



*Wastewater and Surface Water
Management
Financial Report
June 2014*

City of Tacoma
Environmental Services
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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
June 30, 2014 and 2013

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 June 30, 2014 and 2013. 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.

Financial Highlights

- Total net position is \$390.3 million at June 30, 2014 compared to \$373.7 million at June 30, 2013. The change in net position for the first six months is \$4.0 million in 2014 compared to \$4.2 million in 2013.
- Total assets and deferred outflows of resources are \$603.7 million, an increase of \$12.2 million from \$591.4 million in 2013.
- Liabilities and deferred inflows of resources are \$213.3 million, a decrease of \$4.4 million from \$217.7 million in 2013.

Financial Analysis - Condensed Statements of Net Position

	June 30,		Increase
	2014	2013	(Decrease)
Current, restricted, and other assets	\$ 87,932,813	\$ 106,824,431	\$ (18,891,618)
Capital assets	514,675,148	483,494,615	31,180,533
Deferred outflows of resources	1,067,711	1,129,014	(61,303)
Total assets and deferred outflows of resources	<u>\$ 603,675,672</u>	<u>\$ 591,448,060</u>	<u>\$ 12,227,612</u>
Current liabilities and liabilities payable from restricted assets	\$ 8,579,639	\$ 8,907,608	\$ (327,969)
Noncurrent liabilities	179,758,443	183,812,924	(4,054,481)
Deferred inflows of resources	25,000,000	25,000,000	-
Total liabilities and deferred inflows of resources	<u>213,338,082</u>	<u>217,720,532</u>	<u>\$ (4,382,450)</u>
Net investment in capital assets	383,655,220	358,021,982	25,633,238
Restricted for bond reserves	9,573,274	9,573,274	-
Unrestricted	(2,890,904)	6,132,272	(9,023,177)
Total net position	<u>390,337,590</u>	<u>373,727,528</u>	<u>16,610,062</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 603,675,672</u>	<u>\$ 591,448,060</u>	<u>\$ 12,227,612</u>

Current, restricted, and other assets

Current, restricted, and other assets decreased \$18.9 million compared to a year ago. The primary reason for this was a decrease of \$19.7 million in cash due to capital spending of \$34.1 million funded in part by the 2006 Sewer Revenue Bonds of \$9.8 million and the remainder from cash generated from operating activities of \$24.3 million.

Other changes include a \$558,000 increase in grant receivable for the Cheney Stadium project from the Washington State Department of Ecology. Prepaid expenses increased \$280,000 for the 10 year lease of the Cavanaugh Building for the Tagro operation, and GASB 31 mark to market adjustment decreased \$695,000. Accounts receivables including changes in the allowance and unbilled revenues increased \$602,000 due to increases in revenues.

Current liabilities and liabilities payable from restricted assets

Total current liabilities including those payables from restricted assets decreased \$328,000 primarily due to an decrease of \$248,000 in account payable due to lower construction activity compared to last year and a decrease of \$230,000 in environmental liabilities due to less anticipated clean-up costs related to the Thea Foss Waterway.

Noncurrent liabilities

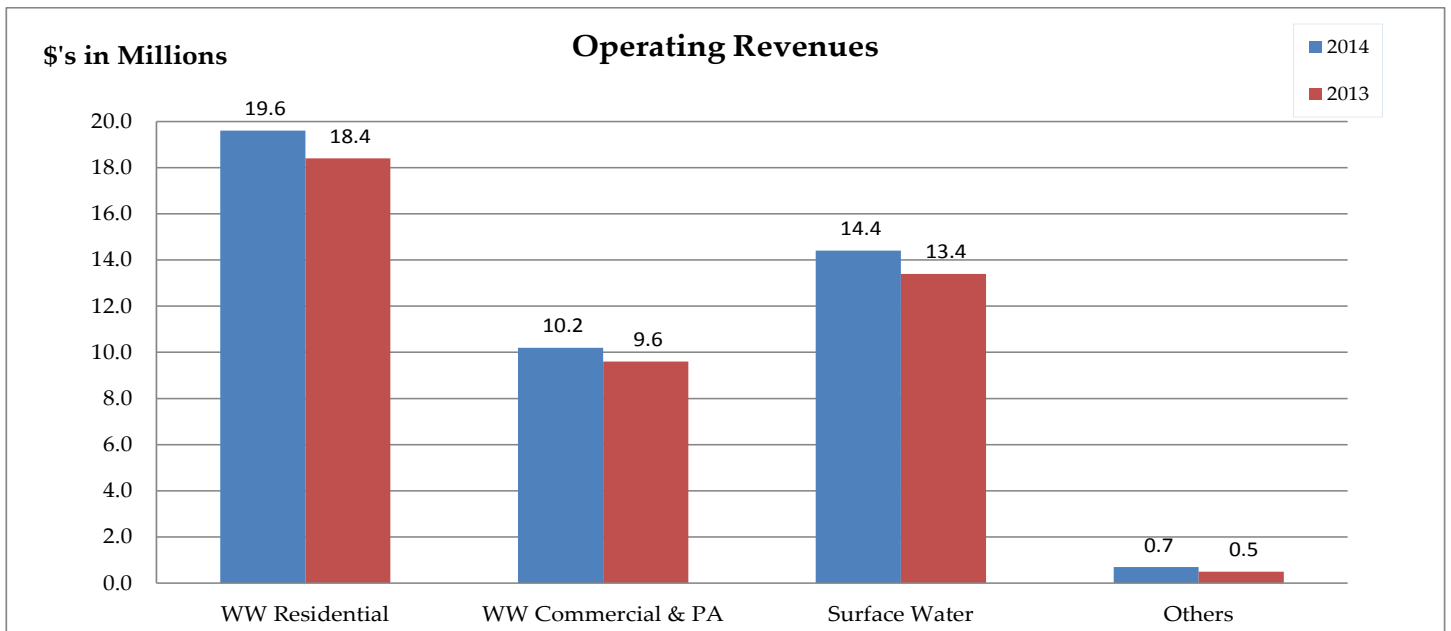
Noncurrent liabilities decreased \$4.1 million to \$179.8 million from \$183.8 million in 2013. The decrease was primarily the result of principal payments on the SRF loans.

