



*Wastewater and Surface Water  
Management  
Financial Report  
September 2015*

**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.

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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, 2015 and 2014**

**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, 2015 and 2014. 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. 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.

**Financial Highlights**

- Total net position is \$404.4 million at September 30, 2015 compared to \$390.5 million at September 30, 2014.
- The change in net position for the first six months is \$8.1 million in 2015 compared to \$4.2 million in 2014.
- Total assets and deferred outflows of resources are \$694.6 million, an increase of \$90.0 million from \$604.5 million in 2014.
- Liabilities and deferred inflows of resources are \$290.1 million, an increase of \$76.1 million from \$214.0 million in 2014.

**Financial Analysis - Condensed Statements of Net Position**

	September 30,		Increase
	2015	2014	(Decrease)
Current, restricted, and other assets	\$ 143,284,674	\$ 84,460,102	\$ 58,824,572
Capital assets	547,907,319	519,025,834	28,881,485
Deferred outflows of resources	3,378,688	1,052,384	2,326,304
Total assets and deferred outflows of resources	<u>\$ 694,570,681</u>	<u>\$ 604,538,320</u>	<u>\$ 90,032,361</u>
Current liabilities and liabilities payable from restricted assets	\$ 10,245,975	\$ 9,350,393	\$ 895,582
Noncurrent liabilities	254,883,358	179,668,534	75,214,824
Deferred inflows of resources	25,000,000	25,000,000	-
Total liabilities and deferred inflows of resources	<u>290,129,333</u>	<u>214,018,927</u>	<u>\$ 76,110,406</u>
Net investment in capital assets	397,533,538	384,628,288	12,905,250
Restricted for bond reserves	10,614,277	9,573,285	1,040,992
Unrestricted	(3,706,467)	(3,682,180)	(24,287)
Total net position	<u>404,441,348</u>	<u>390,519,393</u>	<u>13,921,955</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 694,570,681</u>	<u>\$ 604,538,320</u>	<u>\$ 90,032,361</u>

### Current assets

Current assets increased \$58.3 million compared to a year ago primarily due to a \$57.4 million increase in cash; cash proceeds of \$75.2 million from 2015 Sewer Revenue and Refunding bonds were recorded in March. Cash spending on capital projects reached \$42.5 million; \$24.7 million was funded from operating activities and \$17.8 million was funded from 2015 Sewer Revenue and Refunding bonds.

Prepayments decreased \$680,000 mainly due to a reclassified prepaid rental of \$563,000 for a 10 year lease on the Cavanaugh Building as non-current asset.

### Deferred outflows of resources

Unamortized loss on refunding increased \$2.3 million primarily due to the refunding costs on 2015 Sewer Revenue and Refunding bonds.

### Current liabilities and liabilities payable from restricted assets

Current, restricted, and other liabilities increased \$896,000 primarily due to a \$865,000 increase in bond interest payment.

