

WASTEWATER AND STORMWATER MANAGEMENT

2024

ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended **December 31, 2024**
Prepared by the Finance Department

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City of Tacoma, Washington
Environmental Services Department

Wastewater and Stormwater Management

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Financial Data

Report of Independent Auditors

Honorable Mayor and City Council
City of Tacoma, Environmental Services Department,
Wastewater and Stormwater Management
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Tacoma, Environmental Services Department, Wastewater and Stormwater Management (the Division), which comprise the statements of net position as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Tacoma, Environmental Services Department, Wastewater and Stormwater Management as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (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 Division 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 opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 the 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.

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 opinion. 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- 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 Division'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.

We are required to 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 accompanying management's discussion and analysis, Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Proportionate Share of the Collective OPEB Liability Last 10 Years (the required supplementary information), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the table of contents. The other information comprises the supplemental information (unaudited) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2025, on our consideration of the Division'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 solely 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 Division'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 Division's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Tacoma, Washington
May 27, 2025

Management Discussion and Analysis

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Management's Discussion and Analysis
December 31, 2024 and 2023

Introduction

The following management discussion and analysis of City of Tacoma Wastewater and Stormwater Management Division's financial performance provides an overview of the financial activities for the years ended December 31, 2024, 2023 and 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the financial activities, and identify changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and the accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, applied on a consistent basis, and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2024 and 2023, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of City of Tacoma Wastewater and Stormwater Management Division's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of the Division's presentation of financial position, results of operations and changes in cash flows.

Financial Highlights

- Total net position is \$590.7 million at December 31, 2024 compared to \$558.5 million at December 31, 2023, as restated, and \$524.8 million at December 31, 2022.
- Operating revenues were \$146.6 million in 2024 compared to \$136.3 million in 2023 as restated, and \$129.5 million in 2022.
- Cash and equity in pooled investments was \$236.9 million at December 31, 2024 compared to \$228.7 million at December 31, 2023 and \$225.6 million in 2022.

Financial Analysis – Condensed Statements of Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following condensed statement of net position provides a comparison of net position for the last three years.

	2024	December 31, 2023 (As Restated)	2022
Current, restricted, and other assets	\$ 262,999,877	\$ 257,101,642	\$ 266,682,044
Net capital assets	739,926,438	724,467,276	707,656,619
Total assets	1,002,926,315	981,568,918	974,338,663
Deferred outflows of resources	19,383,906	21,741,268	12,906,433
Total assets and deferred outflows of resources	<u>\$ 1,022,310,221</u>	<u>\$ 1,003,310,186</u>	<u>\$ 987,245,096</u>
Non-current liabilities	\$ 374,178,492	\$ 389,528,546	\$ 386,449,318
Current liabilities	27,585,908	25,120,374	28,376,841
Total liabilities	401,764,400	414,648,920	414,826,159
Deferred inflows of resources	29,834,600	30,152,740	47,594,189
Total liabilities and deferred inflows of resources	<u>431,599,000</u>	<u>444,801,660</u>	<u>462,420,348</u>
Net position:			
Net investment in capital assets	397,987,711	390,353,321	390,966,243
Restricted	-	4,672,034	19,771,421
Unrestricted	192,723,510	163,483,171	114,087,084
Total net position	<u>590,711,221</u>	<u>558,508,526</u>	<u>524,824,748</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,022,310,221</u>	<u>\$ 1,003,310,186</u>	<u>\$ 987,245,096</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$590.7 million in 2024, compared to \$558.5 million in 2023, as restated, and \$524.8 million in 2022. The Division's net position increased by \$32.2 million in 2024, compared to an increase of \$33.7 million in 2023, as restated, and an increase of \$22.0 million in 2022. The largest component of net position reflects the Division's net investment in capital assets (e.g., land, buildings, machinery, and equipment).

The net investment in capital assets component of net position was \$398.0 million in 2024, compared to \$390.4 million in 2023, and \$391.0 million in 2022. The Division uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Division's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The restricted portion of the Division's net position is zero in 2024 compared to \$4.7 million in 2023, and \$19.8 million in 2022 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$192.7 million for 2024, \$163.5 million for 2023, as restated, and \$114.1 million in 2022 was unrestricted.

Current, restricted, and other assets balance was \$263.0 million in 2024, \$257.1 million in 2023, and \$266.7 million in 2022. The increase in 2024 was \$5.9 million compared to the decrease of \$9.6 million in 2023, as restated. The increase in 2024 was mainly due to \$9.5 million increase in cash and equity pooled investment. This increase was offset with the decrease of \$3.6 million in due from other governments.

Non-current liabilities were \$374.2 million in 2024, \$389.5 million in 2023, as restated, and \$386.4 million in 2022. The decrease in 2024 was \$15.3 million, compared to the increase of \$3.1 million in 2023, as restated. The decrease in 2024 was mainly due to the decrease of \$14.2 million in long-term revenue bonds, Capital Certificate of Participation (COP) loan and State Revolving Fund (SRF) loans due to scheduled debt payments.

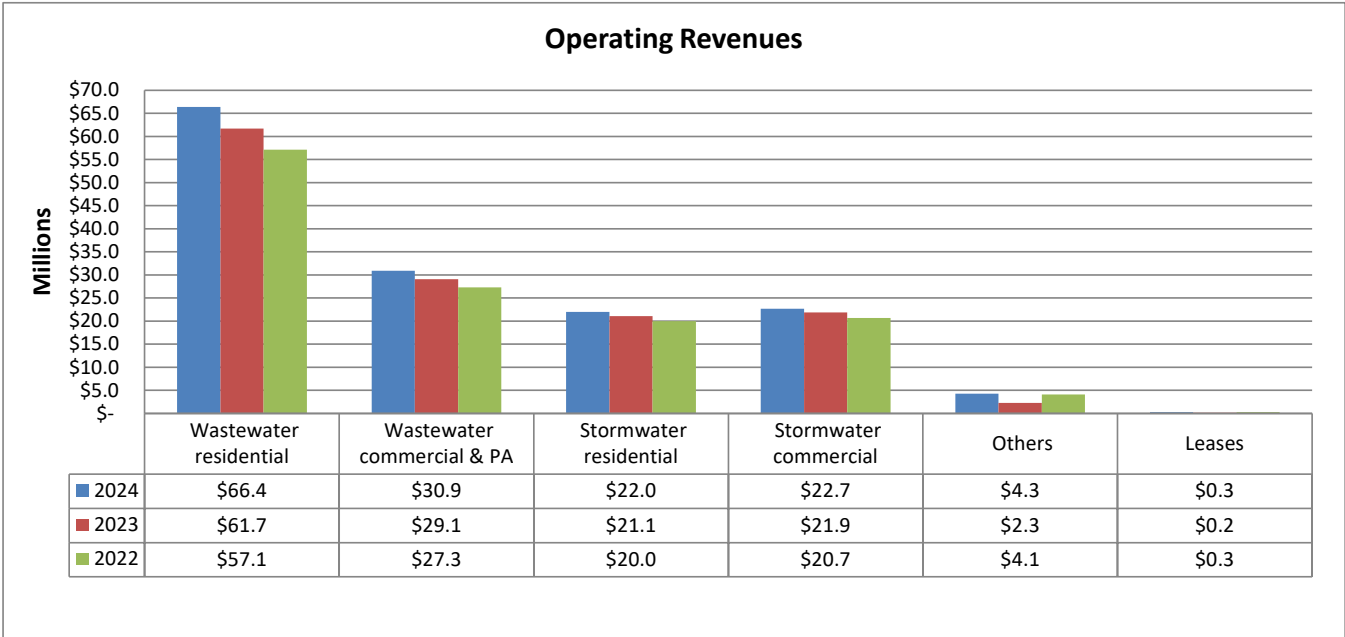
Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	2024	December 31, 2023 (As Restated)	2022
Operating revenues	\$ 146,596,388	\$ 136,332,023	\$ 129,485,579
Operating expenses ^(*)	126,239,659	119,397,177	99,831,884
Net operating income	20,356,729	16,934,846	29,653,695
Nonoperating expenses	4,512,912	533,850	(16,645,943)
Increase in net position before transfers	24,869,641	17,468,696	13,007,752
Capital contributions	6,912,786	17,398,242	7,901,980
Transfers ^(*)	420,268	(1,183,160)	1,087,852
Increase in net position	32,202,695	33,683,778	21,997,584
Net position - Beginning of year	558,508,526	524,824,748	502,827,164
Net position - Ending	\$ 590,711,221	\$ 558,508,526	\$ 524,824,748

^(*) Gross Earnings Tax was reclassified from Transfers to Support services under Operating Expenses as of 2022 going forward.

Operating revenues

The following graph provides a comparison of operating revenues for the three years.



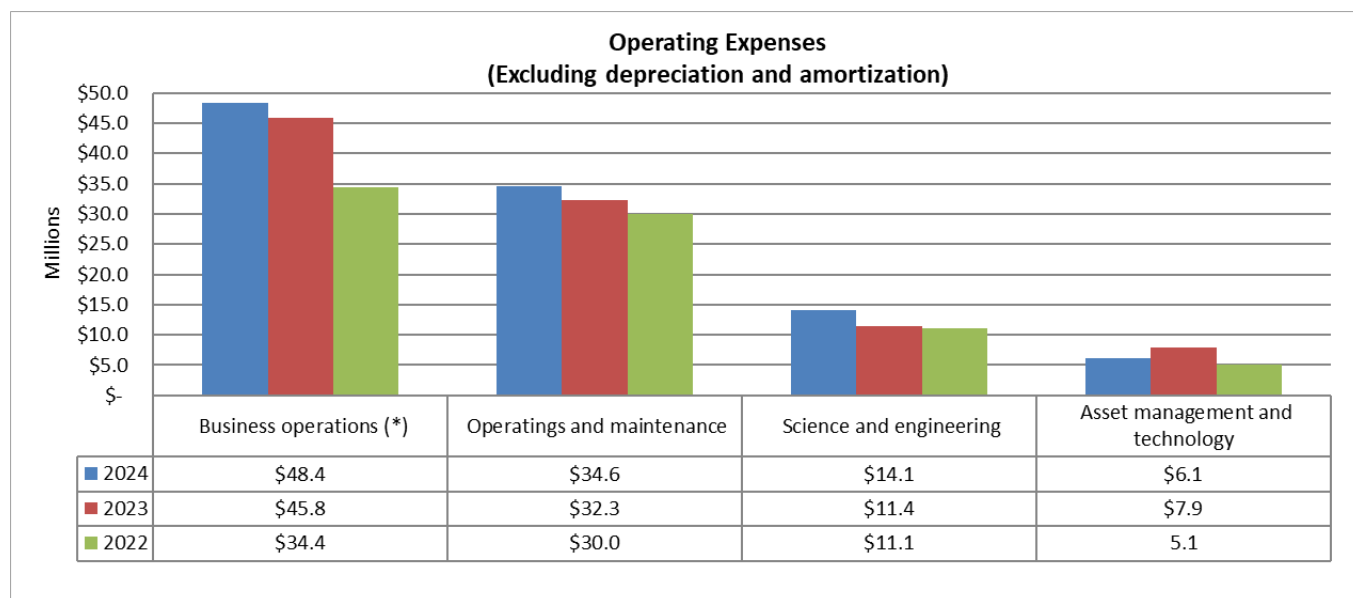
Operating revenues were \$146.6 million in 2024 compared to \$136.3 million in 2023, and \$129.5 million in 2022. The approved average rate increases for Wastewater were 8.0% for 2024 and 2023, and 2.0% for 2022. The approved average rate increases for Stormwater were 6.0% for 2024 and 2023, and 2.0% for 2022. The rate increases went into effect January 1st of each year.

Wastewater residential revenues increased \$4.6 million or 7.5% in 2024 compared to \$4.6 million or 8.1% in 2023 and Wastewater commercial and public authority (PA) revenues increased \$1.8 million or 6.1% in 2024 compared to \$1.8 million or 6.7% in 2023. The 2024 increases were due in part to a rate increase and increased consumption. Stormwater residential increased \$905,000 or 4.3% compared to \$1.1 million or 5.3% in 2023. Stormwater commercial increased by \$826,000 or 3.8% compared to \$1.2 million or 5.8% in 2023. The 2024 increase was due in part to increases in rates and consumption. Other revenues increased \$2.0 million or 89.0% compared to the decrease of \$1.8 million or 43.7% in 2023. The 2024 increase is mainly due to increased revenues from Biogas and Renewable Identification Number (RIN) credit. Lease revenues were \$290,000 in 2024, a \$62,000 increase from \$228,000 in 2023.

Operating expenses

The graph below shows operating expenses for each of the operating groups excluding depreciation and amortization expense and other.

In 2024, the Division was structured with four operating units compared to three operating units in 2023 and 2022. Asset management and technology is a new unit and is no longer a part of the Science and engineering unit.



(*) Gross Earnings Tax was reclassified from Transfers to Business operations under Operating Expenses.

2024 Activity

Operating expenses were \$126.2 million in 2024, and \$119.4 million in 2023, as restated, an increase of \$6.8 million.

