Notes to the Financial Statements

For the Year Ended December 31, 2022

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 uncollectable amount is established based on an analysis of historical experience. Allowances for other receivables are not utilized because the amounts are not material.

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

3. Inventories and prepaid items

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

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

4. Restricted assets

Restricted assets in the enterprise funds are monies which are restricted by legal or contractual requirements. These assets are generally intended for either construction of capital assets or for the repayment of debt. See Note 3 Section F for further information.

5. Capital assets

Capital assets; which include land, property, plant, equipment, construction in progress and intangible assets (assets right of use), 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, easements, and rights-of-way are capitalized regardless of cost. Infrastructure capitalization threshold is \$5,000 or more. Building and infrastructure improvements are capitalized when the cost is greater than \$5,000 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 acquisition 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.

Notes to the Financial Statements

For the Year Ended December 31, 2022

The estimated useful lives for all City assets are:

Property, plant, and equipment	3-100 years
Water Plant	13-60 years
Power Plant	2-62 years
Parks	33 years
Library materials	5 years
Intangibles	3-25 years
Infrastructure	5-60 years

6. *Compensated absences*

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

7. *Deferred Outflows and Deferred Inflows of Resources*

Deferred Outflows of Resources - Deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of losses on refunding of bonds, deferred outflows of resources related to pensions, and deferred outflows of resources related to post employment benefits other than pensions.

Deferred Inflows of Resources - Deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of inflows for rate stabilization, deferred inflows of resources related to pensions, deferred inflows of resources related to post employment benefits other than pensions, and deferred inflows of resources related to leases as a result of implementation of GASB Statement No. 87, Leases.

8. *Pensions*

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and the Tacoma Employees Retirement System (TERS) sponsored pension plan and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the respective sponsors. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Long-term obligations*

In the government-wide financial statements and the proprietary fund financial statements, long-

Notes to the Financial Statements

For the Year Ended December 31, 2022

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

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

10. Fund balance

Fund balance

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

1. **Nonspendable:** Includes amounts that are not in a spendable form, such as inventories, prepaid items, long-term interfund receivables, and amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
2. **Restricted:** Includes amounts that can be spent only for the specific purposes stipulated by external resource providers. Amounts should be reported as restricted when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
3. **Committed:** Fund Balance can only be used for specific purposes as determined by formal action by the City Council. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation. The amount committed in the General Fund is accounted for under Fund 1030 Contingency Fund.
4. **Assigned:** Includes amounts that have been allocated by the General Fund through the encumbrance process, previously classified as unassigned. The authority to assign funds is delegated to City Management through the adoption of the biennium budget by the City Council. Fund balances of special revenue funds, debt service funds, capital project funds, that are not classified as nonspendable, restricted, or committed will be classified as assigned for the purpose of the fund. The authority to create funds is determined by formal action by the City Council, by adoption of an ordinance, or by state statute.
5. **Unassigned:** Includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category as a positive fund balance. In other governmental funds, if the expenditures incurred for specific purposes exceeds the amounts, restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Notes to the Financial Statements

For the Year Ended December 31, 2022

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

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

Use of resources will be spent in the following hierarchy:

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

For detailed information on fund balances of governmental funds, please refer to Note 3 Section H.

Fund 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.

11. *Leases*

Leases are recognized in accordance with GASB Statement No. 87, Leases.

City as a Lessee:

The city is a lessee for noncancelable leases. The city recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The city recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the city initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight - line basis/effective interest method over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how the city determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Notes to the Financial Statements

For the Year Ended December 31, 2022

- The city uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the city generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the city is reasonably certain to exercise.

The city monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

City as a Lessor:

The city is a lessor for noncancelable leases. The city recognizes a lease receivable and a deferred inflow of resources in the government - wide and fund financial statements. The city recognizes right of use asset with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the city initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight - line basis/effective interest method.

Key estimates and judgements related to lease include how the city determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The city uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

The city monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. Proprietary fund financial statements report reservations of net position amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The Tacoma City Council adopts a biennial budget using an appropriation ordinance. While not legally required by law, the City also adopts budgets for debt service funds, proprietary funds, and some selected trust funds. Capital project budgets are adopted for fiscal periods that correspond to the lives of the projects.

The description of the budget process and the budget reconciliation schedule are included in the budget

Notes to the Financial Statements

For the Year Ended December 31, 2022

notes in the Required Supplementary Information (RSI) and Combining Statements – Non-Major funds sections. Budgetary data for the general fund is included in the RSI and Non-Major governmental funds are included in the Combining Statements – Non-Major funds section. The budgetary statements show the original budget, revised amended budget and actual amounts expended to date for the biennium.

For budgetary tracking purposes, in the General Fund, assessments are budgeted as negative revenues. These negative revenues are considered a budgetary authority increase to both revenues and expenditures for reporting purposes in the original and final adopted budgets. The budgeted amount totaled \$1,228,079 for 2022.

B. Deficits in fund balance or net position

The following governmental and proprietary funds had deficit net position.

Third Party Liability Claims Fund has a net position deficit of \$24.0 million, a decrease of \$5.9 million over the prior year, due to the decreases in liability claims and increase charge for service revenues.

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

Net Deficit (expressed in thousands)

FUND	AMOUNT
Third Party Liability Claims (#5550)	(24,009)
	\$ (24,009)

C. Legal and contractual compliance

The City has complied, to the best of its knowledge, with all material finance related legal and contractual provisions.

Note 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Legal, Contractual and Administrative Provisions

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

At year-end, the carrying amount of the City's deposits was \$100,964,800.

Notes to the Financial Statements

For the Year Ended December 31, 2022

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 City sustained no investment losses during 2022, there was no significant loss potential, and there were no significant or recurring violations of administrative, legal or contractual provisions.

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. 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.
2. 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.
3. Supranational Agency Bonds: U.S. dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment: (1) the Supranational is rated within one of the two highest rating categories of a NRSRO; and the institution has the United States government as its largest shareholder. No more than 10% of the Portfolio may be invested in Supranational Agency obligations with no more than 5% being invested in obligations of a single Supranational Agency.
4. Bankers Acceptances: City investment policy allows for purchases of bankers acceptances from the top 50 world banks as published by American Banker. A maximum of 20% of the total portfolio may be invested in bankers' acceptances with no more than 5% of the total portfolio in any one bank.
5. 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 5% in any one issuer.
6. Repurchase Agreements: Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 25% of the total portfolio. The fair 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.
7. Reverse Repurchase Agreements: The City did not participate in any reverse repurchase agreements in 2022.
8. Municipal Bonds: A maximum of 30% of the portfolio invested in municipal bonds with no more than 5% of the portfolio being invested in bonds of any one municipal bond issuer. The maximum maturity for investments in municipal bonds shall be limited to five years.
9. Certificates of Deposit (CDs): The percentage of CDs may not exceed 25% of the total assets of the portfolio with the percentage limited to 3% for any single bank or savings and loan association. Maturities shall not exceed one year.

Notes to the Financial Statements

For the Year Ended December 31, 2022

10. Corporate Notes: Unsecured debt obligations purchased on the secondary market, provided that such investments are made in accordance with the investment policies and procedures adopted by the State Investment Board. No more than 10% of the portfolio may be invested in corporate notes and no more than 2% with any one issuer.
11. Money Market Funds: Money Market Funds meeting the requirements outlined in the City's Investment Policy are permissible investments exclusively for bond proceeds invested in accordance with Section 1.148 of the U.S. Internal Revenue Code, related to arbitrage rebate. A maximum of 25% of such bond proceeds may be invested in Money Market Funds.
12. Local Government Investment Pools: A maximum of 25% of the portfolio may be invested in local government investment pools.

2. Deposits and investments – December 31, 2022

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 subject to foreign currency risk.

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

At December 31, 2022, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments December 31, 2022 (amounts expressed in thousands)

Reconciliation of Cash and Investments:

Investments (less Component Units)	\$ 3,518,380
Treasurer's Cash, net	100,696
Petty Cash Funds	269
Sub-total	<u>3,619,345</u>
Component Units:	
Tacoma Community Redevelopment Authority (TCRA)	1,648
TCRA - External Cash	5,171
Public Facilities District (PFD)	3,616
Sub-total (Component Units)	<u>10,435</u>
Total	<u><u>\$ 3,629,780</u></u>

Notes to the Financial Statements

For the Year Ended December 31, 2022

Reconciliation of cash, cash equivalents, deposits and investments to Statement of Net Position:

	Amounts expressed in thousands
From Statement of Net Position	
Cash and cash equivalents	\$ 1,189,776
Restricted cash and cash equivalents	269,137
Total Primary Government	1,458,913
Component Units	
TCRA	6,819
GTRCC PFD	3,616
Total Component Units	10,435
Fiduciary Funds	
Cash and cash equivalents	2,735
Investments at fair value	46,935
Pension Trust	2,110,762
Total Fiduciary Funds	2,160,432
Total cash and investments	<u>\$ 3,629,780</u>

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

Investments:	Fair Value at 12/31/2022
Financial Institutions	
WA State Local Government Investment Pool	\$ 26,063
Government Agencies (various)	1,339,884
Equity in Pool Transferred to Component Units	(7,999)
Total Investments with Financial Institutions	1,357,948
Pension Trust	
Equities	741,144
Fixed Income	684,818
Real Estate	125,707
Venture Capital & Partnerships	485,095
Short Term Bill & Notes	44,201
Other Assets	553
Cash and Cash Equivalents	4,915
Securities Lending Collateral	73,999
Total Other Investments - Pension Trust	2,160,432
Total	<u>\$ 3,518,380</u>

3. 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 in maturity. One way the City manages its exposure to interest rate

Notes to the Financial Statements

For the Year Ended December 31, 2022

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 \$25,657,974 with the State Treasurer's Local Government Investment Pool and \$69,727,732 in the city's deposit accounts with commercial banks. The monies from these accounts are available immediately.

Investment Type	Par	Maturing (in months)				
		Less than 12	13-24	25-36	37-48	49-60
Main Bank Demand Deposits	\$ 69,727,732	\$ 69,727,732	\$ -	\$ -	\$ -	\$ -
Bank Demand Deposits & State Pool	26,052,685	26,052,685	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	11,410,948	4,906,480	6,504,468	-	-	-
Fixed Rate Non-Callable Agency Securities	333,300,266	200,824,024	78,171,242	49,587,668	4,717,332	-
Fixed Rate Callable Agency Securities	222,111,642	34,449,550	187,662,092	-	-	-
Totals	\$ 662,603,273	\$ 335,960,471	\$ 272,337,802	\$ 49,587,668	\$ 4,717,332	\$ -
Percent of Total		50.70%	41.10%	7.48%	0.71%	0.00%

4. 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 2022 for each type of investment. AAA is the highest rating for bonds. The Bank Certificates of Deposit and Demand Deposit Accounts 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	\$ 95,780,417	FDIC & PDPC	\$ 95,780,417	\$ -	\$ -	\$ -
Fixed Rate Non-Callable Municipal Securities	11,410,948	A	-	7,469,828	3,941,120	-
Fixed Rate Non-Callable Agency Securities	309,387,834	AAA	-	289,712,834	-	19,675,000
Fixed Rate Callable Agency Securities	222,111,642	AAA	-	222,111,642	-	-
Total	\$ 638,690,841		\$ 95,780,417	\$ 519,294,304	\$ 3,941,120	\$ 19,675,000

5. Concentration of Credit Risk

Concentration Risk disclosure is required for all investments in any one issuer that is 5% or more of the total City's investments.

The following, which are more than 5%, are Financial, State Government, or Government Sponsored Agencies.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Issuer	Investment Type	Amount Reported	Percentage
Washington State	Municipal Securities	\$ n/a	n/a
Federal Farm Credit Bank	Agency Securities	88,004,778	6.6%
Federal Home Loan Bank	Agency Securities	237,560,950	17.7%
Federal Home Mortgage Corporation	Agency Securities	139,337,678	10.4%
Federal National Mortgage Association	Agency Securities	76,599,354	5.7%
Total		<u>\$ 541,502,760</u>	

6. Disclosure of Custodial Credit Risk

The city policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

7. Investments Measured at Fair Value

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

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

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

Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value schedule.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Data regarding the City's investments, valued and categorized according to the above outlined levels is included below:

Investments Measured at Fair Value

Debt Securities	As of			
	12/31/2022	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 683,653,733	\$ -	\$ 683,653,733	\$ -
Supranational Securities	19,561,285	-	19,561,285	-
Municipal Bonds	20,114,218	-	20,114,218	-
Agency Securities	555,411,908	-	555,411,908	-
Money Market	404,711	404,711	-	-
Corporate Securities	61,142,820	-	61,142,820	-
Total	\$ 1,340,288,675	\$ 404,711	\$ 1,339,883,964	\$ -

B. Receivables

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

(amounts expressed in thousands)

Accounts Receivable (amounts expressed in thousands)	Trans Capital Non-Major				
	General Fund	& Engineering Fund	Governmental Funds	Solid Waste Fund	Waste Water Fund
Accounts Receivable (net short-term)	\$ 10,510	\$ 23	\$ 36,446	\$ 7,006	\$ 16,779
Due from Other Governments	16,005	2,095	14,516	-	1,184
Leases Receivable (net short-term)	-	-	8	-	316
Leases Receivable (net long-term)	-	-	-	-	4,126
Notes and Contracts Receivable (net short-term)	-	-	-	-	199
Notes and Contracts Receivable (net long-term)	-	-	-	-	447
TOTAL	\$ 26,515	\$ 2,118	\$ 50,970	\$ 7,006	\$ 23,051

Accounts Receivable (amounts expressed in thousands)	Non-Major Internal				Total
	Water Fund	Power Fund	Enterprise Funds	Service Funds	
Accounts Receivable (net short-term)	\$ 13,131	\$ 83,078	\$ 8,955	\$ 292	\$ 176,220
Due from Other Governments	2,461	-	172	85	36,518
Leases Receivable (net short-term)	-	3,209	468	-	4,001
Leases Receivable (net long-term)	-	49,243	-	-	53,369
Notes and Contracts Receivable (net short-term)	-	-	-	-	199
Notes and Contracts Receivable (net long-term)	-	2,671	8,199	-	11,317
TOTAL	\$ 15,592	\$ 138,201	\$ 17,794	\$ 377	\$ 281,624

Notes to the Financial Statements

For the Year Ended December 31, 2022

C. Capital assets

Capital asset activity for the year-ended December 31, 2022 was as follows:

(amounts expressed in thousands)

Governmental activities	Beg Bal	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	\$ 39,628	\$ 2,393	\$ (122)	\$ 41,899
Art	3,018	-	-	3,018
Construction work in progress	52,199	20,202	(35,084)	37,317
Total capital assets, not being depreciated	<u>94,845</u>	<u>22,595</u>	<u>(35,206)</u>	<u>82,234</u>
Capital assets, being depreciated or amortized:				
Property, plant, and equipment	322,987	14,553	(25,545)	311,995
Infrastructure	1,499,425	29,046	-	1,528,471
Right-of-use	-	10,086	-	10,086
Total capital assets, being depreciated or amortized	<u>1,822,412</u>	<u>53,685</u>	<u>(25,545)</u>	<u>1,850,552</u>
Less accumulated depreciation and amortization:				
Property, plant, and equipment	(208,248)	(13,676)	30,637	(191,287)
Infrastructure	(917,398)	(28,868)	(5,289)	(951,555)
Right-of-use	-	(535)	-	(535)
Total accumulated depreciation and amortization	<u>(1,125,646)</u>	<u>(43,079)</u>	<u>25,348</u>	<u>(1,143,377)</u>
Governmental activities, capital assets (net of accumulated depreciation or amortization)	<u>\$ 791,611</u>	<u>\$ 33,201</u>	<u>\$ (35,403)</u>	<u>\$ 789,409</u>

Notes to the Financial Statements
For the Year Ended December 31, 2022

Business activities	Beg Bal Restated	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	\$ 165,932	\$ 844	\$ (90)	\$ 166,686
Construction work in progress	135,213	201,165	(266,475)	69,903
Total capital assets, not being depreciated	<u>301,145</u>	<u>202,009</u>	<u>(266,565)</u>	<u>236,589</u>
Capital assets, being depreciated or amortized				
Property, plant, and equipment	4,855,172	270,456	(29,124)	5,096,504
Right of use	1,360	596	-	1,956
Total capital assets, being depreciated or amortized	<u>4,856,532</u>	<u>271,052</u>	<u>(29,124)</u>	<u>5,098,460</u>
Less accumulated depreciation and amortization:				
Property, plant, and equipment	(2,144,657)	(117,329)	32,446	(2,229,540)
Right of use	(179)	(162)	-	(341)
Total accumulated depreciation and amortization	<u>(2,144,836)</u>	<u>(117,491)</u>	<u>32,446</u>	<u>(2,229,881)</u>
Business activities, capital assets (net of accumulated depreciation)	<u>\$ 3,012,841</u>	<u>\$ 355,570</u>	<u>\$ (263,243)</u>	<u>\$ 3,105,168</u>

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

Governmental Activities:

General Government	\$ 1,076
Public Safety	2,882
Transportation	30,132
Economic Environment	822
Social Services	3
Culture and Recreation	1,740
Capital Assets held by Internal Services funds which are charged to various functions based on their usage of the assets	<u>6,422</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 43,077</u>

Notes to the Financial Statements

For the Year Ended December 31, 2022

Business-type activities:

Permit	\$ 34
Mountain Rail	783
Parking Garage	1,308
Convention Center	1,752
Baseball Park	1,401
Tacoma Dome	1,670
Performing Arts	1,110
TPU Fleet *	166
Solid Waste	6,853
Waste Water	19,267
Tacoma Rail	2,614
Water	28,414
Power	52,121
Total depreciation and amortization expense - business-type activities	<u>\$ 117,493</u>

*Internal Service fund that solely supports Business-type activities

Right-of-Use assets

A lease is defined as a contract that conveys control of the right of use of another entity's nonfinancial asset as specified in a contract for a period of time in an exchange or exchange-like transaction. The City is party to a variety of lease contracts as lessee for which this right-of-use (ROU) has been recognized as an asset on the balance sheet. This recognition is new for the current fiscal year due to the implementation of GASB 87.

Lease right-of-use activity for the year ended December 2022 was as follows:

	Beg Bal			
Governmental activities	Restated	Increases	Decreases	End Bal
Land	\$ -	\$ 48	\$ -	\$ 48
Property, plant, and equipment	-	10,038	-	10,038
Total leased assets	<u>-</u>	<u>10,086</u>	<u>-</u>	<u>10,086</u>
Less accumulated amortization				
Land	-	(22)	-	(22)
Property, plant, and equipment	-	(513)	-	(513)
Total accumulated amortization	<u>-</u>	<u>(535)</u>	<u>-</u>	<u>(535)</u>
Total leased assets, net of accumulated amortization	<u>\$ -</u>	<u>\$ 9,551</u>	<u>\$ -</u>	<u>\$ 9,551</u>

Notes to the Financial Statements

For the Year Ended December 31, 2022

Business activities	Beg Bal			
	Restated	Increases	Decreases	End Bal
Right of use				
Land	\$ 353	\$ -	\$ -	\$ 353
Buildings	320	596	-	916
Telecommunications	687	-	-	687
Total leased assets	<u>1,360</u>	<u>596</u>	<u>-</u>	<u>1,956</u>
Less accumulated amortization:				
Land	(39)	(39)	-	(78)
Property, plant, and equipment	(71)	(89)	-	(160)
Telecommunications	(69)	(34)	-	(103)
Total accumulated amortization	<u>(179)</u>	<u>(162)</u>	<u>-</u>	<u>(341)</u>
Total leased assets, net of accumulated amortization	<u>\$ 1,181</u>	<u>\$ 434</u>	<u>\$ -</u>	<u>\$ 1,615</u>

D. Leases

The City is involved in various leasing arrangements for land, buildings, telecommunications, and equipment. With the implementation of GASB Statement No. 87 Leases, effective the year ended December 31, 2022, all existing and newly acquired leases during the current year were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation, a respective receivable or payable is recognized.