### Noncurrent liabilities

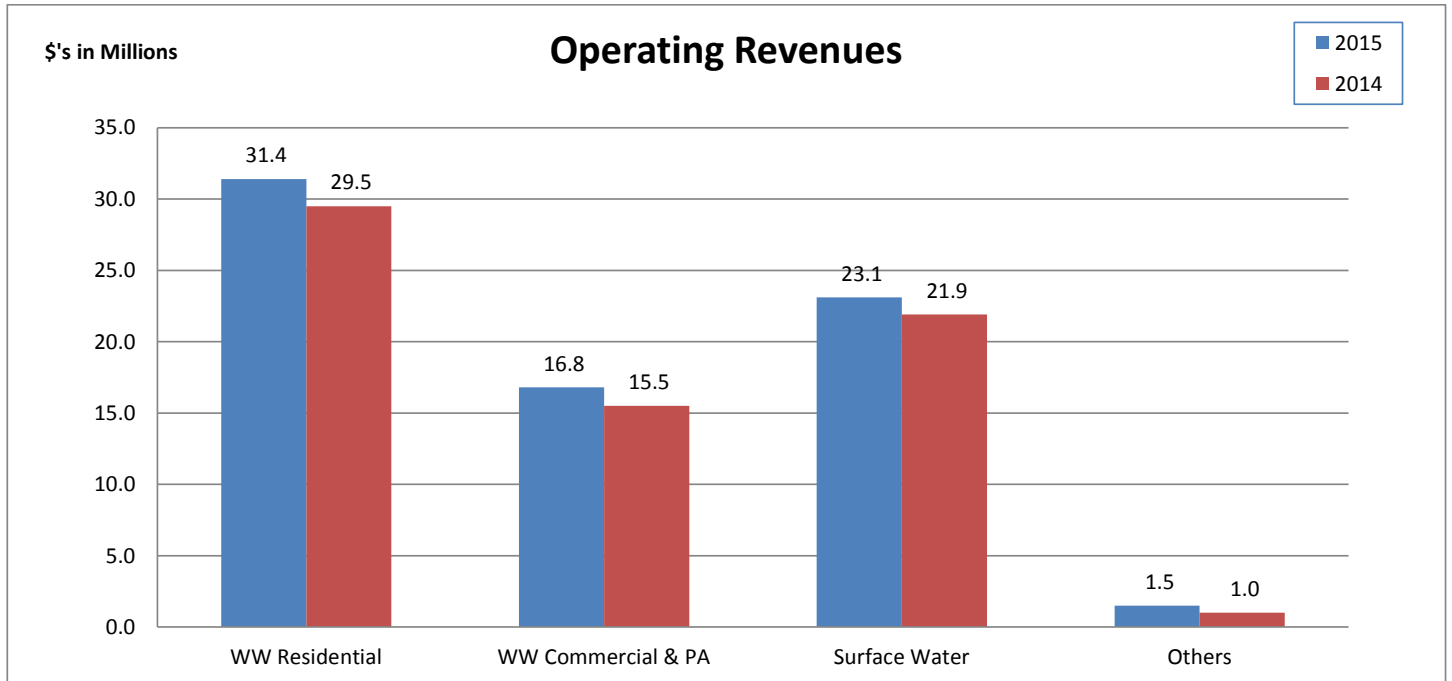
Noncurrent liabilities increased \$75.2 million primarily due to a net increase of \$69.9 million in bonds payable and a \$8.3 million net increase in unamortized bonds premium; 2015 Sewer bonds payable was recorded at \$109.3 million and a \$39.4 million principle payment on 2006 Sewer bonds reduced the outstanding debt balance to \$15.6 million. The premium on 2015 Sewer bonds was recorded at \$9.2 million.

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

	September Year-to-Date		Increase (Decrease)
	2015	2014	
Operating revenues	\$ 72,783,411	\$ 67,838,964	\$ 4,944,447
Operating expenses	56,403,512	54,912,335	1,491,177
Net operating income	16,379,899	12,926,629	3,453,270
Nonoperating revenues (expenses)	(4,735,666)	(3,360,667)	(1,374,999)
Income before contributions and transfers	11,644,233	9,565,962	2,078,271
Contributions	2,342,470	193,892	2,148,578
Transfer in	1,320	750	570
Transfer out & gross earnings tax	(5,905,410)	(5,599,631)	(305,779)
Change in net position	8,082,613	4,160,973	3,921,640
Total net position - beginning	396,358,735	386,358,420	10,000,315
Total net position - ending	\$ 404,441,348	\$ 390,519,393	\$ 13,921,955

### Operating revenues

The following graph provides a comparison of operating revenues for the first nine months of year 2015 and 2014.