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

	Year-to-Date June 30,		Increase (Decrease)
	2014	2013	
Operating revenues	\$ 44,912,095	\$ 41,918,715	\$ 2,993,380
Operating expenses	35,158,125	32,445,727	2,712,398
Net operating income	9,753,970	9,472,988	280,982
Nonoperating revenues (expenses)	(2,300,653)	(2,032,524)	(268,129)
Income before contributions and transfers	7,453,317	7,440,464	12,853
Contributions	131,123	222,184	(91,061)
Transfers	750	33,650	(32,900)
Gross earnings taxes	(3,606,020)	(3,455,721)	(150,299)
Change in net position	3,979,170	4,240,577	(261,407)
Total net position - beginning	386,358,420	369,486,951	16,871,469
Total net position - ending	\$ 390,337,590	\$ 373,727,528	\$ 16,610,062

Operating revenues

The following graph provides a comparison of operating revenues for the first six months of year 2014 and 2013.

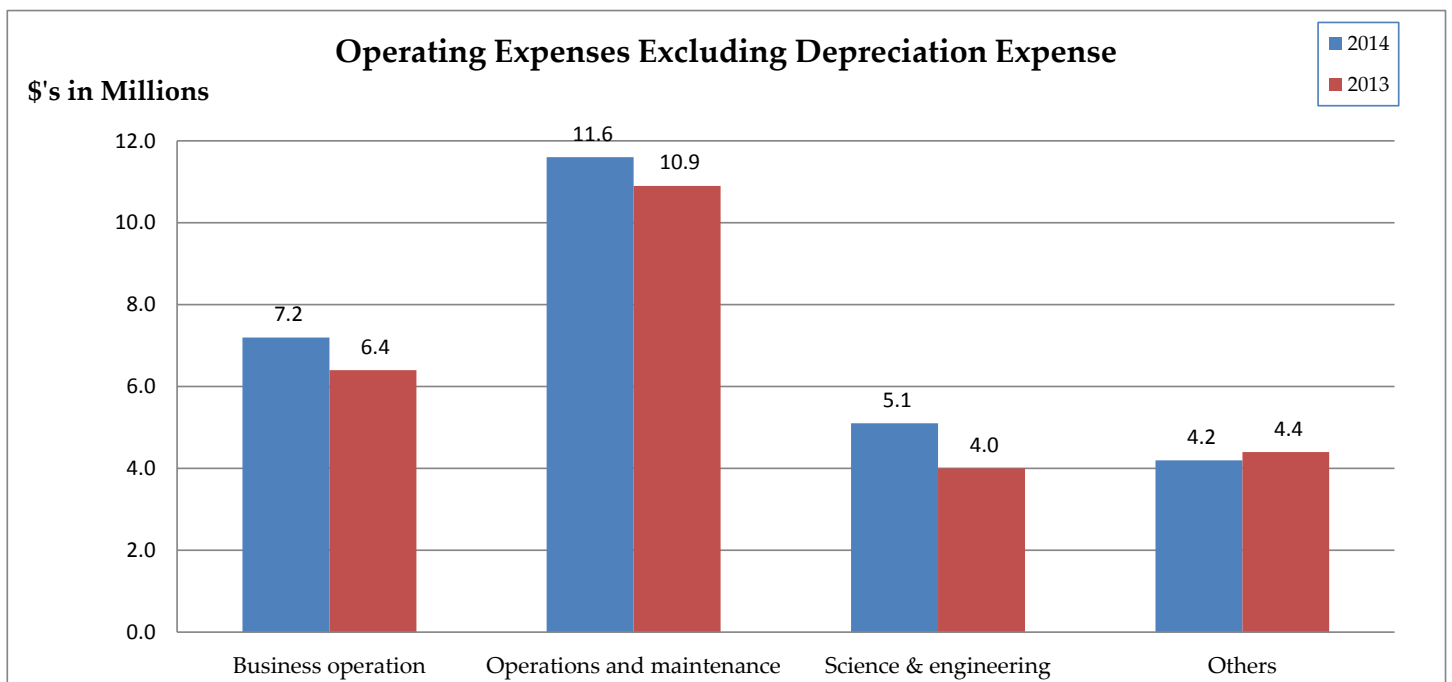


The approved average rate increases for each of the years 2014 and 2013 are 4.8% for Wastewater and 6% for Surface Water and the 2013 rate increases went into effect March 1.

Operating revenues for the first six months of 2014 increased \$3.0 million compared to the same period last year. All revenue categories increased compared to the same period last year. Wastewater residential revenues increased \$1.2 million, Wastewater commercial and public authority (PA) revenues increased \$524,000, and Surface Water revenue increased \$1.1 million.

Operating expenses

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



Total operating expenses excluding depreciation expense increased \$2.3 million compared to the same period last year.

- Business operation costs increased \$751,000. Contributing factors were the Washington State Department of Revenue (DOR) tax additional cost of \$216,000 for the sales tax portion, increased consultant service of \$137,000 for implementing E-Builder, increased capital lease payments of \$174,000 due to expensing the January 2013 payment in December 2012, and decreased capitalized A&G costs of \$225,000 due to less capital project spending.
- Operation and maintenance costs increased \$695,000 mainly due to increased material costs of \$207,000 for Plant #1 and #3 maintenance and repairs, external contracts of \$188,000 mainly for asphalt patching services, and biosolids operating cost assessments of \$177,000 from the business operation group.
- Science and engineering costs increased \$1.1 million mainly due to increased labor costs including benefits of \$586,000. Other increases include external contract services of \$283,000; the payments to the Washington State Department of Ecology increased 82,000 for maintenance and restoration of the City’s habitat restoration sites and open spaces, and a payment of \$194,000 was made to ACCELA Inc. for web-based software for processing building and land use permits including on-going software maintenance.

Capital Assets

