



*Wastewater and Surface Water
Management
Financial Report
September 2013*

**City of Tacoma
Environmental Services
Prepared by Eun Joo Ebenhoh**

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Notification

These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles. Immaterial differences may occur due to rounding.

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Management's Discussion and Analysis

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Management's Discussion and Analysis
September 30, 2013 and 2012

Introduction

The following is management's discussion and analysis (MD&A) of the financial activities of the City of Tacoma's Wastewater and Surface Water Management Division (the Division) for the periods ended September 30, 2013 and 2012. The MD&A is designed to focus on significant financial transactions and activities and to identify changes in financial position. This information should be read in conjunction with the financial statements taken as a whole. The financial statements are prepared on a full accrual basis of accounting.

Accounting Change

GASB 65 has been retroactively implemented with 2013 reporting. This results in the accounting restatement to expense unamortized bond issuance costs; bond issuance costs incurred in future periods will be expensed as incurred. Two new categories have been added to the balance sheet: deferred outflows and deferred inflows. The effect is to segregate deferred accounting transactions from assets and liabilities.

Financial Highlights

- Total net position is \$375.8 million at September 30, 2013 compared to \$369.0 million at September 30, 2012. The change in net position for the first nine months is \$6.3 million in 2013 compared to \$6.2 million in 2012.
- .
- Total assets and deferred outflows are \$593.5 million, an increase of \$5.4 million from \$588.1 million in 2012.
- Liabilities and deferred inflows are \$217.7 million, a decrease of \$1.4 million from \$219.1 million in 2012.

Financial Analysis - Condensed Statements of Net Position

	September 30,		Increase
	2013	2012	(Decrease)
Current, restricted, and other assets	\$ 102,618,433	\$ 123,842,388	\$ (21,223,955)
Capital assets	489,756,289	463,070,826	26,685,463
Deferred outflows	1,113,688	1,162,576	(48,888)
Total assets and deferred outflows	<u>\$ 593,488,410</u>	<u>\$ 588,075,790</u>	<u>\$ 5,412,620</u>
Current liabilities and liabilities payable from restricted assets	\$ 8,964,976	\$ 8,862,033	\$ 102,943
Noncurrent liabilities	183,733,094	187,690,361	(3,957,267)
Deferred inflows	25,000,000	22,500,000	2,500,000
Total liabilities and deferred inflows	<u>217,698,070</u>	<u>219,052,394</u>	<u>(1,354,324)</u>
Net investment in capital assets	363,092,194	336,786,284	26,305,910
Restricted for bond reserves	9,573,273	8,265,769	1,307,504
Unrestricted	3,124,873	23,971,344	(20,846,470)
Total net position	<u>375,790,340</u>	<u>369,023,396</u>	<u>6,766,944</u>
Total liabilities, deferred inflows and net position	<u>\$ 593,488,410</u>	<u>\$ 588,075,790</u>	<u>\$ 5,412,620</u>

Current, restricted, and other assets

Current, restricted, and other assets decreased \$21.2 million compared to a year ago. The primary reason for this was a decrease of \$21.8 million in cash due to principal payments of \$3.5 million on the State Revolving Funds (SRF) loans and \$35.1 million on capital projects funded in part by \$4.5 million of the 2006 Sewer Revenue Bonds and the remainder from cash generated from operating activities of \$30.6 million.

Other changes include a \$378,000 decrease in grant receivable due to the receipt of grants for the Wapato Lake and South Sprague Avenue Landscaping projects and the adjustment of prior-year receivable balances. Prepaid expenses increased \$451,000 mainly as a result of the reporting prepaid rental expenses for the 10 year lease of the Cavanaugh Building for the Tagro operation.

Noncurrent liabilities

Noncurrent liabilities decreased \$4.0 million to \$183.7 million from \$187.7 million in 2012. The decrease was primarily the result of principal payments on the SRF loans.