Lease receivables and Deferred Inflows of Resources – Leases

Governmental Activities:

Tacoma Public Library signed a lease on February 1, 2022, for a workspace that will be made available to essential service providers at a lower cost. The initial 24-month lease period began on February 1st, 2022, and will last through January 31st, 2024, with an option of extension. The calculation of the net present value of lease receivables did not include the renewal term in the lease duration due to uncertainty. For the duration of the contract, lease requires monthly revenues of \$600. On January 1st, 2022, a \$14,092 initial lease receivable was recorded; as of December 31st, 2022, the lease receivable was \$7,698. As of January 1, 2022, \$14,092 initial deferred inflows was recorded; as of December 31, 2022, the deferred inflows totaled \$7,633.

On March 9, 2016, Tacoma Regional Convention and Visitors Bureau entered into a lease agreement for 2,239 square feet southernmost space located within the first level of the Greater Tacoma Convention & Trade Center building. The first lease term began on March 9, 2016, and lasted for sixty (60) months, concluding on March 9, 2021. There was also an option to renew the lease, extending the actual length by two further periods of forty-eight (48) months. The initial option for renewal has been exercised and the new lease period expires on April 1, 2025. The lease period was adjusted to account for the second renewal option when determining the lease receivable's net present value. In determining the net present value of the lease receivable, a stated discount rate of 2.80% in the agreement was used. The monthly lease revenue was \$5,144 as of December 31, 2022. The Consumer Price Index (CPI) for the Seattle/Tacoma area will be used to determine the monthly rate increase for each year that follows. At the beginning of 2022, a \$517,946 initial lease receivable was recorded; as of December 31, 2022, the lease receivable was \$464,877. Deferred inflows were initially reported as \$517,946 at the beginning of 2022, and as of December 31, 2022, deferred inflows balance is \$446,505.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Business Activities:

On February 8, 1966, Power entered into a lease agreement related to the recreational use of existing Cushman project reservoirs for private development of individual tracts on or near the reservoirs. The lease term started on March 1, 1966, for ninety-nine (99) years and will end on February 28, 2065.

The annual rental payment will be increased every five years in accordance with the Consumer Price Index - CPI (All Urban Consumers – Seattle – Tacoma – Bremerton). The basis for this increase is the annual rent for the base year of the lease, which was \$40,000 in 1966. A monthly receipt of \$30,463 from January 1, 2021 to end of lease term, February 28, 2065, is applied to calculate the net present value of the lease receivable in the absence of future CPI. An initial lease receivable was recorded in the amount of \$10.2 million as of January 1, 2021, and as of December 31, 2022, the lease receivable is \$9.9 million. An initial deferred inflows was recorded in the amount of \$10.2 million as of January 1, 2021, and as of December 31, 2022, the deferred inflows is \$9.8 million.

On April 1, 2020, Tacoma Power entered into an Indefeasible Right of Use (IRU) agreement with Rainier Connect and Rainier Connect took operational control of the telecommunications network. The lease term started on April 1, 2020, for twenty (20) years and will end on March 31, 2040. This agreement may be renewed for up to two additional terms of ten (10) years each. The renewal period was not included in the lease period in calculating the net present value of lease receivables due to uncertainty. Monthly IRU fee range is from \$208,333 to \$250,000 in the first five year of the lease period. Each subsequent year following the fifth year, the IRU fee will be adjusted on the anniversary of the Effective Date to reflect the Consumer Price Index Increase. If there is no Consumer Price Index Increase (i.e., there is deflation during the relevant period), there shall be no reduction in the IRU fee from the prior year. An initial lease receivable was recorded in the amount of \$45.9 million as of January 1, 2021, and as of December 31, 2022, the lease receivable is \$42.5 million. An initial deferred inflows was recorded in the amount of \$45.9 million as of January 1, 2021, and as of December 31, 2022, the deferred inflows is \$41.2 million.

The Wastewater and Stormwater Management division entered into a lease agreement related to buildings for office and lab space. The lease term starts on July 1, 2021, for sixty-two (62) months and will end on August 31, 2026. There are two (2) five year options to extend the lease term. Lease requires monthly payments of \$23,555 for the term of the agreement with an annual increase of 3% to occur on the anniversary of the commencement date. An estimate of increase rate of 3% is applied for the extension period. An initial lease receivable was recorded in the amount of \$4.7 million as of January 1, 2021, and as of December 31, 2022, the lease receivable is \$4.6 million. An initial deferred inflows was recorded in the amount of \$4.7 million as of January 1, 2021, and as of December 31, 2022, the deferred inflows is \$4.3 million.

For those leases where the interest rate was not specified in the lease agreement, the City calculated the net present value of the lease receivable using its average incremental borrowing rate of 2.264% as of December 31, 2021.

Lease Liability

Governmental Activities:

On March 1, 2012, the City entered into a lease agreement for the use of the aquatic land commonly known as Commencement Bay for Maritime Security Operations and fireboat moorage. The lease term started on March 1, 2012 for twelve (12) years and will end on February 29, 2024 with no renewal option. The annual rent as of December 31, 2022 was \$21,579. An initial lease liability was recorded in the amount of \$47,869 as of January 1, 2022 and as of December 31, 2022, the lease liability is \$27,409.

Notes to the Financial Statements

For the Year Ended December 31, 2022

The value of the right to use asset as of December 31, 2022 was \$47,869 with accumulated amortization of \$22,093.

On March 1, 2019 the City entered into a lease agreement for the lease of filtered water dispensers. The lease term started on March 1, 2019, and will end on February 28, 2024 for a full contract amount not to exceed \$62,137. An initial lease liability was recorded in the amount of \$24,639 as of January 1, 2022, and as of December 31, 2022, the lease liability is \$13,392. The value of the right to use asset as of December 31, 2022, was \$24,639 with accumulated amortization of \$11,372.

On November 6, 2020, the City entered into a lease agreement for the use of approximately 0.52 acres of First Christian Church property along with the use of three (3) standard parking stalls and one (1) handicapped parking stall to establish and manage a micro shelter site for persons experiencing homelessness. The lease term started on November 6, 2020, and will end on July 31, 2023, with a renewal option. The City is required to make a monthly payment of \$3,000. An initial lease liability was recorded in the amount of \$56,044 as of January 1, 2022, and as of December 31, 2022, the lease liability is \$20,842. The value of the right to use asset as of December 31, 2022, was \$56,044 with accumulated amortization of \$35,396.

On January 1, 2009, the City entered into a lease agreement for the use of portions of the County-City Building together with nine (9) reserved parking stalls. The lease term started on January 1, 2009 for forty-five (45) years and will end on December 31, 2054 with no renewal option. The annual rent as of December 31, 2022 was \$35,059. An initial lease liability was recorded in the amount of \$46,710 as of January 1, 2022 and as of December 31, 2022, the lease liability is \$9,928 million. The value of the right to use asset as of December 31, 2022 was \$9,627 million with accumulated amortization of \$300,851.

On January 1, 2022, the City entered into a lease agreement for the use of South Sound 911 premises for emergency management. The lease term started on January 1, 2022 for five (5) years and will end on December 31, 2026 with no renewal option. The annual rent as of December 31, 2022 was \$43,838. The annual rate for each succeeding year will increase by amount of the Consumer Price Index for the Seattle/Tacoma area (CPI). An initial lease liability was recorded in the amount of \$219,977 as of January 1, 2022 and as of December 31, 2022, the lease liability is \$180,289. The value of the right to use asset as of December 31, 2022 was \$175,981 with accumulated amortization of \$43,995.

On December 3, 2014, the City entered into a master service agreement with Optic Fusion that included an embedded lease of storage space. The initial lease term started on December 3, 2014, for five (5) years ending on December 2, 2019 with a renewal option to extend the effective term of the lease for additional five (5) years. This renewal option was exercised and the new lease term ends December 3, 2024. The annual rent as of December 31, 2022 was \$11,900. An initial lease liability was recorded in the amount of \$403,439 as of January 1, 2022 and as of December 31, 2022, the lease liability is \$267,600. The value of the right to use asset as of December 31, 2022 was \$265,117 with accumulated amortization of \$138,322.

Business Activities:

Tacoma Power entered into a real estate lease with for a communication site and associated beams paths at Capital Peak located in Thurston County, Washington. The lease is for ten (10) years which started on August 1, 2013 and will end on July 31, 2023. Tacoma Power is required to make an annual rent of \$12,500 for the period of August 1, 2013 to July 31, 2014. This annual rent will increase by 3% on the first year anniversary and on each anniversary thereafter. Tacoma Power also pays annual road use fee in the amount of \$2,300 during the term on the lease. The road use fee may be adjusted by the State annually on the anniversary date. An initial lease liability was recorded in the amount of \$45,648 as of

Notes to the Financial Statements

For the Year Ended December 31, 2022

January 1, 2021 and as of December 31, 2022, the lease liability is \$10,683. The value of the right to use asset as of December 31, 2022 was \$45,648 with accumulated amortization of \$35,341.

On May 1, 2016, the Tacoma Power entered into a real estate lease with for a communication site property situated in Lewis County, Washington for a period of twenty (20) years started on May 1, 2016 and will end on or before April 30, 2036. Annual rental fee for the 1st year is \$17,500 and the fee will increase by 3% on the anniversary date in the subsequent year of the lease term. An initial lease liability was recorded in the amount of \$306,897 as of January 1, 2021 and as of December 31, 2022, the lease liability is \$277,574. The value of the right to use asset as of December 31, 2022 was \$306,898 with accumulated amortization of \$42,575.

On June 14, 2017, the Tacoma Power entered into a telecommunication lease agreement with for accessing fiber network. The lease is for twenty (20) years from 2017 to 2037. Tacoma Power is required to deposit upon execution of this lease agreement \$181,453 and an annual operations fee of \$31,542 for the first year beginning in 2018. After the first year, the annual rate for each succeeding year will increase by amount of the Consumer Price Index for the Seattle/Tacoma area (CPI). Without the CPI at the time of GASB No. 87 implementation, the annual fee of \$31,542 is used in calculating the net present value of the lease liability. An initial lease liability was recorded in the amount of \$687,005 as of December 31, 2017 and as of December 31, 2022, the lease liability was \$355,687. The value of the right to use asset as of December 31, 2022 was \$687,005 with accumulated amortization of \$103,050.

On August 1, 2020, the Wastewater and Stormwater Management division entered into a commercial real estate lease for 8,900 rentable square feet of a 20,900 square foot building for a lease term of 60 months which will end July 31, 2025. Sewer is required to make an annual rent payment of \$4,895 for the duration of the lease with an annual increase of 2% to occur on the anniversary of the commencement date. In addition to the rent, the City will pay one-twelfth of the pro-rata share of operating costs which the landlord shall provide as soon as possible following the first day of each succeeding calendar year a good faith estimate. An initial lease liability was recorded in the amount of \$266,667 as of January 1, 2021 and as of December 31, 2022, the lease liability is \$156,627. The value of the right to use asset as of December 31, 2022 was \$266,669 with accumulated amortization of \$114,286.

For those leases where the interest rate was not specified in the lease agreement, the City calculated the net present value of the lease receivable using its average incremental borrowing rate of 2.264% as of December 31, 2021.

Lease liability for the year ended December 31, 2022 is as follows:

	Governmental Activity	Business Activities	Total
Beginning balance, January 1, 2022	\$ -	\$ (957)	\$ (957)
Additions	(10,289)	(620)	(10,908)
Reductions	648	168	816
Ending Balance, December 31, 2022	<u>\$ (9,641)</u>	<u>\$ (1,409)</u>	<u>\$ (11,050)</u>

Notes to the Financial Statements

For the Year Ended December 31, 2022

Future annual lease liability as of December 31, 2022, is as follows:

Fiscal Year Ended Dec 31,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2023	\$ 432	\$ 214	\$ 140	\$ 22
2024	380	205	130	26
2025	252	197	95	23
2026	259	191	58	23
2027	215	186	60	24
2028 - 2032	1,152	854	312	114
2033 - 2037	1,290	716	254	106
2038 - 2042	1,445	562	92	36
2043 - 2047	1,618	389	103	25
2048 - 2052	1,811	195	116	12
2053 - 2057	787	19	49	1
Total	\$ 9,641	\$ 3,727	\$ 1,409	\$ 412

E. Long-term liabilities

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 annual debt service requirements to maturity, including principal and interest, for general obligation bonds as of December 31, 2022 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2023	9,738	3,382	\$ 2,505	\$ 1,816
2024	9,555	3,563	2,625	1,690
2025	8,829	3,714	2,750	1,559
2026	8,851	3,699	2,890	1,422
2027	8,964	3,569	3,040	1,277
2028-2032	40,549	18,100	17,400	4,285
2033-2037	27,560	6,555	10,488	742
2038-2042	1,445	80	-	-
	\$ 115,491	\$ 42,661	\$ 41,698	\$ 12,790

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:

Notes to the Financial Statements

For the Year Ended December 31, 2022

General obligation bonds outstanding
(amounts expressed in thousands)

	Interest Rates to Maturity	Outstanding December 31, 2022
Governmental activities	1.12580 - 7.2020%	\$ 115,491
Business-type activities	2.2439 - 3.2066%	\$ 41,698

Special assessment bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2022, the amount of LID Special Assessment delinquency was \$495,874. The bond interest rates range from 3.125 to 5.75% and are payable over the next twenty-five years.

Annual debt service requirements to maturity, including principal and interest, for special assessment bonds outstanding at year-end are as follows:

	Governmental activities Special Assessment Bonds (amounts expressed in thousands)		
	Principal	Interest	Total
2023	\$ 2,300	\$ 1,001	\$ 3,301
2024	-	901	901
2025	-	901	901
2026	-	901	901
2027	-	901	901
2028-2032	-	4,504	4,504
2033-2037	85	4,502	4,587
2038-2042	-	4,490	4,490
2043-2047	16,920	1,254	18,174
Total	\$ 19,305	\$ 19,355	\$ 38,660

Revenue Bonds and Loans

The City also issues revenue bonds where the City pledges revenue generated by the respective Proprietary Funds, and are issued for construction, acquisition, various system upgrades and infrastructure. Revenue bonds are secured by net operating revenue and cash and equity in pooled investment balances in the bond construction, reserve, and debt service funds. The bonds are also subject to certain financial and non-financial covenants, please refer to Schedule 15 in the Statistical Section of this document for further information about pledge revenue coverage. The original amount of outstanding revenue bonds, Washington State Public Works Trust Fund loans, Washington State Department of Transportation Rail loans, and Drinking Water State Revolving Fund loans issued in prior years was \$1.3 billion. During 2022, new debt issues amounted to \$112 million for capital improvements in the Wastewater, Solid Waste, Sewer, and Rail Fund.

Power has pledged future power charges and other revenues, net of operating expenses to repay \$ 482.0 million in revenue bonds issued prior years. The bonds are payable solely from power charges and other revenues and are payable through 2051. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be

Notes to the Financial Statements

For the Year Ended December 31, 2022

paid on the bonds is \$803.9 million. Principal and interest paid for the current year and total pledged revenue were \$28.6 million and \$105.3 million, respectively.

Water has pledged future Water charges and other revenues, net of operating expenses to repay \$ 391.7 million in revenue bonds and loans issued prior years. The bonds and loan are payable solely from Water charges and other revenues and are payable through 2043. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$612.4 million. Principal and interest paid for the current year and total pledged revenue were \$32.5 million and \$49.7 million, respectively.

Sewer has pledged future Sewer charges and other revenues, net of operating expenses to repay \$ 354.2 million in revenue bonds and loans issued prior years. The bonds and loan are payable solely from Sewer charges and other revenues and are payable through 2054. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$878.4 million. Principal and interest paid for the current year and total pledged revenue were \$21.3 million and \$58.4 million, respectively.

Solid Waste has pledged future Solid Waste charges and other revenues, net of operating expenses to repay \$ 58.6 million in revenue bonds and loans issued prior years. The bonds and loan are payable solely from Solid Waste charges and other revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$79.7 million. Principal and interest paid for the current year and total pledged revenue were \$4.7 million and \$29.9 million, respectively.

Convention Center and Parking has pledged future net of parking Revenue and District contribution, net of operating expenses to repay \$ 5.6 million in revenue bonds issued prior years. The bonds are payable solely from Net parking revenue and District Contribution and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5.8 million. Principal and interest paid for the current year and total pledged revenue were \$2.9 million and \$7.1 million, respectively.

Business-type activities
Revenue Bonds and Loans
(amounts expressed in thousands)

	Principal	Interest	Total
2023	40,025	56,934	96,959
2024	41,713	55,640	97,353
2025	40,132	54,105	94,237
2026	41,569	52,858	94,427
2027	60,293	50,781	111,074
2028-2032	251,773	221,807	473,580
2033-2037	318,704	146,015	464,719
2038-2042	280,840	75,833	356,673
2043-2047	143,816	25,072	168,888
2048-2054	66,594	4,875	71,469
Pending Debt Schedule	10,207	-	10,207
Total	\$ 1,295,666	\$ 743,920	\$ 2,039,586

Notes to the Financial Statements

For the Year Ended December 31, 2022

Changes in long-term liabilities for the year ended December 31, 2022 are as follows:

Changes in long-term liabilities

Governmental activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
General obligation bonds	\$ 123,081	\$ 2,660	\$ (11,392)	114,350	\$ 9,170
Add: Unamortized premium	761	-	(101)	660	-
Less: Unamortized discount	(95)	-	10	(85)	-
Public works trust fund loans	1,710	-	(570)	1,140	570
Bond anticipation notes	841	-	-	841	841
Special assessment debt	19,595	-	(290)	19,305	-
Claims and judgments	39,013	6,750	(9,535)	36,228	26,563
Total OPEB Liabilities	192,965	67,090	(69,735)	190,320	8,564
Total pension liability-Police and Firefighters'	41,519	-	(1,593)	39,926	3,993
Net pension liability	21,490	-	(21,490)	-	-
Compensated absences	24,498	36,195	(35,335)	25,358	2,535
Total governmental activities - long-term liabilities	\$ 465,379	\$ 112,695	\$ (150,030)	\$ 428,044	\$ 52,236

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, \$6.0 million of internal service funds compensated absences were included in the above amounts. Additionally, the governmental activities, claims and judgments, and employee benefits are generally liquidated by the Third-Party Claims and Workers' Compensation funds, Information Services fund, and the General fund respectively.

The additions for governmental activities general obligations bonds in the amount of \$2.7 million listed above represents accreted interest capitalized to bond principal of existing bonds.

Business-Type activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Revenue Bonds, Public Works Trust Fund loans	\$ 1,109,904	\$ 99,615	\$ (30,018)	\$ 1,179,501	\$ 29,222
General obligation bonds	44,232	-	(2,533)	41,698	2,505
Add: Unamortized premium	72,804	11,289	(5,734)	78,359	-
Less: Unamortized discount	(11)	-	4	(7)	-
Muckleshoot liability	6,244	160	(325)	6,080	160
State COP Loan	12,270	-	(565)	11,705	570
State Revolving Fund (SRF) Loan	95,935	10,207	(10,406)	95,736	9,952
WIFIA Loan	15,049	1,324	-	16,373	-
WA State Rail Loan	3,329	1,099	(974)	3,454	877
Revolving line of credit	10,000	70,000	-	80,000	-
Environmental liability	2,861	2,089	(1,894)	3,056	2,155
Landfill postclosure care cost liability	13,513	600	(1,980)	12,134	500
Total OPEB liabilities	36,298	37,122	(36,298)	37,122	1,671
Compensated absences	26,900	30,466	(29,534)	27,832	2,784
Net pension liability	47,870	-	(47,870)	-	-
Total business-type activities - long-term liabilities	\$ 1,497,199	\$ 263,972	\$ (168,126)	\$ 1,593,044	\$ 50,395

Note 13 summarizes changes in long-term debt.