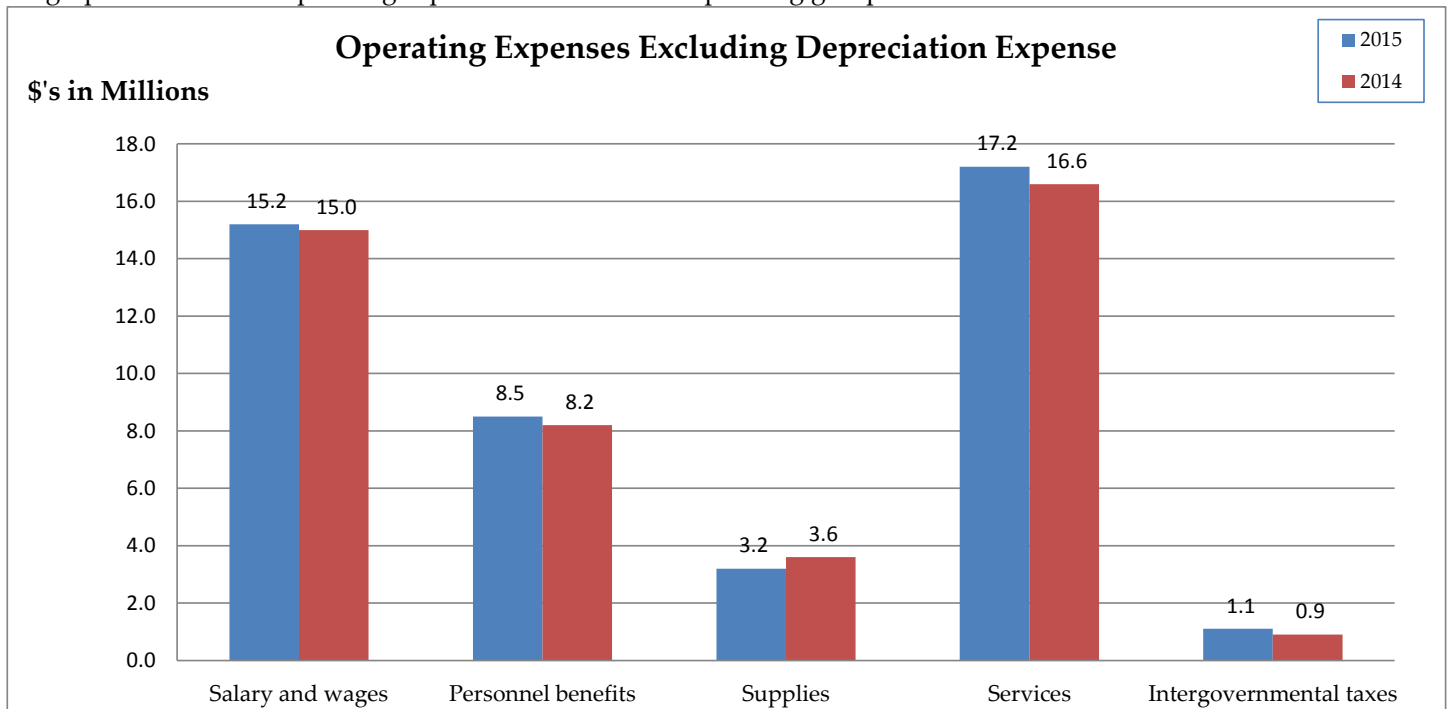


The approved average rate increases for year 2015 and 2016 are 6% for Wastewater and 5.5% for Surface Water and the rate increases for 2015 went into effect January 1.

Operating revenues for the first nine months of 2015 increased \$4.9 million compared to the same period last year. Revenues from Wastewater residential and Surface Water increased 6% and Wastewater commercial and public authorities increased 8% mainly due to the effect of the 2015 rate increase. Other revenues increased 57% due to more revenues from septic tank disposals, and taking leachates from Yelm, Thurston County, and Darigold.

### Operating expenses

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





Total operating expenses excluding depreciation expense increased \$985,000 compared to the same period last year.

- Salary and wages increased \$195,000 primarily due to a \$270,000 increase in regular salary and wage and a \$108,000 increase in education and training costs. This increase was offset in part by a \$128,000 decrease in salaries and wages others, which reported employees' payroll deduction for Western Metal Union pension and surcharges. After a new union contract with Local 160 in 2014, employees have been paying for those costs. There was no change in the number of employees; 325 each for the year of 2015 and 2014.
- Personnel benefits increased \$249,000 primarily due to a \$464,000 increase in health and welfare costs. This increase was offset in part by a \$245,000 decrease in industrial insurance costs mostly paid to the Washington State Labor & Industries Department.
- Supplies decreased \$375,000 mainly due to a decrease in operating and maintenance supplies for Plant #1.
- Services increased \$641,000. The payment to Pierce County for the wastewater treatment charges increased \$175,000.  
Additional rental costs for the Center for Urban Water building increased \$231,000 after a new maintenance agreement with the managing company was awarded. Public liability insurance increased \$125,000.
- Intergovernmental taxes increased \$275,000 mainly due to last year's tax adjustment after receiving the refunds from the Department of Revenues as a result of the audit.

### Contributions

The Division reported \$1.2 million of capital related grants in 2015, which included the Asotin CT LID Retrofit, Pt. Defiance Regional Treatment, and Treatment for Phosphorous Removal projects from the State of Washington Ecology Department. Pierce Co agreed to pay \$1 million each for the next 6 years starting year 2014 for the Floodwall project and \$1 million for 2014 was received in September 2015.