Deferred inflows

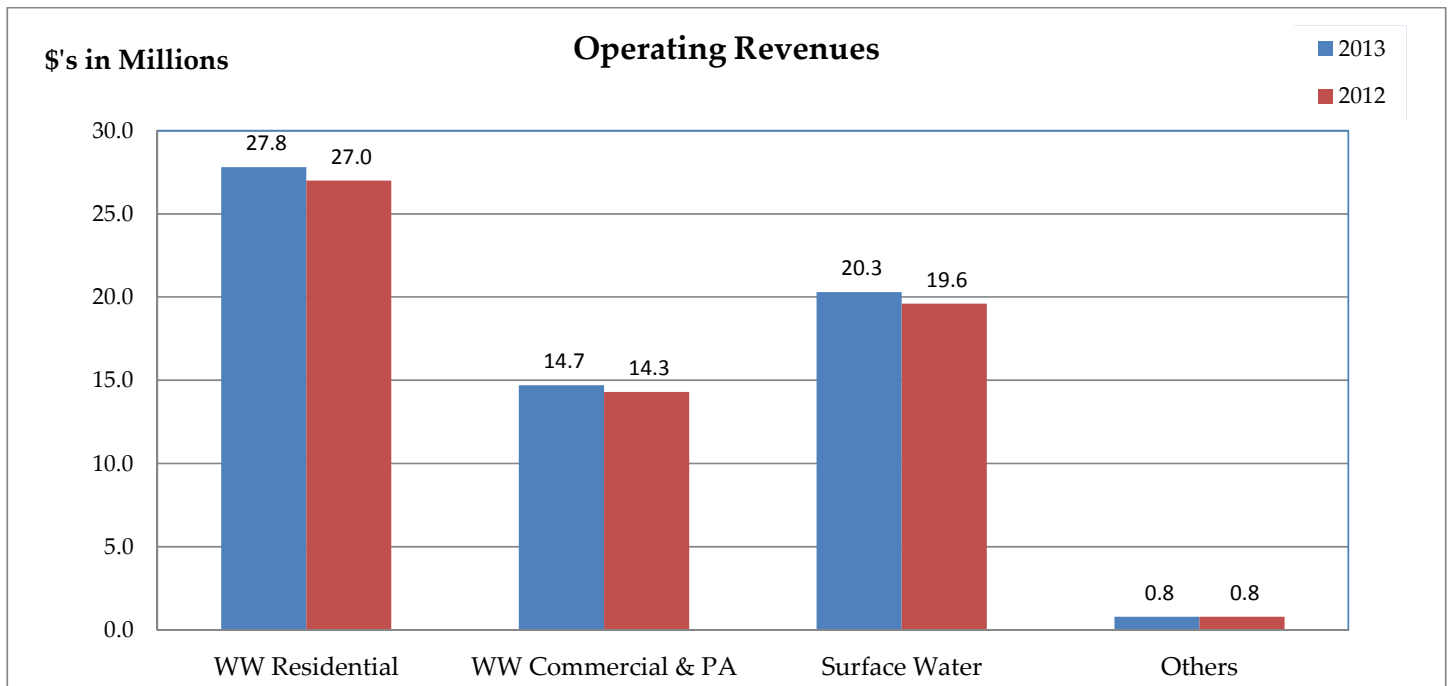
In compliance with GASB 65, the rate stabilization deferred credit was reported under this category which showed a \$2.5 million increase in order to better match revenues with future expenses.

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

	Year-to-Date September 30,		Increase
	2013	2012	(Decrease)
Operating revenues	\$ 63,601,097	\$ 61,772,347	\$ 1,828,750
Operating expenses	49,272,328	49,755,415	(483,087)
Net operating income	14,328,769	12,016,932	2,311,837
Nonoperating revenues (expenses)	(3,294,725)	(2,540,445)	(754,280)
Income before contributions and transfers	11,034,044	9,476,487	1,557,557
Contributions	592,349	1,048,924	(456,575)
Transfers	(121,460)	685,108	(806,568)
Gross earnings taxes	(5,201,544)	(5,027,196)	(174,348)
Change in net position	6,303,389	6,183,323	120,066
Total net position - beginning	369,486,951	362,840,073	6,646,878
Total net position - ending	\$ 375,790,340	\$ 369,023,396	\$ 6,766,944

Operating revenues

The following graph provides a comparison of operating revenues for the first nine months of year 2013 and 2012.