Debt issued in 2022

Governmental activities

There is no new bond issue for Governmental Activities in 2022

Notes to the Financial Statements

For the Year Ended December 31, 2022

Business-type activities:

In April and September 2022, Tacoma Power took a draw of 50.0 million and in December 2022 a draw of \$20.0 million on the line of credit agreement with Wells Fargo. The balance outstanding is \$80.0 million as of December 31, 2022.

On March 23, 2022, Sewer (Stormwater and Wastewater) issued \$86.4 million in Revenue bonds to provide funds necessary to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the utility. The outstanding balance of WIFIA loan as of December 31, 2022, is \$16.3 million including \$203,675 of interest was accrued in 2021 & 2022. State revolving Fund loan 2022 DOE EL220451, with an interest rate of 1.6% and a 30-year term, this debt is junior lien and is secured by net operating revenue. \$10.2 million was reimbursed for a portion of costs related to the construction of CTP Electrical Distribution System Replacement projects.

Tacoma Solid Waste issued 2022 Revenue bonds of \$13.2 million with interest rates from 3% to 5%. Principal payments range between \$730,000 to \$1,665,000 between 2022 and 2031. 2022 Revenue Bond was to fund capital improvement in support of environmental sustainability and pay cost of issuance.

In 2022, draws were taken from Washington State loans from the Department of Transportation on East Locomotive Service Facility in the amount of \$840,000, Lincoln Track Upgrade in the amount of \$210,000 and Tacoma Rail Yard Track Upgrades in the amount of \$16,550.

Arbitrage

Under US Treasury Department regulations, all tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general, the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed interest expenditures on the related debt, must be remitted to the Federal government on every fifth anniversary of each bond issue. At the fund level, the City recognizes this liability only when it is due and payable. The city has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement and, as of December 31, 2022, has no outstanding arbitrage liability.

F. Restricted assets

The balance of the current restricted assets accounts in the enterprise funds are as follows:

(amounts expressed in thousands)

Cash for debt service	\$	25,289
Cash for debt and bond reserve		33,467
Cash for construction		77,578
Cash for other special purposes		132,803
	\$	<u>269,137</u>

G. 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.

Notes to the Financial Statements

For the Year Ended December 31, 2022

City Officials serve on boards of several organizations, Workforce Central, Pierce Transit and South Sound 911. 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.

H. 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 Section C for fund balance descriptions.

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

	Major Funds		Non-major Funds			
	General Fund	Transp Capital & Engr	Special Revenue	Debt Service	Capital Project	Total Funds
Nonspendable:						
Accounts Receivable	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 25
Economic development programs	-	-	4,021	-	-	4,021
Inventory	1,571	-	1,568	-	-	3,139
Prepays	15	-	-	-	-	15
Trust	-	-	17	-	-	17
Total nonspendable	1,611	-	5,606	-	-	7,217
Restricted:						
Crime Prevention & Safety	192	-	3,638	-	-	3,830
Debt service	-	-	8,813	6,595	1,362	16,770
Grants	-	-	49,733	-	-	49,733
Housing Development	-	-	13,205	-	-	13,205
Library, Culture, Arts, Preservation	-	-	11,524	-	-	11,524
Neighborhoods	-	-	1,436	-	-	1,436
Other capital & purchase	-	-	6,032	-	264	6,296
Public services	33	-	14,225	-	689	14,947
Public Works projects	-	-	14,064	-	26,978	41,042
Sidewalk & Street projects	-	6,234	-	-	22,489	28,723
Total restricted	225	6,234	122,670	6,595	51,782	187,506
Committed:						
Council contingency*	14	-	-	-	-	14
Crime Prevention & Safety	-	-	-	-	4,938	4,938
Library, Culture, Arts, Preservation	-	-	4,707	-	910	5,617
Neighborhoods	-	-	816	-	-	816
Other Capital	-	-	502	-	11	513
Public services	-	-	429	-	-	429
Public Works projects	-	-	30,218	-	87	30,305
Total committed	14	-	36,672	-	5,946	42,632

continued on next page

Notes to the Financial Statements

For the Year Ended December 31, 2022

	Major Funds		Non-major Funds			
	General	Transp Capital & Engr	Special Revenue	Debt Service	Capital Project	Total Funds
Assigned:						
Business & Training Assistance	-	-	350	-	-	350
Council contingency*	759	-	-	-	-	759
Crime Prevention & Safety	-	-	34	-	-	34
Economic development programs	-	-	6,778	-	-	6,778
Library, Culture, Arts, Preservation	-	-	3,417	-	172	3,589
Neighborhoods	-	-	3,181	-	-	3,181
Open Space Properties	-	-	530	-	-	530
Paths & Trails	-	-	419	-	-	419
Police activities	-	-	2,381	-	-	2,381
Public services	-	-	12,369	-	-	12,369
Public Works projects	462	287	5,424	-	358	6,531
Sidewalk & Street projects	-	-	8,263	-	-	8,263
Other purposes	-	-	56	-	-	56
Total assigned	1,221	287	43,202	-	530	45,240
Unassigned:	106,177	-	-	-	-	106,177
Total fund balances:	\$109,248	\$ 6,521	\$208,150	\$ 6,595	\$ 58,258	\$388,772

* The City Council adopted through Ordinance No. 19315 the establishment of the Council Contingency fund per RCW 35.21.070. This fund rolls into the General fund for financial reporting purposes. Use of the Contingency Fund requires approval from a majority of the City Council through the adoption of an ordinance detailing the facts surrounding its reason for withdrawal.

Note 4 – PENSION PLANS 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 (the 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), a cost-sharing multi-employer plan administered by the State of Washington for law enforcement officers and firefighters throughout the State of Washington. Additionally, the City administers two single employer Pension funds as required by State Statute - a Police Relief and Pension fund and a Firemen's Relief and Pension fund.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ -
Pension assets	\$ 248,402,515
Deferred outflows of resources	\$ 121,268,427
Deferred inflows of resources	\$ (210,039,659)
Pension expense/expenditures	\$ (8,552,746)

Notes to the Financial Statements

For the Year Ended December 31, 2022

At December 31, 2022, The City reported the aggregate deferred outflows of resources and deferred inflows of resources for all pension plans as follows:

Total - All Plans	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ (5,970,847)	\$ 29,000,022
Net difference between projected and actual earnings	\$ (190,159,218)	\$ -
Changes of assumptions	\$ (6,272,089)	\$ 55,737,658
Changes in employer proportion	\$ (7,637,506)	\$ 2,417,007
Contributions made subsequent to the measurement date	\$ -	\$ 34,113,739
Total	<u>\$ (210,039,659)</u>	<u>\$ 121,268,427</u>

A. Tacoma Employees' Retirement System fund (TERS)

The Tacoma Employees' Retirement System (TERS), a pension trust fund of the City of Tacoma, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information and can be obtained by writing to:

Tacoma Employee's Retirement System
3628 South 35th Street
Tacoma, WA 98409

Or the TERS annual comprehensive financial report may be downloaded from the TERS website at www.cityoftacoma.org/retirement

1. Administration of the system: The Tacoma Employees' Retirement System is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department as well as certain employees of Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still departments of the City of Tacoma are also members. The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are the Mayor, who serves as Chair, the Director of Finance; the City Manager (or designee), the Public Utilities Director (or designee), three elected employee representatives, one elected retired representative, and one City resident (not employed by the City) elected by the other eight members. The nine Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

2. Membership: Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighter, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health

Notes to the Financial Statements

For the Year Ended December 31, 2022

Department, and certain employees of the Pierce Transit and the South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments. The breakdown of membership as of January 1, 2022, is as follows:

Retirees and beneficiaries		2,695
Terminated vested and other terminated participants		842
Active members:		
City of Tacoma	2,790	
Pierce Transit	12	
South Sound 911	2	
Tacoma-Pierce County Health Department	292	
Total active members		3,096
Total membership		6,633

3. Benefits: There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member's age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. The System also provides death, disability and deferred retirement. Additionally, the System provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

Any active member who has not retired and has five or more years of service may purchase up to five additional years of service at the time of retirement. Total service including service purchased cannot exceed 30 years.

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 41.54 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

4. Contributions: The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council. Currently, the required contribution rate for employees is 9.66% of their regular base pay; the employer contributes 11.34%, for a combined total of 21.00%. This is consistent with the Board's goal of maintaining a contribution rate that is greater than or equal to the normal cost rate of 18.97%. The difference of 2.03% between the contribution rate and the normal cost rate will be used to amortize the unfunded liability of the System. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code. *The Normal Cost Rate increased from 18.97% of pay to 19.03% of pay from the prior actuarial valuation. Therefore, the portion of the total 21.00% of pay contribution rate available to amortize the UAAL after Normal Costs are financed decreased from 2.03% of pay at January 1, 2021 (21.00% - 18.97%) to 1.97% of pay at January 1, 2022 (21.00% - 19.03%).

TERS		
Actual Contribution Rates	Employer	Employee*
January – December 2022		

Notes to the Financial Statements
For the Year Ended December 31, 2022

TERS	11.34%	9.66%
TERS UAAL	1.97%	
Administrative Fee	0.80%	
Total	14.11%	9.66%

5. Significant Assumptions: The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2021
Valuation Date	January 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contribution rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution. The amortization method for the ADC is as follows*: <ul style="list-style-type: none"> • Level percent • Open periods • 25-year amortization period • 3.25% amortization grown rate
Asset Valuation Method	4-year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service; details in funding valuation report
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, eligibility, details in funding valuation report.
Turnover	Varies by service, gender, details in funding valuation report.
Mortality	105% of Male and 100% of the Female PubG-2010 Amount Weighted Mortality Tables, sex distinct. Generational improvements with projection unisex based on Social Security Administration Data from 1957-2017
Active Members:	Employee Mortality
Inactive Members, Retired Members and Beneficiaries:	Healthy Retiree Mortality
Disabled Members:	Disabled Retired Mortality

*The actual contribution is used if that rate is greater than the rate necessary to amortize the UAAL. Note that the UAAL amortization period is 30 years for years 2017 and earlier and 25 for years beginning January 1, 2018 and later.

6. Benefit and Assumption Changes: The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors.

Significant Changes in Benefits, Contributions, and Assumptions were as follows:

Notes to the Financial Statements

For the Year Ended December 31, 2022

Valuation Date*	Change
2013	The discount rate (investment return assumption) was lowered, along with price and wage inflation. Most active demographic assumptions were changed. The mortality assumption for contributing members, service retirees, beneficiaries, and disabled members was changed.
2014	The discount rate (investment return assumption) was lowered.
2017	Nearly all economic and non-economic actuarial assumptions were changed.
2018	Contribution rates were increased effective February 2018. Reflected new annuity conversion factors effective January 1, 2020.
2021	Nearly all economic and non-economic actuarial assumptions were changed.
2022	Reflected new annuity conversion factors effective January 1, 2022.
* Valuations as of January 1.	

7. Target Allocations: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the System's investment advisors as of December 31, 2022. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated November 2022.

Asset Class	Target Allocation	Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	2.35%
US Bank / Leveraged Loans	3.0%	3.75%
US Long Gvt Bonds	3.0%	2.38%
High Yield Bonds	6.0%	4.28%
Emerging Market Debt	5.0%	4.04%
Global Equity	34.5%	5.08%
Private Real Estate	10.0%	3.35%
Private Equity	10.0%	7.78%
Master Limited Partnerships	4.0%	5.73%
Infrastructure	5.0%	4.12%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		0.01
Portfolio 10 year Geometric Rate of Return		7.04%
Portfolio Standard Deviation		11.04%
Long-Term Expected Rate of Return, net of investment expenses		6.75%

8. Sensitivity Analysis: The following presents the net pension liability of the System, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Employer's proportionate share of net pension liability	\$97,318,190	(\$146,649,370)	(\$349,958,036)

Notes to the Financial Statements

For the Year Ended December 31, 2022

9. *Deferred outflows of resources and deferred inflows of resources:* These balances are presented by source (for example, experience gains and losses, or differences between assumed and actual investment earnings).

For the period ended December 31, 2021, the employer recognizes the following amounts:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$5,302,510)	\$11,883,833
Change of assumptions	\$0	\$37,489,708
Net difference between projected and actual investment earnings on pension plan investments	(\$162,328,880)	\$0
Contributions made subsequent to the measurement date	NA	\$31,269,626
Changes in employer proportion	(\$120,942)	\$680
TOTAL	(\$167,752,332)	\$80,643,847

10. *Deferred outflows for contribution subsequent to the measurement date:* The total contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

* Note that the employer reporting date is one year later than the measurement date.

Year ended December 31:

2022	(\$16,118,394)
2023	(\$48,027,354)
2024	(\$19,912,237)
2025	(\$34,592,641)
2026	\$272,515
Thereafter	\$ 0

11. *Schedule of Pension Amounts by Employer:* The employer's percentage of the collective net pension liability, how it was determined, and any change in the percentage since the previous measurement.

The following table is a schedule of the proportionate share by employer. Each employer in TERS contributes at the same rate of payroll. Using the actual contributions for the year provides a reasonable basis for each employer's projected long-term contribution effort.

Notes to the Financial Statements For the Year Ended December 31, 2022

Employer	2021 Employer Contributions	Percentage of Total Contributions	Beginning Net Pension Liability/(Asset)*	Ending Net Pension Asset**
City of Tacoma	\$29,661,962	91.73198%	\$69,360,120	(\$146,649,370)
South Sound 911	28,886	0.08933%	66,116	(142,813)
Pierce Transit	118,753	0.36725%	240,999	(587,117)
Health Department	2,525,862	7.81143%	5,536,404	(12,487,915)
Grand Total	32,335,463	100.00000%	75,203,639	(159,867,215)

*Based on unrounded contributions from 2020

**Based on unrounded contributions from 2021

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

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 that includes financial statements and required supplementary information for each plan. The DRS comprehensive annual financial report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS comprehensive annual financial report may be downloaded from the DRS website at www.drs.wa.gov.

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for

Notes to the Financial Statements For the Year Ended December 31, 2022

fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – Dec 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The City of Tacoma's actual contributions to the plan were \$5,775,735.50 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For fiscal year ending June 30, 2022, the state contributed \$81,388,085.00 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$5,487,348.40.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018

Notes to the Financial Statements For the Year Ended December 31, 2022

Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data,

Notes to the Financial Statements

For the Year Ended December 31, 2022

considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Tacoma's proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what the City of Tacoma's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
LEOFF 1	(\$26,044,990)	(\$29,720,322)	(\$32,907,405)
LEOFF 2	(\$3,317,032)	(\$72,032,830)	(\$128,270,826)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City of Tacoma reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
LEOFF 1	(\$29,720,322)
LEOFF 2	(\$72,032,830)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Tacoma. The amount recognized by the City of Tacoma as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City of Tacoma were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(\$29,720,322)	(\$72,032,830)
State's proportionate share of the net pension asset associated with the employer	(201,027,522)	(\$46,661,298)
TOTAL	(\$230,747,844)	(\$118,694,128)

At June 30, the City of Tacoma proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
LEOFF 1	1.03%	1.04%	.01%
LEOFF 2	2.44%	2.65%	.21%

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Pension Expense

For the year ended December 31, 2022, the City of Tacoma recognized pension expense as follows:

	Pension Expense
LEOFF 1	(\$1,499,026)
LEOFF 2	\$11,622,805
TOTAL	\$10,123,779

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the City of Tacoma reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$3,710,994)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$0	\$0
TOTAL	\$0	(\$3,710,994)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$17,116,190	(\$668,337)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$24,119,353)
Changes of assumptions	\$18,247,952	(\$6,272,089)
Changes in proportion and differences between contributions and proportionate share of contributions	\$2,844,113	(\$7,516,564)
Contributions subsequent to the measurement date	\$2,844,113	\$0
TOTAL	\$40,624,583	(\$38,576,343)

Deferred outflows of resources related to pensions resulting from the City of Tacoma contributions subsequent to the measurement date but before the end of the reporting period will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as

Notes to the Financial Statements

For the Year Ended December 31, 2022

deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	LEOFF 1
2023	(\$1,571,717)
2024	(\$1,423,090)
2025	(\$1,779,403)
2026	\$1,063,216
2027	\$ 0
Thereafter	\$ 0

Year ended December 31:	LEOFF 2
2023	(\$8,118,528)
2024	(\$7,109,757)
2025	(\$9,282,134)
2026	\$9,860,394
2027	\$2,425,449
Thereafter	\$11,393,720

C. Police and Firefighter's Relief and Pension Funds

The following table represents the aggregate pension amounts for the single plan subject to the requirements of the GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the year 2022:

Aggregate Pension Amounts	Firefighters' Pension Fund	Police Pension Fund
Total pension liability	\$24,764,964	\$15,160,796

1. Plan description:

The Police Relief and Pension Fund (PRP) and the Fire Relief and Pension Fund (FRP) are single-employer defined-benefit pension plans. These funds were established and administered by the City in accordance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20. Both pension funds were reclassified from a fiduciary fund to the General Fund in 2016, as prescribed by GASB Statement 73, paragraph 115. The City implemented the rest of GASB Statement 73 that became effective in fiscal year 2017.

The plans provide retirement and medical benefits to all police officers, firefighters and their beneficiaries for individuals employed before March 1, 1970, the effective date of LEOFF. The LEOFF laws were subsequently amended by the Pension Reform Act, which took effect October 1, 1977. Through the LEOFF Act, the state undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March 1, 1970. The plans are closed plans that provide pension and medical benefits, some of which can be in excess of LEOFF benefits. There are 0 active Police Officer and 0 active Firefighters with prior rights covered under these plans as of December 31, 2022. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 99 for the PRP and 136 for the FRP as of December 31, 2022. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Each retiree receives the greater of the benefit payable under the Washington Law Enforcement Officers' and Firefighters' Retirement System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new for any police or firefighter, the excess benefits are paid from the FRP and PRP of the city employment them on March 1, 1970.

The Police Pension Board consists of six members authorized by statute: the Mayor as Chair, the City Clerk, the City Treasurer, and three law enforcement officers (active or retired LEOFF 1 or LEOFF 2 officers), who will serve in the elected capacity for three-year terms.

The Fire Pension Board consists of five members authorized by statute: the Mayor as Chair, the Finance Director, the City Treasurer, and two elected firefighters (active or retired LEOFF 1 or LEOFF 2 firefighters). The two elected firefighters serve two-year terms and select a third firefighter who serves as an alternate in the event of an absence of one of the regularly elected firefighters.

2. *Benefit Provisions*

The LEOFF Act requires a varying obligation of the City for benefits paid to police officers and firefighters.

- Pension and medical expenses for police officers and firefighters retired prior to March 1, 1970; continue to be paid in their entirety by the City under the old pension laws.
- Police officers and firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.
- For police officers and firefighters hired on or after March 1, 1970, and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Police officers and firefighters hired on or after October 1, 1977, are covered entirely by the LEOFF system with no City obligation for either retirement allowance or medical expenses.
- The benefits are directly correlated to the salaries of active employees. Cost of Living Adjustments (COLAs) provided at the state level do not impact the total pension benefits provided to the members. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the City's Plan. There were no changes in benefit provisions in the current year.

3. *Contributions*

The PRP is funded entirely from annual contributions from the City's General Fund that are budgeted and approved by the City Council. Funding of these benefits is required by RCW 41.20. The FRP contributions are required by RCW 41.18 and are funded from two sources: (1) state contributions of 25% on fire insurance premium collections and is considered a non-employer contributing entity and (2) a property tax levy of up to \$.225 per \$1,000 of assessed valuation. Retirement benefit provisions are established in state statute and may only be amended by the State Legislature. Amendments to each of the Plans are authorized by the separate Police and Fire Pension Boards.

Contributions are determined on a pay-as-you-go basis. There have been no required employee contributions to the police and firefighter's relief and pension plans since March 1, 1970.