### Capital Assets

Capital assets net of depreciation increased \$28.9 million over the prior year. Property, plant, and equipment increased \$47.7 million; capital lease building increased \$1.5 million due to the TES allocation rate change. Machinery and equipment increased \$9.5 million primarily due to the capitalization of the Lincoln & Alexander Pump Station and Pump Station Control Panel upgrade projects. Transmission lines and other improvements increased \$36.2 million; 7,096 feet of donated lines were recorded for \$3.3 million, 20,085 feet of old lines were retired at the historical cost of \$255,000, and 26,695 feet of new replacement lines and extended sewer lines were recorded for \$21.0 million. Other improvements reported \$12.2 million including the Floodwall project for the Central Treatment Plant completed in September 2015 for \$8.2 million. The Cheney Stadium LID Retrofit project was recorded for \$2.5 million of which \$1 million was grant funded. Accumulated depreciation increased \$14.4 million and construction in progress decreased \$4.6 million. Several ongoing projects include the Dewatering System Upgrade, Plant Control System Upgrade, and Cleveland Pump Station Upgrade projects.

### 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 2015 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 15.5% is expected to be received from the Solid Waste Division.

The bond coverage ratio is estimated at 4.74 for year 2015. This compares to a ratio of 4.43 at the end of year 2014. 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)**

	September 30,		Increase (Decrease)
	2015	2014	
ASSETS			
Current Assets:			
Cash and cash equivalents (C&CE)	\$ 53,161,586	\$ 54,374,836	\$ (1,213,250)
Accounts receivable (net)	13,883,202	12,215,437	1,667,765
Due from other governments	-	15,142	(15,142)
Inventory	982,293	965,289	17,004
Prepayments	222,170	902,626	(680,456)
Other current assets	34,669	2,646	32,023
Current restricted assets:			
C&CE - debt service, deposits and replacements	12,938,668	11,032,279	1,906,389
C&CE - construction accounts	57,876,397	1,202,787	56,673,610
Customer deposits - detention ponds	-	103,113	(103,113)
Total restricted assets	<u>70,815,065</u>	<u>12,338,179</u>	<u>58,476,886</u>
Total current assets	<u>139,098,985</u>	<u>80,814,155</u>	<u>58,284,830</u>
Non-current assets:			
Other non-current assets	4,185,689	3,645,947	539,742
Capital assets:			
Land and easements	19,609,290	19,473,992	135,298
Property, plant, and equipment	723,231,543	675,505,294	47,726,249
Less: accumulated depreciation	(232,275,059)	(217,909,199)	(14,365,860)
Construction work in progress	37,341,545	41,955,747	(4,614,202)
Total capital assets net of depreciation	<u>547,907,319</u>	<u>519,025,834</u>	<u>28,881,485</u>
Total non-current assets	<u>552,093,008</u>	<u>522,671,781</u>	<u>29,421,227</u>
TOTAL ASSETS	<u>691,191,993</u>	<u>603,485,936</u>	<u>87,706,057</u>
DEFERRED OUTFLOW OF RESOURCES			
Unamortized loss on refunding	3,378,688	1,052,384	2,326,304
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>3,378,688</u>	<u>1,052,384</u>	<u>2,326,304</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 694,570,681</u>	<u>\$ 604,538,320</u>	<u>\$ 90,032,361</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 (Decrease)
	2015	2014	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,516,457	\$ 1,294,930	\$ 221,527
Due to other governments	485,529	488,483	(2,954)
State Revolving Loan Interest payable	492,467	525,354	(32,887)
Accrued wages and benefits payable	1,156,841	1,043,695	113,146
Accrued taxes	137,068	74,349	62,719
Environmental liability - current	270,420	579,977	(309,557)
Notes & leases - current	3,862,802	3,781,498	81,304
Current payables from restricted assets:			
Bond interest payable	2,324,391	1,459,005	865,386
Deposits and other payables	-	103,102	(103,102)
Total current liabilities	<u>10,245,975</u>	<u>9,350,393</u>	<u>895,582</u>
Non-current liabilities:			
Revenue bonds payable (net)	171,165,254	93,263,058	77,902,196
Compensated absences	2,646,180	2,684,113	(37,933)
Environmental liability - non-current	400,000	500,000	(100,000)
Notes & leases - non-current	78,440,321	81,253,721	(2,813,400)
Net OPEB obligation	2,231,603	1,967,642	263,961
Total non-current liabilities	<u>254,883,358</u>	<u>179,668,534</u>	<u>75,214,824</u>
<b>TOTAL LIABILITIES</b>	<u>265,129,333</u>	<u>189,018,927</u>	<u>76,110,406</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Rate stabilization	25,000,000	25,000,000	-
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>25,000,000</u>	<u>25,000,000</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	397,533,538	384,628,288	12,905,250
Restricted for debt	10,614,277	9,573,285	1,040,992
Unrestricted	(3,706,467)	(3,682,180)	(24,287)
<b>TOTAL NET POSITION</b>	<u>404,441,348</u>	<u>390,519,393</u>	<u>13,921,955</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES</b>			
<b>RESOURCES, AND NET POSITION</b>	<u>\$ 694,570,681</u>	<u>\$ 604,538,320</u>	<u>\$ 90,032,361</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		% Chg
	2015	2014	
<b>OPERATING REVENUES</b>			
Wastewater residential	\$ 31,414,124	\$ 29,512,638	6%
Wastewater commercial and public authorities	16,791,569	15,499,316	8%
Surface water	23,088,171	21,879,581	6%
Other revenues	1,489,547	947,429	57%
<b>TOTAL OPERATING REVENUES</b>	<b>72,783,411</b>	<b>67,838,964</b>	<b>7%</b>
<b>OPERATING EXPENSES</b>			
Salary and wages	15,228,510	15,033,111	1%
Personnel benefits	8,486,581	8,237,675	3%
Supplies	3,206,565	3,581,916	(10%)
Services	17,206,040	16,565,014	4%
Intergovernmental taxes	1,142,232	867,299	32%
Depreciation	11,133,584	10,627,320	5%
<b>TOTAL OPERATING EXPENSES</b>	<b>56,403,512</b>	<b>54,912,335</b>	<b>3%</b>
<b>OPERATING INCOME</b>	<b>16,379,899</b>	<b>12,926,629</b>	<b>27%</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and other earnings	698,267	478,132	46%
Interest and other related costs	(6,392,811)	(4,323,536)	48%
Amortization of bond premium and loss on refunding	468,627	193,516	142%
Operating contributions - federal/state/local	101,207	-	n/a
Other non revenues and (expenses)	401,166	301,122	33%
Loss on disposition of property	(12,122)	(9,901)	22%
<b>NON OPERATING REVENUE NET OF EXPENSE</b>	<b>(4,735,666)</b>	<b>(3,360,667)</b>	<b>41%</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>11,644,233</b>	<b>9,565,962</b>	<b>22%</b>
Capital contributions - interfund	-	218,665	(100%)
Capital contributions - federal/state/local	2,187,945	(26,718)	(8,289%)
Capital contributions - private	154,525	1,945	7,845%
Transfer in	1,320	750	76%
Transfer out & gross earnings tax	(5,905,410)	(5,599,631)	5%
<b>Total contributions and transfers</b>	<b>(3,561,620)</b>	<b>(5,404,989)</b>	<b>(34%)</b>
<b>CHANGES IN NET POSITION</b>	<b>8,082,613</b>	<b>4,160,973</b>	<b>94%</b>
<b>NET POSITION</b>			
NET POSITION - JANUARY 1	396,358,735	386,358,420	3%
NET POSITION - SEPTEMBER 30	\$ 404,441,348	\$ 390,519,393	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**