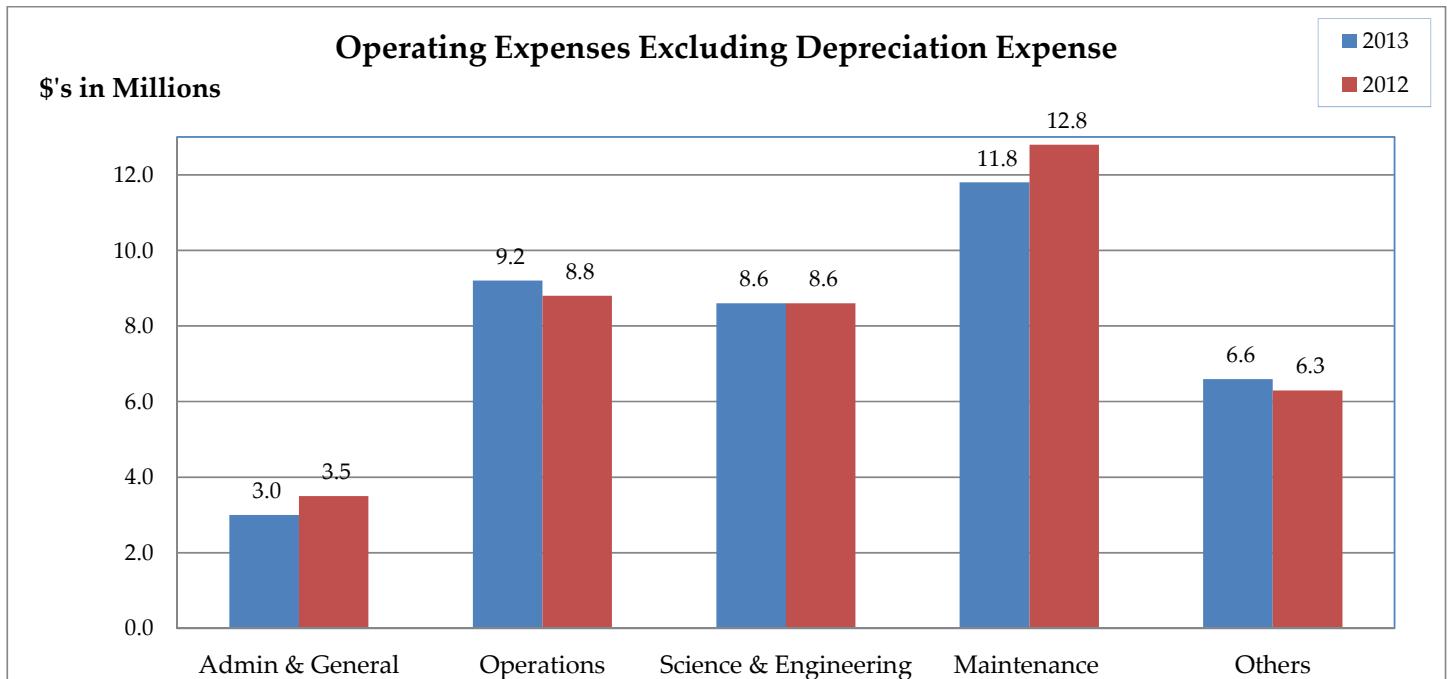


The approved average rate increases for each of the years 2013 and 2014 are 4.8% for Wastewater and 6% for Surface Water and the 2013 rate increases took effect March 1.

Operating revenues for the first nine months of 2013 increased \$1.8 million compared to the same period last year. All revenue categories except other revenues increased slightly compared to the same period last year. Wastewater residential revenues increased \$808,000, Wastewater commercial and public authority (PA) revenues increased \$404,000, and Surface Water revenue increased \$662,000.

Operating expenses

The graph below shows operating expenses for each of the operating groups:



Total operating expenses excluding depreciation expense decreased \$943,000 compared to the same period last year.

- Administration and general costs decreased \$534,000 (15%) primarily due to increased capitalized A&G credits of \$310,000 as a result of the increased spending on capital projects and decreased bad debt expenses of \$455,000 due to relatively small changes in the balance of aged uncollectible accounts compared to the same period last year. This increase was off-set in part by the increase of \$167,000 in professional services which include services provided by E-Builder for the project management software solution project.
- Operation costs increased \$376,000 mainly due to increased personnel related costs compared to last year; the full time employees for September 2013 were 56 compared to 54 in 2012.
- Maintenance costs decreased \$1.0 million which was primarily the result of reduced material costs for maintenance and repairs as a result of the mild winter conditions, an absence of major line failures, and no major maintenance on pumps.

Nonoperating revenues and expenses

Nonoperating revenues and expenses consist principally of investment income, rental income, operating grant revenues, and interest expense. Net expenses of \$3.3 million were reported for the first nine months of 2013, an increase of \$754,000 (30%) from the net expenses of \$2.5 million for the same period last year. Investment income decreased \$1.1 million (59%) due to the relatively low cash balance as a result of continuous spending on capital projects.

There is no operating grant revenue recorded in 2013 compared to \$224,000 in 2012 for the Municipal Storm-water Capacity Grant. Amortization costs for bonds were \$194,000, an increase of \$560,000 from (\$367,000) in 2012; the remaining unamortized costs related to the 2002 Revenue Refunding Bonds were amortized in June 2012 due to calling the bonds.

Contributions

Wapato Lake Drive Pervious Street project received grants of \$648,000 in 2012 and \$27,000 in 2013 from the Washington State Department of Ecology; the SR 16 Sprague Avenue Roadside Landscaping project received \$190,000 in 2013 and the Arterial Extension projects received \$304,000 in 2012 from the Washington State Department of Transportation.

Donated easements and lands were recorded for \$269,000 in 2013 compared to last year of \$91,000.

Transfers

Transfers in from other funds reported \$686,000 in 2012 primarily as the result of the return of radio and public liability assessments.

Capital Assets

Capital assets increased \$26.7 million over the prior year. Buildings increased \$4.2 million mainly due to the capitalization of the Eductor Decant Facility. Machinery and equipment increased \$6.1 million due to the capitalization of the Salmon Beach Lower Pump for \$2.9 million and various purchases of equipment and vehicles. Transmission lines increased \$20.8 million: 13,800 feet of the donated lines were recorded at \$3.8 million and 37,963 feet of old pipe lines were retired at historical cost of \$146,000 and replaced with 67,500 feet of new and extended sewer lines for \$17.0 million. Accumulated depreciation increased \$12.8 million and construction in progress increased \$7.9 million.

Debt Administration

The bond coverage ratio is calculated by dividing net revenue by debt service as defined by bond covenants. Net revenue is calculated using the January through September actual results and estimates for the remainder of the year for both Wastewater and Surface Water. The SRF loans are junior lien debt and excluded from the debt service in the bond coverage ratio calculation. However, 100% of the capital lease obligation on the Urban Waters building was included as parity debt although 20% is expected to be received from the Solid Waste Division.