- Business operation expenses increased \$2.6 million. The significant events were:
 - Interlocal Governmental Service increased \$691,000 due to increased costs to Pierce County for wastewater treatment charges.
 - Gross earnings tax increased \$988,000, which was \$12.4 million in 2024 and \$11.4 million in 2023.
 - Administrative and General (A&G) credit allocated to capital projects increased \$293,000 due in part to more spending on capital projects.
 - Assessment increased \$731,000 due to the assessment from other departments, including Customer Service, Information Technology (IT).
 - The remaining difference of \$483,000 is related to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$2.3 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$1.1 million.
 - Chemical and gas increased \$465,000 due in part to increased purchases for Dissolved Air Flotation Thickening (DAFT) Dry Polymer and Dewatering Polymer for Central Treatment Plant Operations.
 - Vehicle expenses increased \$278,000 due to replaced vehicles maintained through Fleet.
 - The remaining difference of \$457,000 is related to multiple small changes in other expenses.

- Science and engineering expenses increased \$2.7 million. The significant events were:
 - Labor expense including all payroll associated costs decreased \$59,000.
 - Environmental liability adjustment increased \$2.2 million primarily due to accruals for two slope cap repair projects for the Foss Waterway in 2025.
 - Repair and maintenance services increased \$320,000 due to the increase of management and maintenance services by Kidder Mathews for the Center for Urban Waters building.
 - The remaining difference of \$239,000 is related to multiple small changes in other expenses.
- Asset management and technology expenses decreased \$1.7 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$432,000.
 - External contract service decreased \$502,000 due in part to the completion of the St. Paul Berm Repair project for the Foss Waterway and Marine View Dr. Swale maintenance projects.
 - Professional service decreased \$1.2 million due in part to the completion of the St. Paul Berm Repair project for the Foss Waterway in 2023 and decreased service from Carollo Engineers Inc. for the Western Slopes and CTP Wastewater Model project.
 - The remaining difference of \$488,000 was due to multiple small changes in other expenses.

2023 Activity

Operating expenses were \$119.4 million in 2023, as restated, and \$99.8 million in 2022, an increase of \$19.6 million.

- Business operation expenses increased \$11.4 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$2.2 million. Of this increase, \$1.7 million was related to entries for pension expenses. The remaining difference of \$578,000 was related to multiple small changes in all other payroll related costs.
 - Compensated absences expense increased by \$511,466 due to the implementation of GASB No. 101 *Compensated absences*. 2023 ending net position, compensated absences expense and liabilities were restated for the year ended 2023. Additional information can be found in Note 3 of the financial statements.
 - Bad debts increased \$1.0 million due to higher outstanding balances in aged accounts receivable.
 - Administrative and General (A&G) credit allocated to capital projects decreased \$2.5 million due in part to less spending on capital projects.
 - Assessment increased \$3.9 million. \$1.7 million of the increase was due to the assessment from other departments, including Customer Service, IT. \$2.2 million of the increase is because the division no longer charges out the cost for biosolids disposal costs from Business operation expenses to Operation and maintenance expenses which leaves this cost in this expense category.
 - Gross earnings tax increased \$676,000, which was \$11.4 million in 2023 and \$10.7 million in 2022.
 - The remaining difference of \$613,000 million is related to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$2.3 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$3.4 million. Of this increase, \$3.2 million was related to entries for pension expenses. The remaining difference of \$210,000 was related to multiple small changes in all other payroll related costs.
 - External contract increased \$490,000 due in part to increases in repair and maintenance costs for Plant 1, transmission, and biogas facility.
 - Assessment decreased \$2.2 million because there was no charge out for biosolids disposal costs as discussed under Business operation expense section.
 - Fleet charges increased \$167,000.
 - The remaining difference of \$433,000 is related to multiple small changes in other expenses.

- Science and engineering expenses increased \$425,000. The significant events were:
 - Labor expense including all payroll associated costs increased \$2.0 million. Of this increase, \$2.1 million was related to entries for pension expenses. The remaining difference of \$100,000 was related to multiple small changes in all other payroll related costs.
 - Environmental liability adjustment decreased \$1.3 million primarily due to the completion of the St. Paul Berm Repair project for the Foss Waterway in 2023.
 - The remaining difference of \$275,000 is related to multiple small changes in other expenses.
- Asset management and technology expenses increased \$2.7 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$1.2 million. Of this increase, \$579,000 was related to entries for pension expenses. The remaining difference of \$100,000 was related to multiple small changes in all other payroll related costs.
 - Professional service increased \$834,000 due in part to increased spending on the St. Paul Berm Repair project for the Foss Waterway and equipment for the sewer flow monitoring network.
 - The remaining difference of \$666,000 was due to multiple small changes in other expenses.

Nonoperating revenues (expenses)

2024 Activity

Net nonoperating revenues were \$4.5 million in 2024 compared to \$534,000 in 2023 as restated, an increase of \$4.0 million. The significant events were:

- Interest income increased \$2.7 million primarily due to higher cash balance and higher interest rate in City pooled investments in 2024.
- Unrealized net gain on fair value investment was \$1.1 million in 2024, a decrease of \$2.8 million from an unrealized gain of \$4.0 million in 2023 due to lower market value of investments as of December 31, 2024.
- Other nonoperating revenues including rental, legal settlement, and operating grants increased \$3.6 million mainly due to the legal settlement of \$5.1 million from Pacific Corp. for the Monsanto case.
- Other nonoperating expenses decreased \$419,000 mainly due to \$411,000 less expenses to assist utility accounts receivable in 2024 compared to 2023. In 2024, the Division received \$81,000 in federal funds passing through from Neighborhood and Community Services (NCS) as part of the Family Clean Energy Program. The funding was applied to utility accounts receivable at a credit of \$200 per customer that applied and met the requirements for the funding. In 2023, the Division received \$492,000 in federal funding as discussed in 2023 section below.

2023 Activity

Net nonoperating revenues were \$534,000, as restated, in 2023 compared to expenses of \$16.6 million in 2022, an increase of \$17.1 million. The significant events were:

- Interest income increased \$3.9 million primarily due to higher cash balance and higher interest rate in City pooled investments in 2023.
- Unrealized net gain on fair value investment was \$4.0 million in 2023, an increase of \$10.1 million from an unrealized loss of \$6.1 million in 2022 due to higher market value of investments as of December 31, 2023.
- Other nonoperating revenues including rental, legal settlement, and operating grants increased \$1.0 million mainly due to grants received from the Washington Department of Ecology (DOE) and Department of Natural Resources for various operating projects and a legal settlement of \$404,000.
- Other nonoperating expenses decreased \$2.1 million mainly due to \$492,000 expenses to assist overdue utility accounts receivable in 2023 compared to \$2.6 million in 2022. The Division received \$492,000 in federal pass through funding from Neighborhood and Community Services (NCS) as part of the corona virus state fiscal recovery fund federal appropriation programs. The funding was applied to overdue utility accounts receivable for customers impacted by COVID-19.

Contributions and transfers

2024 Activity

Capital contributions and Grants decreased \$10.5 million mainly due to a \$6.0 million decrease in the donated capital assets and \$4.6 million decrease in direct grants from Washington Department Ecology for the Madison and Larchmont projects. Transfer in from other funds increased \$1.7 million mainly due to the transfers from Public Works for the Larchmont Partnership project.

2023 Activity

Capital contributions and Grants increased \$9.5 million mainly due to increased direct grants from Washington Department Ecology for the Madison and Larchmont projects. Transfer in from other funds decreased \$2.1 million mainly due to decreased federal funds from NCS as discussed in the Nonoperating revenues (expenses) section.

Capital Assets

Net capital assets increased \$15.5 million in 2024 compared to \$16.8 million in 2023 (See Note 5).

2024 Activity

Net capital assets increased \$15.5 million over the prior year. Buildings increased \$4.2 million mainly due to \$1.1 million for Central Treatment Plants (CTP) Outfall Cathodic Improvement project and \$2.3 million for Roof Replacement project. Machinery and equipment increased \$1.4 million mainly due to the Freightliner Vector Trucks. Transmission lines and other improvements increased \$19.2 million: 3,169 feet of donated lines were recorded for \$2.5 million, 25,714 feet of old lines were retired at the historical cost of \$99,000. 24,576 feet of new replacement lines and extended sewer lines were recorded for \$16.6 million. Land and easements increased \$439,000. Accumulated depreciation and amortization increased \$21.0 million and construction in progress increased \$11.2 million. Right-to-use lease and subscription assets had no change in 2024 from 2023 in the amount of \$543,000.

2023 Activity

Net capital assets increased \$16.8 million over the prior year. Machinery and equipment increased \$2.5 million mainly due to assets created for the Central Treatment Plant Secondary Clarifier #5 project. Transmission lines and other improvements increased \$37.0 million: 10,187 feet of donated lines were recorded for \$8.7 million, 30,668 feet of old lines were retired at the historical cost of \$118,000, 72,448 feet of new replacement lines and extended sewer lines were recorded for \$28.4 million. All other assets (land and easements, buildings, and computer software) increased \$920,000. Accumulated depreciation increased \$19.6 million and construction in progress decreased \$4.2 million. Right-to-use lease and subscription assets increased \$276,000 including \$88,000 from lease additions and \$188,000 from subscription additions. Further information can be found in Note 5 and Note 6.

Debt Administration

At December 31, 2024, the Division had \$365.9 million outstanding in long-term debt: \$42.7 million of this is junior lien debt consisting of State Revolving Fund (SRF) loans and Certificate of Participation (COP) loan. The remaining balance is senior parity bonds debt. This compares to \$379.0 million in 2023 and \$388.0 million in 2022.

In 2023, the Division received the final disbursement of \$2,685,453 from the WIFIA loan related to the construction of the Central Wastewater Treatment Plant electrical distribution replacement project, and the final disbursement of \$904,860 from State Revolving Fund Loan 2022 DOE EL220451 as a reimbursement for a portion of costs related to the construction of the Central Treatment Plant Electrical Distribution System Replacement projects. In addition, the Division received \$1,632,132 from State Revolving Fund Loans for the Larchmont and Madison District projects. A total of \$275,657 accrued interest was recorded in 2023 which brings the total loan additions in 2023 to \$5,498,102.

In December 2024, the Division received \$977,079 from State Revolving Fund (SRF) Loan DOE EL190413 for the Madison District Green Infrastructure project and \$565,536 from SRF 2020 DOE EL200385 for the Larchmont Permeable Neighborhood project. A total of \$245,838 accrued interest was recorded in 2024 which brings the total loan additions in 2024 to \$1,788,453.

The rating agencies maintained the Division's underlying credit ratings on parity bonds of Aa2, AA+, and AA+ from Moody's, Standard & Poor's, and Fitch, respectively.

Additional information on the Division's long-term debt can be found in Note 7 of the financial statements.

Debt Service Coverage

The bonds coverage ratio is calculated by dividing net revenue by debt service as defined by bonds covenants. The SRF loans are junior lien debt and excluded from the debt service in the bonds coverage ratio calculation.

The Division is required by its bond covenants to maintain a debt service coverage ratio of 1.3. The debt service coverage ratio is 3.26 at the end of 2024. This compares to a ratio of 3.00 in 2023, as restated, and 3.02 in 2022.

Future Outlook for 2025 and 2026 Rates

The approved average rate increases in both 2025 and 2026 are 7% for Wastewater and 8% for Stormwater. The guiding strategy for these rate adjustments is to maintain the lowest responsible cost increase for customers while maintaining long-term financial sustainability of the utilities. The proposed rate increases are driven by the impacts of higher than normal inflation in recent years especially when it comes to construction costs. The Division included in the proposed revenue plan an increase in financial assistance for income-qualifying residential customers as continue to expand the number of customers enrolled in our assistance programs.

Summary

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray the City of Tacoma Wastewater and Stormwater Management's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information. The financial statements have been independently audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative and accounting processes. These controls provide reasonable assurance that records and reports are complete and accurate, that assets are used appropriately and that business transactions are carried out as authorized.