Capital assets increased \$31.2 million over the prior year. Land and easements increased \$9.1 million mainly due to recording “Open Space” land transferred to Surface Water. Machinery and equipment increased \$10.4 million primarily due to the capitalization of the Lincoln & Marine View Drive Pump Station and High Purity Oxygen Generation Facility projects. Transmission lines and other improvements increased \$27.5 million due to replaced and extended sewer lines and the completion of the Pacific Avenue Streetscape Project. Accumulated depreciation increased \$13.9 million and construction in progress decreased \$2.5 million due to lower activities compared to the same period last year.

Debt Administration

The bond coverage ratio is calculated by dividing net revenue by debt service as defined by bond covenants. Net revenue is based on the rate plan for 2014 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 5.20 for 2014. This compares to a ratio of 4.87 at the end of 2013. A bond coverage ratio of 1.3 is required by bond covenants for the Division.

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Joint Financial Statements

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

	June 30,		Increase
	2014	2013	(Decrease)
ASSETS			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 30,189,811	\$ 40,164,636	\$ (9,974,825)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	55,189,811	65,164,636	(9,974,825)
Accounts receivable	10,257,648	9,706,076	551,572
Allowance for uncollectible accounts	(4,495,783)	(4,256,184)	(239,599)
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	897,604	903,191	(5,587)
Prepaid expenses	739,188	459,132	280,056
Grants receivable	831,869	274,075	557,794
Notes and contracts receivable	174,063	158,806	15,257
Total current assets	69,497,046	78,717,292	(9,220,246)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	9,938,025	9,938,025	-
Customer deposits - detention ponds	104,406	105,860	(1,454)
Construction accounts	4,756,775	14,524,485	(9,767,710)
Total restricted cash and equity in pooled investments	14,799,207	24,568,370	(9,769,163)
Capital assets:			
Land and easements	19,466,492	10,353,617	9,112,875
Buildings	151,293,311	151,408,137	(114,826)
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	152,475,312	142,081,790	10,393,522
Transmission lines and other improvements	333,647,580	306,126,130	27,521,450
Computer software	7,831,714	7,165,274	666,440
Less: accumulated depreciation	(214,387,458)	(200,446,519)	(13,940,939)
Assets in service, net of accumulated depreciation	480,598,951	446,960,429	33,638,522
Construction in progress	34,076,197	36,534,186	(2,457,989)
Total capital assets	514,675,148	483,494,615	31,180,533
Other noncurrent assets	3,636,560	3,538,769	97,791
Total assets	602,607,961	590,319,046	12,288,915
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized bonds refunding costs	1,067,711	1,129,014	(61,303)
Total deferred outflows of resources	1,067,711	1,129,014	(61,303)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 603,675,672	\$ 591,448,060	\$ 12,227,612