	<b>September Year-to-Date</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Receipt from customer and users	\$ 70,406,543	\$ 66,484,801
Payment to suppliers	(25,933,063)	(24,117,934)
Payments to employees	(24,212,523)	(23,674,853)
Payments for taxes	(1,139,417)	(926,829)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>19,121,540</b>	<b>17,765,185</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfer from (to) other funds	(6,428,436)	(6,008,146)
Grant received	151,207	60,978
Debt service related to environmental	(872,620)	(957,597)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(7,149,849)</b>	<b>(6,904,765)</b>
<b>CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(19,555,752)	(19,633,678)
Capital assets transferred in (out)	(72,478)	(146,616)
Proceeds from sale of capital assets	-	5,750
Bond refunding costs	6,199,023	-
Debt financing and principal payments	69,899,628	-
SRF financing and principal payments	(1,812,598)	(1,790,245)
Capital lease obligation	(1,653,975)	(1,565,901)
Interest paid on capital debt	(2,161,436)	(899,651)
Contributions and donations	(7,678)	9,402
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>50,834,734</b>	<b>(24,020,939)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and dividends received	663,597	474,529
Insurance recovery	-	5,464
Investment others	401,167	287,213
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,064,764</b>	<b>767,206</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>63,871,189</b>	<b>(12,393,313)</b>
<b>CASH &amp; CASH EQUIVALENTS, JANUARY 1</b>	<b>60,105,462</b>	<b>79,106,328</b>
<b>CASH &amp; CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>\$ 123,976,651</b>	<b>\$ 66,713,015</b>