Request for Information

The Wastewater and Stormwater Management Division's (the Division) financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. For questions concerning any of the information provided in this report or requests for additional financial information, please contact the City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

Financial Statements

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Net Position

	As of December 31,	
	2024	2023
ASSETS		
Current assets:		
Cash and equity in pooled investments	\$ 222,168,618	\$ 188,550,221
Accounts receivable, net	10,027,485	8,663,036
Unbilled revenues	7,286,068	8,147,787
Conservation loan fund receivables	448,037	318,163
Current lease receivables	268,321	231,680
Due from other governments	254,490	3,861,086
Inventory	3,408,044	2,791,556
Prepayments	570,654	454,701
Restricted cash and equity in pooled investments:		
Debt service funds	1,732,460	1,732,554
Construction funds	12,981,283	33,763,766
Total restricted cash and equity in pooled investments	14,713,743	35,496,320
Total current assets	259,145,460	248,514,550
Non-current assets:		
Restricted cash and equity in pooled investments:		
Debt reserves	-	4,672,034
Conservation loan fund receivables	586,134	413,628
Long-term lease receivable	3,268,283	3,501,430
Capital assets:		
Land and easements	25,930,523	25,491,992
Buildings	244,772,576	240,616,249
Machinery and equipment	221,124,181	219,709,199
Transmission lines and other improvements	602,124,075	582,911,447
Computer software	10,497,179	10,497,173
Less: accumulated depreciation	(391,736,828)	(370,875,879)
Right to use lease and subscription assets	543,116	543,116
Less: accumulated amortization	(369,545)	(241,836)
Construction work in progress	27,041,161	15,815,815
Total capital assets, net	739,926,438	724,467,276
Total non-current assets	743,780,855	733,054,368
TOTAL ASSETS	1,002,926,315	981,568,918
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - loss on refunding bonds	2,602,615	2,807,971
Deferred outflows - OPEB	785,983	1,171,295
Deferred outflows - pensions	15,995,308	17,762,002
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,383,906	21,741,268
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,022,310,221	\$ 1,003,310,186

The accompanying notes are an integral part of the financial statements.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Net Position

	As of December 31,	
	2024	2023 (As Restated)
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 5,850,520	\$ 5,315,591
Accrued wages payable and compensated absences payable	2,662,478	2,004,913
Accrued taxes payable	182,035	180,750
Due to other governments	870,000	840,000
Accrued environmental liability	1,267,000	590,000
Accrued State loan interest payable	153,093	175,301
Current portion of Capital COP loan	580,000	575,000
Current portion of State Revolving Fund loan	5,133,907	4,730,327
Current portion of revenue bonds payable	8,098,749	7,750,416
Current portion of pension withdrawal liability	311,960	311,960
Unearned revenues	608,377	726,667
Current lease and subscription liability	73,643	97,800
Current OPEB liability	61,685	89,095
Current liabilities payable from restricted assets:		
Current portion of revenue bonds payable	736,251	704,584
Accrued revenue bonds interest payable	996,210	1,027,970
Total current liabilities	<u>27,585,908</u>	<u>25,120,374</u>
Non-current liabilities:		
Long-term debt - revenue bonds, net	294,885,475	304,910,776
Long-term debt - Capital COP loan	9,980,000	10,560,000
Long-term State Revolving Fund loan	26,972,435	30,549,634
Long-term WIFIA loan	19,486,079	19,254,334
Long-term accrued compensated absences	3,482,226	3,412,355
Long-term accrued environmental liability	799,500	736,000
Long-term lease and subscription liability	54,145	127,274
Pension liability	12,906,090	13,761,228
OPEB liability	2,500,047	3,104,450
Pension withdrawal liability	3,112,495	3,112,495
Total noncurrent liabilities	<u>374,178,492</u>	<u>389,528,546</u>
TOTAL LIABILITIES	<u>401,764,400</u>	<u>414,648,920</u>
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	25,000,000	25,000,000
Deferred inflows - OPEB	1,307,745	1,256,238
Deferred inflows - pensions	192,502	325,782
Deferred inflows - leases	3,334,353	3,570,720
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,834,600</u>	<u>30,152,740</u>
NET POSITION		
Net investment in capital assets	397,987,711	390,353,321
Restricted for:		
Bond reserves	-	4,672,034
Unrestricted	192,723,510	163,483,171
TOTAL NET POSITION	<u>590,711,221</u>	<u>558,508,526</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,022,310,221</u>	<u>\$ 1,003,310,186</u>

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Revenues, Expenses and Changes in Net Position

	December Year-to-Date	
	2024	2023 (As Restated)
OPERATING REVENUES		
Wastewater residential	\$ 66,402,599	\$ 61,758,570
Wastewater commercial and public authorities	30,893,949	29,109,004
Stormwater residential	21,967,847	21,062,586
Stormwater commercial	22,704,320	21,878,308
Other revenues	4,337,739	2,295,541
Lease revenues	289,934	228,014
Total operating revenues	146,596,388	136,332,023
OPERATING EXPENSES		
Business operations	48,387,241	45,778,958
Operations and maintenance	34,616,935	32,304,908
Science and engineering	14,115,431	11,450,735
Asset management and technology	6,136,559	7,882,569
Depreciation and amortization	22,983,493	21,980,007
Total operating expenses	126,239,659	119,397,177
Net operating income	20,356,729	16,934,846
NONOPERATING REVENUES (EXPENSES)		
Interest income/(loss)	9,428,277	6,691,930
Unrealized net gain(loss) on fair value investment	1,144,614	3,965,320
Interest expenses and other related costs	(13,305,086)	(13,710,195)
Interest income on lease activities	84,050	87,349
Interest Expense on Lease and Subscription Activities		-
Amortization of bond premium and gain/loss on refunding	984,944	987,576
Other nonoperating revenues	6,547,847	2,964,410
Other nonoperating expenses	(87,389)	(502,195)
Gain or (loss) on sale/disposal of capital assets	(284,345)	49,655
Total nonoperating revenues (expenses)	4,512,912	533,850
Net income before contributions and transfers	24,869,641	17,468,696
Capital contributions and grants	6,912,786	17,398,242
Transfer in from other funds	2,226,355	491,840
Transfer out to other funds	(1,806,087)	(1,675,000)
Total contributions and transfers	7,333,054	16,215,082
CHANGE IN NET POSITION	32,202,695	33,683,778
NET POSITION - JANUARY 1	558,508,526	524,824,748
NET POSITION - DECEMBER 31	\$ 590,711,221	\$ 558,508,526

The accompanying notes are an integral part of the financial statements.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Cash Flows

	Year Ended December 31,	
	2023	
	2024	(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 144,958,728	\$ 135,957,906
Payments to suppliers	(43,639,932)	(45,993,938)
Payments to employees	(42,327,380)	(39,957,572)
Payments for taxes	(14,979,539)	(13,713,828)
Other revenues/(expenses)	5,777,296	1,559,074
Net cash from operating activities	49,789,173	37,851,642
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	81,132	491,840
Transfer out to other funds	(1,806,087)	(1,675,000)
Operating grants received	846,808	1,325,926
Principal paid on noncapital debt	(119,625)	(117,450)
Interest paid on noncapital debt	(331,225)	(334,749)
Contributions and donations	30,000	3,902
Net cash from noncapital financing activities	(1,298,997)	(305,531)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	2,145,223	-
Acquisition and construction of capital assets	(35,900,348)	(30,090,201)
Principal and Interest payments on leases and subscription	(101,657)	(116,157)
Principal payments on capital debt	(13,640,702)	(13,105,425)
Interest and issuance costs paid on capital debt	(12,781,990)	(13,090,302)
Proceeds from debt borrowing	1,542,615	5,222,445
Contributions and donations	7,739,324	5,725,150
Cash proceeds from sale of capital assets	98,254	338,930
Insurance recoveries	-	476
Net cash from capital financing activities	(50,899,281)	(45,115,084)
CASH FLOWS FROM INVESTING ACTIVITIES ^a :		
Investment income/(loss)	10,572,891	10,657,250
Net cash from investing activities	10,572,891	10,657,250
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	8,163,786	3,088,277
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	228,718,575	225,630,298
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 236,882,361	\$ 228,718,575

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long term-term investments. Information on the increases and decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of the financial statements.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Cash Flows

	Year Ended December 31,	
	2024	2023 (As Restated)
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 20,356,729	\$ 16,934,846
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	22,983,493	21,980,007
Other revenues/(expenses)	5,777,296	1,559,074
Lease revenue net	(289,934)	(228,014)
Expense capital project costs	-	79,310
Pension expense (credits)	778,276	2,454,945
Net OPEB expense (credits)	(194,994)	(114,841)
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(1,364,451)	319,224
Accrued unbilled revenue	861,719	(351,000)
Inventory	(616,488)	(203,409)
Prepayments	(115,953)	(140,995)
Accounts payable	534,929	(3,135,329)
Conservation loan fund receivables	(302,380)	(86,021)
Accrued wages and compensated absences payable	657,565	448,976
Accrued taxes payable	1,285	(20,708)
Deposit in lieu of bonds	-	(4,200)
Due to other governments	30,000	30,000
Accrued environmental liability	677,000	(1,190,679)
Unearned revenues	(118,290)	9,945
Pension withdrawal Liability	-	(389,949)
Long-term accrued environmental liability	63,500	(165,000)
Long-term compensated absences payable	69,871	65,460
Total adjustments	29,432,444	20,916,796
NET CASH FROM OPERATING ACTIVITIES	\$ 49,789,173	\$ 37,851,642
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated capital assets	\$ 2,924,909	\$ 8,734,353
Interest expense accrued as debt principal	245,838	275,657
Unrealized net gain(loss) on fair value investment	1,144,614	3,965,320
Additions in right to use lease assets	-	69,428
Additions in right to use subscription assets	\$ -	\$ 56,690

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management

Notes to Financial Statements
Years Ended December 31, 2024 and 2023

NOTE 1 OPERATIONS

OPERATIONS OF THE WASTEWATER AND STORMWATER MANAGEMENT DIVISION - The Wastewater and Stormwater Management Division (the Division) is presented as an enterprise fund within the Environmental Services Department under the provisions of the City of Tacoma's (the City) Charter and is included in the City's Annual Comprehensive Financial Report (ACFR).

The Division is responsible for the planning, design, construction, operation, and maintenance of the wastewater and stormwater facilities owned by the City. In addition to providing wastewater service within the City, the Division provides sewage treatment and disposal services by contract to the towns of Fife, Ruston, and Fircrest, and portions of Pierce County.

The Division receives certain services from other departments and agencies of the City including those normally considered to be general and administrative. The Division is charged for services received from other City departments and agencies and, additionally, must pay gross earnings tax to the City. These transactions are required to be arms-length transactions by law.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION - The financial statements of the Division are prepared under the accrual basis of accounting in accordance with a GAAP issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

ACCOUNTING CHANGES - Effective for the fiscal year 2024, the Division implemented the following new accounting and reporting standard issued by the GASB:

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. This statement was issued in June 2022 as an amendment to GASB Statement No. 62 to enhance accounting and financial reporting requirements for accounting changes and error corrections. The goal is to provide clearer, more reliable, relevant, consistent, and comparable information to support decision-making and accountability assessments. This statement categorizes accounting changes into three types: (1) Changes in accounting principles, (2) Changes in accounting estimates, and (3) Changes to or within the financial reporting entity. The statement defines the transactions or events that constitute these changes and specifies that for certain changes in accounting principles and measurement methodologies, the new principle or methodology must be justified as preferable to the previous one. This preferability should align with the qualitative characteristics of financial reporting: understandability, reliability, relevance, timeliness, consistency, and comparability. Additionally, this statement provides guidance for correcting errors in previously issued financial statements. The Division implemented GASB Statement No. 100 for the fiscal year ended December 31, 2024 and included a change in accounting principle from GASB No. 101 as discussed below on Statements of Revenues, Expenses and Changes in Net Position.

GASB Statement No. 101 – *Compensated Absences*. This statement superseded the requirements of GASB Statement No. 16, Accounting for Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosure. The implementation of this standard requires a liability to be recorded for compensated absences and reported in the government-wide and proprietary financial statements for (a) leave that has not been used and (b) leave that has been used but not yet paid or settled through noncash means. Compensated absence liability is recognized for leave that has not been used if (i) the leave is attributable to services already rendered, (ii) the leave accumulates, and (iii) the leave is more likely than not to be used for time off or settled through noncash means. The City implemented the provisions of GASB Statement No. 101 effective January 1, 2023, and restated financial results for the year ended December 31, 2023, as required by the standard (see Note 3).

CASH, SPECIAL FUNDS AND EQUITY IN POOLED INVESTMENTS - The Division's fund cash balances are a "deposit" with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Pooled investments are reported on the Statement of Net Position as Cash and equity in pooled investments. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents and the equity in pooled investments is considered cash for cash flow reporting purposes.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP).

Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the LGIP.

The Division's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2024 and 2023 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

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

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. Repurchase agreements and commercial paper are protected by the FDIC insurance up to \$250,000.

All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasurer's LGIP is authorized by RCW 43.250. The LGIP is operated like a money market fund and is collateralized by short-term legal investments.

RESTRICTED ASSETS - In accordance with bond covenants, agreements and laws, separate restricted funds have been established. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. Generally, restricted assets include bond construction, reserve and debt service funds, and customer deposits.

ACCOUNTS RECEIVABLE AND UNBILLED REVENUE - Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for uncollectible accounts. The Division accrues an estimated amount for services that have been provided but not billed as of December 31, 2024, and 2023.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable are considered past due after 30 days. Allowance for uncollectible accounts was \$3,965,908 and \$4,044,891 as of December 31, 2024, and 2023, respectively.

INTERFUND AND INTERGOVERNMENTAL TRANSACTIONS - Unsettled transactions between entities at year end are recorded as due to or due from other funds or other governmental units as appropriate.

INVENTORY - Materials and supplies consist primarily of items for capital construction and maintenance of Division assets and are valued at the lower of average cost or fair market value.