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)

	June 30,		Increase (Decrease)
	2014	2013	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,257,071	\$ 1,505,116	\$ (248,045)
Accrued wages payable & compensated absences	1,453,297	1,283,003	170,294
Accrued taxes payable	87,502	131,162	(43,660)
Accrued liability - low income	-	(8,012)	8,012
Due other governmental units	486,563	521,140	(34,577)
State Revolving Loan interest payable	267,378	283,721	(16,343)
Current portion of long-term debt - State Revolving Loans	3,629,211	3,573,874	55,337
Current portion of capital lease obligation	302,000	290,000	12,000
Environmental liabilities	627,460	856,993	(229,533)
Total current liabilities	<u>8,110,482</u>	<u>8,436,997</u>	<u>(326,515)</u>
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	104,406	105,860	(1,454)
Bond interest payable	364,751	364,751	-
Total current liabilities payable from restricted assets	<u>469,157</u>	<u>470,611</u>	<u>(1,454)</u>
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,342,890	93,662,223	(319,333)
Long-term debt - State Revolving Loans	53,819,798	57,439,219	(3,619,421)
Capital lease obligation	27,444,000	28,046,000	(602,000)
Compensated absences	2,684,113	2,444,362	239,751
Net OPEB obligation	1,967,642	1,671,120	296,522
Environmental liabilities	500,000	550,000	(50,000)
Total noncurrent liabilities	<u>179,758,443</u>	<u>183,812,924</u>	<u>(4,054,481)</u>
Total liabilities	<u>188,338,082</u>	<u>192,720,532</u>	<u>(4,382,450)</u>
DEFERRED INFLOWS OF RESOURCES			
Rate stabilization	25,000,000	25,000,000	-
Total deferred inflows of resources	<u>25,000,000</u>	<u>25,000,000</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	383,655,220	358,021,982	25,633,238
Restricted for bond reserves	9,573,274	9,573,274	-
Unrestricted	(2,890,904)	6,132,272	(9,023,177)
Total net position	<u>390,337,590</u>	<u>373,727,528</u>	<u>16,610,062</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	<u>\$ 603,675,672</u>	<u>\$ 591,448,060</u>	<u>\$ 12,227,612</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)

	Year-to-date June 30,		% Chg
	2014	2013	
OPERATING REVENUES			
Wastewater residential	\$ 19,629,918	\$ 18,388,739	7%
Wastewater commercial and public authorities	10,158,572	9,634,439	5%
Surface water	14,438,138	13,358,943	8%
Other revenues	685,467	536,594	28%
Total operating revenues	<u>44,912,095</u>	<u>41,918,715</u>	7%
OPERATING EXPENSES			
Business operation detail:			
Revenue and accounting	(1,221,152)	1,225,026	(200%)
Community relations	236,531	173,630	36%
Assessment	1,376,426	393,380	250%
Business operation	2,442,520	40,506	5,930%
Source control	1,595,099	1,684,735	(5%)
Customer service	396,673	438,123	(9%)
Wastewater treatment by other	1,220,252	1,170,510	4%
Biosolids operation	1,136,415	1,306,290	(13%)
Business operation	<u>7,182,764</u>	<u>6,432,200</u>	12%
Operations and maintenance detail:			
Plant #1	2,828,626	2,701,903	5%
Biosolids maintenance	45,344	115,802	(61%)
Plant #3	458,319	476,384	(4%)
Pumping	834,362	867,640	(4%)
Transmission	4,045,295	3,938,735	3%
Plant #1 maintenance	2,866,577	2,350,791	22%
Parts	60,051	53,916	11%
Administration	190,995	235,476	(19%)
Plant #3 maintenance	266,716	176,433	51%
Holding basins	16,145	186	8,580%
Operations and maintenance	<u>11,612,430</u>	<u>10,917,266</u>	6%
Science & engineering detail:			
Engineering	1,205,393	1,152,118	5%
Environmental compliance	2,040,690	1,492,285	37%
Construction support	287,690	211,128	36%
Laboratory	857,334	958,486	(11%)
Private development	155,358	(18,085)	(959%)
Natural Resource Damage Consent Decree (NRDA)	30,478	6,142	396%
Detention ponds	573	5,023	(89%)
Expense construction	480,669	158,402	203%
Science & engineering	<u>5,058,185</u>	<u>3,965,499</u>	28%
Total divisional operating expenses	<u>23,853,379</u>	<u>21,314,965</u>	12%

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)