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**

	<b>September Year-to-Date</b>	
	<b>2015</b>	<b>2014</b>
	<hr/>	<hr/>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income	\$ 16,379,899	\$ 12,926,629
	<hr/>	<hr/>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	11,133,584	10,627,318
(Increase) decrease in accounts receivable	(1,736,881)	(877,454)
(Increase) decrease in notes and leases	39,828	(125,553)
(Increase) decrease in due from other funds	444,580	108,426
(Increase) decrease in inventory	31,807	(71,204)
(Increase) decrease in prepayments	68,684	(328,820)
(Increase) decrease in other assets	-	7,234
Increase (decrease) in accounts payable	(4,395,456)	(2,329,923)
Increase (decrease) in accrued wages and benefits	(529,667)	(501,355)
Increase (decrease) in accrued taxes	3,006	(59,530)
Increase (decrease) in deposit and other payables	-	(1,576)
Increase (decrease) in due to other funds	(1,783,425)	(1,317,775)
Increase (decrease) in due to other governments	(4,874)	(4,740)
Increase (decrease) in unearned revenue	(195,619)	(187,889)
Increase (decrease) in environmental liabilities	(333,926)	(98,603)
Total adjustments	<hr/> 2,741,641	<hr/> 4,838,556
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<hr/> \$ 19,121,540	<hr/> \$ 17,765,185

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,	
	2015	2014	2015	2014
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents (C&CE)	\$ 29,590,526	\$ 31,328,131	\$ 23,571,060	\$ 23,046,705
Accounts receivable (net)	8,502,252	8,369,193	5,380,950	3,846,244
Due from other governments	-	-	-	15,142
Inventory	982,293	965,289	-	-
Prepayments	202,138	868,840	20,032	33,786
Other current assets	18,781	1,504	15,888	1,142
Current restricted assets:				
C&CE - debt service, deposits and replacements	8,318,342	6,817,238	4,620,326	4,215,041
C&CE - construction accounts	42,919,410	726,591	14,956,987	476,196
Customer deposits - detention ponds	-	-	-	103,113
Total restricted assets	<u>51,237,752</u>	<u>7,543,829</u>	<u>19,577,313</u>	<u>4,794,350</u>
Total current assets	<u>90,533,742</u>	<u>49,076,786</u>	<u>48,565,243</u>	<u>31,737,369</u>
Non-current assets:				
Other non-current assets	2,914,635	2,374,893	1,271,054	1,271,054
Capital assets:				
Land and easements	7,561,938	7,488,228	12,047,352	11,985,764
Property, plant, and equipment	531,799,815	505,984,029	191,431,728	169,521,265
Less: accumulated depreciation	(187,374,778)	(176,610,329)	(44,900,281)	(41,298,870)
Construction work in progress	25,329,792	26,387,545	12,011,753	15,568,202
Total capital assets net of depreciation	<u>377,316,767</u>	<u>363,249,473</u>	<u>170,590,552</u>	<u>155,776,361</u>
Total non-current assets	<u>380,231,402</u>	<u>365,624,366</u>	<u>171,861,606</u>	<u>157,047,415</u>
<b>TOTAL ASSETS</b>	<u><u>470,765,144</u></u>	<u><u>414,701,152</u></u>	<u><u>220,426,849</u></u>	<u><u>188,784,784</u></u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Unamortized loss on refunding	1,167,201	314,128	2,211,487	738,256
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>1,167,201</u>	<u>314,128</u>	<u>2,211,487</u>	<u>738,256</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u><u>\$ 471,932,345</u></u>	<u><u>\$ 415,015,280</u></u>	<u><u>\$ 222,638,336</u></u>	<u><u>\$ 189,523,040</u></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,	
	2015	2014	2015	2014
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,000,001	\$ 943,890	\$ 516,456	\$ 351,040
Due to other governments	485,529	488,483	-	-
State Revolving Loan Interest payable	489,546	522,300	2,921	3,054
Accrued wages and benefits payable	802,996	750,459	353,845	293,236
Accrued taxes	96,518	38,025	40,550	36,324
Environmental liability - current	-	-	270,420	579,977
Notes & leases - current	3,755,108	3,691,190	107,694	90,308
Current payables from restricted assets:				
Bond interest payable	1,137,256	491,522	1,187,135	967,483
Deposits and other payables	-	-	-	103,102
Total current liabilities	<u>7,766,954</u>	<u>6,925,869</u>	<u>2,479,021</u>	<u>2,424,524</u>
Non-current liabilities:				
Revenue bonds payable (net)	85,505,150	30,760,221	85,660,104	62,502,837
Compensated absences	1,977,586	2,025,564	668,594	658,549
Environmental liability - non-current	-	-	400,000	500,000
Notes & leases - non-current	63,280,357	68,163,735	15,159,964	13,089,986
Net OPEB obligation	1,761,706	1,516,485	469,897	451,157
Total non-current liabilities	<u>152,524,799</u>	<u>102,466,005</u>	<u>102,358,559</u>	<u>77,202,529</u>
<b>TOTAL LIABILITIES</b>	<u>160,291,753</u>	<u>109,391,874</u>	<u>104,837,580</u>	<u>79,627,053</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Rate stabilization	<u>17,000,000</u>	<u>17,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>17,000,000</u>	<u>17,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	268,862,763	261,675,046	128,670,775	122,953,242
Restricted for debt	7,181,086	6,325,716	3,433,191	3,247,569
Unrestricted	18,596,743	20,622,644	(22,303,210)	(24,304,824)
<b>TOTAL NET POSITION</b>	<u>294,640,592</u>	<u>288,623,406</u>	<u>109,800,756</u>	<u>101,895,987</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES RESOURCES, AND NET POSITION</b>	<u>\$ 471,932,345</u>	<u>\$ 415,015,280</u>	<u>\$ 222,638,336</u>	<u>\$ 189,523,040</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)**