The General Fund is responsible for the costs of administering the plans and ensuring that the fund has

Notes to the Financial Statements

For the Year Ended December 31, 2022

adequate cash to pay its obligations each year. The total General Fund contributions to the PRD and FRP were \$4.7 million and \$4.9 million for 2022.

The state contributes 25% of taxes on fire insurance premiums to the FRP and the amount contributed in 2022 was \$546,000.

4. Actuarial Assumptions

The total pension liability (TPL) was determined by an actuarial valuation as of January 1, 2022, projected forward to the measurement date of December 31, 2022. The liability was calculated based on the discount rate and other actuarial assumptions below.

	Firefighter Relief and Pension	Police Relief and Pension
Discount Rate		
Municipal bond rate	3.75%	3.75%
Actuarial Assumptions:		
Valuation Date	January 1, 2022	January 1, 2022
Measurement Date	December 31, 2022	December 31, 2022
Mortality	Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017	Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017
Actual Cost Method	Entry Age Normal	Entry Age Normal

Notes to the Financial Statements
For the Year Ended December 31, 2022

5. Changes in the Total Pension Liability

	Firefighters' Relief Pension Increase (Decrease) Total Pension Liability	Police Relief Pension Increase (Decrease) Total Pension Liability
Balance as of December 31, 2021	\$ 29,150,827	\$ 12,368,467
Changes for the year:		
Service cost	-	-
Interest on Total Pension Liability	562,642	232,667
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	(732,875)	5,437,453
Effect of assumptions changes or inputs	(2,167,984)	(1,400,260)
Benefit payments*	(2,047,646)	(1,477,531)
Net changes	(4,385,863)	2,792,329
Balance as of December 31, 2022	24,764,964	15,160,796

*Benefit payments are estimated based on expected payouts.

6. Sensitivity of the Total Pension Liability

The following presents the Total Pension Liability of the City, calculated using the discount rate of 3.75%, as well as what the City's Total Pension Liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate.

	<u>1% Decrease</u> <u>2.75%</u>	<u>Current Discount Rate</u> <u>3.75%</u>	<u>1% Increase</u> <u>4.75%</u>
Total pension liability - Fire	\$26,861,281	\$24,764,964	\$22,933,685
Total pension liability - Police	\$16,343,317	\$15,160,796	\$14,121,377

7. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

Pension expenses of \$(2,884,217) and \$4,269,860 were recognized in 2022 for the FRP and PRP. As of December 31, 2022, there are no deferred outflows or deferred inflows of resources related to these pension funds. The effects of changes in assumptions/inputs and economic/demographic gains or losses are recognized over the average remaining service life for all active and inactive members, with immediate recognition when the average remaining service life is less than one. There is no effect of changes in assumptions in the current year.

D. Defined Benefit Other Post-Employment Benefits (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2022:

Notes to the Financial Statements

For the Year Ended December 31, 2022

Aggregate OPEB Amounts – All Plans

OPEB liabilities	\$(227,442,102)
OPEB Assets	\$0
Deferred outflows of resources	\$53,923,382
Deferred inflows of resources	\$(33,321,498)
OPEB expense/expenditures	\$10,124,890

1. *Plan description:*

The City provides the opportunity to receive medical benefits to most of its retirees until the age of 65. Eligibility and the amount of benefits paid by the City for Other Post-Employment Benefits (OPEB) vary by retirement group (TERS, LEOFF 1, LEOFF 2, or Rail). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both active members and retirees. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the City of Tacoma's Human Resources Department. Eligibility and the amount of benefits paid by the City for OPEB vary by retirement group. Each plan provides medical benefits to eligible retired City employees and beneficiaries.

Benefits per retirement group are as follows:

Medical TERS and LEOFF 2 Upon retirement, members are permitted to receive medical benefits. Retirees pay a blended/composite rate that reflects the costs for both active and retired employees under age 65. Spouses and child dependents are also covered while the employee is under age 65 and the retirees pay the same premium regardless of the number of lives covered.

Medical Rail Retirees and their spouses receive medical benefits through age 65, paid fully by the employer if the employee belongs to one of the following personnel sub-areas:

- BL Engineers
- UTU Switch Crew
- UTU Yardmasters

Other Rail employees and their spouses can purchase medical benefits for the same rates as TERS members.

Medical LEOFF 1 The necessary hospital, medical and nursing care expenses not payable by workers' compensation, Social Security, or other programs are covered for any retired LEOFF 1 member. These expenses are paid both prior to age 65 and afterwards. The City also pays the Medicare Part B premiums for all LEOFF 1 employees who are over age 65. Spouses of LEOFF 1 members are permitted to purchase medical insurance. The premium rates are set specifically for the spouses of LEOFF 1 members and are not subsidized by the City. We therefore do not include liability for LEOFF 1 spouses.

Dental Non-LEOFF 1 retirees are paid in full by the retirees and are not considered in this valuation.

Dental LEOFF 1 retirees are paid by the city and included in this valuation.

Benefit provisions for TERS are established in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. These statutes assign the authority to establish benefit provision for TERS. For LEOFF Plan 2, benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and 41.26. These statutes assign the authority to establish benefit provisions. For LEOFF Plan 1, these benefit provisions are established by state statute of the State of Washington through the Department of Retirement Systems, per RCW 41.26. LEOFF Plan 1 is closed to new entrants. For the Railroad Retirement System, these are administered by Federal statute under the Railroad Retirement Act (45 U.S.C. 231 et seq.) and authority resides by these Federal statutory provisions.

Financial reports for the LEOFF Plans and Railroad Retirement System plans are available at the addresses below. These reports may be obtained by writing at the following addresses:

Notes to the Financial Statements
For the Year Ended December 31, 2022

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

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the City of Tacoma's Human Resources Department. The membership in the program is as follows:

	Non-LEOFF 1 as of January 1, 2022	LEOFF 1 As of January 1, 2022	Total
Inactive employees or beneficiaries currently receiving benefits	291	348	639
Inactive employees entitle to but not yet receiving benefits	584	0	584
Active employees	3,819	1	3,820
Total	4,694	349	5,043

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

2. Actuarial Assumptions and Other Inputs:

The valuation date is January 1, 2022 for non-LEOFF 1 members and for LEOFF 1 members. This is the date as of which the census data is gathered, and the actuarial valuation is performed. The Measurement Date is December 31, 2021. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The Reporting Date is December 31, 2022. This is the employer's fiscal year ending date.

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

	Non-LEOFF 1	LEOFF 1
Valuation Date	January 1, 2022	January 1, 2022
Measurement Date	December 31, 2021	December 31, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with	2.0%	2.0%

Notes to the Financial Statements
For the Year Ended December 31, 2022

an average rating of AA/Aa or higher. GASB 75 requires the discount rate used to measure the Total OPEB Liability to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. We based the rate on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years. Beginning December 31, 2021, the discount rate is rounded to the nearest 1/4%.																				
Funding Plan	Pay-as-you-go	Pay-as-you-go																		
Medical Cost and Dental Trends Combined. *Dental benefits for non-LEOFF 1 retirees are paid in full by the retirees and are not considered in this valuation.	2022 5.5% 2023 5.3% 2024 5.0% 2030 4.5% 2040 4.5% 2050 4.4% 2060 4.4% The trend for year 2022 reflects the percent by which 2023 medical costs are expected to exceed 2022 medical costs. The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 3.90% in 2073 and beyond. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.	<table> <thead> <tr> <th></th><th>Pre-65</th><th>Post-65</th></tr> </thead> <tbody> <tr> <td>2022-2023</td><td>5.00%</td><td>5.10%</td></tr> <tr> <td>2023-2024</td><td>5.30%</td><td>5.00%</td></tr> <tr> <td>2024-2025</td><td>5.00%</td><td>5.00%</td></tr> <tr> <td>2025-2026</td><td></td><td>4.90%</td></tr> <tr> <td>2026-2027</td><td></td><td>4.80%</td></tr> </tbody> </table> Grading down to an ultimate rate of 3.90% in 2074. *The youngest member will turn 65 in January 2025; therefore Pre-65 trend rates are not shown beyond 2025 in the table above. Note that after fiscal year ending December 31, 2031, selected years are shown in the table.		Pre-65	Post-65	2022-2023	5.00%	5.10%	2023-2024	5.30%	5.00%	2024-2025	5.00%	5.00%	2025-2026		4.90%	2026-2027		4.80%
	Pre-65	Post-65																		
2022-2023	5.00%	5.10%																		
2023-2024	5.30%	5.00%																		
2024-2025	5.00%	5.00%																		
2025-2026		4.90%																		
2026-2027		4.80%																		
Long-Term Care Inflation Rate	Not applicable	5.0%																		
Participation Assumption	100% Rail employees eligible for City-paid retiree medical benefits. 25% of TERS and LEOFF 2 active employees who are not eligible for benefits paid entirely by the City. 25% of Rail employees who are not eligible for benefits paid entirely by the City are assumed to receive medical benefits.	100% participation																		

Notes to the Financial Statements
For the Year Ended December 31, 2022

	5% of terminate-vested members are assumed to receive retiree medical benefits.	
Experience Study Dates	Social Security Administration data from the most recent 60 years available (1957-2017) (adopted 1/1/2021).	2013-2018
Demographic Assumptions (Eligibility):		
Disability	Five years of service are required for non-service connected disability for TERS and LEOFF 2. Ten years of service are required for non-service connected disability for Rail.	<p>For a duty disability, employee is eligible after six-month waiting period (RCW 41.18.050, [Same, except salary is payable by City during the waiting period. (RCW 41.26.120)])</p> <p>For non-duty disability, employee is eligible after 90-day waiting period, during which time salary is payable from the Fund. (RCW 41.18.080) [Disabled after six-month waiting period, during which time salary is payable by the City. (RCW 41.26.125)]</p>

Notes to the Financial Statements
For the Year Ended December 31, 2022

	Non-LEOFF 1	LEOFF 1
Retirement	<p>TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).</p> <ul style="list-style-type: none"> - 30 years of service - 60 years of age - Age + Service = 80 years - Age 55 with 10 service years - Age 40 with 20 service year <p>Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefits commence.</p> <p>LEOFF 2 members are eligible for retiree medical benefits after achieving one of the following:</p> <ul style="list-style-type: none"> - Age 53 with 5 service years - Age 50 with 20 service years <p>Certain Rail employees and their spouses are entitled to employer-paid retiree medical benefits until age 65 when retiring at age 60 with 30 service years.</p>	<p>Members are eligible to receive lifetime medical benefits upon service retirement after age 50 with at least five years of service. If they are not eligible to retire at time of termination but have 20 years of service credit, they are eligible for medical benefits when pension benefits commence.</p>
Mortality:		
Contributing Members	<p>105% of Male and 100% of Female PubG-2010Amount-Weightd Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017 (adopted 1/1/2021)).</p>	<p>The mortality rates are based on the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males.</p>
Inactive Members, Retired Members, and Beneficiaries	<p>105% of Male and 100% of Female PubG-2010Amount-Weightd Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017 (adopted 1/1/2021)).</p>	<p>The mortality rates are based on the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males.</p>
Disabled Members	<p>105% of Male and 100% of Female PubG-2010Amount-Weightd Employee Mortality Tables, projected with a</p>	<p>The mortality rates are based on a blend of the Pub-2010 Safety Mortality Table and Pub-2010 Contingent Annuitant</p>

Notes to the Financial Statements
For the Year Ended December 31, 2022

	unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017 (adopted 1/1/2021)).	table with generational projection using the ultimate rates in Projection Scale MP-2017.
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3. Sensitivity Analysis:

The following Total OPEB Liability of the City, based on proportionate share calculations for each of the City's retirement groups, is calculated using the discount rate of 2.00%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate.

	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
TERS OPEB Liability	\$ 57,887,250	\$ 51,343,781	\$ 45,857,805
LEOFF 1 OPEB Liability	156,622,681	138,918,338	124,075,205
LEOFF 2 OPEB Liability	30,027,035	26,632,833	23,787,171
Rail OPEB Liability	11,891,323	10,547,150	9,420,209
Total City OPEB Liability	\$ 256,428,289	\$ 227,442,102	\$ 203,140,390

The following Total OPEB Liability of the City, based on proportionate share calculations for each of the City's retirement groups, is calculated using the current healthcare cost trend rates as well as what the City's Total OPEB Liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
TERS OPEB Liability	\$ 45,619,667	\$ 51,343,781	\$ 58,113,455
LEOFF 1 OPEB Liability	123,430,885	138,918,338	157,234,712
LEOFF 2 OPEB Liability	23,663,645	26,632,833	30,144,371
Rail OPEB Liability	9,371,290	10,547,150	11,937,791
Total City Liability	\$ 202,085,487	\$ 227,442,102	\$ 257,430,328

4. Changes in the Total OPEB Liability:

Changes in the Total OPEB Liability, based on proportionate share calculations for each of the City's retirement groups, are as follows:

Notes to the Financial Statements

For the Year Ended December 31, 2022

		Increase (Decrease) Total Liability			
	TERS	LEOFF1	LEOFF2	Rail	Total
Total OPEB Liability at 01/01/2022	\$51,754,795	\$140,030,399	\$26,846,033	\$10,631,581	\$229,262,808
Changes for the year:					0
Service cost	736,621	1,993,040	382,097	151,318	3,263,076
Interest on total OPEB liability	1,090,382	2,950,192	565,598	223,989	4,830,160
Effect of plan changes					0
Effect of economic/demographic gains or losses	616,128	1,667,027	319,595	126,566	2,729,317
Effect of assumptions changes or inputs	(726,345)	(1,965,236)	(376,767)	(149,207)	(3,217,555)
Expected benefit payments	(2,127,800)	(5,757,083)	(1,103,724)	(437,097)	(9,425,704)
Total OPEB Liability at end of period	\$51,343,781	\$ 138,918,338	\$ 26,632,833	\$ 10,547,150	\$ 227,442,102

The total OPEB liability of \$227,442,102 was determined by an actuarial valuation as of the valuation dates of January 1, 2022, calculated based on the discount rate of 2.0%, and then projected to the measurement date of December 31, 2021.

The City recognized a total OPEB expense of \$10,124,890. The OPEB expense for December 31, 2022 financial reporting period is as follows:

Total City OPEB Expense	
Service cost	\$3,263,076
Interest on OPEB Liability	4,830,160
Effect of plan changes	0
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(126,383)
Recognition of assumptions changes or inputs	2,158,037
Total OPEB Expense	\$ 10,124,890

The following is the total City OPEB expense broken down for each of the City's retirement groups:

OPEB Expense by Retirement Group	
TERS	\$ 3,863,577
LEOFF 1	4,130,115
LEOFF 2	2,140,827
Rail	(9,629)
Total City OPEB Expense	\$ 10,124,890

Notes to the Financial Statements

For the Year Ended December 31, 2022

At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB, for each retirement group, from the following sources:

	Total City	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 2,602,791	\$ (1,854,944)
Changes of assumptions	19,856,061	(9,259,513)
Changes in proportionate share	19,487,542	(19,487,542)
Difference in contributions	2,719,499	(2,719,499)
Contributions made subsequent to the measurement date	9,257,489	-
Total City Deferred Outflow / Inflows of Resources	\$ 53,923,382	\$ (33,321,498)

	TERS	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 587,565	\$ (418,743)
Changes of assumptions	4,482,395	(2,090,283)
Changes in proportionate share	11,653,164	(1,166,114)
Difference in contributions	190,352	(1,567,645)
Contributions made subsequent to the measurement date	1,144,362	-
Total City Deferred Outflow / Inflows of Resources	\$ 18,057,838	\$ (5,242,785)

	LEOFF 1	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 1,589,747	\$ (1,132,973)
Changes of assumptions	12,127,794	(5,655,576)
Changes in proportionate share	1,615,298	(16,412,306)
Difference in contributions	2,233,037	-
Contributions made subsequent to the measurement date	6,503,598	-
Total City Deferred Outflow / Inflows of Resources	\$ 24,069,474	\$ (23,200,855)

	LEOFF 2	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 304,780	\$ (217,209)
Changes of assumptions	2,325,089	(1,084,263)
Changes in proportionate share	5,697,591	(408,490)
Difference in contributions	296,110	(233,773)
Contributions made subsequent to the measurement date	1,513,358	-
Total City Deferred Outflow / Inflows of Resources	\$ 10,136,928	\$ (1,943,735)

Notes to the Financial Statements
For the Year Ended December 31, 2022

	Rail	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 120,699	\$ (86,019)
Changes of assumptions	920,783	(429,390)
Changes in proportionate share	521,489	(1,500,632)
Difference in contributions	-	(918,081)
Contributions made subsequent to the measurement date	96,171	-
Total City Deferred Outflow / Inflows of Resources	\$ 1,659,142	\$ (2,934,123)

Deferred outflows of resources of \$9,257,489 resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense below. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Measurement Period Ending December 31:

	TERS	LEOFF1	LEOFF2	Rail	Total City
2022	\$458,635	\$1,240,905	\$237,901	\$94,214	\$2,031,654
2023	156,863	424,417	81,367	32,223	694,870
2024	752,549	2,036,135	390,359	154,590	3,333,634
2025	716,236	1,937,884	371,523	147,131	3,172,773
2026	488,167	1,320,809	253,220	100,280	2,162,476
Thereafter	(11,516)	(31,157)	(5,973)	(2,366)	(51,012)

Note 5 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan through a third party created in accordance with Internal Revenue Code Section 457(b). The plan, available to all City permanent full-time and part-time employees, permits them to defer a portion of their salary into a retirement savings plan. Withdrawals from a participant's account are normally available at separation, retirement, disability, or to a beneficiary in the case of an employee's death. As an active employee a withdrawal can be done through in-service withdrawals upon turning age 59 ½ or older, in-service withdrawal within the one-year period of a qualifying birth or adoption, in the form of a hardship withdrawal or through a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions, up to the IRS annual contribution limits. The 2022 contribution limits are \$20,500 for regular deferral, \$41,000 for pre-retirement and \$27,000 for age 50 provision deferrals. The City has agreed through contract negotiation with the Local 6 Police union and the Local 31 Fire union to match contributions made by all Police Officers and Fire Officers up to a maximum of \$211 per pay period. Local 26 Police Officers and Fire/Police Professional Public Safety Management Association employees receive an employer contribution of \$238 per pay period. Tacoma Rail employees also receive matching contributions up to 3% per TMC 1.12.115 and applicable collective bargaining agreements.

Notes to the Financial Statements
For the Year Ended December 31, 2022

Benefit Plan	Third Party Administrator	Pre-Tax Employer Contributions	Pre-Tax Employee Contributions	After-Tax Employee Contributions	Total by Plan
457 deferred compensation	MissionSquare	1,956,989	15,062,274	2,699,685	19,718,948
457 deferred compensation	Nationwide	1,810,733	3,367,646	248,330	5,426,709
Total		<u>\$ 3,767,722</u>	<u>\$ 18,429,920</u>	<u>\$ 2,948,015</u>	<u>\$ 25,145,657</u>

Note 6 – INTERFUND ACTIVITY

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

The composition of interfund transfers for the year ended December 31, 2022 is as follows:

Interfund Transfers
(amounts expressed in thousands)

	Transfer In										
	General Fund	Trans Capital & Engineering	Solid Waste Fund	Waste Water Fund	Water Fund	Power Fund	Internal Service Funds	Non-Major Governmental Funds	Non-Major Enterprise Funds	Transfer Out Total	
General Fund	\$ 26	\$ 50	\$ 343	\$ -	\$ -	\$ -	\$ 2,367	\$ 28,896	\$ 7,622	\$ 39,304	
Trans Capital & Engineering	-	-	-	-	-	-	-	2,455	-	2,455	
Solid Waste Fund	5,378	-	-	-	-	-	-	1,798	-	7,176	
Waste Water Fund	8,022	-	-	-	-	-	-	2,982	1,173	12,177	
Water	6,554	-	-	-	-	-	-	2,175	-	8,729	
Power	33,119	-	-	-	-	-	-	8,966	-	42,085	
Non-Major Governmental	5,582	14,526	1,851	2,568	1,828	8,880	1,282	23,394	4,673	64,584	
Non-Major Enterprise	1,949	-	-	-	-	-	42	4,176	-	6,167	
Transfer In Total	\$ 60,630	\$ 14,576	\$ 2,194	\$ 2,568	\$ 1,828	\$ 8,880	\$ 3,691	\$ 74,842	\$ 13,468	\$ 182,677	

The information below provides detail of the interfund transfer transactions:

\$9,573,000 was transferred from the General Fund to General Fund for Contingency & Pension.