	Year-to-date June 30,		% Chg
	2014	2013	
OPERATING EXPENSES (Continued)			
Other expenses detail:			
Insurance	\$ 233,083	\$ 219,776	6%
Taxes	520,677	752,464	(31%)
IT services	1,571,187	1,587,827	(1%)
Customer service	1,876,990	1,851,250	1%
Other	4,201,937	4,411,317	(5%)
Depreciation	7,102,809	6,719,445	6%
Total operating expenses	<u>35,158,125</u>	<u>32,445,727</u>	8%
Net operating income	<u>9,753,970</u>	<u>9,472,988</u>	3%
NONOPERATING REVENUES (EXPENSES)			
Investment income	320,829	564,597	(43%)
Rental income	192,943	189,208	2%
Bond interest expense, net of capitalized interest	(1,671,538)	(1,728,243)	(3%)
Interest on long-term debt - State Revolving Loans	(536,599)	(568,848)	(6%)
Interest on capital lease	(743,934)	(755,454)	(2%)
Amortization of premium, discount, and refunding costs	129,011	129,011	N/A
Other nonoperating revenues	12,081	137,249	(91%)
Other nonoperating expenses	(3,446)	(44)	7,732%
Total nonoperating expenses	<u>(2,300,653)</u>	<u>(2,032,524)</u>	13%
CHANGE IN NET POSITION			
Net position before capital contributions and transfers	7,453,317	7,440,464	0%
Contributions:			
Cash	573	5,023	(89%)
Capital related grants	(80,615)	217,161	(137%)
Donated fixed assets	211,165	-	
Transfers - capital related	750	30,000	(98%)
Transfers - operating related	-	3,650	(100%)
Transfers - gross earnings tax	(3,606,020)	(3,455,721)	4%
CHANGE IN NET POSITION	<u>3,979,170</u>	<u>4,240,577</u>	(6%)
TOTAL NET POSITION- BEGINNING	<u>386,358,420</u>	<u>369,486,951</u>	5%
TOTAL NET POSITION- ENDING	<u>\$ 390,337,590</u>	<u>\$ 373,727,528</u>	4%

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)**

	Year-to-date June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 44,031,144	\$ 41,394,343
Payments to suppliers	(16,638,876)	(15,416,260)
Payments to employees	(14,705,417)	(14,003,390)
Taxes paid	(567,054)	(743,610)
Net cash from operating activities	<u>12,119,797</u>	<u>11,231,083</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earning taxes paid	(4,161,902)	(3,981,577)
Debt service related to environmental cleanup	-	(957,597)
Operating grants received	(755,749)	580
Transfers	-	3,650
Net cash from noncapital financing activities	<u>(4,917,651)</u>	<u>(4,934,944)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(11,814,782)	(17,752,055)
Capital assets transferred in or out	750	30,000
Cash proceeds from sale of capital assets	5,750	-
Principal payments on State Revolving loans	(1,780,456)	(1,748,641)
Capital lease obligation	(1,043,934)	(1,043,454)
Interest expense, net of capitalized interest	(2,209,991)	(1,340,945)
Net cash from capital and related financing activities	<u>(16,842,663)</u>	<u>(21,855,095)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	318,183	(132,963)
Rental income	192,943	189,208
Other investing proceeds	12,081	137,249
Net cash from investing activities	<u>523,207</u>	<u>193,494</u>
Net change in cash and equity in pooled investments	(9,117,310)	(15,365,462)
Cash and equity in pooled investments - beginning	79,106,328	105,098,468
Cash and equity in pooled investments - ending	<u>\$ 69,989,018</u>	<u>\$ 89,733,006</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)**

	Year-to-date June 30,	
	2014	2013
Reconciliation of cash and equity in pooled investments to balance sheets:		
Operating funds	\$ 55,189,811	\$ 65,164,636
Restricted funds	14,799,207	24,568,370
	\$ 69,989,018	\$ 89,733,006
 Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 9,753,970	\$ 9,472,988
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	7,102,809	6,719,445
Change in assets, liabilities and deferred credits:		
Accounts receivable, net of allowance	(480,149)	(202,115)
Notes and contract receivable	(126,729)	(69,868)
Due from other funds	108,426	15,259
Inventory	(3,519)	(46,746)
Prepaid expenses	(165,382)	(345,657)
Accounts payable	(2,367,782)	(2,912,290)
Accounts liability - low income	-	(8,011)
Accrued wages and compensated absences	(91,754)	(46,059)
Accrued taxes payable	(46,377)	8,853
Deposits payable	(272)	(4,402)
Due other funds	(1,317,775)	(1,072,811)
Due other governmental units	(6,660)	10,907
Unearned revenue	(187,889)	(179,057)
Environmental liability	(51,120)	(109,353)
Total adjustments	2,365,827	1,758,095
	\$ 12,119,797	\$ 11,231,083