The bond coverage ratio is estimated at 4.87 for 2013. This compares to a ratio of 2.75 at the end of 2012. A bond coverage ratio of 1.3 is required by bond covenants for the Division.

Joint Financial Statements

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)

	September 30,		Increase (Decrease)
	2013	2012	
ASSETS			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 36,368,145	\$ 57,446,330	\$ (21,078,185)
Rate Stabilization Fund	25,000,000	22,500,000	2,500,000
Total operating cash and equity in pooled	<u>61,368,145</u>	<u>79,946,330</u>	<u>(18,578,185)</u>
Accounts receivable	9,587,918	9,258,708	329,210
Allowance for uncollectible accounts	(4,212,792)	(4,038,502)	(174,290)
Unbilled revenue	5,610,000	4,900,000	710,000
GASB 31 mark to market adjustment	697,560	935,092	(237,532)
Inventory	869,684	1,022,904	(153,220)
Prepaid expenses	661,841	210,421	451,420
Grants receivable	60,978	438,963	(377,985)
Notes and contracts receivable	158,281	143,016	15,265
Total current assets	<u>74,801,615</u>	<u>92,816,932</u>	<u>(18,015,317)</u>
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	11,032,278	9,724,925	1,307,353
Customer deposits - detention ponds	104,453	131,220	(26,767)
Construction accounts	13,162,934	17,689,977	(4,527,043)
Total restricted cash and equity in pooled investments	<u>24,299,665</u>	<u>27,546,122</u>	<u>(3,246,457)</u>
Capital assets:			
Land and easements	10,590,148	10,264,688	325,460
Buildings	151,231,421	146,991,903	4,239,518
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	142,713,290	136,583,700	6,129,590
Transmission lines	306,126,154	285,327,007	20,799,147
Computer software	7,200,713	7,058,551	142,162
Less: accumulated depreciation	(203,722,782)	(190,876,252)	(12,846,530)
Assets in service, net of accumulated depreciation	<u>444,410,944</u>	<u>425,621,597</u>	<u>18,789,347</u>
Construction in progress	45,345,345	37,449,229	7,896,116
Total capital assets	<u>489,756,289</u>	<u>463,070,826</u>	<u>26,685,463</u>
Other noncurrent assets	3,517,153	3,479,334	37,819
Total assets	<u>592,374,722</u>	<u>586,913,214</u>	<u>5,461,508</u>
DEFERRED OUTFLOWS			
Unamortized loss on refunding	1,113,688	1,162,576	(48,888)
Total deferred outflows	<u>1,113,688</u>	<u>1,162,576</u>	<u>(48,888)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 593,488,410</u>	<u>\$ 588,075,790</u>	<u>\$ 5,412,620</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)

	September 30,		Increase
	2013	2012	(Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 978,913	\$ 1,150,548	\$ (171,635)
Accrued wages payable	864,984	581,237	283,747
Accrued taxes payable	112,405	123,408	(11,003)
Accrued liability - low income	(7,315)	5,933	(13,248)
Due other governmental units	506,055	501,296	4,759
State Revolving Loan interest payable	557,609	590,453	(32,844)
Current portion of long-term debt - State Revolving Loans	3,564,365	3,490,977	73,388
Current portion of capital lease obligation	146,000	140,670	5,330
Environmental liabilities	678,502	687,135	(8,633)
Total current liabilities	<u>7,401,518</u>	<u>7,271,657</u>	129,861
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	104,453	131,341	(26,888)
Bond interest payable	1,459,005	1,459,035	(30)
Total current liabilities payable from restricted assets	<u>1,563,458</u>	<u>1,590,376</u>	(26,918)
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,582,392	93,897,314	(314,922)
Long-term debt - State Revolving Loans	57,439,220	61,013,093	(3,573,873)
Capital lease obligation	28,046,000	28,624,000	(578,000)
Compensated absences	2,444,362	1,903,444	540,918
Net OPEB obligation	1,671,120	1,352,510	318,610
Environmental liabilities	550,000	900,000	(350,000)
Total noncurrent liabilities	<u>183,733,094</u>	<u>187,690,361</u>	(3,957,267)
Total liabilities	<u>192,698,070</u>	<u>196,552,394</u>	(3,854,324)
DEFERRED INFLOWS			
Rate stabilization	25,000,000	22,500,000	2,500,000
Total deferred inflows	<u>25,000,000</u>	<u>22,500,000</u>	2,500,000
NET POSITION			
Net investment in capital assets	363,092,194	336,786,284	26,305,910
Restricted for bond reserves	9,573,273	8,265,769	1,307,504
Unrestricted	3,124,873	23,971,344	(20,846,470)
Total net position	<u>375,790,340</u>	<u>369,023,396</u>	6,766,944
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 593,488,410</u>	<u>\$ 588,075,790</u>	<u>\$ 5,412,620</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)