\$50,000 was transferred from the General Fund to Trans Capital & Engineering Fund for Enhancing VZ Active Transportation.

\$343,000 was transferred from the General Fund to Trans Capital & Engineering Fund for Blight Truck.

\$2,367,000 was transferred from the General Fund to Internal Service Funds for police officers' services and vehicles.

Notes to the Financial Statements

For the Year Ended December 31, 2022

\$28,896,116 was transferred from the General Fund to Non-Major Governmental Funds for grant matches, debt service, capital projects, non-capital projects and regular operations.

\$7,622,547 was transferred from the General Fund to Non-Major Funds for contributions to support debt service payments, capital projects and regular operations.

\$2,455,280 was transferred from the General Fund to Non-Major Enterprise Funds for capital projects.

\$5,377,946 was transferred from Solid Waste Fund to General Fund for Gross Earnings Tax

\$1,798,393 was transferred from the Solid Waste Fund to Non-Major Governmental Funds for Gross Earnings Tax.

\$8,022,005 was transferred from the Wastewater Fund to General Fund for Gross Earnings Tax.

\$2,982,198 was transferred from the Wastewater Fund to Non-Major Governmental Funds for Gross Earnings Tax

\$1,172,500 was transferred from the Wastewater Fund to Non-Major Enterprise Fund for operations of PDS Development Service.

\$6,553,964 was transferred from the Water Fund to General Fund for Gross Earnings Tax.

\$2,174,956 was transferred from the Water Fund to Non-Major Governmental Funds for Gross Earnings Tax.

\$33,119,616 was transferred from the Power Fund to General Fund for Gross Earnings Tax.

\$8,965,675 was transferred from the Power Fund to Non-Major Governmental Funds for Gross Earnings Tax.

\$5,582,046 was transferred from the Non-Major Governmental Funds to General Fund to reimburse capital projects.

\$14,525,961 was transferred from the Non-Major Governmental Funds to Trans Capital & Engineering for capital projects.

\$1,850,786 was transferred from the Non-Major Governmental Funds to Solid Waste for Federal grants.

\$2,568,549 was transferred from the Non-Major Governmental Funds to Wastewater Fund for Federal grants.

\$1,828,348 was transferred from the Non-Major Governmental Funds to Water Fund for Federal grants.

\$8,878,481 was transferred from the Non-Major Governmental Funds to Power Fund for Federal Grants.

\$1,282,296 was transferred from the Non-Major Governmental Funds to Internal Services Funds for ROCU staffs and purchasing vehicles.

\$23,393,721 was transferred from the Non-Major Governmental Funds to Non-Major Governmental Funds for various capital projects and debt service payments.

Notes to the Financial Statements For the Year Ended December 31, 2022

\$4,672,735 was transferred from the Non-Major Governmental Funds to Non-Major Enterprise Funds for debt service payments.

\$1,949,375 was transferred from the Non-Major Governmental Funds to General Fund for Gross Earnings Tax.

\$41,589 was transferred from the Non-Major Enterprise Funds to the Internal Service Funds for vehicle purchasing.

\$4,175,406 was transferred from the Non-Major Enterprise Funds to Non-Major Governmental Funds for Gross Earnings Tax.

Note 7 – OTHER INFORMATION

A. Risk management

The City is self-insured for tort 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 benefits is based on an average of two-month claims from the reporting year. The IBNR for tort liabilities are calculated by a periodic actuarial study. The handling and paying of all tort liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the Tacoma Public Utility ("TPU") Self Insurance Claim Fund. Moneys 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 Revised Code of Washington in RCW 35.21.085(2). The General Government of the City carries a supplemental liability policy with a \$20 million limit and a \$5 million self-insurance retention except a limit of \$10 million is maintained for Law Enforcement Liability. This policy is renewable on May 15 of each year. TPU carries separate supplemental liability policies with total limits of \$57.5 million, \$250,000 retention for wrongful acts claims and a \$2.5 million self-insured retention for all other covered claims, renewable on December 1 of each year. The Belt Line Railroad carries separate Railroad Liability policies with total limits of \$50 million each occurrence and a \$1 million self-insured retention renewable on December 1 of each year. Mountain Rail carries a separate Railroad Liability policy with a limit of \$7 million each occurrence and a \$50,000 self-insured retention renewable on December 2 of each year. These policies are provided to supplement the City's current self-insurance risk for settlements in excess of the self-insured retentions.

The City also has a policy to cover extraordinary worker's compensation claims with a statutory liability limit and a \$1.25 million retention for each occurrence. This policy renews January 1 of each year.

The City carries property coverage with a maximum single occurrence limit of \$500 million with sub-limits, and \$150,000 deductible per occurrence, with exceptions. This policy renews July 1 of each year. TPU carries separate property coverage with a maximum single occurrence limit of \$150 million with sub-limits, and a \$250,000 deductible per occurrence, with exceptions. This policy renews July 1 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 Railroad became a participant in 1985. Total assets in this fund are \$10.96M. Settlement payments were within amounts available for coverage for the last three years—2022, 2021, and 2020.

Notes to the Financial Statements

For the Year Ended December 31, 2022

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		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Balance 01/01	\$ 35,525	\$ 33,131	\$ 35,663	\$ 3,487	\$ 4,158	\$ 3,870	\$ 3,070	\$ 3,099	4034
New Claims	138	84	106	2,212	1,295	1,566	1,179	1,140	2679
Adjustments to Claims	2,012	7,137	2,677	1,371	2,431	2,734	(666)	(648)	(2,709)
Claims Payment	(4,049)	(4,827)	(5,315)	(4,468)	(4,397)	(4,012)	(711)	(521)	(905)
Balance 12/31	\$ 33,626	\$ 35,525	\$ 33,131	\$ 2,602	\$ 3,487	\$ 4,158	\$ 2,873	\$ 3,070	\$ 3,099

B. Prior-Period Adjustments

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, 2021 financial statements, prior period adjustments were made.

Governmental Funds:	Description
General Fund # 0010	Beginning net position increased by \$87,616 from no reversal of accrual for Leave Severance and credit memo to FWDA fund
Transportation Capital & Engineering # 1060	Beginning net position decreased by \$550,238 from reclassing capital assets to expenditures and credit memo to vendor
Special Funds #1140, #1185, and # 1195	Beginning net position increased by \$639,210 from correcting grant revenues, reclassing capital asset to expenditures, and missing expenditures

Notes to the Financial Statements

For the Year Ended December 31, 2022

Enterprise Funds:	Description
Parking Fund # 4140	Beginning net position increased by \$83,139 from refund of Sales taxes and B&O taxes
Performing Art Fund # 4190	Beginning net position decreased by \$9,732 from correcting revenues to previous year
Wastewater Fund # 4300	Beginning net position increased by \$49,344 from GASB 87 change in accounting principle
Water Fund # 4600	Beginning net position decreased by \$231 from GASB 87 change in accounting principle
Power Fund # 4700	Beginning net position increased by \$796,052 from GASB 87 change in accounting principle
Tacoma Training & Employment Program Fund # 5086	Beginning net position increased by \$75,000 from correcting revenues to previous year
Communications Equipment Fund # 5540	Beginning net position decreased by \$260,529 from missing capital asset purchase
Workers Compensation Fund # 5570	Beginning net position decreased by \$171,533 from missing tax & assessment expenses.
Health Benefit Fund # 64XX	Beginning net position increased by \$1,537,799 from previous year's claim expenses
Governmental Activities PPA	Beginning net position decreased by \$153,000 from Internal Service allocation correction

The prior period adjustments on the fund statements detailed above impacted the Government-Wide statements as follows:

Government-wide Statements
(amounts expressed in thousands)

Activity	Amount	Description
Governmental	\$ 1,205,025	General Fund, Transportation Capital & Engineering, Public Work Paths & Trails, Neighborhood & Community Services, Tacoma Training & Employment, Communications Equipment, Workers Compensation, and Health Benefits
Business	918,572	Parking, Performing Arts, Waste Water, Water, and Power
Total	<u>\$ 2,123,597</u>	

Notes to the Financial Statements
For the Year Ended December 31, 2022

C. Segment Information

The following are the two 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
Assets:		
Current assets	\$ 1,677	\$ 3,054
Accounts receivable (net)	291	130
Prepayments	44	104
Restricted assets	-	3,132
Capital assets (net)	44,326	49,666
Net pension assets	474	952
Other non-current assets	-	29
Total assets	46,812	57,067
Deferred outflow of resources	261	2,610
Liabilities:		
Current liabilities	2,095	5,024
Non-current liabilities	1,543	44,684
Total liabilities	3,638	49,708
Deferred inflow of resources	566	1,102
Net position		
Net investment in capital assets	40,980	3,569
Restricted	3	4,084
Unrestricted	1,886	1,214
Total Net Position	\$ 42,869	\$ 8,867

Notes to the Financial Statements

For the Year Ended December 31, 2022

CONDENSED STATEMENT OF REVENUES EXPENSES, AND CHANGES IN NET POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165
Operating revenues	\$ 3,863	\$ 2,801
Depreciation expense	1,290	1,752
Other operating expenses	3,644	5,656
Operating income	(1,071)	(4,607)
Nonoperating revenues (expenses)		
Interest revenue	29	99
Interest expense	(139)	(1,839)
Other nonoperating revenues (expenses)	(9)	4,947
Transfers	2,784	3,911
Change in net position	1,594	2,511
Beginning net position	41,192	6,356
Prior period adjustments	83	-
Ending net position	\$ 42,869	\$ 8,867

CONDENSED STATEMENT OF CASH FLOW

	Parking Garage Fund #4140	Convention Center Fund #4165
Net cash provided (used) by:		
Operating activities	\$ (177)	\$ (2,706)
Noncapital financing activities	3,996	5,137
Capital and related financing activities	(3,120)	(1,655)
Investing activities	19	(87)
Net increase (decrease)	718	689
Beginning cash and cash equivalents	959	5,497
Ending cash and cash equivalents	\$ 1,677	\$ 6,186

- Parking Garage fund (#4140) accounts for the City's parking facilities.
- Convention Center fund (#4165) accounts for activities associated with operating the Convention Center.

D. Tax expense – Utility Funds

The tax expense shown in the statements for Enterprise Funds consists primarily of an 8.0% tax upon gross earnings for Tacoma Water, Tacoma Rail, Stormwater, Wastewater, and Solid Waste and a 7.5% 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, 7.5%; Cable TV, 8.0%; Electricity, 7.5%; Solid Waste Collection, 8% and Telephone, 7.5%.

Notes to the Financial Statements

For the Year Ended December 31, 2022

E. 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 a joint venture with the Tacoma-Pierce County Health Department (Health Department). The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

Summary financial information on the joint venture is listed below for the year of the last audited financials. These figures reflect the information as prepared and submitted to the City by the various entities.

Joint Venture	
(amounts expressed in thousands)	
	HEALTH DEPARTMENT
Balance Sheet Date	12/31/2021
Total Assets	\$ 27,869
Capital Assets (net of accumulated depreciation)	1,753
Deferred Outflows	7,684
Total Liabilities	10,629
Non-current Liabilities	5,850
Deferred Inflows	1,187
Total Net Position	19,640
 Total Revenues	 91,324
Total Expenditures/Expenses	87,278
Net Increase/(Decrease) in Net Assets	4,046
 City Contribution	 \$ -

Additional information about the entity can be obtained from separately published financial statements by contacting the Tacoma/Pierce County Health Department, Christopher Schuler, Business Support Services, 3629 South D Street, Tacoma, WA 98418-6813.

Note 8 – CLAIMS, JUDGEMENTS AND COMMITMENTS

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 7B for risk management information.

Notes to the Financial Statements

For the Year Ended December 31, 2022

The City has entered into interlocal agreements with the Tacoma-Pierce County Health Department. If, in fact, this entity was to suffer a catastrophic disaster, claim or lawsuit that exceeded the levels of insurance maintained by the Health Department, their self-insurance funds or otherwise resources were to be depleted; the City and other participating jurisdictions may 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 7B for risk management information.

B. Construction Commitments

The City has various construction projects as of December 31, 2022. 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
11th Street Bridge Demolition		5,360,803	(5,360,803)
15th Street Transient Moorage Dock Replacement	736,450	562,416	174,034
2021 Stripping Contract	598,251	652,377	(54,126)
56th and Cirque Drive Corridor Improvements Phase 2	6,639,949	5,924,359	715,590
Asphalt Plant Auger Replacement	195,517	187,101	8,416
E. 64th Street, Phase 1, Pacific to McKinley	7,929,245	7,905,422	23,823
East Locomotive Servicing Facility	3,873,766	1,899,724	1,974,042
East Portland Avenue Improvements	2,674,558	2,629,745	44,813
Foss Waterways Site 10, 12 and Municipal Dock Bulkhead	3,267,490	2,782,976	484,514
I-5/S. 56th Interchange ADA Compliance	1,046,485	923,325	123,160
New Security Gate at Theater on the Square	27,170		27,170
On-Call Nuisance Abatement 2022-2024	273,405	113,401	160,003
On-Call Securing Properties, 2022-2024		167,073	(167,073)
Planter Strip Landscape		91,022	(91,022)
Revitalizing Tacoma's Brewery District	6,605,605	6,477,163	128,442
Rialto Theater Fence Security		41,476	(41,476)
Rialto Theater Security Electrical Improvements	25,750	26,876	(1,126)
Sidewalk Replacement, Puyallup Tribal Lands Rebid		145,135	(145,135)
Sidewalk Replacement, West End PWK-00714-03	215,250	209,506	5,744
South 21st and Fawcett Improvements Project	6,889,462	6,183,631	705,831
South Tacoma Way Underground Utility		131,620	(131,620)
South Yakima Ave Traffic Signal Improvements	1,677,619	256,071	1,421,548
Speed Limit Changes	259,260	259,260	-
Stability Site at 82nd and Pacific Ave	149,594	119,992	29,602
Street Initiative Package #14	4,824,847	4,913,618	(88,770)
Streets Initiative Package #13	2,789,820	3,090,397	(300,578)
Streets Initiative Package #33	467,467	571,026	(103,559)
Taylor Way Rehabilitation	23,644,969	21,499,084	2,145,885
TEMS 4 - S 69th & Proctor - Civil		228,254	(228,254)
TPU Admin Complex Street Improvements	1,149,549	1,214,202	(64,653)
	<u>\$75,961,478</u>	<u>\$74,567,055</u>	<u>\$ 1,394,422</u>

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

Notes to the Financial Statements

For the Year Ended December 31, 2022

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

The Division 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 settlement with the United States Environmental Protection Agency (EPA) and the Washington State Department of Ecology (DOE), titled *United States et al v. City of Tacoma* US District Court Case 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 the 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 above-referenced Consent Decree.

The City has an obligation under the Consent Decree to monitor the remediation work over the next 20 years, or more years to make sure it continues to be effective at protecting human health and the environment.

The costs for ongoing maintenance of the Tacoma Landfill are not expected to require rate increases above those already projected. The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. The City’s on-going monitoring efforts indicate the remedial actions undertaken by the City at the Tacoma Landfill are performing as designed.

In 2014, following closure of the portions of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the Tacoma Pierce County Health Department (TPCHD) through the same permitting process. All closed portions of the Landfill will also be covered by a TPCHD closure permit, which may be incorporated into the overall facility permit. The closure permit will mirror the requirements implemented as a result of the Landfill remedial action. The Tacoma-Pierce County Health Department has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. In February of 2019, the City and the TPCHD executed an agreement where in the City agreed to comply with TPCHD closure permit requirements and a new Solid Waste permit was issued by TPCHD expiring in March of 2020. The new Solid Waste Permit was renewed in 2022 and now expires March 24, 2023.

Long-term plans for the closed capped areas of the Tacoma Landfill include recreational facilities, such as trails and playfields, as well as other governmental facilities, such as greenhouses for grounds maintenance operations. All development on the Tacoma Landfill site must be designed to accommodate differential settlement and allow for continued functioning of the environmental remediation systems.

The Division reported \$12,133,832 as landfill post-closure care liability as of December 31, 2022 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$13,513,313 at December 31, 2021 based on 100% of capacity. Actual care costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The Division retains on-going post-closure care liability and will be responsible for the costs of additional work if migration of pollutants from the site is not completely

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For the Year Ended December 31, 2022

controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs.

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

Note 9 – CONTINGENT LIABILITIES

Solid Waste (#4200) Long-term Contract – Land Recovery, Inc. - In February 2000, the Division entered into a 20-year contract with Land Recovery, Inc. (LRI) to dispose of all “acceptable waste” collected or handled by the Division (as that term is defined in the agreement), at the 304th Street landfill operated by LRI. The Division entered into this agreement to extend the life of the Tacoma Landfill and to secure a long-term disposal arrangement at a favorable disposal cost. The agreement excludes solid waste that LRI is not authorized by law or permit to receive, or which could create or expose LRI or the Division to potential liability, among other things. Recycling and/or composting waste is not covered by the agreement. The agreement further provides that LRI shall charge a base rate per ton for disposal services, and that said rate shall decrease as the tonnage increases during each contract year. The agreement also provides that the base rate charged by LRI shall increase annually based on the Seattle-Tacoma CPI. The rate per ton is periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. These rate adjustments are part of the existing agreement.

Solid Waste (#4200) Long-term Contract – Cedar Grove Composting, Inc. - In December 2022 the Division entered into a five (5) year agreement with Cedar Grove Composting, Inc to accept organic material collected by the City curbside or delivered to the City's landfill for processing into compost. Under the agreement, which has two 5-year renewal options, Cedar Grove will charge a rate of \$59.50 per ton for the organic waste it receives from the Division. The price may be adjusted beginning on the first anniversary of the effective date of the Contract and annually on each anniversary of the effective date thereafter (each an "Adjustment Date"), Cedar Grove will receive an adjustment to the then-current per-ton rate multiplied by one hundred percent (100%) of the Consumer Price Index Increase. "Consumer Price Index Increase" means the increase in the Consumer Price Index for All Urban Consumers (CPI-U) of the Seattle-Tacoma-Bellevue area, as computed and published by the U.S. Bureau of Labor. The Division entered into this agreement to extend the life of the Tacoma landfill and secure a long-term composting arrangement at a favorable cost through 2032.

Solid Waste (#4200) General Legal Matters - Because of the nature of its activities, the Division is subject to various pending and threatened legal actions, which arise in the ordinary course of business. The Division believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the Division, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

Wastewater and Stormwater (#4300-01) Olympic View Resource Area - In 2001, the City entered into an Administrative Order on Consent for Removal Action at the Olympic View Resource Area (OVRA) with the Environmental Protection Agency (EPA). Contamination identified during construction of the NRDA site in this location led to the need for sediment cleanup work to be performed as a separate action. The cleanup action was completed in 2002, followed by long-term monitoring to ensure the

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For the Year Ended December 31, 2022

protectiveness of the cap. In 2014, results of this monitoring indicated the potential of some loss of the capping material present at the site. This material loss was confirmed by subsequent surveys and a cap material replenishment project was designed and subsequently implemented in 2020 under EPA oversight. Because contaminated material was left in place under a cap at the site, long-term monitoring is expected to continue a periodic basis in perpetuity. The first long-term monitoring event is scheduled to occur in 2023. The results of this monitoring through the years may result in additional limited maintenance efforts in the future. Included in the estimated liabilities as of December 31, 2022, are estimated costs of \$100,000 and \$25,000 that will be incurred in the year 2023 and 2024, respectively.