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 June 30,		Surface Water June 30,	
	2014	2013	2014	2013
ASSETS				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 16,794,105	\$ 27,017,679	\$ 13,395,707	\$ 13,146,957
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	33,794,105	44,017,679	21,395,707	21,146,957
Accounts receivable	6,586,378	6,347,424	3,671,270	3,358,652
Allowance for uncollectible accounts	(2,474,669)	(2,357,035)	(2,021,114)	(1,899,149)
Unbilled revenue	3,750,000	3,772,000	2,150,000	1,838,000
GASB 31 mark to market adjustment	1,504	441,621	1,142	255,939
Inventory	897,604	903,191	-	-
Prepaid expenses	712,167	459,132	27,021	-
Grants receivable	-	23,097	831,869	250,978
Notes and contracts receivable	174,063	158,806	-	-
Total current assets	43,441,152	53,765,915	26,055,895	24,951,377
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,448,597	6,448,596	3,489,429	3,489,429
Customer deposits - detention ponds	-	-	104,406	105,860
Construction accounts	838,338	1,447,903	3,918,438	13,076,582
Total restricted cash and equity in pooled investments	7,286,934	7,896,499	7,512,273	16,671,871
Capital assets:				
Land and easements	7,488,228	7,398,663	11,978,264	2,954,954
Buildings	148,827,781	148,896,683	2,465,530	2,511,454
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	148,072,943	137,533,735	4,402,369	4,548,055
Transmission lines and other improvements	188,175,061	172,992,796	145,472,519	133,133,334
Computer software	4,646,282	4,317,823	3,185,432	2,847,451
Less: accumulated depreciation	(173,904,736)	(163,278,652)	(40,482,722)	(37,167,867)
Assets in service, net of accumulated depreciation	339,576,759	324,132,248	141,022,192	122,828,181
Construction in progress	21,676,887	29,479,619	12,399,310	7,054,567
Total capital assets	361,253,646	353,611,867	153,421,502	129,882,748
Other noncurrent assets	2,365,506	2,267,715	1,271,054	1,271,054
Total assets	414,347,238	417,541,996	188,260,723	172,777,050
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bonds refunding costs	318,703	337,001	749,008	792,013
Total deferred outflows of resources	318,703	337,001	749,008	792,013
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 414,665,941	\$ 417,878,997	\$ 189,009,731	\$ 173,569,063