	September Year-to-Date	
	2013	2012
OPERATING REVENUES		
Wastewater residential	\$ 27,798,679	\$ 26,990,195
Wastewater commercial and public authorities	14,746,813	14,342,777
Surface Water	20,292,587	19,630,630
Other revenues	763,018	808,745
Total operating revenues	<u>63,601,097</u>	<u>61,772,347</u>
OPERATING EXPENSES		
Administration and general	2,965,391	3,499,689
Operations	9,216,066	8,840,307
Science & engineering	8,597,620	8,639,546
Maintenance	11,791,266	12,838,361
Other	6,606,462	6,301,859
Depreciation	10,095,523	9,635,653
Total operating expenses	<u>49,272,328</u>	<u>49,755,415</u>
Net operating income	<u>14,328,769</u>	<u>12,016,932</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	756,050	1,848,908
Rental income	285,680	280,787
Operating grant revenue	-	224,088
Bond interest expense, net of capitalized interest	(2,464,932)	(2,602,639)
Interest on long-term debt - State Revolving Loans	(849,245)	(897,962)
Interest on capital lease	(1,133,181)	(1,149,859)
Amortization of premium, discount, and refunding costs	193,517	(366,520)
Other nonoperating revenues	141,318	196,787
Other nonoperating expenses	(223,932)	(74,035)
Total nonoperating expenses	<u>(3,294,725)</u>	<u>(2,540,445)</u>
CHANGE IN NET POSITION		
Net position before capital contributions and transfers	11,034,044	9,476,487
Contributions:		
Cash	106,657	5,691
Capital related grants	217,161	952,063
Donated fixed assets	268,531	91,170
Transfers - from other fund	52,225	685,672
Transfers - to other fund	(173,685)	(564)
Transfers - gross earnings tax	(5,201,544)	(5,027,196)
CHANGE IN NET POSITION	<u>6,303,389</u>	<u>6,183,323</u>
TOTAL NET POSITION- BEGINNING	<u>369,486,951</u>	<u>362,840,073</u>
TOTAL NET POSITION- ENDING	<u>\$ 375,790,340</u>	<u>\$ 369,023,396</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

**City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows (Unaudited)**

	September Year-to-Date	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 63,082,912	\$ 60,321,594
Payments to suppliers	(22,081,334)	(21,644,075)
Payments to employees	(21,759,120)	(21,386,909)
Taxes paid	(1,095,075)	(1,149,092)
Net cash from operating activities	<u>18,147,383</u>	<u>16,141,518</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earning taxes paid	(5,727,400)	(5,526,135)
Debt service related to environmental cleanup	(957,597)	(957,597)
Operating grants received	580	457,562
Transfers in/out	(168,035)	685,108
Net cash from noncapital financing activities	<u>(6,852,452)</u>	<u>(5,341,062)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(26,921,336)	(21,778,250)
Capital assets transferred in or out	46,575	-
Principal payments on revenue bonds	-	(10,965,000)
Principal payments on State Revolving loans	(1,758,150)	(1,726,674)
Capital lease obligation	(1,565,181)	(1,566,858)
Interest expense, net of capitalized interest	(989,888)	(1,215,177)
Net cash from capital and related financing activities	<u>(31,187,980)</u>	<u>(37,251,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	58,490	913,815
Rental income	285,680	280,787
Other nonoperating revenues	118,221	196,787
Net cash from investing activities	<u>462,391</u>	<u>1,391,389</u>
Net change in cash and equity in pooled investments	(19,430,658)	(25,060,114)
Cash and equity in pooled investments - beginning	105,098,468	132,552,566
Cash and equity in pooled investments - ending	<u>\$ 85,667,810</u>	<u>\$ 107,492,452</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows (Unaudited)

	September Year-to-Date	
	2013	2012
Reconciliation of cash and equity in pooled investments to balance sheets:		
Operating funds	\$ 61,368,145	\$ 79,946,330
Restricted funds	24,299,665	27,546,122
	<u>\$ 85,667,810</u>	<u>\$ 107,492,452</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 14,328,769	\$ 12,016,932
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	10,095,523	9,635,653
Low income assistance	(86,000)	(61,800)
Change in assets and liabilities:		
Accounts receivable, net of allowance	(127,347)	132,202
Unbilled revenue	-	(800,000)
Notes and contract receivable	(47,727)	(3,533)
Due from other funds	15,260	125,704
Due from other governmental units	-	17,000
Inventory	(13,238)	2,138
Prepaid expenses	(548,366)	(110,136)
Accounts payable	(3,438,494)	(3,137,559)
Accrued liability - low income	(7,315)	5,933
Accrued wages and compensated absences	(464,079)	(411,852)
Accrued taxes payable	(9,904)	25,148
Deposits payable	(5,809)	(3,408)
Due other funds	(1,072,811)	(1,089,021)
Due other governmental units	(4,178)	(4,925)
Deferred revenue	(179,057)	(167,747)
Environmental liability	(287,844)	(29,211)
Total adjustments	<u>3,818,614</u>	<u>4,124,586</u>
	<u>\$ 18,147,383</u>	<u>\$ 16,141,518</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

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Financial Statements by Utility