BOND PREMIUM AND GAIN/LOSS ON REFUNDING - Bond premiums are amortized over the life of the bonds using the weighted average of the bonds outstanding, are recorded as offset to long-term debt balance in the statement of net position. Gains or losses on bond refunding represent the difference between reacquisition price and the carrying value of the old debt and are amortized on a straight-line basis over the applicable bond period, and are presented as deferred inflows or deferred outflows in the statement of net position.

DEBT ISSUANCE COSTS - Debt issuance costs are recognized as expenses when incurred.

CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION - Capital assets consist of utility plant and are stated at original cost, which includes both direct costs of construction or acquisition and indirect costs. The cost of capital assets contributed is recorded at donated fair value. The cost of maintenance and repairs is charged to expense as incurred while the costs of improvements, additions, and major renewals that extend the life of an asset are capitalized.

Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation and amortization are recorded using the straight-line method based upon estimated useful lives of the assets. The original cost of property together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is retired and removed from service.

The estimated useful lives range as follows:

	<u>Years</u>
Collection and Transmission Mains	75
Structures and Improvements	50
Land Improvements	25
Intangible Plant	7 - 20
Equipment	3 - 20

CONSTRUCTION WORK IN PROGRESS - Capitalizable costs incurred on projects which are not in service or ready for use are held in construction in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are expensed.

ASSET IMPAIRMENT - The Division periodically reviews the carrying amount of its long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not deemed recoverable, the asset is adjusted to its estimated fair value. Fair value is generally determined based on discounted future cash flows. There was no impairment existed in 2024 or 2023.

INTANGIBLE ASSETS – In accordance with GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, land use rights such as easements and right of ways are recorded as intangible assets.

CAPITAL CONTRIBUTIONS - In accordance with GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants and capital contributions are recorded as capital contributions.

COMPENSATED ABSENCES - The City has two different policies for compensated absences.

The vacation and sick leave 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. Employees in this policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value.

The personal time off (PTO) policy allows employees to earn PTO without distinction between vacation and sick leave. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours, and upon termination, employees are entitled to compensation for unused PTO at 100%.

The accrued liability is computed using the applicable pay rates at year end for leave and associated salary-related payments when leave is earned. Short term compensated absences include sick leave balances more likely than not to be used as time off in future reporting periods, and 10% of vacation, PTO, and sick leave at pay-out based on historical information.

RATE STABILIZATION FUND - The Division has established a rate stabilization account to better match revenues and expenses which may reduce volatility in rates. Amounts deposited into the account are excluded from the Statement of Revenues, Expenses and Changes in Net Position in accordance with regulated operations. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

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 balances related to losses on refunding of bonds, pensions, and other 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 balances related to rate stabilization, pensions, other post-employment benefits other than pensions, and leases.

OPERATING REVENUES - Revenues are derived from providing wastewater and stormwater services. Wastewater services include the collection and treatment of wastewater to produce clean water and biosolids that are then used to produce environmentally friendly products also known as Tacoma Grow (TAGRO) products, and planting soil amendments. Wastewater rates are based on volume of flow and strength. Total suspended solids (TSS) and biological oxygen demand (BOD) are strength determinants. Customers are billed on bi-monthly or monthly billing cycles.

Stormwater services include flooding and erosion control, pollution prevention and control, environmental cleanup and restoration, and street drainage. Stormwater rates are based on the area of the parcels and level of development with reductions for direct discharge and approved detention systems.

The rate structure is designed to meet the Division's needs and obligations on a cost-of-service basis while adhering to legal requirements. These legal requirements include computing rates on a reasonable basis, charging rates uniformly within classes, and using the revenues for utility and regulatory purposes. In addition, there may be laws imposed by the State, City Charter or to meet grant or bonds requirements.

The City has a parity bonds ordinance that states it will establish, maintain and collect rates or charges in connection with the ownership and operation of the utility that will be fair and nondiscriminatory and adequate to provide gross revenues sufficient for 1) the payment of the principal and interest on all parity bonds and all amounts that the City is obligated to set aside in the bond funds, 2) the proper operation and maintenance of the utility, and 3) the payment of any and all amounts that the City may now or hereafter become obligated to pay from gross revenues.

NON-OPERATING REVENUES AND EXPENSES - The Division reports transactions not directly related to primary services as non-operating revenues and expenses. Significant items include investment and short-term rental income and interest expense.

TAXES - The City charges the Division a gross earnings tax at the rate of 8.0%. In addition, the Division pays a 3.852% public utility tax to the State on wastewater collection revenues and the 1.75% business and occupation tax to the State on wastewater transmission and treatment and stormwater service revenues. The Division is exempt from payment of federal income tax.

NET POSITION - The statement of net position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference of the elements reported as net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, less accumulated depreciation, reduced by the bonds, loans or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. Net position components are reported as restricted when constraints placed on net position use 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.

Unrestricted net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets."

LEASES - Division as a lessor and Division as a lessee

Division as a lessor - A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the Division, as is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to future periods which were received prior to the lease commencement. These deferred inflows of resources are amortized over the life of the lease. Key estimates and judgments related to lease include how the Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Division uses the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread 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 receivable are composed of future payments to be received from the lessee. The Division monitors change 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.

Division as a lessee - A Lessee is required to recognize a lease payable and an intangible right-to-use lease asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments, based on index or rate, reasonably certain residual guarantees. The right-to-use lease asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease. Key estimates and judgments related to lease include how the Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Division uses the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread 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 Division is reasonably certain to exercise. The Division 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 expect to significantly affect the amount of the lease liability.

SBTIA - Subscription-based information technology arrangements are recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement defines a SBITA as a contract that conveys control of the right to use another party's (the SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

A subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset at the commencement of the subscription term. The Division uses various SBITA assets that it contracts through cloud computing arrangements such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the net present value of future subscription payments and is adjusted over time by payments and interest. Future subscription payments are discounted using the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread. Payments for future subscription may be fixed or variable, based on the terms of the agreement between the subscriber and the vendor. The subscription asset is initially recorded as the sum of the subscription liability, payments made at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received prior to the commencement of the subscription term and is subsequently amortized over the life of the subscription. Subscription and capitalizable implementation cost payments made prior to the commencement of the subscription are classified as assets under construction until the subscription commences; after the subscription commences, the assets under construction are reclassified as an intangible right-to-use subscription asset.

ARBITRAGE REBATE REQUIREMENT - The Division is subject to the Internal Revenue Code (IRC) related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. As such, the Division would record such a rebate as a liability. The Division had no liability in the current or prior year.

ENVIRONMENTAL REMEDIATION COSTS - The Division recognizes environmental obligations and accruals for expected pollution remediation outlays which are recorded when one of the five obligating events occurs and are adjusted as further information develops or circumstances change.

The five obligating events are applied when the Division is: 1) compelled to take action because of an imminent endangerment, 2) the Division is in violation of a pollution prevention-related permit or license, 3) the Division is named or evidence indicates that it will be named by a regulator as a responsible party or potentially responsible party, 4) named in a lawsuit to compel participation in pollution remediation or 5) the Division commences or legally obligates itself to commence pollution remediation.

Costs related to environmental remediation are charged to operating expense when the liability is recognized; outlays are capitalized when goods and services are acquired under specific circumstances. Measurement is based on the current value of the outlays for the individual remediation components using the expected cash flow technique, adjusted for recoveries from other parties and insurance.

SHARED SERVICES - The Division is charged for services received from other departments and agencies of the City, including those normally considered to be general and administrative.

USE OF ESTIMATES - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Division used estimates in determining reported unbilled revenues, lease receivables, allowance for doubtful accounts, right-to-use lease and subscription assets, accrued compensated absences, environmental liabilities, depreciation and amortization, Other Post Employment Benefits (OPEB Liability), pension withdrawal liability, self-insurance liabilities, net pension liability, lease and subscription liability, deferred inflows of leases and other contingencies. Actual results may differ from these estimates.

SIGNIFICANT RISKS AND UNCERTAINTIES - The Division is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, weather and natural disaster-related disruptions, collective bargaining labor disputes, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of facilities.

RECLASSIFICATIONS - Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

NOTE 3 RESTATEMENTS

The Division restated the December 31, 2023, financial statements for the adoption of GASB Statement No. 101 – *Compensated Absences*, which increased total liabilities and decreased net position in the amount of \$511,466. In addition, during 2024, the Division determined that gross earnings tax levied by the City, which has been reported under Transfers, should have been reported as an operating expense. Therefore, transfers were overstated by \$11.4 million and operating expense was understated in the same amount for the year ended December 31, 2023. Also, the Division determined that lease revenue adjustment, which has been reported under operating expenses, should have been reported as Other nonoperating revenues. Operating expenses was understated by \$315,487 and Other nonoperating revenues was overstated in the same amount.

The effects of correcting these errors are shown in column Restatement of the table below.

STATEMENT OF NET POSITION	As of December 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
LIABILITIES			
Current liabilities:			
Accrued wages payable and compensated absences payable	\$ 1,441,675	\$ 563,238	\$ 2,004,913
Non-current liabilities:			
Long-term accrued compensated absences	3,464,127	(51,772)	3,412,355
TOTAL LIABILITIES	414,137,454	511,466	414,648,920
NET POSITION			
Net investment in capital assets	390,353,321	-	390,353,321
Restricted for:			
Bond reserves	4,672,034	-	4,672,034
Unrestricted	163,994,637	(511,466)	163,483,171
TOTAL NET POSITION	\$ 559,019,992	\$ (511,466)	\$ 558,508,526
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	December Year-to-Date		
	2023 (As Previously Reported)	Restatement	2023 (As Restatd)
OPERATING EXPENSES			
Business operations	\$ 34,211,288	\$ 11,567,670	\$ 45,778,958
Net operating income	28,502,516	(11,567,670)	16,934,846
NONOPERATING REVENUES (EXPENSES)			
Other nonoperating revenues	3,279,897	(315,487)	2,964,410
Net income before contributions and transfers	29,351,853	(11,883,157)	17,468,696
Gross earnings tax	(11,371,691)	11,371,691	-
CHANGE IN NET POSITION	34,195,244	(511,466)	33,683,778
NET POSITION - END OF YEAR	\$ 559,019,992	\$ (511,466)	\$ 558,508,526

STATEMENT OF CASH FLOWS	Year Ended December 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for taxes	\$ (2,342,137)	\$ (11,371,691)	\$ (13,713,828)
Net cash from operating activities	49,223,333	(11,371,691)	37,851,642
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfer out to other funds	(13,046,691)	11,371,691	(1,675,000)
Net cash from noncapital financing activities	(11,677,222)	11,371,691	(305,531)
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	3,088,277	-	3,088,277
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	225,630,298	-	225,630,298
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 228,718,575	-	\$ 228,718,575

	Year Ended December 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Net operating income	\$ 28,502,516	\$ (11,567,670)	\$ 16,934,846
Adjustments to reconcile operating income to net cash from operating activities:			
Lease revenue net	87,473	(315,487)	(228,014)
Cash from changes in operating assets and liabilities:			
Accrued wages and compensated absences payable	(114,262)	563,238	448,976
Long-term compensated absences payable	117,232	(51,772)	65,460
Total adjustments	20,720,817	195,979	20,916,796
NET CASH FROM OPERATING ACTIVITIES	\$ 49,223,333	\$ (11,371,691)	\$ 37,851,642

NOTE 4 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 (adjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement data. 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 of City's investments in TIP are provided by Interactive Data.

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 section in the below schedule.

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

Debt Securities	As of 12/31/2024	Fair Value Measurements Using			Not Measured at Fair Value	
		Level 1	Level 2	Level 3	Amortized Cost	Cost
Cash	\$ 5,671	\$ -	\$ -	\$ -	\$ -	\$ 5,671
Money Market Fund	3,153,160	-	-	-	3,153,160	-
U.S. Treasury Securities	808,114,725	-	808,114,725	-	-	-
U.S. Agency Securities	449,364,653	-	449,364,653	-	-	-
Supranational Securities	16,351,475	-	16,351,475	-	-	-
Municipal Bonds	41,275,075	-	41,275,075	-	-	-
Corporate Securities	108,469,338	-	108,469,338	-	-	-
	<u>\$ 1,426,734,097</u>	<u>\$ -</u>	<u>\$1,423,575,266</u>	<u>\$ -</u>	<u>\$ 3,153,160</u>	<u>\$ 5,671</u>

Debt Securities	As of 12/31/2023	Fair Value Measurements Using			Not Measured at Fair Value	
		Level 1	Level 2	Level 3	Amortized Cost	Cost
Money Market Fund	\$ 1,199,500	\$ -	\$ -	\$ -	\$ 1,199,500	\$ -
U.S. Treasury Securities	643,384,888	-	643,384,888	-	-	-
U.S. Agency Securities	673,735,766	-	673,735,766	-	-	-
Supranational Securities	32,104,066	-	32,104,066	-	-	-
Municipal Bonds	22,877,649	-	22,877,649	-	-	-
Corporate Securities	77,539,603	-	77,539,603	-	-	-
	<u>\$ 1,450,841,472</u>	<u>\$ -</u>	<u>\$1,449,641,972</u>	<u>\$ -</u>	<u>\$ 1,199,500</u>	<u>\$ -</u>

The Division's share of the City's investments shown in the table above is 15.27% and 15.46% as of December 31, 2024 and 2023.