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2015	2014	2015	2014
OPERATING REVENUES				
Wastewater residential	\$ 31,414,124	\$ 29,512,638	\$ -	\$ -
Wastewater commercial and public authorities	16,791,569	15,499,316	-	-
Surface water	-	-	23,088,171	21,879,581
Other revenues	1,366,790	825,324	122,757	122,105
<b>TOTAL OPERATING REVENUES</b>	<b>49,572,483</b>	<b>45,837,278</b>	<b>23,210,928</b>	<b>22,001,686</b>
OPERATING EXPENSES				
Salary and wages	10,726,597	11,070,154	4,501,913	3,962,957
Personnel benefits	5,772,108	5,669,350	2,714,473	2,568,325
Supplies	2,597,885	2,820,708	608,680	761,208
Services	11,298,248	10,736,487	5,907,792	5,828,527
Intergovernmental taxes	801,189	548,653	341,043	318,646
Depreciation	8,362,375	8,171,546	2,771,209	2,455,774
<b>TOTAL OPERATING EXPENSES</b>	<b>39,558,402</b>	<b>39,016,898</b>	<b>16,845,110</b>	<b>15,895,437</b>
<b>OPERATING INCOME</b>	<b>10,014,081</b>	<b>6,820,380</b>	<b>6,365,818</b>	<b>6,106,249</b>
NON-OPERATING REVENUES (EXPENSES)				
Interest and other earnings	438,301	273,717	259,966	204,415
Interest and other related costs	(3,250,089)	(2,004,275)	(3,142,722)	(2,319,261)
Amortization of bond premium and loss on refunding	218,718	42,872	249,909	150,644
Operating contributions - federal/state/local	-	-	101,207	-
Other non revenues and (expenses)	236,247	170,412	164,919	130,710
Loss on disposition of property	-	(6,467)	(12,122)	(3,434)
<b>NON OPERATING REVENUE NET OF EXPENSE</b>	<b>(2,356,823)</b>	<b>(1,523,741)</b>	<b>(2,378,843)</b>	<b>(1,836,926)</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>7,657,258</b>	<b>5,296,639</b>	<b>3,986,975</b>	<b>4,269,323</b>
Capital contributions - interfund	-	-	-	218,665
Capital contributions - federal/state/local	1,000,000	-	1,187,945	(26,718)
Capital contributions - private	153,449	-	1,076	1,945
Transfer in	660	-	660	750
Transfer out & gross earnings tax	(4,036,676)	(3,767,001)	(1,868,734)	(1,832,630)
<b>Total contributions and transfers</b>	<b>(2,882,567)</b>	<b>(3,767,001)</b>	<b>(679,053)</b>	<b>(1,637,988)</b>
<b>CHANGES IN NET POSITION</b>	<b>4,774,691</b>	<b>1,529,638</b>	<b>3,307,922</b>	<b>2,631,335</b>
NET POSITION				
NET POSITION - JANUARY 1	289,865,901	287,093,768	106,492,834	99,264,652
<b>NET POSITION - SEPTEMBER 30</b>	<b>\$ 294,640,592</b>	<b>\$ 288,623,406</b>	<b>\$ 109,800,756</b>	<b>\$ 101,895,987</b>