**City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)**

	Wastewater September 30,		Surface Water September 30,	
	2013	2012	2013	2012
ASSETS				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 23,005,242	\$ 43,616,427	\$ 13,362,903	\$ 13,829,903
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	5,500,000
Total operating cash and equity in pooled	<u>40,005,242</u>	<u>60,616,427</u>	<u>21,362,903</u>	<u>19,329,903</u>
Accounts receivable	6,297,109	6,109,191	3,290,809	3,149,517
Allowance for uncollectible accounts	(2,381,599)	(2,274,787)	(1,831,193)	(1,763,715)
Unbilled revenue	3,772,000	3,200,000	1,838,000	1,700,000
GASB 31 mark to market adjustment	441,621	611,780	255,939	323,312
Inventory	869,684	1,022,904	-	-
Prepaid expenses	653,344	202,927	8,497	7,494
Grants receivable	-	23,097	60,978	415,866
Notes and contracts receivable	158,281	143,016	-	-
Total current assets	<u>49,815,682</u>	<u>69,654,555</u>	<u>24,985,933</u>	<u>23,162,377</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,817,238	5,685,636	4,215,040	4,039,289
Customer deposits - detention ponds	-	-	104,453	131,220
Construction accounts	1,408,715	2,420,812	11,754,219	15,269,165
Total restricted cash and equity in pooled investments	<u>8,225,953</u>	<u>8,106,448</u>	<u>16,073,712</u>	<u>19,439,674</u>
Capital assets:				
Land and easements	7,488,228	7,361,420	3,101,920	2,903,268
Buildings	148,682,679	145,990,824	2,548,742	1,001,079
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	138,085,056	132,367,270	4,628,234	4,216,430
Transmission lines	172,992,795	159,057,625	133,133,359	126,269,382
Computer software	4,317,823	4,248,417	2,882,890	2,810,134
Less: accumulated depreciation	(165,805,412)	(155,738,020)	(37,917,370)	(35,138,232)
Assets in service, net of accumulated depreciation	<u>322,032,369</u>	<u>309,558,736</u>	<u>122,378,575</u>	<u>116,062,861</u>
Construction in progress	35,745,543	29,041,782	9,599,802	8,407,447
Total capital assets	<u>357,777,912</u>	<u>338,600,518</u>	<u>131,978,377</u>	<u>124,470,308</u>
Other noncurrent assets	2,246,099	2,208,280	1,271,054	1,271,054
Total assets	<u>418,065,646</u>	<u>418,569,801</u>	<u>174,309,076</u>	<u>168,343,413</u>
DEFERRED OUTFLOWS				
Unamortized loss on refunding	332,426	350,726	781,262	811,850
Total deferred outflows	<u>332,426</u>	<u>350,726</u>	<u>781,262</u>	<u>811,850</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 418,398,072</u>	<u>\$ 418,920,527</u>	<u>\$ 175,090,338</u>	<u>\$ 169,155,263</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