Wastewater and Stormwater (#4300-01) Foss Consent Decree - Under the current long-term Monitoring Plan developed in accordance with the Foss Consent Decree, the City has an obligation for continued monitoring through 2028. Regularly scheduled monitoring is planned for 2023 and 2028. It is expected that another long-term Monitoring Plan will be developed following completion of monitoring under the current plan. Because contaminated material is left in place under caps in the waterway, some level of periodic monitoring will continue in perpetuity. Erosion in two areas was identified and requires maintenance to protect the integrity of the remedy. The basis of design evaluation began in 2021, design is currently being completed, and construction of the maintenance project is planned for 2023/2024. Ongoing monitoring may result in additional limited maintenance efforts in the future. Included in the estimated liabilities as of December 31, 2022, are estimated costs of \$1,750,000 and \$50,000 that will be incurred in the year 2023 and 2024, respectively.

The City indemnified certain parties when it purchased real property along the Thea Foss Waterway in the late 1980's and early 1990's. The City expects that any financial obligation it may have related to these indemnities will be de minimus given the historical uses of the indemnified properties and the limited potential for releases from these properties to damage natural resources.

Wastewater and Stormwater (#4300-01) Coal-Gas Site Agreed Order - In 1993 the City, through the Environmental Services Department, became a party to an agreed order with the State Department of Ecology under MTCA (RCW 70.105D.050(1)) for the initial steps of clean-up of the coal-gas properties located at the head of the Foss Waterway just south of the cable stay bridge below the SR 705 spur. The City is one of several potentially liable parties (PLPs) that are signatories to this agreed order. The agreed order, and subsequent amendments, provided for interim measures to control the coal-tar from migrating from this site into the Foss Waterway but did not provide for final cleanup or closure of the site.

In 2018, the City and other potentially liable parties entered a new Agreed Order with Ecology which will address final closure of the Coal Gas Site by completion of a Remedial Investigation/Feasibility Study (RI/FS) and development of a draft Cleanup Plan (dCAP) for the site. Other parties are performing the work under the Agreed Order, and the City's role and cost obligation should be limited. Work under this order has commenced.

Wastewater and Stormwater (#4300-01) General Legal Matters - Because of the nature of its activities, the Division is subject to various pending and threatened legal actions which arise in the ordinary course of business. The Division believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the Division, but could be material to results of operations or cash flows for a particular annual period.

Tacoma Rail (#4500) General Legal Matters - Tacoma Rail is involved in various litigations in the normal course of business. In the opinion of management, the ultimate outcome of these claims will not have a material effect on Tacoma Rail's financial position beyond amounts already accrued as of December 31, 2022.

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For the Year Ended December 31, 2022

Tacoma Rail (#4500) Operation of City of Tacoma, Department of Public Works (“Public Works”, Mountain Division - Public Works owns approximately 142 miles of track, called Mountain Division, that connects to Tacoma Rail track in Tacoma, Washington. Tacoma Rail is under contract with Public Works to perform as its operator through 2023. The agreement states that Public Works would fund Tacoma Rail for any operations on the Mountain Division.

Tacoma Water (#4600) Capital Improvements – The financial requirement for Tacoma Water’s 2021-2022 biennial Capital Improvement program is approximately \$79.3 million and Tacoma Water has substantial contractual commitments relating to the program. At December 31, 2022 the remaining financial requirement for Capital Improvement Programs relating to the current biennium is \$21 million.

Tacoma Water (#4600) Muckleshoot Indian Tribe Settlement – A mutually beneficial settlement agreement was reached with the Muckleshoot Indian Tribe in 1995. The settlement package has a cost of approximately \$30 million and includes five basic elements: 1) building a fish restoration facility and annual operation and maintenance of that facility, or in the alternative, providing \$12 million (indexed at 1995 dollars) into a fish restoration fund; 2) providing for enhanced flows in the Green River; 3) transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, educational and other needs of the Tribe; and 5) limited access into the Green River Watershed. The settlement resolved past damage claims by the Tribe for Tacoma Water’s historical operations on the river, gain the Tribe’s support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma Water has been implementing this agreement.

Tacoma Water (#4600) General Legal Matters - The Water Division has received several other miscellaneous claims or litigation that either do not allege material amounts or that the Legal Department has determined do not pose a risk of liability to the Utility.

Tacoma Power (#4700) Capital Improvements – The financial requirement for Tacoma Power’s 2021/2022 biennial Capital Improvement Program is approximately \$149.9 million. As of December 31, 2022, the remaining financial requirement for the 2021/2022 biennial Capital budget was approximately \$24.0 million.

Tacoma Power (#4700) Kosmos Mill Oil Seep - On November 21, 2019, emergency action was initiated and subsequently completed to install a containment cap on oil seepage near Riffe Lake on the Cowlitz River. A sawmill was historically located at this site near the town of Kosmos before the area was inundated by Riffe Lake. The Division is working through an Agreed Order with the Department of Ecology to provide remedial action. Per the Agreed Order, a Remedial Investigation is in progress and a Feasibility Study and Draft Cleanup Plan will be completed, anticipated by June, 2025. Liability in the amount of \$375,000 has been recognized as the known cost for the site investigation progress in 2022.

Tacoma Power (#4700) General Legal Matters - Tacoma Power has received several other miscellaneous claims that either do not allege significant amounts or that the Legal Department has determined do not pose a risk to liability to the Utility.

Western Metal Industry Pension Fund - The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

Notes to the Financial Statements

For the Year Ended December 31, 2022

The Plan fell into critical status following the 2009 Plan Year and was certified as “critical” in 2010. In an effort to improve the Plan’s funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010, and subsequently updated it on July 24, 2012, and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan’s funded status. The Trustees have adopted the “free look” rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement.

There is currently no schedule to amortize the unfunded liability for the employees who are remaining within the Plan and the system is currently functioning on a pay-as-you-go basis. The City’s obligation is to pay, in full, the payroll withholdings to the system.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from the Plan. The actuaries for the Plan determined that the withdrawal liability attributed to City of Tacoma is \$44,325,881 in total, but the liability was recorded for 20-year limitation liability of \$17,863,052 in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). Each operating division recorded the respective liability based on its proportionate share of the 20-year limitation liability as of December 31, 2021. The initial \$337,619 payment was due on or before January 1, 2022 which was comprised of \$169,829 attributable to the partial withdrawal and \$167,790 attributable to the complete withdrawal. Subsequent payments will be due quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of \$13,586,320 while the last quarterly installment for the complete withdrawal will be due on April 1, 2028, for a total of \$4,276,732, the last payment amount will be \$81,982.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). The outcome of the appeal is uncertain at the time of the report issuance and may affect the liability amount.

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.

Notes to the Financial Statements For the Year Ended December 31, 2022

Note 10 – TAX ABATEMENTS

As of December 31, 2022, the City provides tax abatements for the following programs:

1. *Multifamily Housing Property Tax Exemption*

The Multifamily Housing Property Tax Exemption Program encourages development of market rate and affordable housing in mixed-use areas. This program was established under the Tacoma Municipal Code, Section 6A.110.020.

Criteria: The applicant must be the owner of the property, and the property must be located within the boundaries of a mixed-use center. The Tax Review Committee, made up of City staff from the Community & Economic Development Dept. and the Legal Dept., and a representative from the Pierce County Assessor's Office, approve the request. Once approved, the construction must be completed within 3 years. If the owner sells the property after the tax exemption has been granted, the exemption stays with the property and is transferred to the new owner. The contract includes the agreed upon specifications of the housing improvements. The exemption will begin after the improvements are completed. The City will issue a Final Certificate of Tax Exemption with the Pierce County Assessor's Office and the property owner's assessed value will be adjusted to reflect this exemption. The property tax abatement is determined by a percentage of assessed value. In Pierce County, the tax rate in 2022 is 0.011440024 of assessed value. The City of Tacoma receives 19.812% of that tax.

2. *Special Valuation Property Tax Exemption*

This Special Valuation Property Tax Exemption Program encourages the owners of historic properties to invest in the improvement and rehabilitation of historic buildings. This program was established under the Washington State RCW Chapter 84.26, Historic Property.

Criteria: Property owners may obtain a reduced tax assessment by submitting an application at the conclusion of project construction. The applicant must be the owner of the property, and the property must be listed on the Tacoma Register of Historic Places or be a historically contributing property within a local historic overlay zone. In addition, the project must meet the Secretary of Interior's Standards for Rehabilitation of Historic Buildings and must not adversely affect the building's historically significant, character defining elements. Exterior modifications must be approved by the Tacoma Landmarks Preservation Commission. The project investment expenditures must be a minimum of 25% of the assessed value of current improvements on the property over a 24-month consecutive period. The reduced assessment begins the tax year following the approval. This program is jointly processed and administered by the City's Historic Preservation Program and the Pierce County Assessor. The property owner's assessed value will be adjusted to reflect this exemption. The property tax abatement is determined by a percentage of assessed value. In Pierce County, the tax rate in 2022 is 0.011440024 of assessed value. The City of Tacoma receives 19.812% of that tax.

The City is required to disclose other abatement arrangements entered into by other governments that reduce the City's tax revenues. The State of Washington's tax abatements that affected the City of Tacoma tax revenue are included below:

Notes to the Financial Statements

For the Year Ended December 31, 2022

3. *Aerospace Industries Tax Exemption*

Aerospace industries are allowed a tax exemption for computer hardware, software and peripherals. This program was established under the Washington State RCW Chapters 82.08.975 and 82.12.975 Exemptions – Computer parts and software related to the manufacture of commercial airplanes. The City of Tacoma's data is confidential and cannot be disclosed.

4. *Manufacturing Facilities Tax Exemption*

Manufacturing facilities in counties with high unemployment rates are allowed to defer sales and use tax. This program was established under the Washington State RCW Chapter 82.60, Tax Deferrals for Investment Projects in Rural Counties. The City of Tacoma's data is confidential and cannot be disclosed.

5. *Multi-Unit Urban Housing Tax Exemption*

The Multi-Unit Urban Housing Exemption encourages increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers where the governing authority of the affected city has found there is insufficient housing opportunities, including affordable housing opportunities. It also encourages the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities, including affordable housing opportunities within these urban centers. This program was established under the Washington State RCW 84.14, New and Rehabilitated Multiple-Unit Dwellings in Urban Centers.

Information relevant to the disclosure of those programs under contract with the City of Tacoma for the fiscal year ended December 31, 2022, is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated (in thousands)</u>
Multifamily Property Tax Exemption	\$ 1,347
Special Value Tax Exemption	\$ 137
Future Nonprofit Low-Income Housing	\$ 1,700

Note 11 – SUBSEQUENT EVENTS

In February 2023 Resolution 41130 was approved to authorize the execution of a Quit Claim Deed and Master Utility Easement Agreement for sale of the remaining available Tacoma Rail Mountain Division (TRMW) right-of-way and operations situated outside of the City limits to Rainier Rail, LLC., a Class III Common Carrier railroad, transference of associated common carrier obligations consistent with Surface Transportation Board protocols, and approval of Purchase and Sale Agreement No. 3323 for consideration of \$2,210,000 to be deposited into the Tacoma Rail Mountain Division Fund 4120.

The Purchase and Sale Agreement outlines that Rainier Rail, LLC will be assigned federal/state grant encumbrances applicable to the subject railroad, the City will indemnify against claims related to environmental conditions near Lake Kapowsin, and the City will receive a Master Utilities Easement Agreement for existing and future City utilities in the subject railroad right-of-way.

Notes to the Financial Statements For the Year Ended December 31, 2022

In April 2023, the City began the process to issue LTGO Refunding Bonds to refund on a current basis all or a portion of the 2013 LTGO Refunding Bonds. Proceeds of these bonds were used to refund prior obligations issued for the purpose of acquiring, constructing, and equipping the Greater Tacoma Convention Center and related parking. It is anticipated the first reading of the bond ordinance will be May 2023 and the bond closing and delivery of bond proceeds will be June 2023.

NOTE 12 – UNIQUE AND UNUSUAL TRANSACTION

The City received opioid settlement proceeds from Washington State's settlement agreement with the nation's three largest opioid distributors. The City expects to receive approximately \$6.4 million of the \$518 million national settlement, with payments received annually over a seventeen-year period. In 2022, the City received its first payment of \$525,749.

Note 13 – DETAIL OF CHANGES IN LONG-TERM DEBT BY DEBT ISSUE

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-22	ISSUED 2022	REDEEMED 12/31/2022	AMOUNT O/S 12/31/2022
GENERAL OBLIGATION BONDS, LOANS, & NOTES								
Unlimited General Obligation Bonds								
2021 Refunding (2010A)	04/13/21	2021 - 2022	3,675	1.2580	\$ 2,485	\$ -	\$ 2,485	\$ -
Subtotal Unlimited (Voted)					2,485	-	2,485	-
Limited General Obligation Bonds								
2009A Improvement - Cheney	12/17/09	2011 - 2035	15,380	5.8600	12,850	-	460	12,390
2009E Improvement - Multiple Projects	12/17/09	2026 - 2035	13,526	5.7500	13,526	-	-	13,526
2009E Accreted Interest	12/18/09	2026 - 2036	13,526	5.7500	12,950	1,531	-	14,481
2009F Improvement - Cheney & Env Remed	12/17/09	2023 - 2026	6,681	7.2020	6,681	-	-	6,681
2009F Accreted Interest	12/18/09	2023 - 2027	6,681	7.2020	8,811	1,129	-	9,940
2010C Refunding Bonds (2001, 2007, 2009)	11/10/10	2015 - 2022	7,355	3.8076	1,040	-	1,040	-
2010D Improvement - Capital	11/10/10	2015 - 2033	30,225	5.0399	21,005	-	1,450	19,555
2010E Improvement - Capital	11/10/10	2015 - 2040	9,130	5.7155	2,930	-	290	2,640
2013 Refunding (2001, 2004)	03/05/13	2015 - 2034	44,170	3.1768	32,950	-	1,895	31,055
2015A Refunding (2006A, 2006B, 2007)	12/29/15	2016 - 2036	12,735	3.2066	10,535	-	500	10,035
2015B Refunding (2006A, 2006B, 2007)	12/29/15	2016 - 2027	20,215	2.8933	7,520	-	4,030	3,490
2017 Improvement - Tacoma Dome	12/12/17	2019 - 2037	25,295	3.2114	21,280	-	1,065	20,215
2021A Refunding (2009B, 2010B)	04/13/21	2021 - 2035	4,555	2.2439	3,830	-	710	3,120
2021B Refunding (2009C)	04/13/21	2034	4,475	2.2158	4,475	-	-	4,475
2021C Refunding (2010E)	04/13/21	2021 - 2040	4,555	2.7447	4,445	-	-	4,445
Subtotal Limited (Councilmanic)					164,828	2,660	11,440	156,048
Washington State Public Works Trust Fund Loan								
CTED PWTF No. 04-691-068 Capital Improvement	06/02/04	2004 - 2024	4,500	0.5000	1,711	-	570	1,141
Subtotal Washington State Loan (Councilmanic)					1,711	-	570	1,141
Total General Obligation Bonds, Loans, & Notes					\$ 169,024	\$ 2,660	\$ 14,495	\$ 157,189

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For the Year Ended December 31, 2022

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-22	ISSUED 2022	REDEEMED D 2022	AMOUNT O/S 12/31/2022
ENTERPRISE REVENUE BONDS, LOANS, & NOTES								
Greater Tacoma Convention Center								
2010 Revenue & Refunding Tac CC & Parking (2004)	11/10/10	2015 - 2024	5,015	3.7656	1,765	-	555	1,210
2015 Revenue & Refunding Tac CC & Parking (2004)	08/14/15	2015 - 2024	20,453	2.3304	6,552	-	2,144	4,408
Subtotal Convention Center					8,317	-	2,699	5,618
Wastewater Utility								
State Revolving Fund Loan #40006A Tmnt Plant Upgrade	09/19/03	2008 - 2028	53,491	1.5000	19,717	-	2,910	16,807
State Revolving Fund Loan #40006B Tmnt Plant Upgrade	09/20/03	2009 - 2028	21,687	2.6000	8,571	-	1,226	7,345
2015 Sewer Revenue & Refunding	03/18/15	2016 - 2045	109,300	3.5358	98,820	-	2,055	96,765
2016A Sewer Revenue & Refunding	06/15/16	2016 - 2038	31,855	2.8277	26,060	-	1,165	24,895
2018 Sewer Revenue Waste I Improvement	11/28/19	2019 - 2048	43,460	3.9387	40,855	-	930	39,925
2018 Sewer Revenue Waste II Improvement	11/28/19	2019 - 2031	6,115	3.0387	6,090	-	495	5,595
State Revolving Fund Loan #0166 Tmnt Plant Upgrade	11/08/21	2021 - 2041	2,627	1.2000	2,555	-	117	2,438
WFLA Loan Tmnt Plant Upgrade	12/01/21	2026 - 2054	15,049	1.2000	15,049	1,323	-	16,372
2022 Sewer Revenue Improvement	04/07/22	2022 - 2051	59,110	3.3515	-	59,110	190	58,920
State Revolving Fund Loan #EL220451	09/30/22		14,611	1.6000	-	10,207	-	10,207
Subtotal Wastewater					217,717	70,640	9,088	279,269
Surface Water Utility								
DOE SFR Loan L-1000007 Plant Upgrade	02/07/06	2011 - 2030	474	2.9000	252	-	25	227
2018 Sewer Revenue Bonds Surface I Improvement	11/28/19	2019 - 2048	26,930	3.9387	25,315	-	575	24,740
2018 Sewer Revenue Bonds Surface II Improvement	11/28/19	2019 - 2031	24,440	3.0387	24,345	-	1,975	22,370
2022 Surface Water Revenue Bonds Capital Improvement	04/07/22	2022 - 2051	27,315	3.5548	-	27,315	295	27,020
Subtotal Surface Water					49,912	27,315	2,870	74,357
Solid Waste Utility								
2015 Solid Waste Revenue Bonds Improvement	03/18/15	2017 - 2025	21,095	2.1375	10,330	-	2,410	7,920
2016A Solid Waste Revenue & Refunding Bonds	06/15/16	2031 - 2036	23,200	3.4260	23,200	-	-	23,200
2016B Solid Waste Revenue & Refunding Bonds	06/15/16	2026 - 2031	15,025	2.9985	15,025	-	-	15,025
Solid Waste Revenue Bonds, 2022	04/07/22	2022 - 2031	13,190	2.1788	-	13,190	730	12,460
Subtotal Solid Waste					48,555	13,190	3,140	58,605
Electric System								
2010B Electric System Rev Bonds (BABS)	07/27/10	2031 - 2035	147,070	3.9071	147,070	-	-	147,070
2010C Electric System Rev Bonds (CREBS)	07/27/10	2027	24,185	1.9235	24,185	-	-	24,185
2013A Electric System Revenue & Refunding Bonds	06/13/13	2014 - 2042	181,610	3.3869	88,655	-	-	88,655
2013B Electric System Revenue Refunding Bonds	06/13/13	2014 - 2030	35,620	3.3427	35,620	-	3,795	31,825
2017 Electric System Revenue Bonds Capital Improvement	09/01/17	2022 - 2046	70,575	3.5702	70,575	-	2,150	68,425
2021 Electric System Revenue Bonds Refunding of Bank Not	09/14/21	2036 - 2051	121,855	2.8590	121,855	-	-	121,855
Subtotal Electric System					487,960	-	5,945	482,015
Water System								
PW-02-691-056 Construction	04/15/02	2004 - 2022	10,000	0.5000	532	-	532	-
PW-04-691-PRE-101 Construction	03/19/04	2006 - 2024	1,000	0.5000	161	-	53	108
2005 Water Sys Ref & Rev Bonds Construction & Refinance	10/11/05	2006 - 2025	46,550	4.6390	5	-	-	5
PW-06-962-043 Construction	07/18/06	2008 - 2026	7,000	0.5000	1,853	-	371	1,482
2009 Water Sys Rev Bonds (Taxable BABS) Capital Imp	11/04/09	2033 - 2039	76,775	3.7780	76,775	-	-	76,775
PC08-951-047 Construction	11/25/09	2010 - 2028	10,000	0.5000	3,821	-	546	3,275
DM07-952-015 Construction	03/31/10	2010 - 2028	4,040	1.5000	1,506	-	215	1,291
PW-DWSRF 09-952-074 Construction	04/09/10	2013 - 2032	6,579	1.0000	4,038	-	367	3,671
2010B Water Sys Rev Bonds (BABS) Construction	08/24/10	2024 - 2040	74,985	5.5636	74,985	-	-	74,985
2010A Water RWSS Revenue Bonds Construction	08/24/10	2013 - 2024	3,595	3.2460	1,030	-	330	700
2010B Water RWSS Revenue Bonds (BABS) Construction	08/24/10	2025 - 2040	44,245	5.5636	44,245	-	-	44,245
PW-DWSRF 10-952-026 Construction	06/17/11	2015 - 2034	6,060	1.5000	3,333	-	303	3,030
PW-DWSRF 11-952-035 Construction	06/30/11	2016 - 2035	6,060	1.5000	1,458	-	122	1,336
PW-DWSRF 11-952-036 Construction	06/30/11	2016 - 2035	6,060	1.5000	4,242	-	303	3,939
PC 12-951-017 Construction	07/01/11	2011 - 2031	10,000	0.5000	5,555	-	556	4,999
PW-DWSRF 12-952-088 Construction	01/22/13	2017 - 2036	12,120	1.5000	8,484	-	606	7,878
2013 Water Sys Rev Ref Bonds (RWSS) Refinance	04/16/13	2013 - 2032	64,795	3.1477	54,030	-	1,985	52,045
2013 Water Sys Rev Ref Bonds Refinance	05/07/13	2013 - 2043	78,305	3.8523	74,355	-	-	74,355
PW-DWSRF 13-952-133 Construction	10/07/13	2019 - 2037	12,120	1.5000	8,484	-	606	7,878
PW-DWSRF 10-952-031 Construction	03/26/14	2015 - 2034	6,060	1.5000	3,959	-	305	3,654
PW-DWSRF 13-952-167 Construction	11/06/14	2015 - 2037	12,120	1.5000	8,484	-	606	7,878
2015A Water Sys Ref Bonds Refinance	05/12/15	2017 - 2025	16,645	1.9926	7,560	-	1,755	5,805
DM15-952-033 Construction	06/01/14	2016 - 2034	12,120	1.5000	8,930	-	638	8,292
2020 Water Refunding Bonds	05/14/20	2020 - 2023	14,467	1.7107	8,668	-	4,548	4,120
Subtotal Water System					406,493	-	14,747	391,746