NOTE 5 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2024 and 2023 follows:

	2023	Additions	Retirements	Transfers & Adjustments	2024
Capital assets, not being depreciated/ amortized:					
Land and easements	\$ 25,491,992	\$ 376,847	\$ -	\$ 61,684	\$ 25,930,523
Construction work in progress	15,815,815	35,900,344	-	(24,674,998)	27,041,161
Total capital assets, not being depreciated/ amortized	41,307,807	36,277,191	-	(24,613,314)	52,971,684
Capital assets, being depreciated/ amortized:					
Buildings	240,616,249	-	(902,908)	5,059,235	244,772,576
Right to use lease and subscription assets	543,116	-	-	-	543,116
Machinery and equipment	219,709,199	-	(1,464,511)	2,879,493	221,124,181
Transmission lines and other improvements	582,911,447	2,636,620	(98,572)	16,674,580	602,124,075
Computer software	10,497,173	-	-	6	10,497,179
Total capital assets, being depreciated/ amortized	1,054,277,184	2,636,620	(2,465,991)	24,613,314	1,079,061,127
Less: accumulated depreciation	(370,875,879)	(22,855,784)	1,994,835	-	(391,736,828)
Less: accumulated amortization	(241,836)	(127,709)	-	-	(369,545)
Total capital assets, being depreciated/ amortized, net	683,159,469	(20,346,873)	(471,156)	24,613,314	686,954,754
Total capital assets, net	\$ 724,467,276	\$ 15,930,318	\$ (471,156)	\$ -	\$ 739,926,438

	2022	Additions	Retirements	Transfers & Adjustments	2023
Capital assets, not being depreciated/ amortized:					
Land and easements	\$ 25,331,544	\$ 160,448	\$ -	\$ -	\$ 25,491,992
Construction work in progress	19,977,481	29,908,691	-	(34,070,357)	15,815,815
Total capital assets, not being depreciated/ amortized	45,309,025	30,069,139	-	(34,070,357)	41,307,807
Capital assets, being depreciated/ amortized:					
Buildings	240,130,998	-	-	485,251	240,616,249
Right to use lease and subscription assets	266,669	276,447	-	-	543,116
Machinery and equipment	217,169,061	-	(2,411,538)	4,951,676	219,709,199
Transmission lines and other improvements	545,935,599	8,734,353	(117,564)	28,359,059	582,911,447
Computer software	10,222,802	-	-	274,371	10,497,173
Total capital assets, being depreciated/ amortized	1,013,725,129	9,010,800	(2,529,102)	34,070,357	1,054,277,184
Less: accumulated depreciation	(351,263,249)	(21,852,457)	2,239,827	-	(370,875,879)
Less: accumulated amortization	(114,286)	(127,550)	-	-	(241,836)
Total capital assets, being depreciated/ amortized, net	662,347,594	(12,969,207)	(289,275)	34,070,357	683,159,469
Total capital assets, net	\$ 707,656,619	\$ 17,099,932	\$ (289,275)	\$ -	\$ 724,467,276

Right to use lease and subscription assets

A summary of the balances and changes in right to use lease and subscription assets for 2024 and 2023 follows:

	2023	Additions	Retirements	Transfers & Adjustments	2024
Right to use buildings	\$ 266,669	\$ -	\$ -	\$ -	\$ 266,669
Right to use land	88,057	-	-	-	88,057
Right to use subscription assets	188,390	-	-	-	188,390
Total right to use lease and subscription assets	543,116	-	-	-	543,116
Less: accumulated amortization					
Right to use buildings	(171,429)	(57,143)	-	-	(228,572)
Right to use land	(23,309)	(7,770)	-	-	(31,079)
Right to use subscription assets	(47,098)	(62,796)	-	-	(109,894)
Total accumulated amortization	(241,836)	(127,709)	-	-	(369,545)
Total right to use lease and subscription assets, net	\$ 301,280	\$ (127,709)	\$ -	\$ -	\$ 173,571

	2022	Additions	Retirements	Transfers & Adjustments	2023
Right to use buildings	\$ 266,669	\$ -	\$ -	\$ -	\$ 266,669
Right to use land	-	88,057	-	-	88,057
Right to use subscription assets	-	188,390	-	-	188,390
Total right to use lease and subscription assets	266,669	276,447	-	-	543,116
Less: accumulated amortization					
Right to use buildings	(114,286)	(57,143)	-	-	(171,429)
Right to use land	-	(23,309)	-	-	(23,309)
Right to use subscription assets	-	(47,098)	-	-	(47,098)
Total accumulated amortization	(114,286)	(127,550)	-	-	(241,836)
Total right to use lease and subscription assets, net	\$ 152,383	\$ 148,897	\$ -	\$ -	\$ 301,280

NOTE 6 LEASES

Lease receivables and Deferred Inflows of Resources - Lessor

The Division is a Lessor of two lease agreements related to buildings for office and lab space. These leases have various length terms through 2036. The monthly receipts from these leases range from \$1,019 to \$28,444. The Division used the average incremental borrowing rate ranging between 2.264% and 5.34% in calculation of net present value of lease receipts, as the interest rates are not stated in the agreement.

Total lease receivable as of December 31, 2024 is \$3.5 million and \$3.7 million as of December 31, 2023. Current lease receivable as of December 31, 2024 is \$268,321 compared to \$231,680 as of December 31, 2023.

Interest income on lease activity of \$84,050 was recorded in 2024 and \$87,349 in 2023. Lease revenue in the amount of \$289,934 was recorded in 2024 compared to \$228,013 in 2023.

Right to use lease assets and Lease liability - Lessee

The Division entered into two long-term lease agreements as the lessee for land and building. These leases have various length terms through 2032. The Division is required to make annual principal and interest payments ranging from \$9,302 to \$62,855. The Division used the average incremental borrowing rate ranging between 2.264% and 2.671% in calculation of net present value of lease liabilities, as the interest rates are not stated in the agreement.

Lease Liability activities for the year ended December 31, 2024 and 2023 are as follows:

	Lease Liability
Beginning balance, January 1, 2024	\$ 167,367
Additions	3,341
Reductions	(72,157)
Ending Balance, December 31, 2024	98,551
Less: Current Lease Liability	(44,406)
Total Long-term Lease Liability	<u>\$ 54,145</u>
Beginning balance, January 1, 2023	\$ 156,627
Additions	97,397
Reductions	(86,657)
Ending Balance, December 31, 2023	167,367
Less: Current Lease Liability	(68,816)
Total Long-term Lease Liability	<u>\$ 98,551</u>

As of December 31, 2024, future annual lease principal and interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 44,406	\$ 1,829	\$ 46,235
2026	7,953	1,349	9,302
2027	8,168	1,134	9,302
2028	8,389	913	9,302
2029	8,615	687	9,302
2030-2032	21,020	685	21,705
Total	<u>\$ 98,551</u>	<u>\$ 6,597</u>	<u>\$ 105,148</u>

Subscription Liability

The Division entered into a subscription agreement for three (3) years started on April 1, 2023 and will end on March 31, 2026. The Division is required to make annual principal and interest payment in the amount of \$29,500. The subscription liability was \$29,237 including \$514 interest accrual as of December 31, 2024, compared to \$57,707 including \$1,017 interest accrual as of December 31, 2023. Current subscription liability including interest accrual as of December 31, 2024 was \$28,723 compared to \$28,984 as of December 31, 2023.

The Division used the average incremental borrowing rate of 2.671% in calculation of net present value of the subscription liability, as the interest rates are not stated in the agreement.

Notes to Financial Statements (continued)

Subscription liability activities for the year ended December 31, 2024 and 2023 are as follows:

	Subscription Principal Payable
Beginning balance, January 1, 2024	\$ 56,690
Additions	-
Reductions	(27,967)
Ending Balance, December 31, 2024	28,723
Less: Current Subscription Liability	(28,723)
Total Long-term Subscription Liability	<u>\$ -</u>
Beginning balance, January 1, 2023	\$ -
Additions	86,190
Reductions	(29,500)
Ending Balance, December 31, 2023	56,690
Less: Current Subscription Liability	(28,984)
Total Long-term Subscription Liability	<u>\$ 27,706</u>

As of December 31, 2024, future annual subscription principal and interest payments are as follows:

Fiscal Year	Principal	Interest	Total
<u>2025</u>	<u>28,723</u>	<u>777</u>	<u>29,500</u>

NOTE 7 LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2024 and 2023, follows:

	2023	Additions	Reductions	2024	Due within One Year
Revenue bonds	\$ 292,120,000	\$ -	\$ (8,455,000)	\$ 283,665,000	\$ 8,835,000
Plus: Unamortized premium	21,245,776	-	(1,190,301)	20,055,475	-
State Revolving Fund loans	35,279,961	1,556,708	(4,730,327)	32,106,342	5,133,907
State COP loan	11,135,000	-	(575,000)	10,560,000	580,000
WIFIA loan	19,254,334	231,745	-	19,486,079	-
Total long-term debt	<u>\$ 379,035,071</u>	<u>\$ 1,788,453</u>	<u>\$ (14,950,628)</u>	<u>\$ 365,872,896</u>	<u>\$ 14,548,907</u>

	2022	Additions	Reductions	2023	Due within One Year
Revenue bonds	\$ 300,230,000	\$ -	\$ (8,110,000)	\$ 292,120,000	\$ 8,455,000
Plus: Unamortized premium	22,438,709	-	(1,192,933)	21,245,776	-
State Revolving Fund loans	37,206,671	2,616,165	(4,542,875)	35,279,961	4,730,327
State COP loan	11,705,000	-	(570,000)	11,135,000	575,000
WIFIA loan	16,372,397	2,881,937	-	19,254,334	-
Total long-term debt	<u>\$ 387,952,777</u>	<u>\$ 5,498,102</u>	<u>\$ (14,415,808)</u>	<u>\$ 379,035,071</u>	<u>\$ 13,760,327</u>

The Division's long-term debt at December 31, 2024 and 2023 consists of the following payable from revenues of the Division.

Parity bond, senior lien:	2024	2023
2015 Revenue and Refunding Bonds, with interest rates ranging from 3% to 5%, due in yearly installments of \$1,245,000 to \$9,485,000 between 2016 and 2045. Original par value \$109,300,000 with a call date of June 1, 2025.	\$92,385,000	\$94,605,000
2016A Revenue Refunding Bonds, with interest rates ranging from 1.75% to 5%, due in yearly installments of \$525,000 to \$2,010,000 between 2016 and 2038. Original par value \$31,855,000 with a call date of June 1, 2026.	22,480,000	23,710,000
2018 Revenue Bonds, with interest rates ranging from 3% to 5% due in yearly installments of \$3,422,000 to \$8,256,000 between 2019 and 2048.	84,220,000	88,525,000
2020 Revenue Bond was placed with US Environmental Protection Agency (EPA) in accordance with a Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement, which evidences the City's repayment obligations. Total \$18,854,175 was reimbursed through the WIFIA loan, with an interest rate of 1.2%, due in yearly installments of \$809,225 from 2026 through 2054. Interest will be accrued until 2025 and the first payment starts in 2026. Total \$631,905 of interest was accrued from 2021 through 2024.	19,486,079	19,254,334
2022 Revenue Bonds, with interest rates ranging from 4% to 5%, due in yearly installments of \$485,000 to \$5,150,000 between 2022 and 2051.	84,580,000	85,280,000
Total parity bonds, senior lien	303,151,079	311,374,334

Junior lien debt:

State Revolving Fund loans DOE L040006A & DOE L040006B, with an interest rate of 1.5% and 2.6%, respectively, due in semi annual installments of \$2,297,662 to \$4,532,452 through 2028; this debt is junior lien and is secured by net operating revenue. The original amount issued was \$75,178,000.	15,649,253	19,939,129
State Revolving Fund loan 2011 DOE L1000007, with an interest rate of 2.9% in semi-annual installments of \$21,511 to \$31,346 through 2030; this debt is junior lien and is secured by net operating revenue. The original amount issued totaled \$473,806 .	175,153	201,498
State Revolving Fund loan 2021 DOE EL210166, with an interest rate of 1.2% in semi-annual installments of \$73,684 through 2041; this debt is junior lien and is secured by net operating revenue. The original amount issued totaled \$2,626,625.	2,199,460	2,319,286
State Revolving Fund loan 2022 DOE EL220451, with an interest rate of 1.6% in semi-annual installments of \$234,878 through 2053; this debt is junior lien and is secured by net operating revenue. Total \$11,111,539 was reimbursed from the SRF loans for the CTP Electrical Distribution System Replacement projects and \$79,174 of interest was accrued which brings the total loan amount to \$11,190,713.	10,709,701	11,003,980
Local Agency Financing Lease, Series 2020C, known as "Capital (COP) Loan", with an interest rate of approximately 2.12% with annual debt service payments of between \$751,861 and \$787,088 through 2040; this debt is junior lien and is secured by net operating revenue. The issuance costs are included in the interest rate. The proceeds of up to \$12,700,000 to be received on a cost reimbursement basis.	10,560,000	11,135,000

Notes to Financial Statements (continued)

Parity bond, junior lien (Continued):

	2024	2023
State Revolving Fund loan DOE EL190413, with an interest rate of 0.7% in semi-annual installments of \$163,869 through 2029; this debt is junior lien and is secured by net operating revenue. Total \$1,593,768 was reimbursed from the SRF loans for the Madison District Green Infrastructure project and \$14,093 of accrued interest was accrued which brings the total loan amount to \$1,607,861.	1,607,861	616,690
State Revolving Fund loan DOE EL200385, with an interest rate of 2.0% in semi-annual installments of \$58,574 through 2045; this debt is junior lien and is secured by net operating revenue. Total \$1,764,914 was reimbursed from the SRF loans for the Larchmont Permeable Neighborhood project as of December 31, 2024. This loan was finalized in February 2025 for a total of \$1,908,167, which included an accrued interest of \$47,509.	1,764,914	1,199,378
Total junior lien debt	42,666,342	46,414,961
Total outstanding debt	345,817,421	357,789,295
Less:		
Current portion	(14,548,907)	(13,760,327)
Plus: Unamortized premium	20,055,475	21,245,776
Total long-term debt	\$351,323,989	\$365,274,744

In December 2024, State Revolving Fund (SRF) loan 2018 DOE EL 190413 for the Madison District Green Infrastructure project was finalized for \$1,607,861. At December 31, 2024, SRF 2020 DOE EL200385 for the Larchmont Permeable Neighborhood project has outstanding balance of \$1,764,914, and was finalized in February 2025 in the amount of \$1,908,167.