**City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)**

	Wastewater September 30,		Surface Water September 30,	
	2013	2012	2013	2012
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 810,620	\$ 938,995	\$ 168,293	\$ 211,553
Accrued wages payable	614,845	415,483	250,139	165,754
Accrued taxes payable	87,153	87,466	25,252	35,942
Accrued liability - low income	614	(400)	(7,929)	6,333
Due other governmental units	506,055	501,296		
State Revolving Loan interest payable	554,425	585,934	3,184	4,519
Current portion of long-term debt - State Revolving Loans	3,544,928	3,481,604	19,437	9,373
Current portion of capital lease obligation	78,475	75,608	67,525	65,062
Environmental liabilities	-	-	678,502	687,135
Total current liabilities	<u>6,197,115</u>	<u>6,085,986</u>	<u>1,204,403</u>	<u>1,185,671</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	104,453	131,341
Bond interest payable	491,522	491,522	967,483	967,513
Total current liabilities payable from restricted assets	<u>491,522</u>	<u>491,522</u>	<u>1,071,936</u>	<u>1,098,854</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,835,687	30,911,151	62,746,705	62,986,163
Long-term debt - State Revolving Loans	57,022,076	60,567,003	417,144	446,090
Capital lease obligation	15,074,725	15,385,400	12,971,275	13,238,600
Compensated absences	1,878,064	1,502,053	566,298	401,391
Net OPEB obligation	1,243,142	1,017,469	427,978	335,041
Environmental liabilities	-	-	550,000	900,000
Total noncurrent liabilities	<u>106,053,694</u>	<u>109,383,076</u>	<u>77,679,400</u>	<u>78,307,285</u>
Total liabilities	<u>112,742,331</u>	<u>115,960,584</u>	<u>79,955,739</u>	<u>80,591,810</u>
DEFERRED INFLOWS				
Rate stabilization	17,000,000	17,000,000	8,000,000	5,500,000
Total deferred inflows	<u>17,000,000</u>	<u>17,000,000</u>	<u>8,000,000</u>	<u>5,500,000</u>
NET POSITION				
Net investment in capital assets	252,963,162	230,951,290	110,129,032	105,834,994
Restricted for bond reserves	6,325,716	5,194,114	3,247,557	3,071,655
Unrestricted	29,366,863	49,814,539	(26,241,990)	(25,843,196)
Total net position	<u>288,655,741</u>	<u>285,959,943</u>	<u>87,134,599</u>	<u>83,063,453</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 418,398,072</u>	<u>\$ 418,920,527</u>	<u>\$ 175,090,338</u>	<u>\$ 169,155,263</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2013	2012	2013	2012
OPERATING REVENUES				
Wastewater residential	\$ 27,798,679	\$ 26,990,195	\$ -	\$ -
Wastewater commercial and public authorities	14,746,813	14,342,777	-	-
Surface Water	-	-	20,292,587	19,630,630
Other revenues	605,790	517,958	157,228	290,787
Total operating revenues	<u>43,151,282</u>	<u>41,850,930</u>	<u>20,449,815</u>	<u>19,921,417</u>
OPERATING EXPENSES				
Administration and general	1,656,651	1,922,457	1,308,740	1,577,232
Operations detail:				
Customer service	493,992	444,914	154,487	184,865
Plant #1	4,162,441	4,106,939	-	-
Wastewater treatment by other	1,770,762	1,637,094	-	-
Plant #3	656,265	768,235	-	-
Biosolids (Tagro)	1,978,119	1,698,260	-	-
Operations	<u>9,061,579</u>	<u>8,655,442</u>	<u>154,487</u>	<u>184,865</u>
Science & engineering detail:				
Engineering	1,705,523	1,889,318	2,362,058	2,297,157
Construction support	205,341	460,495	170,984	117,350
Laboratory	881,263	1,126,248	481,049	322,687
Environmental Compliance	1,044,416	1,208,434	1,562,825	1,216,699
Private development	-	-	(36,499)	(80,372)
NRDA	-	-	8,045	13,204
Detention Ponds	-	-	6,657	4,495
Expense construction	-	-	205,958	63,831
Science & engineering	<u>3,836,543</u>	<u>4,684,495</u>	<u>4,761,077</u>	<u>3,955,051</u>
Maintenance detail:				
Pumping	1,184,856	1,447,039	177,659	180,063
Transmission	3,614,134	3,690,356	2,236,945	2,422,911
Plant #1	3,566,187	4,094,122	-	-
Parts	82,790	106,142	-	-
Administration	398,625	339,101	-	-
Plant #3	360,318	384,812	-	-
Holding basins	-	-	6,047	32,484
Biosolids (Tagro)	163,705	141,331	-	-
Maintenance	<u>9,370,615</u>	<u>10,202,903</u>	<u>2,420,651</u>	<u>2,635,458</u>
Subtotal divisional operating expenses	<u>23,925,388</u>	<u>25,465,297</u>	<u>8,644,955</u>	<u>8,352,606</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2013	2012	2013	2012
OPERATING EXPENSES				
Other expenses detail:				
Insurance	\$ 302,402	\$ 228,837	\$ 33,615	\$ 32,523
Taxes	797,784	832,175	287,387	341,321
IT services	1,537,250	1,314,394	847,729	831,836
Customer service	1,386,015	1,313,563	1,414,280	1,407,210
Other	4,023,451	3,688,969	2,583,011	2,612,890
Depreciation	7,852,284	7,503,572	2,243,239	2,132,081
Total operating expenses	<u>35,801,123</u>	<u>36,657,838</u>	<u>13,471,205</u>	<u>13,097,577</u>
Net operating income	<u>7,350,159</u>	<u>5,193,092</u>	<u>6,978,610</u>	<u>6,823,840</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	450,123	1,193,286	305,927	655,622
Rental income	153,553	150,923	132,127	129,864
Operating grant revenue	-	100,000	-	124,088
Bond interest expense, net of capitalized interest	(521,404)	(497,672)	(1,943,528)	(2,104,967)
Interest on long-term debt - State Revolving Loans	(839,553)	(886,664)	(9,692)	(11,298)
Interest on capital lease	(609,084)	(618,049)	(524,097)	(531,810)
Amortization of premium, discount, and refunding costs	42,872	(584,717)	150,645	218,197
Other nonoperating revenues	140,881	66,218	437	130,569
Other nonoperating expenses	(201,388)	(42,613)	(22,544)	(31,422)
Total nonoperating expenses	<u>(1,384,000)</u>	<u>(1,119,288)</u>	<u>(1,910,725)</u>	<u>(1,421,157)</u>
CHANGE IN NET POSITION				
Net position before capital contributions and transfers	5,966,159	4,073,804	5,067,885	5,402,683
Contributions:				
Cash	-	1,347	106,657	4,344
Capital related grants	-	-	217,161	952,063
Donated fixed assets	89,565	62,005	178,966	29,165
Transfers - from other fund	-	509,000	52,225	176,672
Transfers - to other fund	(120,781)	-	(52,904)	(564)
Transfers - gross earnings tax	(3,553,813)	(3,450,110)	(1,647,731)	(1,577,086)
CHANGE IN NET POSITION	<u>2,381,130</u>	<u>1,196,046</u>	<u>3,922,259</u>	<u>4,987,277</u>
TOTAL NET POSITION- BEGINNING	<u>286,274,611</u>	<u>284,763,897</u>	<u>83,212,340</u>	<u>78,076,176</u>
TOTAL NET POSITION- ENDING	<u>\$ 288,655,741</u>	<u>\$ 285,959,943</u>	<u>\$ 87,134,599</u>	<u>\$ 83,063,453</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows (Unaudited)