Notes to the Financial Statements

For the Year Ended December 31, 2022

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-22	ISSUED 2022	REDEEMED D 2022	AMOUNT O/S 12/31/2022
Tacoma Rail								
WA State Rail Loan RR00407 2009 Capital Improvement	08/04/09	2010 - 2024	26	0.0000	5	-	2	3
WA State Rail Loan RR00408 2009 Capital Improvement	08/04/09	2011 - 2025	249	0.0000	66	-	17	49
WA State Rail Loan RRB-1007 Capital Improvement	12/06/11	2013 - 2022	450	0.0000	45	-	45	-
WA State Rail Loan RRB-1010 Capital Improvement	03/28/12	2013 - 2022	612	0.0000	61	-	61	-
WA State Rail Loan RRB-1011 Capital Improvement	03/28/12	2013 - 2022	349	0.0000	35	-	35	-
WA State Rail Loan RRB-1026 Capital Improvement	09/06/12	2014 - 2023	347	0.0000	69	-	35	34
WA State Rail Loan RRB-1030 Capital Improvement	09/06/12	2014 - 2023	364	0.0000	73	-	36	37
WA State Rail Loan RRB-1045 Capital Improvement	08/01/13	2015 - 2024	823	0.0000	185	-	62	123
WA State Rail Loan RRB-1046 Capital Improvement	08/01/13	2015 - 2024	250	0.0000	75	-	25	50
WA State Rail Loan RRB-1052 Capital Improvement	10/24/13	2016 - 2025	366	0.0000	146	-	37	109
WA State Rail Loan RRB-1053 Capital Improvement	10/24/13	2016 - 2025	773	0.0000	310	-	77	233
WA State Rail Loan RRB-1054 Capital Improvement	10/24/13	2016 - 2025	1,015	0.0000	442	-	111	331
WA State Rail Loan RRB-1055 Capital Improvement	10/08/13	2016 - 2025	516	0.0000	206	-	52	154
WA State Rail Loan RRB-1086 Capital Improvement	10/27/15	2016 - 2025	1,037	0.0000	364	-	91	273
WA State Rail Loan RRB-1108 Capital Improvement	07/03/17	2017 - 2026	311	0.0000	156	-	31	125
WA State Rail Loan RRB-1109 Capital Improvement	09/29/16	2017 - 2026	121	0.0000	61	-	12	49
WA State Rail Loan RRB-1110 Capital Improvement	09/08/16	2017 - 2026	406	0.0000	202	-	41	161
WA State Rail Loan RRB-1111 Capital Improvement	01/06/17	2017 - 2026	370	0.0000	185	-	37	148
WA State Rail Loan RRB-1112 Capital Improvement	12/06/16	2017 - 2026	150	0.0000	75	-	15	60
WA State Rail Loan RRB-1225 Capital Improvement	06/30/20	2021 - 2029	233	0.0000	210	-	23	187
WA State Rail Loan RRB-1226 Capital Improvement	12/30/20	2021 - 2029	125	0.0000	360	-	40	320
WA State Rail Loan RRB-1269 Capital Improvement	11/29/22	2022 - 2031	868	0.0000	-	868	89	779
WA State Rail Loan RRB-1275 Capital Improvement	11/29/22	2023 - 2032	318	0.0000	-	210	-	210
WA State Rail Loan RRB-1276 Capital Improvement	11/29/22	2023 - 2032	465	0.0000	-	17	-	17
Subtotal Tacoma Rail					3,331	1,095	974	3,452
Lease Revenue								
1990 Lease Revenue Bonds Construction	03/15/90	1992-2022	36,250	9.3476	1,730	-	1,730	-
1992 Lease Revenue Bonds Construction	12/15/92	1993-2022	4,695	7.4769	205	-	205	-
Subtotal Lease Revenue					1,935	-	1,935	-
Total Revenue Bonds					\$ 1,224,220	\$ 112,240	\$ 41,398	\$ 1,295,062
Total General Obligation & Revenue Bonds					\$ 1,393,244	\$ 114,900	\$ 55,893	\$ 1,452,251
Lease Revenue								
1990 Lease Revenue Bonds Construction	03/15/90	1992-2022	36,250	9.3476	1,730	-	1,730	-
1992 Lease Revenue Bonds Construction	12/15/92	1993-2022	4,695	7.4769	205	-	205	-
Subtotal Lease Revenue					1,935	-	1,935	-
Total Revenue Bonds					\$ 1,224,220	\$ 112,240	\$ 41,398	\$ 1,295,062
Total General Obligation & Revenue Bonds					\$ 1,393,244	\$ 114,900	\$ 55,893	\$ 1,452,251
SPECIAL ASSESSMENT BONDS								
Local Improvement District Bonds								
District #64 Bonds Construction	04/05/16		2,341	3.2500	1,380			1,380
District #65 Bonds Construction	04/29/13	2043	30,999	5.7500	15,075			15,075
District #66 Bonds Construction	12/19/19	2047	4,011	3.1250	3,140		290	2,850
Subtotal LID Bonds/Notes					19,595	-	290	19,305
Bond Anticipation Notes								
Revolving Line of Credit LID Construction	07/01/16	At CLID Issue \$15mm Max		Floating	841			841
Subtotal Bond Anticipation Notes					841	-	-	841
Total Special Assessment Bonds					\$ 20,436	\$ -	\$ 290	\$ 20,146
Wells Fargo Revolving Line of Credit Capital Improvement								
Subtotal Wells Fargo Revolving Line of Credit	10/01/21	10/1/2024 \$150mm Max		0.5000	10,000	70,000		80,000
					10,000	70,000	-	80,000
Local Agent Site Lease, Series 2020C								
Subtotal Local Agent Site Lease	07/21/20	2021 - 2040	12,795	2.1197	12,270		565	11,705
					12,270	-	565	11,705
Total All Bonds, Loans, and Notes					\$ 1,435,950	\$ 184,900	\$ 56,748	\$ 1,564,102

Notes related to debt increases:

1. Ltd. Genl Obl Bonds 2009E Multiple Projects - Additions represent accreted interest capitalized to bond principal.
2. Ltd. Genl Obl Bonds 2009F Cheney & Env Remed - Additions represent accreted interest capitalized to bond principal.
3. PW-DWSRF & DM - Additions for each of these represent an additional draw from available funds.

Required Supplementary Information

LEOFF 1

Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

	Fiscal Years Ended June 30				
	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability(asset) as a percentage	1.03%	1.03%	1.03%	1.05%	1.07%
Employer's proportionate share of net pension liability(asset)	(35,295,141)	(19,497,420)	(20,428,571)	(19,103,856)	(16,163,187)
State's proportionate share of the net pension liability(asset) associated with the employer	(238,735,457)	(131,880,066)	(138,178,348)	(129,218,006)	(109,327,398)
Total	(274,030,598)	(151,377,486)	(158,606,919)	(148,321,862)	(125,490,585)
Covered payroll	-	-	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	187.45%	146.88%	148.78%	144.42%	135.96%
	2016	2015	2014	2013	2012
Employer's proportion of the net pension liability(asset) as a percentage	1.08%	1.09%	-	-	-
Employer's proportionate share of net pension liability(asset)	(11,098,437)	(13,178,851)	-	-	-
State's proportionate share of the net pension liability(asset) associated with the employer	(75,069,549)	(89,141,418)	-	-	-
Total	(86,167,986)	(102,320,269)	-	-	-
Covered payroll	-	-	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	123.74%	127.36%	N/A	N/A	N/A

*Until a full 10-year trend is compiled, only information for those years available is presented.

LEOFF 2

Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

	Fiscal Years Ended June 30				
	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability(asset) as a percentage	2.44%	2.50%	2.38%	2.47%	2.59%
Employer's proportionate share of net pension liability(asset)	(141,804,064)	(51,021,624)	(55,232,023)	(50,235,694)	(35,974,279)
State's proportionate share of the net pension liability (asset) associated with the employer	(91,479,101)	(32,634,464)	(36,169,575)	(32,526,664)	(23,335,843)
Total	(233,283,165)	(83,656,088)	(91,401,598)	(82,762,358)	(59,310,122)
Covered payroll	82,311,046	75,426,288	71,393,403	79,762,242	77,370,718
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-172.28%	-67.64%	-77.36%	-62.98%	-46.50%
Plan fiduciary net position as a percentage the total pension liability	142.00%	115.83%	119.43%	118.50%	113.36%
	2016	2015	2014	2013	2012
Employer's proportion of the net pension liability(asset) as a percentage	2.48%	2.47%	-	-	-
Employer's proportionate share of net pension liability(asset)	(14,416,299)	(25,352,743)	-	-	-
State's proportionate share of the net pension liability (asset) associated with the employer	(9,398,378)	(16,763,253)	-	-	-
Total	(23,814,677)	(42,115,996)	-	-	-
Covered payroll	77,913,215	72,486,494	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-18.50%	-34.98%	-	-	-
Plan fiduciary net position as a percentage the total pension liability	106.04%	111.67%	-	-	-

*Until a full 10-year trend is compiled, only information for those years available is presented.

LEOFF 2

Schedule of the City of Tacoma's Contributions Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2021	2020	2019	2018	2017
Contractually required employer contribution	\$4,982,250	\$4,892,925	\$4,687,724	\$4,448,565	\$4,025,059
Contributions in relation to the contractually required employer contribution	(4,982,250)	(4,892,925)	(4,687,724)	(4,448,565)	(4,025,059)
Employer contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$97,146,418	\$93,760,283	\$90,117,849	\$84,770,897	\$78,198,160
Employer contribution as a percentage of covered payroll	5.13%	5.22%	5.20%	5.25%	5.15%
	2016	2015	2014	2013	2012
Contractually required employer contribution	\$4,026,349	\$3,716,978	-	-	-
Contributions in relation to the contractually required employer contribution	(4,026,349)	(3,716,978)	-	-	-
Employer contribution deficiency (excess)	0	0	-	-	-
Covered payroll	\$79,849,106	\$73,603,497	-	-	-
Employer contribution as a percentage of covered payroll	5.04%	5.05%	-	-	-

*Until a full 10-year trend is compiled, only information for those years available is presented.

Tacoma Employee's Retirement System Fund (TERS)

Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability(asset) as a percentage	91.73%	92.23%	92.40%	92.39%	92.46%
Employer's proportion share of net pension liability(asset)	(146,649,370)	69,360,120	(18,606,284)	117,009,191	(39,323,299)
Covered payroll (1)	261,569,330	252,515,159	246,403,836	233,555,537	223,371,667
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-56.07%	27.47%	-7.55%	50.10%	-17.60%
Plan fiduciary net position as a percentage the total pension liability	107.74%	96.22%	101.08%	92.81%	102.53%
	2016	2015	2014	2013	2012
Employer's proportion of the net pension liability(asset) as a percentage	92.48%	92.63%	92.67%	-	-
Employer's proportion share of net pension liability(asset)	92,880,524	86,584,348	(9,606,514)	-	-
Covered payroll (1)	218,669,028	210,616,602	205,085,611	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	42.48%	41.11%	-4.68%	-	-
Plan fiduciary net position as a percentage the total pension liability	93.91%	93.94%	100.71%	-	-

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This table is intended to show ten years of data. As more information becomes available, this table will be updated.

Tacoma Employee's Retirement System Fund (TERS)

Schedule of the City of Tacoma's Contributions Last 10 Fiscal Years*

Fiscal Year Ended December 31

	2021	2020	2019	2018	2017
Contractually required employer contribution	\$29,661,962	\$28,635,219	\$27,942,195	\$26,414,402	\$24,124,140
Contributions in relation to the contractually required employer contribution	(29,661,962)	(28,635,219)	(27,942,195)	(26,414,402)	(24,124,140)
Employer contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$261,569,330	\$252,515,159	\$246,403,836	\$233,555,537	\$223,371,667

Employer contribution as a percentage of covered payroll	11.34%	11.34%	11.34%	11.31%	10.80%
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	2016	2015	2014	2013	2012
Contractually required employer contribution	\$23,616,255	\$22,746,593	\$22,149,246	-	-
Contributions in relation to the contractually required employer contribution	(23,616,255)	(22,746,593)	(22,149,246)	-	-
Employer contribution deficiency (excess)	0	0	0	-	-
Covered payroll	\$218,669,028	\$210,616,602	\$205,085,611	-	-

Employer contribution as a percentage of covered payroll	10.80%	10.80%	10.80%	-	-
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**The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This table is intended to show ten years of data. As more information becomes available, this table will be updated.*

Firefighters and Police Pension Fund

Schedule of Changes in Total Pension Liability and Related Ratios Last 10 Years* (dollars expressed in thousands)

Firefighters' Pension Fund

Fiscal Year Ended December 31

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	592	701	957	975	1,058
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	3,587	-	(1,871)	-
Effect of assumption changes or inputs	-	1,972	2,624	(1,076)	622
Benefit payments	(2,117)	(2,101)	(1,968)	(1,952)	(2,100)
Net change in total pension liability	(1,525)	4,159	1,613	(3,924)	(420)
Total pension liability, beginning	30,676	26,517	24,904	28,828	29,248
Total pension liability, ending	29,151	30,676	26,517	24,904	28,828
 Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	-	-	-	-	-

	2016	2015	2014	2013	2012
Total Pension Liability					
Service cost	-	-	-	-	-
Interest on total pension liability	-	-	-	-	-
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Benefit payments	-	-	-	-	-
Net change in total pension liability	-	-	-	-	-
Total pension liability, beginning	-	-	-	-	-
Total pension liability, ending	-	-	-	-	-
 Covered payroll	-	-	-	-	-

Firefighters and Police Pension Fund

Schedule of Changes in Total Pension Liability and Related Ratios Last 10 Years* (dollars expressed in thousands)

Police Relief and Pension Fund

Fiscal Year Ended December 31

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	253	371	512	514	573
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(1,005)	-	(667)	-
Effect of assumption changes or inputs	-	785	1,303	(540)	311
Benefit payments	(1,016)	(1,029)	(1,196)	(1,406)	(1,341)
Net change in total pension liability	(763)	(878)	619	(2,098)	(456)
Total pension liability, beginning	13,132	14,010	13,391	15,490	15,946
Total pension liability, ending	12,368	13,132	14,010	13,391	15,490
Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	-	-	-	-	-

	2016	2015	2014	2013	2012
Total Pension Liability					
Service cost	-	-	-	-	-
Interest on total pension liability	-	-	-	-	-
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Benefit payments	-	-	-	-	-
Net change in total pension liability	-	-	-	-	-
Total pension liability, beginning	-	-	-	-	-
Total pension liability, ending	-	-	-	-	-
Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	-	-	-	-	-

*This table is intended to represent 10 years of comparative data. Prior years are not available. As future years become available the table will be updated.