As of December 31, 2024, annual debt service requirements to maturity are as follows:

	Principal	Interest	Total Debt Service
2025	14,548,907	12,672,209	27,221,116
2026	15,661,055	12,456,168	28,117,223
2027	17,226,435	11,955,412	29,181,847
2028	15,544,817	11,335,181	26,879,998
2029	13,785,584	10,751,384	24,536,968
2030-2034	75,968,920	44,977,929	120,946,849
2035-2039	71,183,825	29,759,984	100,943,809
2040-2044	58,950,579	18,122,707	77,073,286
2045-2049	47,584,785	7,099,938	54,684,723
2050-2054	15,362,514	803,220	16,165,734
	\$ 345,817,421	\$ 159,934,132	\$ 505,751,553

As of December 31, 2024 and 2023, there were no bonds defeased in substance

NOTE 8 INSURANCE

The major risks to the Division are flooding, recontamination, wind damage, chemical spills, and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

The City of Tacoma has established a Self-insurance Fund (the Fund) to insure the Division and other divisions within the City for certain losses arising from personal and property damage claims by third parties. The Division participates in the City's self-insurance program for claims that arise during the normal course of business. Environmental and tax claims generally are paid for out of revenue of the Division and not from the Fund. The Division is required to make payments to the Fund to cover claims incurred by the Division and administrative expenses of the Fund. The Division's premium payments totaled \$200,417 for 2024 and \$186,984 for 2023. The Division only recognizes expense for premium payments because the risk of loss transfers to the Fund.

The City purchased a Fiduciary Liability coverage with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee benefit programs. The coverage also provides a Government Crime policy with a \$5.0 million limit and a \$200,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.25 million per occurrence. Coverage also has a Cybersecurity policy with a limit of \$2.0 million and a deductible of \$250,000. An Excess Cyber policy is maintained with a limit of \$2.0 million in excess of the primary policy. The City also has an Aviation Liability – Unmanned Aircraft Liability coverage for drones with a limit of \$3.0 million. There is no deductible for this coverage.

General Government maintains Property insurance coverage that covers its buildings and contents within the buildings and motor vehicles on insured premises with a limit of \$500.0 million per occurrence. A deductible of \$150,000 per occurrence applies to the building and contents except a deductible of \$250,000 for water damage claims. For loss due to earthquake, a limit of \$10.0 million applies with a deductible of 5% of the value of the damaged property subject to a \$250,000 minimum. For loss due to flood, a \$500,000 deductible applies for property in Flood Zones A & V, while a \$150,000 deductible applies to property in all other Flood Zones. Excess liability policies provide coverage for Wrongful Acts, General liability, and Automobile liability with a limit of \$20.0 million each occurrence and \$20.0 million in the aggregate with a \$5.0 million retention for claims other than those related to law enforcement. Excess Law enforcement liability coverage is maintained with a limit of \$10.0 million per occurrence and a \$10.0 million aggregate with a \$5.0 million retention.

The Division's cost for these policies was \$1,025,495 in 2024 and \$768,407 in 2023.

Changes in the City's estimated claims settlements liability for the past three years were as follows:

(Amounts expressed in thousands)

	Self Insurance Fund			Worker Compensation Fund			TPU Self Insurance Fund		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Balance 01/01	\$42,468	\$33,626	\$35,525	\$2,938	\$2,602	\$3,487	\$4,249	\$2,872	3,070
New Claims	771	11,788	138	2,837	3,302	2,212	1,247	2,560	1,179
Adjustments to Claims	23,412	2,995	2,012	3,911	3,223	1,371	964	(911)	(666)
Claims Payment	(8,233)	(5,941)	(4,049)	(5,958)	(6,189)	(4,468)	(2,233)	(272)	(711)
Balance 12/31	\$ 58,418	\$ 42,468	\$ 33,626	\$ 3,728	\$ 2,938	\$ 2,602	\$ 4,227	\$ 4,249	\$ 2,872

NOTE 9 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.

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.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreements for the following groups: the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma General Unit, and District Lodge 160, Local Lodge 282 covering Wastewater Treatment Plant Maintenance Supervisors’ Unit. Contained in this agreement was a call for cessation of the participation in the Plan. The contributions submitted for the December 31, 2019, payroll was the final contributions made on behalf of the employees in this unit. As of December 31, 2024, there were no employees participating in the plan.

Those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2024 and 2023. There were no contributions paid by the City in 2024 and 2023.

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 collective 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 are 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. There was no payment made in 2024 and \$1.7 million payment was made in 2023.

As of December 31, 2024 and 2023, the Division reported a liability of \$3,424,455 for its proportionate share of the City's collective total withdrawal liability of \$14,824,481. The current portion of the withdrawal liability is \$311,960 as of December 31, 2024 and 2023. At December 31, 2024 and 2023, the Division's proportion was 23.1%. There was no withdrawal expense for the year ended December 31, 2024 and 2023.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). On April 12, 2023, the City submitted a Demand and Notice of Initiation Arbitration to American Arbitration Association. On January 2, 2024, the City received the ruling on motions for summary judgement and award regarding the interest rate used to calculate the withdrawal liability from American Arbitration Association. On January 23, 2024, the City filed a complaint to enforce arbitration award to United States District Court Western District of Washington in Seattle. The outcome of the complaint is uncertain at the time of the report issuance and may affect the estimated liability amount.

NOTE 10 TACOMA EMPLOYEES' RETIREMENT SYSTEM (TERS OR THE SYSTEM)

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

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

Or the TERS ACFR may be downloaded from the TERS website at www.cityoftacoma.org/retirement.

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 the Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still City of Tacoma departments, are also members.

The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 RCW 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.

The breakdown of membership as of December 31, 2023 and 2022 (measurement dates) is as follows:

	Measurement date as of December 31,	
	2023	2022
Retirees and beneficiaries currently receiving benefits	2,836	2,765
Terminated vested and other terminated participants	948	918
Active members:		
City of Tacoma	2,982	2,877
Pierce Transit	15	17
South Sound 911	-	2
Tacoma-Pierce County Health Department	328	305
Total active members	3,325	3,201
Total membership	7,109	6,884

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

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 as a member 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 4154 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.

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.

The total contribution rate continues to be 21%, divided as 54% for the employer and 46% for the employee, for a new total of 11.34% from the employer and 9.66% from the employee. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

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

Measurement Date	December 31, 2023
Valuation Date	January 1, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution (ADC). 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 growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	105% of the Male and 100% of the Female PubG-2010 Amount-Weighted Mortality Tables, sex distinct. Generational improvements with unisex projection scale based on Social Security Administration Data 1957-2017.

**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.*

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. There have been no significant changes between the January 1, 2024, valuation date and December 31, 2023, the measurement date. Therefore, no adjustments were needed from the January 1, 2024, actuarial valuation date to the calculated liabilities as of December 31, 2023, measurement date for reporting date of December 31, 2024. There were no changes between the January 1, 2023, and January 1, 2024, valuation dates.

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 Milliman's (the System's actuary) investment consulting practice as of December 31, 2023 and 2022 for reporting date December 31, 2024 and 2023, respectively. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated August 2023 and November 2022 for reporting date December 31, 2024, and 2023, respectively.

Notes to Financial Statements (continued)

Asset Class	Reporting date			
	December 31, 2024		December 31, 2023	
	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	21.5%	2.28%	19.5%	2.35%
US Bank/ Leveraged Loans	2.0%	4.12%	3.0%	3.75%
US Long Government Bonds	3.0%	2.43%	3.0%	2.38%
High Yield Bonds	5.0%	3.93%	6.0%	4.28%
Emerging Market Debt	5.0%	2.80%	5.0%	4.04%
Global Equity	19.0%	4.35%	34.5%	5.08%
Low Volatility Global Equity	9.5%	4.47%	-	-
Private Real Estate	10.0%	3.53%	10.0%	3.35%
Private Equity	15.0%	7.15%	10.0%	7.78%
Private Credit	3.0%	5.90%	-	-
Master Limited Partnerships	-	-	4.0%	5.73%
Infrastructure	7.0%	5.28%	5.0%	4.12%
Assumed Inflation - Mean		2.50%		2.50%
Assumed Inflation - Standard Deviation		1.44%		1.41%
Portfolio 10 year Geometric Rate of Return		6.60%		7.04%
Portfolio 30 year Arithmetic Rate of Return		7.89%		-
Portfolio 30 year Geometric Rate of Return		7.28%		-
Portfolio Standard Deviation		11.55%		11.04%
Long-Term Expected Rate of Return, net of investment expenses		6.75%		6.75%

Sensitivity Analysis - The following presents the net pension liability (asset) of the Division, calculated using the discount rate of 6.75%, as of December 31, 2024 and 2023, as well as what the Division's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower, 5.75%, or 1 percentage point higher, 7.75%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2024	5.75%	6.75%	7.75%
Net pension liability (asset)	\$ 38,466,977	\$ 12,906,090	\$ (8,392,297)
	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2023	5.75%	6.75%	7.75%
Net pension liability (asset)	\$ 39,120,145	\$ 13,761,228	\$ (7,370,956)

Notes to Financial Statements (continued)

As of December 31, 2024 and 2023, the deferred inflows and outflows of resources are as follows:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred of Outflows Resources	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (181,807)	\$ 2,739,648	\$ (310,216)	\$ 952,332
Changes of assumptions	-	1,585,059	-	2,704,585
Net Difference Between Projected and Actual Earnings	-	8,055,997	-	10,710,801
Changes in Employer Proportion	(10,695)	572	(15,566)	42
Contributions Made Subsequent to the Measurement Date	-	3,614,032	-	3,394,242
Total	<u>\$ (192,502)</u>	<u>\$ 15,995,308</u>	<u>\$ (325,782)</u>	<u>\$ 17,762,002</u>

The Division reported \$3.6 million as deferred outflows of resources as of December 31, 2024 related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total pension liability in the fiscal year ending December 31, 2025.

The net amount of deferred inflows and outflows, other than contributions made subsequent to the measurement date, will be recognized as pension expense in each of the next five years.

Amounts will be recognized in pension expense as follows:

2025	\$ 3,829,722
2026	2,433,181
2027	5,749,889
2028	(29,908)
2029	205,890
	<u>\$ 12,188,774</u>

At December 31, 2024, the Division reported a pension liability of \$12,906,090 for its proportionate share of the total System, compared to \$13,761,228 at December 31, 2023. The proportionate share of the Sewer Division is 9.51% of total System's pension liability as of December 31, 2024, and 9.96% as of December 31, 2023. The proportionate share was based on the actual contributions for the year as of December 31, 2024 and 2023.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

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 Human Resources Department. The membership as of January 1, 2024 for non-LEOFF 1 members includes 4,038 active participants, 639 vested terminated participants, 255 retirees and surviving spouses, and spouses of current retirees. The membership as of January 1, 2024 for LEOFF 1 members includes 1 active participant and 227 retirees.

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

Actuarial Assumptions and Other Inputs - The valuation date is January 1, 2024 for both non-LEOFF 1 and 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, 2023. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag 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, 2024 and 2023.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2024, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2024
Census Date:	January 1, 2024
Actuarial Cost Method:	Individual Entry Age Normal Cost Method
Demographic Assumptions:	Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.