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		Surface Water	
	June 30,		June 30,	
	2014	2013	2014	2013
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 766,649	\$ 1,275,929	\$ 490,422	\$ 229,187
Accrued wages payable & compensated absences	994,142	894,311	459,155	388,692
Accrued taxes payable	53,062	96,924	34,440	34,238
Accrued liability - low income	-	229	-	(8,241)
Due other governmental units	486,563	521,140	-	-
State Revolving Loan interest payable	261,150	277,213	6,228	6,508
Current portion of long-term debt - State Revolving Loans	3,609,491	3,544,928	19,720	28,946
Current portion of capital lease obligation	162,325	155,875	139,675	134,125
Environmental liabilities	-	-	627,460	856,993
Total current liabilities	<u>6,333,382</u>	<u>6,766,549</u>	<u>1,777,100</u>	<u>1,670,448</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	104,406	105,860
Bond interest payable	122,880	122,880	241,871	241,871
Total current liabilities payable from restricted assets	<u>122,880</u>	<u>122,880</u>	<u>346,277</u>	<u>347,731</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,779,087	30,854,552	62,563,803	62,807,671
Long-term debt - State Revolving Loans	53,412,585	57,022,075	407,213	417,144
Capital lease obligation	14,751,150	15,074,725	12,692,850	12,971,275
Compensated absences	2,025,564	1,878,064	658,549	566,298
Net OPEB obligation	1,516,485	1,243,142	451,157	427,978
Environmental liabilities	-	-	500,000	550,000
Total noncurrent liabilities	<u>102,484,871</u>	<u>106,072,558</u>	<u>77,273,572</u>	<u>77,740,366</u>
Total liabilities	<u>108,941,133</u>	<u>112,961,987</u>	<u>79,396,949</u>	<u>79,758,545</u>
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Total deferred inflows of resources	<u>17,000,000</u>	<u>17,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
NET POSITION				
Net investment in capital assets	259,696,049	248,744,616	123,959,171	109,277,366
Restricted for bond reserves	6,325,717	6,325,716	3,247,558	3,247,558
Unrestricted	22,703,043	32,846,678	(25,593,947)	(26,714,406)
Total net position	<u>288,724,808</u>	<u>287,917,010</u>	<u>101,612,782</u>	<u>85,810,518</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 414,665,941</u>	<u>\$ 417,878,997</u>	<u>\$ 189,009,731</u>	<u>\$ 173,569,063</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	
	Year-to-date June 30,		Year-to-date June 30,	
	2014	2013	2014	2013
OPERATING REVENUES				
Wastewater residential	\$ 19,629,918	\$ 18,388,739	\$ -	\$ -
Wastewater commercial and public authorities	10,158,572	9,634,439	-	-
Surface water	-	-	14,438,138	13,358,943
Other revenues	599,809	419,835	85,658	116,759
Total operating revenues	<u>30,388,299</u>	<u>28,443,013</u>	<u>14,523,796</u>	<u>13,475,702</u>
OPERATING EXPENSES				
Business operation detail:				
Revenue and accounting	(551,729)	639,537	(669,423)	585,489
Community relations	142,344	92,070	94,187	81,560
Assessment	848,590	234,927	527,836	158,453
Business operation	1,373,820	26,620	1,068,700	13,886
Source control	682,315	675,110	912,784	1,009,625
Customer service	306,685	339,561	89,988	98,562
Wastewater treatment by other	1,220,252	1,170,510	-	-
Biosolids operation	1,136,415	1,306,290	-	-
Business operation	<u>5,158,692</u>	<u>4,484,625</u>	<u>2,024,072</u>	<u>1,947,575</u>
Operations and maintenance detail:				
Plant #1	2,828,626	2,701,903	-	-
Biosolids maintenance	45,344	115,802	-	-
Plant #3	458,319	476,384	-	-
Pumping	728,780	745,155	105,582	122,485
Transmission	2,717,505	2,603,447	1,327,790	1,335,288
Plant #1 maintenance	2,866,577	2,350,791	-	-
Parts	60,051	53,916	-	-
Administration	190,995	235,476	-	-
Plant #3 maintenance	266,716	176,433	-	-
Holding basins	-	-	16,145	186
Operations and maintenance	<u>10,162,913</u>	<u>9,459,307</u>	<u>1,449,517</u>	<u>1,457,959</u>
Science & engineering detail:				
Engineering	1,205,393	1,152,118	-	-
Environmental compliance	-	-	2,040,690	1,492,285
Construction support	174,532	98,395	113,158	112,733
Laboratory	525,922	549,626	331,412	408,860
Private development	-	-	155,358	(18,085)
Natural Resource Damage Consent Decree (NRDA)	-	-	30,478	6,142
Detention ponds	-	-	573	5,023
Expense construction	208,648	-	272,021	158,402
Science & engineering	<u>2,114,495</u>	<u>1,800,139</u>	<u>2,943,690</u>	<u>2,165,360</u>
Total divisional operating expenses	<u>17,436,100</u>	<u>15,744,071</u>	<u>6,417,279</u>	<u>5,570,894</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	
	Year-to-date June 30,		Year-to-date June 30,	
	2014	2013	2014	2013
OPERATING EXPENSES (Continued)				
Other expenses detail:				
Insurance	\$ 210,013	\$ 197,602	\$ 23,070	\$ 22,174
Taxes	308,449	551,824	212,228	200,640
IT services	1,020,538	1,022,923	550,649	564,904
Customer service	870,913	916,924	1,006,077	934,326
Other	2,409,913	2,689,273	1,792,024	1,722,044
Depreciation	5,463,182	5,225,709	1,639,627	1,493,736
Total operating expenses	<u>25,309,195</u>	<u>23,659,053</u>	<u>9,848,930</u>	<u>8,786,674</u>
Net operating income	<u>5,079,104</u>	<u>4,783,960</u>	<u>4,674,866</u>	<u>4,689,028</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	180,925	340,895	139,904	223,702