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 42,670,943	\$ 40,974,829	\$ 20,411,969	\$ 19,346,765
Payments to suppliers	(16,051,956)	(15,941,430)	(6,029,378)	(5,702,645)
Payments to employees	(15,582,065)	(15,434,008)	(6,177,055)	(5,952,901)
Taxes paid	(802,849)	(811,630)	(292,226)	(337,462)
Net cash from operating activities	<u>10,234,073</u>	<u>8,787,761</u>	<u>7,913,310</u>	<u>7,353,757</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Gross earning taxes paid	(3,911,979)	(3,767,026)	(1,815,421)	(1,759,109)
Debt service related to environmental cleanup	-	-	(957,597)	(957,597)
Operating grants received	-	100,000	580	357,562
Transfers in/out	(118,779)	509,001	(49,256)	176,107
Net cash from noncapital financing activities	<u>(4,030,758)</u>	<u>(3,158,025)</u>	<u>(2,821,694)</u>	<u>(2,183,037)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(21,050,479)	(15,760,745)	(5,870,857)	(6,017,505)
Capital assets transferred in or out	(2,000)	-	48,575	-
Principal payments on revenue bonds	-	(7,675,500)	-	(3,289,500)
Principal payments on State Revolving loans	(1,748,641)	(1,717,436)	(9,509)	(9,238)
Capital lease obligation	(841,284)	(842,187)	(723,897)	(724,671)
Interest expense, net of capitalized interest	(723,018)	(757,479)	(266,870)	(457,698)
Net cash from capital and related financing activities	<u>(24,365,422)</u>	<u>(26,753,347)</u>	<u>(6,822,558)</u>	<u>(10,498,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	8,502	581,505	49,988	332,310
Rental income	153,553	150,923	132,127	129,864
Other nonoperating revenues	117,784	66,217	437	130,570
Net cash from investing activities	<u>279,839</u>	<u>798,645</u>	<u>182,552</u>	<u>592,744</u>
Net change in cash and equity in pooled investments	(17,882,268)	(20,324,966)	(1,548,390)	(4,735,148)
Cash and equity in pooled investments - beginning	66,113,463	89,047,841	38,985,005	43,504,725
Cash and equity in pooled investments - ending	<u>\$ 48,231,195</u>	<u>\$ 68,722,875</u>	<u>\$ 37,436,615</u>	<u>\$ 38,769,577</u>

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows (Unaudited)

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2013	2012	2013	2012
Reconciliation of cash and equity in pooled investments to balance sheets:				
Operating funds	\$ 40,005,242	\$ 60,616,427	\$ 21,362,903	\$ 19,329,903
Restricted funds	8,225,953	8,106,448	16,073,712	19,439,674
	<u>\$ 48,231,195</u>	<u>\$ 68,722,875</u>	<u>\$ 37,436,615</u>	<u>\$ 38,769,577</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 7,350,159	\$ 5,193,092	\$ 6,978,610	\$ 6,823,840
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	7,852,284	7,503,572	2,243,239	2,132,081
Low income assistance	(63,500)	(39,300)	(22,500)	(22,500)
Change in assets and liabilities:				
Accounts receivable, net of allowance	(137,006)	26,770	9,659	105,432
Unbilled revenue	-	(500,000)	-	(300,000)
Notes and contract receivable	(47,727)	(3,533)	-	-
Due from other funds	4,481	190,106	10,779	(64,402)
Due from other governmental units	-	-	-	17,000
Inventory	(13,238)	2,138	-	-
Prepaid expenses	(544,644)	(107,146)	(3,722)	(2,990)
Accounts payable	(3,101,272)	(2,514,130)	(337,222)	(623,429)
Accrued liability - low income	614	(400)	(7,929)	6,333
Accrued wages and compensated absences	(329,763)	(284,583)	(134,316)	(127,269)
Accrued taxes payable	(5,064)	21,290	(4,840)	3,858
Deposits payable	-	-	(5,809)	(3,408)
Due other funds	(603,904)	(579,762)	(468,907)	(509,259)
Due other governmental units	(4,178)	(4,925)	-	-
Deferred revenue	(123,169)	(115,428)	(55,888)	(52,319)
Environmental liability	-	-	(287,844)	(29,211)
Total adjustments	<u>2,883,914</u>	<u>3,594,669</u>	<u>934,700</u>	<u>529,917</u>
	<u>\$ 10,234,073</u>	<u>\$ 8,787,761</u>	<u>\$ 7,913,310</u>	<u>\$ 7,353,757</u>

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