Actuarial Assumptions:

Discount Rate:	2.00% for pay-as-you-go funding	
Medical Cost Trend:	2024	6.90%
	2025	6.10%
	2026	5.40%
	2030	4.80%
	2040	4.20%
	2050	4.30%
	2060	4.30%
	2070	4.00%
	2080	3.90%

Note that the trend for year 2024 reflects the percent by which 2025 medical costs are expected to exceed 2024 medical costs. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

Economic Assumptions -

Discount Rate (Liabilities):	3.25%
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Demographic Assumptions:	Eligibility:
	Disability - Five years of service are required for non-service connected disability.

Retirement - TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes of Assumptions: The discount rate was updated to 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

At December 31, 2024 the Division reported a total liability of \$2,561,732 for its proportionate share of the collective total OPEB liability of \$181.7 million compared to \$3,193,545 at December 31, 2023. At December 31, 2024 the Division reported a current liability of \$61,685 compared to \$89,095 at December 31, 2023. At December 31, 2024, the participating Division's proportion was 1.41021% as compared to 1.66271% at December 31, 2023. For the year ended December 31, 2024, the participating Division recognized an OPEB credit of \$194,994 compared to an OPEB credit of \$114,841 in 2023.

At December 31, 2024 and 2023, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (213,319)	\$ 23,392	\$ (20,893)	\$ 35,429
Changes of assumptions	(374,262)	211,272	(583,869)	234,641
Changes in Employer Proportion	(603,200)	440,465	(526,053)	744,505
Differences in Contributions	(116,964)	27,997	(125,423)	43,198
Contributions Made Subsequent to the Measurement Date	-	82,857	-	113,522
Total	<u>\$ (1,307,745)</u>	<u>\$ 785,983</u>	<u>\$ (1,256,238)</u>	<u>\$ 1,171,295</u>

The Division reported \$82,857 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2025.

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

2025	\$	(26,584)
2026		(15,038)
2027		(69,673)
2028		(196,892)
2029		(194,575)
Thereafter		(101,857)
	\$	(604,619)

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

As of December 31, 2024, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.25%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.25%, or one percentage point higher, 4.25%, than the current rate.

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
As of December 31, 2024			
Net OPEB liability	\$2,845,095	\$2,561,732	\$2,319,003

As of December 31, 2023, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.75%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.75%, or one percentage point higher, 4.750%, than the current rate.

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
As of December 31, 2023			
Net OPEB liability	\$ 3,542,856	\$ 3,193,545	\$ 2,894,279

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of December 31, 2024 and 2023, the following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.90%	Current Trend Rates 6.90%	1% Increase 7.90%
As of December 31, 2024			
Net OPEB liability	\$2,305,246	\$2,561,732	\$2,860,760
	1% Decrease 5.50%	Current Trend Rates 6.50%	1% Increase 7.50%
As of December 31, 2023			
Net OPEB liability	\$ 2,850,022	\$ 3,193,545	\$ 3,595,973

NOTE 12 ENVIRONMENTAL LIABILITIES

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 program (LTMP) to ensure the protectiveness of the cap remedy. 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 occurred in 2023 and based on the results of the Year 3 (2023) hydrographic/topographic survey and low-tide cap inspection, no issues were noted, and no response actions were recommended. The next scheduled OVRA cap integrity performance monitoring event will be conducted in Year 8 (2028) in accordance with the LTMP 2022 Addendum. The results of this continued monitoring may result in additional limited maintenance efforts in the future. Included in the estimated liabilities as of December 31, 2024 are estimated costs of \$10,000 that will be incurred in each year for the year 2025 and 2026, respectively. These liabilities are estimates and may change depending upon performance results during future monitoring events.

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 adaptations to the monitoring plan will define future monitoring expectations and waterway conditions. Because contaminated material is left in place under caps in the waterway, some level of periodic monitoring and maintenance will continue in perpetuity. Erosion of the cap in two additional areas was identified during the 2023 monitoring event and requires maintenance to protect the integrity of the remedy. Maintenance and repair design began in 2024, and construction of the maintenance project is planned for 2025. Ongoing monitoring may result in additional maintenance efforts in the future. Included in the estimated liabilities as of December 31, 2024 are estimated costs of \$1,300,000 and \$73,000 that will be incurred in the year 2025 and 2026, 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.

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. The RI report is projected to be finalized and submitted to Ecology in May 2025.

NOTE 13 COMMITMENTS AND CONTINGENCIES

LITIGATION AND CLAIMS – 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.

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Required Supplementary Information

Proportionate Share of the Net Pension Liability Last 10 Years

	As of Measurement Date December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	9.51%	9.96%	10.30%	10.41%	9.93%	11.14%	11.21%	11.38%	11.66%	11.65%
Employer's proportion share of net pension liability (asset)	\$12,906,090	\$13,761,228	(\$15,099,387)	\$7,218,043	(\$1,847,284)	\$13,029,876	(\$4,409,368)	\$10,569,592	\$10,094,045	(\$1,119,219)
Employer's covered payroll *	\$30,635,187	\$28,980,473	\$28,721,956	\$28,273,875	\$26,635,524	\$27,513,166	\$26,516,978	\$25,955,557	\$26,960,556	\$25,070,695
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	42.13%	47.48%	-52.57%	25.53%	-6.94%	47.36%	-16.63%	40.72%	37.44%	-4.46%
Plan fiduciary net position as a percentage the total pension liability	93.49%	93.02%	107.74%	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

Schedule of Contributions Last 10 Fiscal Years

	Fiscal Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$3,614,032	\$3,394,242	\$3,219,058	\$3,086,807	\$2,842,985	\$3,111,579	\$2,961,878	\$2,745,272	\$2,753,194	\$2,650,121
Contributions in relation to the contractually required employer contribution	(3,614,032)	(3,394,242)	(3,219,058)	(3,086,807)	(2,842,985)	(3,111,579)	(2,961,878)	(2,745,272)	(2,753,194)	(2,650,121)
Employer contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$33,173,553	\$30,635,187	\$28,980,473	\$28,721,956	\$28,273,875	\$26,635,524	\$27,513,166	\$26,516,978	\$25,955,557	\$26,960,556
Employer contribution as a percentage of covered-employee payroll	10.89%	11.08%	11.11%	10.75%	10.06%	11.68%	10.77%	10.35%	10.61%	9.83%

* Due to implementation of GASB 82, the division's covered employee payroll has been restated for fiscal years 2016 and 2015 to confirm with GASB 82.

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	1.41%	1.66%	1.73%	1.68%	1.26%	1.25%	1.86%	1.81%
Employer's proportion share of collective OPEB liability	\$2,561,732	\$3,193,545	\$3,940,756	\$3,856,262	\$2,635,160	\$2,555,057	\$4,101,053	\$3,793,836
Employer's covered-employee payroll**	\$30,635,187	\$28,980,473	\$28,721,956	\$28,273,875	\$26,635,524	\$27,513,166	\$26,516,978	\$26,221,707
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	8.36%	11.02%	13.72%	13.64%	9.89%	9.29%	15.47%	14.47%

* The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

** The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2024

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms: There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The discount rate was updated to 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

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Supplemental Information (Unaudited)

Wastewater and Stormwater Management
 Unaudited Supplemental Information
City of Tacoma, Washington Sewer Revenue and Refunding Bonds, Series 2015
City of Tacoma, Washington Sewer Revenue Refunding Bonds, Series 2016A
City of Tacoma, Washington Sewer Revenue Bonds, Series 2018
City of Tacoma, Washington Sewer Revenue Bonds, Series 2022

The following continuing disclosure information for 2024 is provided in accordance with SEC Rule 15c2-12(b)(5)

Wastewater and Stormwater Management Audited Financial Statements

Reference Financial Statements Section

Outstanding Sewer Bonds

Reference Note 7 in Notes to Financial Statements

Debt Service Coverage

	2023 (As restated)	2024
Parity Bond Debt Service Coverage Ratio	3.00	3.26
Parity Bond and Subordinate Lien Debt Service Coverage Ratio	2.34	2.57

Number of Customers by Type of Service

Year	Wastewater				Stormwater		
	Residential	Commercial/ Industrial	Contract ⁽¹⁾	Total	Residential	Commercial/ Industrial	Total
2023	59,968	3,702	15,276	78,946	60,078	11,403	71,481
2024	60,188	3,701	15,782	79,671	60,123	11,455	71,578

⁽¹⁾ Includes customers located in the city of Fife, the town of Ruston, the city of Fircrest and in certain areas of Pierce County served pursuant to interlocal agreements between the City and those jurisdictions.

Revenues by Service

	2023	2024
Wastewater:		
Residential	\$ 61,758,570	\$ 66,402,599
Commercial and wholesale	29,109,004	30,893,949
Other revenues	2,104,882	4,135,818
Lease revenues	228,013	289,934
Stormwater:		
Residential	21,062,586	21,967,847
Commercial	21,878,308	22,704,320
Other revenues	190,660	201,921
Total operating revenues	<u>\$ 136,332,023</u>	<u>\$ 146,596,388</u>

Top Ten Customers

Customer Name	Amount	Percent of 2024
		Operating Revenues ⁽¹⁾
Port of Tacoma	3,118,945	2.13%
Tacoma School District	1,971,491	1.34%
City of Tacoma	1,940,467	1.32%
Puyallup Tribe	1,320,620	0.90%
Metro Parks	977,429	0.67%
Pierce County Facilities	769,764	0.53%
Westridges Apartments	620,845	0.42%
Salishan	607,335	0.41%
Tacoma Mall Partnership	581,434	0.40%
BNSF Railway	542,366	0.37%
Total	<u>\$ 12,450,695</u>	<u>8.49%</u>

⁽¹⁾ Total system revenue \$ 146,596,388

Wastewater and Stormwater Rates

Wastewater Rates

The monthly rates for wastewater service inside the City, as adopted by the Council, are shown in the following table.

	2023 ⁽¹⁾	2024 ⁽¹⁾
Residential		
Monthly fixed charge	\$ 30.09	\$ 32.05
Flow charge ⁽²⁾	5.65	6.05
Commercial		
Monthly fixed charge	\$ 15.46	\$ 16.07
Flow charge ⁽³⁾	\$7.84-\$17.02	\$8.47-\$18.39

⁽¹⁾ Rates are effective January 1 of each year.

⁽²⁾ Per 100 cubic feet of water consumed.

⁽³⁾ The flow charges for commercial customers per 100 cubic feet of water consumption vary depending on the user group. The present rates contain eight different user groups as established pursuant to Tacoma Municipal Code Chapter 12.08.

There is no fee for connection to the wastewater component of the System, except for the “in lieu of” assessment charge to properties that were not previously assessed for the cost of the transmission system under a local improvement district or a prior sanitary sewer improvement.

Stormwater Rates

Stormwater rates are comprised of a fixed charge, plus an area charge per 500 square feet, depending on development type and whether the property is on the waterfront. The monthly rates for stormwater service, as adopted by the Council, are shown in the following table.

Category of Development	2023 ⁽¹⁾		2024 ⁽¹⁾	
	Monthly Fixed Charge	Rate per 500 Square Feet of Premises Area	Monthly Fixed Charge	Rate per 500 Square Feet of Premises Area
<i>Waterfront/Direct Discharge Parcels</i>				
Undeveloped-first acre or less	\$ 10.67	\$ 0.1570	\$ 11.42	\$ 0.1700
Undeveloped-area in excess of one acre	10.67	0.0635	11.42	0.0700
Light development	10.67	0.5160	11.42	0.5500
Moderate development	10.67	0.7102	11.42	0.7500
Heavy development	10.67	1.0449	11.42	1.1100
Very Heavy development	10.67	1.4125	11.42	1.5000
<i>All Other Parcels</i>				
Undeveloped area – one acre or less	\$ 10.67	\$ 0.3011	\$ 11.42	\$ 0.3200
Undeveloped area in excess of one acre	10.67	0.0666	11.42	0.0700
Light development	10.67	0.9704	11.42	1.0300
Moderate development	10.67	1.3278	11.42	1.4100
Heavy development	10.67	1.9589	11.42	2.0800
Very Heavy development	10.67	2.6496	11.42	2.8100

⁽¹⁾ Rates are effective January 1 of each year.

Single family residences are placed in the moderate classification of development. Rates for single family residential parcels in excess of 15,000 square feet are based on the moderate development rate for the first 15,000 square feet and at the undeveloped rate (one acre or less) for the remainder. All other customers are charged based on the customer's level of development and measured area of the premises.