Other Post Employment Benefit Plan (OPEB)
Schedule of Changes in Total OPEB Liability and Related Ratios
Total City
Last 10 Years*
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 3,263	\$ 2,576	\$ 2,338	\$ 3,302	\$ 3,010
Interest on total OPEB liability	4,830	5,662	8,272	7,562	7,866
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	2,729	374	(3,650)	54	-
Effect of assumption changes or inputs	(3,218)	21,022	6,839	(18,945)	9,060
Expected benefit payments	(9,426)	(8,793)	(9,490)	(8,671)	(8,352)
Net change in total OPEB liability	(1,821)	20,841	4,309	(16,698)	11,584
Total OPEB liability, beginning	229,263	208,422	204,113	220,811	209,227
Total OPEB liability, ending	227,442	229,263	208,422	204,113	220,811
 Covered-employee payroll	 \$ 403,783	 \$ 380,095	 \$ 369,912	 \$ 350,507	 \$ 330,788
Total OPEB liability as a % of covered-employee payroll	56.33%	60.32%	56.34%	58.23%	66.75%

	Measurement Period Ended December 31				
	2016	2015	2014	2013	2012
Total OPEB Liability					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
 Covered-employee payroll	 -	 -	 -	 -	 -
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

Other Post Employment Benefit Plan (OPEB)
Schedule of Changes in Total OPEB Liability and Related Ratios
TERS
Last 10 Years*
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 2,013	\$ 1,503	\$ 1,367	-	-
Interest on total OPEB liability	537	535	800	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	1,987	(615)	-	-	-
Effect of assumption changes or inputs	(224)	5,133	(1,009)	-	-
Expected benefit payments	(1,308)	(1,211)	(1,353)	-	-
Net change in total OPEB liability	3,006	5,345	(195)	-	-
Total OPEB liability, beginning	23,976	18,631	18,826	-	-
Total OPEB liability, ending	26,982	23,976	18,631	18,826	-
 Covered-employee payroll	 \$ 285,145	 \$ 273,789	 \$ 266,662	 252,789	 -
Total OPEB liability as a % of covered-employee payroll	9.46%	8.76%	6.99%	7.45	-

	Measurement Period Ended December 31				
	2016	2015	2014	2013	2012
Total OPEB Liability					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
 Covered-employee payroll	 -	 -	 -	 -	 -
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

Other Post Employment Benefit Plan (OPEB)
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
Last 10 Years*
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ -	\$ -	\$ -	-	-
Interest on total OPEB liability	3,881	4,678	6,799	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(2,945)	-	(3,650)	-	-
Effect of assumption changes or inputs	(2,772)	14,429	8,681	-	-
Expected benefit payments	(6,911)	(6,610)	(7,237)	-	-
Net change in total OPEB liability	(8,747)	12,497	4,593	-	-
Total OPEB liability, beginning	186,492	173,996	169,403	-	-
Total OPEB liability, ending	177,745	186,492	173,996	169,403	-
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

	Measurement Period Ended December 31				
	2016	2015	2014	2013	2012
Total OPEB Liability					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

Other Post Employment Benefit Plan (OPEB)
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 2
Last 10 Years*
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 800	\$ 637	\$ 571	-	-
Interest on total OPEB liability	293	301	463	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	3,812	1,506	-	-	-
Effect of assumption changes or inputs	(30)	1,253	(577)	-	-
Expected benefit payments	(1,159)	(881)	(790)	-	-
Net change in total OPEB liability	3,716	2,816	(333)	-	-
Total OPEB liability, beginning	13,596	10,780	11,113	-	-
Total OPEB liability, ending	17,311	13,596	10,780	11,113	-
Covered-employee payroll	\$ 107,293	\$ 94,586	\$ 91,575	\$ 86,516	-
Total OPEB liability as a % of covered-employee payroll	16.13%	14.37%	11.77%	12.85%	-

	Measurement Period Ended December 31				
	2016	2015	2014	2013	2012
Total OPEB Liability					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

Other Post Employment Benefit Plan (OPEB)
Schedule of Changes in Total OPEB Liability and Related Ratios
Rail
Last 10 Years*
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 451	\$ 437	\$ 400	-	-
Interest on total OPEB liability	119	148	210	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(125)	(518)	-	-	-
Effect of assumption changes or inputs	(192)	206	(256)	-	-
Expected benefit payments	(49)	(90)	(109)	-	-
Net change in total OPEB liability	205	183	245	-	-
Total OPEB liability, beginning	5,198	5,015	4,770	-	-
Total OPEB liability, ending	5,404	5,198	5,015	4,770	-
Covered-employee payroll	\$ 11,344	\$ 11,720	\$ 11,675	\$ 11,202	-
Total OPEB liability as a % of covered-employee payroll	47.63%	44.36%	42.96%	42.58%	-

	Measurement Period Ended December 31				
	2016	2015	2014	2013	2012
Total OPEB Liability					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

Notes to Required Supplementary Information (RSI)

Note 1—Budgetary data

A. General budget policies

The biennial budget is adopted by appropriation ordinance of the Tacoma City Council and may be amended by subsequent ordinances. Biennial budgets are legally adopted for all governmental fund types. Any comparisons between budget and actual revenues and expenditures are reported under the GAAP basis. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are administratively allowed, but only City Council has the legal authority to increase or decrease a given funds biennial budget. While not required by law, the City adopts budgets for proprietary funds and some selected trust funds. These budgets are "management budgets" and as such, are not reported in the ACFR.

Although the City is not legally responsible for the Tacoma Community Redevelopment Authority (TCRA), the City has included certain financial information pertaining to TCRA. The City is not required to report the TCRA or the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD)'s budgets and therefore it is excluded from the budget and actual comparisons.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded, is employed as an extension of formal budgetary control for governmental fund types. Encumbrances outstanding at December 31 are reported as restricted, committed, or assigned fund balances as defined by GASB 54. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium with budget's approval.

B. Budget basis of accounting

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

C. The budget process

The budget process begins with the City Council making appropriate revisions to the City's long-term strategic plan, identifying goals, and setting priorities. In early June, the initial revenue forecast is completed by the Office of Management, Budget and Analysis (OMBA) and City departments and agencies begin budget preparation. Budget requests are due to OMBA in late July. OMBA reviews and revises budget requests in August. The revenue forecast is refined in early September and a preliminary budget is presented to the Executive Forum in early October. The preliminary budget is further refined during the month of October.

By Washington State law, the City Council must receive a balanced preliminary budget by November 1st. Public budget hearings are conducted by the City Council in mid-November. Any changes the Council decides to make to the preliminary budget are made after the public hearings and before the reading of the budget ordinance in December. Washington State law requires that the City Council adopt a balanced budget on or before December 31.

Washington State law requires that a mid-biennial review and modification be conducted between September 1 and December 31 of the first year of the biennium. Supplemental budget requests are accepted from departments during the month of August. Revenue estimates for the biennium are reviewed and adjusted in early September. The new revenue estimates and the supplemental requests are submitted to the Budget Committee and the Executive Forum in late September. Preliminary modifications are presented to the City Manager for review and changes in October. Modifications are submitted to the City Council in early November. Public hearings are conducted in November. The City Council adopts the amended biennial budget on or before December 31.

D. Funds presented

Budgetary information is displayed for all funds that are subject to the City's biennial budget process. The General Fund's budgetary information is located in the Required Supplementary Information section on page 4-15. Non-major special revenue funds budgetary information are located in the Combining Statements Non-Major Funds section on pages 5-12 to 5-40.

Note 2 Pensions

Schedule of Changes in the Employer Net Pension Liability or Asset: The total pension liability contained in the schedule was provided by the System's actuary, Milliman. The net pension liability or asset is measured at the total pension liability, less the amount of System's fiduciary net position.

Schedule of Employer Contributions: The required employee contributions and percent of those contributions actually made are presented in the schedule.

Actuarial Assumptions: The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board.

The police and firefighters pension funds are not within the scope of GASB 68 and are not administered through an irrevocable trust. They are required to be reported under the requirements of GASB 73. The assets accumulated for this purpose are recorded in the General Fund.

Note 3 Other Post-Employment Benefits (OPEB)

Schedule of Changes in the Total OPEB Liability and Related Ratios are presented above. The schedule was provided by the actuary. It includes a 10-year schedule of changes in the total OPEB liability as well as the total OPEB liability, covered-employee payroll and the total OPEB liability as a percentage of covered-employee payroll.

There are no assets accumulated in a trust that meets the criteria set forth in paragraph 4 of GASB 75 to pay related benefits. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required. GASB 75 requires the discount rate used to measure the Total OPEB Liability to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate was 2.0% at the December 31, 2021 measurement date.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended December 31, 2022
(amounts expressed in thousands)

	Budget Amounts			
	Original (GAAP Basis) 2021-2022 Biennium	Final Adopted (GAAP Basis) 2021-2022 Biennium	Actual Results 2021-2022 Biennium	Variance
REVENUES:				
Taxes:				
Property	\$ 127,725	\$ 130,033	\$ 130,367	\$ 334
Retail Sales & Use	104,582	122,244	160,732	38,488
Business	107,673	107,192	92,222	(14,970)
Excise	3,365	9,983	4,136	(5,847)
Other	906	737	2,014	1,277
Licenses and Permits	13,068	12,750	5,931	(6,819)
Intergovernmental	22,623	1,077	16,554	15,477
Charges for Services	6,962	5,562	19,147	13,585
Fines and Forfeitures	1,088	1,089	2,340	1,251
Investment Earnings	2,949	4,659	(1,312)	(5,971)
Miscellaneous	-	2,378	1,317	(1,061)
Total Revenues	390,941	397,704	433,448	35,744
EXPENDITURES:				
Current:				
General Government	79,569	84,438	63,270	(21,168)
Public Safety	318,200	324,437	325,020	583
Natural and Economic Environment	11,463	15,904	11,329	(4,575)
Social Service	17,497	15,754	19,250	3,496
Culture and Recreation	31,230	33,010	28,120	(4,890)
Debt Service	-	-	355	355
Capital Outlay	-	-	10,498	10,498
Total Expenditures	457,959	473,543	457,842	(15,701)
Excess (Deficiency) of Revenues OVER EXPENDITURES				
	(67,018)	(75,839)	(24,394)	51,445
OTHER FINANCING SOURCES (USES):				
Sales of Capital Assets	-	4	487	483
Insurance Recoveries	-	27	26	(1)
Capital Lease Revenue	-	-	8,066	8,066
Transfers In	98,960	119,899	112,477	(7,422)
Transfers Out	(50,966)	(71,128)	(80,547)	(9,419)
Total Other Financing Sources and Uses	47,994	48,802	40,509	(8,293)
Net Change in Fund Balances	(19,024)	(27,037)	16,115	43,152
Fund Balances - January 1	19,024	23,336	91,492	68,156
Prior Period Adjustment	-	-	648	648
Fund Balance - January 1, Restated	19,024	23,336	92,140	68,804
Fund Balances -December 31	\$ -	\$ (3,701)	\$ 108,255	\$ 111,956
Perspective Difference Reconciliation				
ACTUAL FUND BALANCE - GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE			108,255	
The following fund were budgeted as general fund or trust fund but do not meet the definition of special revenue fund, or trust and therefore are accounted for within the general fund				
Contingency Fund			773	
Deferred Compensation Fund			6	
Police Pension Fund			(146)	
Firefighter Pension Fund			338	
Payroll Clearing Fund			22	
TOTAL FUND BALANCE - GENERAL FUND				
BALANCE SHEET FOR GOVERNMENTAL FUNDS			\$ 109,248	

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Conservation Northwest)	Partnership Agreements	10.699	21-PA- 11060500-013	2,750	-	2,750	-	
Economic Development Cluster								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	COVID 19 - Economic Adjustment Assistance	11.307	-	-	68,205	68,205	-	
Total Economic Development Cluster:				-	68,205	68,205	-	
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	-	-	420,026	420,026	-	
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	-	-	165,004	165,004	-	
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	COVID 19 - MBDA Business Center	11.805	-	-	281,260	281,260	-	
Total ALN 11.805:				-	866,290	866,290	-	
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	390,384	390,384	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	1,609,616	1,609,616	-	

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	49,126	49,126	49,126	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218		-	379,319	379,319	379,319	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	1,236,332	1,236,332	910,506	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218		-	1,006,534	1,006,534	837,438	
Total CDBG - Entitlement Grants Cluster:				-	4,671,311	4,671,311	2,176,389	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	NA	427,319	-	427,319	427,319	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231		-	32	32	-	

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Emergency Solutions Grant Program	14.231		-	726,017	726,017	542,138	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231		-	824	824	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231		-	69,447	69,447	64,194	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231		-	60,056	60,056	58,003	
			Total ALN 14.231:			856,376	664,335	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	595	595	595	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	101,264	101,264	23,037	

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	22,443	22,443	-	
		Total ALN 14.239:			-	124,302	124,302	23,632
ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Fair Housing Assistance Program State and Local	14.401		-	73,220	73,220	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America?s Resources for Tomorrow)	15.507		-	1,256,941	1,256,941	-	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	NA	11,000	-	11,000	-	
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034		-	87,969	87,969	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	211,115	211,115	-	
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922		-	73,356	73,356	-	

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Department of Justice - Federal Bureau of Investigation	FBI Pacific Northwest Child Exploitation Task Force	16.320		-	802	802	-	
Department of Justice - Federal Bureau of Investigation	FBI Pacific Northwest Child Exploitation Task Force	16.320		-	7,036	7,036	-	
			Total ALN 16.320:	-	7,838	7,838	-	
Department of Justice - Drug Enforcement Administration	Tacoma Regional Task Force	16.U01		-	18,825	18,825	-	
Department of Justice - Drug Enforcement Administration	Tacoma Regional Task Force	16.U01		-	15,460	15,460	-	
			Total ALN 16.U01:	-	34,285	34,285	-	
Department of Justice - Drug Enforcement Administration	Organized Crime Drug Enforcement Task Force	16.U02		-	4,845	4,845	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-1280(039)	168,937	-	168,937	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3200 (008)	2,605,090	-	2,605,090	-	

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3246 (014)	154,020	-	154,020	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3133(007)	217,860	-	217,860	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3011(004)	3,072	-	3,072	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-1280(040)	6,725	-	6,725	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-9927(063)	2,145,443	-	2,145,443	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (526)	64,398	-	64,398	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3133 (009)	200,021	-	200,021	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3278(003)	61,587	-	61,587	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3011(005)	8,880	-	8,880	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3244(007)	77	-	77	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3011 (006)	29,599	-	29,599	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-2946(001)	100,472	-	100,472	-	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1280 (042)	2,332	-	2,332	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3298(004)	23,644	-	23,644	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-1280(041)	5,772	-	5,772	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	NHPP-3224 (002)	12,153	-	12,153	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-000S(595)	190,136	-	190,136	-	
Total Highway Planning and Construction Cluster:				6,000,218	-	6,000,218	-	
Highway Safety Cluster								

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For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	1,946	-	1,946	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	5,038	-	5,038	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	21,477	-	21,477	-	
Total ALN 20.600:				28,461	-	28,461	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2022-AG-4463- Tacoma	42,436	-	42,436	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2022-AG-4302- Tacoma Driver	76,221	-	76,221	-	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2023-AG-4730- Tacoma	42,592	-	42,592	-	
			Total ALN 20.616:	161,249	-	161,249	-	
		Total Highway Safety Cluster:		189,710	-	189,710	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	NA	248	-	248	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023		-	1,263,183	1,263,183	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023		-	389,000	389,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023		-	3,105,254	3,105,254	3,105,254	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023		-	672,123	672,123	-	
			Total ALN 21.023:	-	5,429,560	5,429,560	3,105,254	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	2,382,264	2,382,264	-	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	23,238	23,238	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	823,478	823,478	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	87,410	87,410	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	209,638	209,638	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	237,000	237,000	237,000	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	85,381	85,381	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	136,501	136,501	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	132,347	132,347	-	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	39,244	39,244	39,244	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	55,655	55,655	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	42,253	42,253	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	7,390	7,390	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	141,297	141,297	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	40,118	40,118	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	683,489	683,489	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	5,606	5,606	-	

City of Tacoma
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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	9,393	9,393	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	159,295	159,295	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	347,305	347,305	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	4,297	4,297	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	4,529	4,529	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	315,045	315,045	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	714,499	714,499	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	36,634	36,634	-	

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		Expenditures					Passed through to Subrecipients	Note
		Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	125,173	125,173	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	18,665	18,665	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	998,750	998,750	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	22,654	22,654	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	151,811	151,811	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	148,189	148,189	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	2,434,368	2,434,368	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	27,881	27,881	-	

City of Tacoma
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	Expenditures					Passed through to Subrecipients	Note
	Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	875,000	875,000
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	55,351	55,351
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	300,000	300,000
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	269,490	269,490
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	237,197	237,197
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	48,914	48,914
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	100,000	100,000
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	1,064	1,064

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	2,354	2,354	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	2,420	2,420	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	29,652	29,652	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	18,000	18,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	81,667	81,667	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-54104-085	14,140,511	-	14,140,511	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	231,089	231,089	-	
Total ALN 21.027:				14,140,511	12,902,995	27,043,506	676,244	
Equal Employment Opportunity Commission	Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001		-	6,230	6,230	-	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	UNIVERSAL SERVICE FUND - SCHOOLS and LIBRARIES	32.004	-	-	80,720	80,720	-	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	1,828	1,828	-	
NATIONAL ENDOWMENT FOR THE HUMANITIES, NATIONAL ENDOWMENT FOR THE HUMANITIES (via The Office of the Secretary of State Washington, Washington State Library)	Promotion of the Humanities Public Programs	45.164	NA	10,000	-	10,000	-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via The Office of the Secretary of State Washington, Washington State Library)	Grants to States	45.310	2018-WA-81184	59,850	-	59,850	-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via The Office of the Secretary of State Washington, Washington State Library)	National Leadership Grants	45.312	NA	89,117	-	89,117	-	

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				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL SCIENCE FOUNDATION, NATIONAL SCIENCE FOUNDATION (via The Office of the Secretary of State Washington, Washington State Library)	Computer and Information Science and Engineering	47.070	NA	10,008	-	10,008	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Diesel Emission Reduction Act (DERA) National Grants	66.039	-	-	542,684	542,684	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Water Infrastructure Finance and Innovation (WIFIA)	66.958	-	-	2,416,129	2,416,129	-	3
Department of Energy, Bonneville Power Administration	Bonneville Power Administration -HIGH PERFORMANCE HIGH CAPACITY HEAT PUMP (HPHC HP)	81.U01	-	-	59,487	59,487	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	1H79TI083286- 01	182,375	-	182,375	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	NA	7,438	-	7,438	-	

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		Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
		FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	National Urban Search and Rescue (US&R) Response System	97.025	NA	6,085	-	6,085
		FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	NA	1,244	-	1,244
		FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	NA	30,455	-	30,455
		FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	NA	2,005	-	2,005
		FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	NA	82,903	-	82,903

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				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	NA	9,251	-	9,251	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	NA	10,368	-	10,368	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	NA	16,759	-	16,759	-	
Total ALN 97.042:				152,985	-	152,985	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2017-PU- 00161	80,173	-	80,173	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2017-PU- 00161	5,495	-	5,495	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2017-PU- 00161	9,074	-	9,074	-	

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				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2017-PU- 00161	42,691	-	42,691	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2017-PU- 00161	23,429	-	23,429	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2019-PU- 00512	59,360	-	59,360	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District No 3)	Port Security Grant Program	97.056	EMW-2019-PU- 00512	21,294	-	21,294	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Fire Department)	Port Security Grant Program	97.056	NA	5,300	-	5,300	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Fire Department)	Port Security Grant Program	97.056	NA	2,647	-	2,647	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Fire Department)	Port Security Grant Program	97.056	NA	14,833	-	14,833	-	

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			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
			Total ALN 97.056:	264,296	-	264,296	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	NA	888	-	888	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	NA	12,940	-	12,940	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	NA	8,061	-	8,061	-	
			Total ALN 97.067:	21,889	-	21,889	-	
			Total Federal Awards Expended:	21,575,799	29,775,686	51,351,485	7,073,173	

CITY OF TACOMA, WASHINGTON

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Tacoma's financial statements. Governmental fund financial statements use the modified accrual basis of accounting, and proprietary funds use the accrual basis of accounting.

NOTE 2 – INDIRECT COST RATE

The City of Tacoma has elected not to use the 10% de minimus indirect cost rate allowed under uniform guidance.

NOTE 3 – FEDERAL LOANS

A 2020 revenue bond was placed with the U.S. Environmental Protection Agency in accordance with a Water Infrastructure Finance and Innovation Act loan agreement. A total of \$16,168,722 was reimbursed through the WIFIA loan, with an interest rate of 1.2%, due in yearly installments of \$696,360 from 2026 through 2054. Interest will be accrued until 2025, and the first payment starts in 2026. A total of \$203,675 in interest was accrued in 2021 and 2022.

NOTE 4 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Tacoma's portion, may be more than shown.



City of Tacoma
Finance Department

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Tacoma
January 1, 2022 through December 31, 2022

This schedule presents the corrective action the City is planning to take for findings included in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2022-001	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for reporting and suspension and debarment.
Name, address, and telephone of City contact person: Polly Wainaina, Financial Services Division Manager	
Corrective action the auditee plans to take in response to the finding: <i>The City takes their responsibility for creating internal controls to ensure compliance with federal requirements in the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following actions:</i> <i>Suspension & Debarment</i> <ol style="list-style-type: none"><i>1. Work with the Procurement and Payables division and Legal to update all contract templates to add self-certification language for suspension and debarment.</i> <i>Reporting</i> <ol style="list-style-type: none"><i>1. Provide training to appropriate staff that will be responsible for report submittal, and</i><i>2. Require management review for completeness of report prior to submittal.</i>	
Anticipated date to complete the corrective action: Anticipated date to complete corrective action plan is by June of 2024.	

Finding ref number: 2022-002	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal reporting requirements.
Name, address, and telephone of City contact person: Polly Wainaina, Financial Services Division Manager	
Corrective action the auditee plans to take in response to the finding: <i>The City will clarify roles and responsibilities for the departments that have a role in federal reporting requirements. The City will also establish internal controls and ensure staff have a clear understanding the reporting requirements.</i>	
Anticipated date to complete the corrective action: Anticipated date to complete corrective action plan is by June of 2024.	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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