Rental income	103,707	101,699	89,236	87,509
Bond interest expense, net of capitalized interest	(433,473)	(409,905)	(1,238,065)	(1,318,338)
Interest on long-term debt - State Revolving Loans	(530,371)	(562,340)	(6,228)	(6,508)
Interest on capital lease	(399,864)	(406,056)	(344,070)	(349,398)
Amortization of premium, discount, and refunding costs	28,582	28,582	100,429	100,429
Other nonoperating revenues	11,893	136,949	188	300
Other nonoperating expenses	(4)	-	(3,442)	(44)
Total nonoperating expenses	<u>(1,038,605)</u>	<u>(770,176)</u>	<u>(1,262,048)</u>	<u>(1,262,348)</u>
CHANGE IN NET POSITION				
Net position before capital contributions and transfers	4,040,499	4,013,784	3,412,818	3,426,680
Contributions:				
Cash	-	-	573	5,023
Capital related grants	-	-	(80,615)	217,161
Donated fixed assets	-	-	211,165	-
Transfers - capital related	-	(2,000)	750	32,000
Transfers - operating related	-	-	-	3,650
Transfers - gross earnings tax	(2,409,457)	(2,369,385)	(1,196,563)	(1,086,336)
CHANGE IN NET POSITION	<u>1,631,042</u>	<u>1,642,399</u>	<u>2,348,128</u>	<u>2,598,178</u>
TOTAL NET POSITION- BEGINNING	<u>287,093,766</u>	<u>286,274,611</u>	<u>99,264,654</u>	<u>83,212,340</u>
TOTAL NET POSITION- ENDING	<u>\$ 288,724,808</u>	<u>\$ 287,917,010</u>	<u>\$ 101,612,782</u>	<u>\$ 85,810,518</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	
	Year-to-date June 30,		Year-to-date June 30,	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 29,977,195	\$ 27,993,354	\$ 14,053,949	\$ 13,400,989
Payments to suppliers	(11,010,692)	(11,297,018)	(5,628,184)	(4,119,242)
Payments to employees	(10,691,340)	(10,211,486)	(4,014,077)	(3,791,904)
Taxes paid	(338,658)	(547,117)	(228,396)	(196,493)
Net cash from operating activities	<u>7,936,505</u>	<u>5,937,733</u>	<u>4,183,292</u>	<u>5,293,350</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Gross earning taxes paid	(2,784,703)	(2,727,551)	(1,377,199)	(1,254,026)
Debt service related to environmental cleanup	-	-	-	(957,597)
Operating grants received	-	-	(755,749)	580
Transfers	-	-	-	3,650
Net cash from noncapital financing activities	<u>(2,784,703)</u>	<u>(2,727,551)</u>	<u>(2,132,948)</u>	<u>(2,207,393)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(6,047,061)	(14,255,730)	(5,767,721)	(3,496,325)
Capital assets transferred in or out	-	(2,000)	750	32,000
Cash proceeds from sale of capital assets	-	-	5,750	-
Principal payments on State Revolving loans	(1,780,456)	(1,748,641)	-	-
Capital lease obligation	(561,114)	(560,856)	(482,820)	(482,598)
Interest expense, net of capitalized interest	(971,918)	(980,163)	(1,238,073)	(360,782)
Net cash from capital and related financing activities	<u>(9,360,549)</u>	<u>(17,547,390)</u>	<u>(7,482,114)</u>	<u>(4,307,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	179,421	(100,726)	138,762	(32,237)
Rental income	103,707	101,699	89,236	87,509
Other investing proceeds	11,894	136,949	187	300
Net cash from investing activities	<u>295,022</u>	<u>137,922</u>	<u>228,185</u>	<u>55,572</u>
Net change in cash and equity in pooled investments	(3,913,725)	(14,199,286)	(5,203,585)	(1,166,176)
Cash and equity in pooled investments - beginning	44,994,764	66,113,464	34,111,564	38,985,004
Cash and equity in pooled investments - ending	<u>\$ 41,081,039</u>	<u>\$ 51,914,178</u>	<u>\$ 28,907,979</u>	<u>\$ 37,818,828</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	
	Year-to-date June 30,		Year-to-date June 30,	
	2014	2013	2014	2013
Reconciliation of cash and equity in pooled investments to balance sheets:				
Operating funds	\$ 33,794,105	\$ 44,017,679	\$ 21,395,707	\$ 21,146,957
Restricted funds	7,286,934	7,896,499	7,512,273	16,671,871
	<u>\$ 41,081,039</u>	<u>\$ 51,914,178</u>	<u>\$ 28,907,979</u>	<u>\$ 37,818,828</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 5,079,104	\$ 4,783,960	\$ 4,674,866	\$ 4,689,028
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	5,463,182	5,225,709	1,639,627	1,493,736
Change in assets, liabilities and deferred credits:				
Accounts receivable, net of allowance	(202,086)	(211,886)	(278,063)	9,771
Notes and contract receivable	(126,729)	(69,868)	-	-
Due from other funds	64,552	4,481	43,874	10,778
Inventory	(3,519)	(46,746)	-	-
Prepaid expenses	(171,047)	(350,432)	5,665	4,775
Accounts payable	(1,206,028)	(2,635,962)	(1,161,754)	(276,328)
Accounts liability - low income	-	230	-	(8,241)
Accrued wages and compensated absences	(78,887)	(50,294)	(12,867)	4,235
Accrued taxes payable	(30,209)	4,707	(16,168)	4,146
Deposits payable	-	-	(272)	(4,402)
Due other funds	(716,081)	(603,904)	(601,694)	(468,907)
Due other governmental units	(6,660)	10,907	-	-
Unearned revenue	(129,087)	(123,169)	(58,802)	(55,888)
Environmental liability	-	-	(51,120)	(109,353)
Total adjustments	<u>2,857,401</u>	<u>1,153,773</u>	<u>(491,574)</u>	<u>604,322</u>
	<u>\$ 7,936,505</u>	<u>\$ 5,937,733</u>	<u>\$ 4,183,292</u>	<u>\$ 5,293,350</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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