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Net Position

	Wastewater		Stormwater	
	As of December 31,		As of December 31,	
	2024	2023	2024	2023
ASSETS				
Current assets:				
Cash and equity in pooled investments	\$ 145,337,230	\$ 123,256,287	\$ 76,831,388	\$ 65,293,934
Accounts receivable, net	7,324,977	6,419,047	2,702,508	2,243,989
Unbilled revenues	4,904,656	5,230,787	2,381,412	2,917,000
Conservation loan fund receivables	448,037	318,163	-	-
Current lease receivables	268,321	231,680	-	-
Due from other governments	43,562	-	210,928	3,861,086
Inventory	3,408,044	2,791,556	-	-
Prepayments	570,654	454,701	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	987,840	987,781	744,620	744,773
Construction funds	12,981,283	31,664,962	-	2,098,804
Total restricted cash and equity in pooled investments	13,969,123	32,652,743	744,620	2,843,577
Total current assets	176,274,604	171,354,964	82,870,856	77,159,586
Non-current assets:				
Restricted cash and equity in pooled investments:				
Debt reserves	-	4,640,000	-	32,034
Conservation loan fund receivables	586,134	413,628	-	-
Long-term lease receivable	3,268,283	3,501,430	-	-
Capital assets:				
Land and easements	13,460,908	13,363,172	12,469,615	12,128,820
Buildings	242,908,031	238,751,704	1,864,545	1,864,545
Machinery and equipment	198,784,105	198,165,640	22,340,076	21,543,559
Transmission lines and other improvements	297,859,182	295,657,977	304,264,893	287,253,470
Computer software	6,104,007	6,104,004	4,393,172	4,393,169
Less: accumulated depreciation	(311,681,969)	(296,740,601)	(80,054,859)	(74,135,278)
Right to use lease and subscription assets	543,116	543,116	-	-
Less: accumulated amortization	(369,545)	(241,836)	-	-
Construction work in progress	21,635,639	10,178,684	5,405,522	5,637,131
Total capital assets, net	469,243,474	465,781,860	270,682,964	258,685,416
Total non-current assets	473,097,891	474,336,918	270,682,964	258,717,450
TOTAL ASSETS	649,372,495	645,691,882	353,553,820	335,877,036
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - loss on refunding bonds	1,646,552	1,771,679	956,063	1,036,292
Deferred outflows - OPEB	443,508	579,864	342,475	591,431
Deferred outflows - pensions	11,389,670	13,092,644	4,605,638	4,669,358
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,479,730	15,444,187	5,904,176	6,297,081
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 662,852,225	\$ 661,136,069	\$ 359,457,996	\$ 342,174,117

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Net Position

	Wastewater		Stormwater	
	As of December 31,		As of December 31,	
	2024	2023	2024	2023
		(As Restated)		(As Restated)
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,390,410	\$ 3,256,905	\$ 1,460,110	\$ 2,058,686
Accrued wages payable and compensated absences payable	1,945,273	1,494,621	717,205	510,292
Accrued taxes payable	118,097	118,709	63,938	62,041
Due to other governments	870,000	840,000	-	-
Accrued environmental liability	-	-	1,267,000	590,000
Accrued State loan interest payable	153,093	175,301	-	-
Current portion of Capital COP loan	580,000	575,000	-	-
Current portion of State Revolving Fund loan	4,789,440	4,703,982	344,467	26,345
Current portion of revenue bonds payable	4,146,559	3,970,605	3,952,190	3,779,811
Current portion of pension withdrawal liability	305,208	305,208	6,752	6,752
Unearned revenues	396,235	512,408	212,142	214,259
Current lease and subscription liability	73,643	97,800	-	-
Current OPEB liability	33,171	47,084	28,514	42,011
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	376,961	360,965	359,290	343,619
Accrued revenue bonds interest payable	610,880	626,816	385,330	401,154
Total current liabilities	<u>18,788,970</u>	<u>17,085,404</u>	<u>8,796,938</u>	<u>8,034,970</u>
Non-current liabilities:				
Long-term debt - revenue bonds, net	184,688,228	189,867,855	110,197,247	115,042,921
Long-term debt - Capital COP loan	9,980,000	10,560,000	-	-
Long-term State Revolving Fund loan	23,768,975	28,558,414	3,203,460	1,991,220
Long-term WIFIA loan	19,486,079	19,254,334	-	-
Long-term accrued compensated absences	2,645,267	2,624,115	836,959	788,240
Long-term accrued environmental liability	-	-	799,500	736,000
Long-term lease and subscription liability	54,145	127,274	-	-
Pension liability	9,189,952	10,143,612	3,716,138	3,617,616
OPEB liability	1,344,397	1,640,613	1,155,650	1,463,837
Pension withdrawal liability	3,045,125	3,045,125	67,370	67,370
Total noncurrent liabilities	<u>254,202,168</u>	<u>265,821,342</u>	<u>119,976,324</u>	<u>123,707,204</u>
TOTAL LIABILITIES	<u>272,991,138</u>	<u>282,906,746</u>	<u>128,773,262</u>	<u>131,742,174</u>
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflows - OPEB	672,981	835,086	634,764	421,152
Deferred inflows - pensions	137,074	240,139	55,428	85,643
Deferred inflows - leases	3,334,353	3,570,720	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,144,408</u>	<u>21,645,945</u>	<u>8,690,192</u>	<u>8,506,795</u>
NET POSITION				
Net investment in capital assets	236,304,240	241,503,237	161,683,471	148,850,084
Restricted for:				
Bond reserves	-	4,640,000	-	32,034
Unrestricted	132,412,439	110,440,141	60,311,071	53,043,030
TOTAL NET POSITION	<u>368,716,679</u>	<u>356,583,378</u>	<u>221,994,542</u>	<u>201,925,148</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 662,852,225</u>	<u>\$ 661,136,069</u>	<u>\$ 359,457,996</u>	<u>\$ 342,174,117</u>

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Revenues, Expenses and Changes in Net Position

	Wastewater		Stormwater	
	December Year-to-Date		December Year-to-Date	
	2023		2023	
	2024	(As Restated)	2024	(As Restated)
OPERATING REVENUES				
Wastewater residential	\$ 66,402,599	\$ 61,758,570	\$ -	\$ -
Wastewater commercial and public authorities	30,893,949	29,109,004	-	-
Stormwater residential	-	-	21,967,847	21,062,586
Stormwater commercial	-	-	22,704,320	21,878,308
Other revenues	4,135,818	2,104,881	201,921	190,660
Lease revenues	289,934	228,014	-	-
Total operating revenues	101,722,300	93,200,469	44,874,088	43,131,554
OPERATING EXPENSES				
Business operations	33,304,517	30,953,361	15,082,724	14,825,597
Operations and maintenance	29,305,916	27,107,068	5,311,019	5,197,840
Science and engineering	5,794,357	5,750,733	8,321,074	5,700,002
Asset management and technology	4,670,450	4,978,031	1,466,109	2,904,538
Depreciation and amortization	16,917,303	16,649,446	6,066,190	5,330,561
Total operating expenses	89,992,543	85,438,639	36,247,116	33,958,538
Net operating income	11,729,757	7,761,830	8,626,972	9,173,016
NONOPERATING REVENUES (EXPENSES)				
Interest income/(loss)	6,445,228	4,617,266	2,983,049	2,074,664
Unrealized net gain(loss) on fair value investment	822,853	2,629,053	321,761	1,336,267
Interest expenses and other related costs	(8,486,758)	(8,723,182)	(4,818,328)	(4,987,013)
Interest income on lease activities	84,050	87,349	-	-
Interest Expense on Lease and Subscription Activities	-	-	-	-
Amortization of bond premium and gain/loss on refunding	530,980	532,078	453,964	455,498
Other nonoperating revenues	573,051	1,435,356	5,974,796	1,529,054
Other nonoperating expenses	(60,941)	(352,136)	(26,448)	(150,059)
Gain or (loss) on sale/disposal of capital assets	(277,847)	(96,780)	(6,498)	146,435
Total nonoperating revenues (expenses)	(369,384)	129,004	4,882,296	404,846
Net income before contributions and transfers	11,360,373	7,890,834	13,509,268	9,577,862
Capital contributions and grants	1,266,196	2,214,233	5,646,590	15,184,009
Transfer in from other funds	56,569	341,781	2,169,786	150,059
Transfer out to other funds	(549,837)	(418,750)	(1,256,250)	(1,256,250)
Total contributions and transfers	772,928	2,137,264	6,560,126	14,077,818
CHANGE IN NET POSITION	12,133,301	10,028,098	20,069,394	23,655,680
NET POSITION - JANUARY 1	356,583,378	346,555,280	201,925,148	178,269,468
NET POSITION - DECEMBER 31	\$ 368,716,679	\$ 356,583,378	\$ 221,994,542	\$ 201,925,148

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Cash Flows

	Wastewater		Stormwater	
	Year Ended December 31,		Year Ended December 31,	
	2023		2023	
	2024	(As Restated)	2024	(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 100,420,928	\$ 93,291,468	\$ 44,537,800	\$ 42,666,438
Payments to suppliers	(31,519,383)	(30,228,556)	(12,120,549)	(15,765,382)
Payments to employees	(30,007,989)	(28,350,879)	(12,319,391)	(11,606,693)
Payments for taxes	(10,322,157)	(9,412,229)	(4,657,382)	(4,301,599)
Other revenues/(expenses)	699,803	1,372,181	5,077,493	186,893
Net cash from operating activities	29,271,202	26,671,985	20,517,971	11,179,657
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	56,569	341,781	24,563	150,059
Transfer out to other funds	(549,837)	(418,750)	(1,256,250)	(1,256,250)
Operating grants received	107,241	34,931	739,567	1,290,995
Principal paid on noncapital debt	-	-	(119,625)	(117,450)
Interest paid on noncapital debt	-	-	(331,225)	(334,749)
Contributions and donations	-	1,951	30,000	1,951
Net cash from noncapital financing activities	(386,027)	(40,087)	(912,970)	(265,444)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	2,145,223	-
Acquisition and construction of capital assets	(19,926,253)	(13,885,080)	(15,974,095)	(16,205,121)
Principal and Interest payments on leases and subscription	(101,657)	(116,157)	-	-
Principal payments on capital debt	(9,610,551)	(9,251,101)	(4,030,151)	(3,854,324)
Interest and issuance costs paid on capital debt	(8,293,157)	(8,423,005)	(4,488,833)	(4,667,297)
Proceeds from debt borrowing	-	3,590,313	1,542,615	1,632,132
Contributions and donations	439,881	243,478	7,299,443	5,481,672
Cash proceeds from sale of capital assets	95,804	181,530	2,450	157,400
Insurance recoveries	-	-	-	476
Net cash from capital financing activities	(37,395,933)	(27,660,022)	(13,503,348)	(17,455,062)
CASH FLOWS FROM INVESTING ACTIVITIES ^a:				
Investment income/(loss)	7,268,081	7,246,319	3,304,810	3,410,931
Net cash from investing activities	7,268,081	7,246,319	3,304,810	3,410,931
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS				
	(1,242,677)	6,218,195	9,406,463	(3,129,918)
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	160,549,030	154,330,835	68,169,545	71,299,463
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 159,306,353	\$ 160,549,030	\$ 77,576,008	\$ 68,169,545

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long term-term investments. Information on the increases and decreases in the fair

City of Tacoma, Washington
Environmental Services Department
Wastewater and Stormwater Management
Statements of Cash Flows

	Wastewater		Surface Water	
	Year Ended December 31,		Year Ended December 31,	
	2023		2023	
	2024	(As Restated)	2024	(As Restated)
RECONCILIATION OF OPERATING INCOME				
TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income	\$ 11,729,757	\$ 7,761,830	\$ 8,626,972	\$ 9,173,016
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	16,917,303	16,649,446	6,066,190	5,330,561
Other revenues/(expenses)	699,803	1,372,181	5,077,493	186,893
Lease revenue net	(289,934)	(228,014)	-	-
Expense capital project costs	-	16,849	-	62,461
Pension expense (credits)	646,249	1,773,858	132,027	681,087
Net OPEB expense (credits)	(335,878)	(299,158)	140,884	184,317
Cash from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(905,932)	409,867	(458,519)	(90,643)
Accrued unbilled revenue	326,131	(60,000)	535,588	(291,000)
Inventory	(616,488)	(203,409)	-	-
Prepayments	(115,953)	(140,995)	-	-
Accounts payable	1,133,505	(261,723)	(598,576)	(2,873,606)
Conservation loan fund receivables	(302,380)	(86,021)	-	-
Accrued wages and compensated absences payable	450,652	327,991	206,913	120,985
Accrued taxes payable	(612)	(18,468)	1,897	(2,240)
Deposit in lieu of bonds	-	(4,200)	-	-
Due to other governments	30,000	30,000	-	-
Accrued environmental liability	-	-	677,000	(1,190,679)
Unearned revenues	(116,173)	31,550	(2,117)	(21,605)
Pension withdrawal Liability	-	(381,509)	-	(8,440)
Long-term accrued environmental liability	-	-	63,500	(165,000)
Long-term compensated absences payable	21,152	(18,090)	48,719	83,550
Total adjustments	17,541,445	18,910,155	11,890,999	2,006,641
NET CASH FROM OPERATING ACTIVITIES	\$ 29,271,202	\$ 26,671,985	\$ 20,517,971	\$ 11,179,657
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Donated capital assets	\$ 826,315	\$ 1,936,131	\$ 2,098,594	\$ 6,798,222
Interest expense accrued as debt principal	231,746	275,657	14,092	-
Unrealized net gain(loss) on fair value investment	822,853	2,629,053	321,761	1,336,267
Additions in right to use lease assets	-	69,428	-	-
Additions in right to use subscription assets	\$ -	\$ 56,690	\$ -	\$ -



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.