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**

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2015	2014	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Receipt from customer and users	\$ 48,945,271	\$ 45,028,091	\$ 21,461,272	\$ 21,456,710
Payment to suppliers	(16,147,248)	(15,632,869)	(9,785,815)	(8,485,065)
Payments to employees	(16,837,707)	(17,061,904)	(7,374,816)	(6,612,949)
Payments for taxes	(793,913)	(593,898)	(345,504)	(332,931)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>15,166,403</b>	<b>11,739,420</b>	<b>3,955,137</b>	<b>6,025,765</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfer from (to) other funds	(4,371,081)	(4,038,871)	(2,057,355)	(1,969,275)
Grant received	-	-	151,207	60,978
Debt service related to environmental	-	-	(872,620)	(957,597)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(4,371,081)</b>	<b>(4,038,871)</b>	<b>(2,778,768)</b>	<b>(2,865,894)</b>
<b>CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(13,657,144)	(10,757,719)	(5,898,608)	(8,875,959)
Capital assets transferred in (out)	(73,138)	(103,375)	660	(43,241)
Proceeds from sale of capital assets	-	-	-	5,750
Bond refunding costs	4,403,435	-	1,795,588	-
Debt financing and principal payments	49,721,429	-	20,178,199	-
SRF financing and principal payments	(1,812,894)	(1,780,456)	296	(9,789)
Capital lease obligation	(790,776)	(841,671)	(863,199)	(724,230)
Interest paid on capital debt	(1,444,733)	(782,758)	(716,703)	(116,893)
Contributions and donations	(8,173)	9,402	495	-
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>36,338,006</b>	<b>(14,256,577)</b>	<b>14,496,728</b>	<b>(9,764,362)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends received	419,519	271,574	244,078	202,955
Insurance recovery	-	-	-	5,464
Investment others	236,248	161,650	164,919	125,563
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>655,767</b>	<b>433,224</b>	<b>408,997</b>	<b>333,982</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>47,789,095</b>	<b>(6,122,804)</b>	<b>16,082,094</b>	<b>(6,270,509)</b>
<b>CASH &amp; CASH EQUIVALENTS, JANUARY 1</b>	<b>33,039,183</b>	<b>44,994,764</b>	<b>27,066,279</b>	<b>34,111,564</b>
<b>CASH &amp; CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>\$ 80,828,278</b>	<b>\$ 38,871,960</b>	<b>\$ 43,148,373</b>	<b>\$ 27,841,055</b>

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**

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2015	2014	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	\$ 10,014,081	\$ 6,820,380	\$ 6,365,818	\$ 6,106,249
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	8,362,375	8,171,544	2,771,209	2,455,774
(Increase) decrease in accounts receivable	(276,236)	(553,303)	(1,460,645)	(324,151)
(Increase) decrease in notes and leases	39,828	(125,553)	-	-
(Increase) decrease in due from other funds	141,870	64,552	302,710	43,874
(Increase) decrease in inventory	31,807	(71,204)	-	-
(Increase) decrease in prepayments	27,802	(327,720)	40,882	(1,100)
(Increase) decrease in other assets	-	7,234	-	-
Increase (decrease) in accounts payable	(1,788,953)	(1,028,787)	(2,606,503)	(1,301,136)
Increase (decrease) in accrued wages and benefits	(360,840)	(322,570)	(168,827)	(178,785)
Increase (decrease) in accrued taxes	7,277	(45,245)	(4,271)	(14,285)
Increase (decrease) in deposit and other payables	-	-	-	(1,576)
Increase (decrease) in due to other funds	(893,336)	(716,081)	(890,089)	(601,694)
Increase (decrease) in due to other governments	(4,874)	(4,740)	-	-
Increase (decrease) in unearned revenue	(134,398)	(129,087)	(61,221)	(58,802)
Increase (decrease) in environmental liabilities	-	-	(333,926)	(98,603)
Total adjustments	5,152,322	4,919,040	(2,410,681)	(80,484)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 15,166,403	\$ 11,739,420	\$ 3,955,137	\$ 6,025,765

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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