



*Wastewater and Surface Water
Management
Financial Report
March 2014*

Table of Contents

Management's Discussion and Analysis	3
Joint Financial Statements.....	9
Financial Statements by Utility	17

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
March 31, 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 March 31, 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 \$388.4 million at March 31, 2014 compared to \$371.1 million at March 31, 2013. The change in net position for the first three months is \$2.1 million in 2014 compared to \$1.6 million in 2013.
- Total assets and deferred outflows of resources are \$604.8 million, an increase of \$13.8 million from \$591.0 million in 2013.
- Liabilities and deferred inflows of resources are \$216.4 million, a decrease of \$3.5 million from \$219.9 million in 2013.

Financial Analysis - Condensed Statements of Net Position

	March 31,		Increase
	2014	2013	(Decrease)
Current, restricted, and other assets	\$ 92,132,948	\$ 115,173,361	\$ (23,040,413)
Capital assets	511,579,704	474,644,220	36,935,484
Deferred outflows of resources	1,083,036	1,144,340	(61,304)
Total assets and deferred outflows of resources	<u>\$ 604,795,688</u>	<u>\$ 590,961,921</u>	<u>\$ 13,833,767</u>
Current liabilities and liabilities payable from restricted assets	\$ 9,732,865	\$ 9,204,164	\$ 528,701
Noncurrent liabilities	181,651,165	185,683,000	(4,031,835)
Deferred inflows of resources	25,000,000	25,000,000	-
Total liabilities and deferred inflows of resources	<u>216,384,030</u>	<u>219,887,164</u>	<u>\$ (3,503,134)</u>
Net investment in capital assets	380,722,172	349,101,170	31,621,002
Restricted for bond reserves	9,573,300	9,573,300	-
Unrestricted	(1,883,814)	12,400,287	(14,284,101)
Total net position	<u>388,411,658</u>	<u>371,074,757</u>	<u>17,336,901</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 604,795,688</u>	<u>\$ 590,961,921</u>	<u>\$ 13,833,767</u>

Current, restricted, and other assets

Current, restricted, and other assets decreased \$23.0 million compared to a year ago. The primary reason for this was a decrease of \$24.9 million in cash due to increased spending of \$38.9 million on capital projects funded in part by the 2006 Sewer Revenue Bonds of \$9.5 million and the remainder from cash generated from operating activities of \$29.4 million.

Other changes include a \$828,000 increase in grant receivable for the Cheney Stadium project from the Washington State Department of Ecology. Unbilled revenue increased \$290,000, prepaid expenses increased \$287,000 for the 10 year lease of the Cavanaugh Building for the Tagro operation, and GASB 31 mark to market adjustment decreased \$695,000.

Current liabilities and liabilities payable from restricted assets

Current, restricted, and other assets increased \$528,000 primarily due to an increase of \$678,000 in account payable due to increased construction activity. This increase was in part offset by a decrease of \$281,000 in environmental liabilities due to less anticipated clean-up costs related to the Thea Foss Waterway.

Noncurrent liabilities

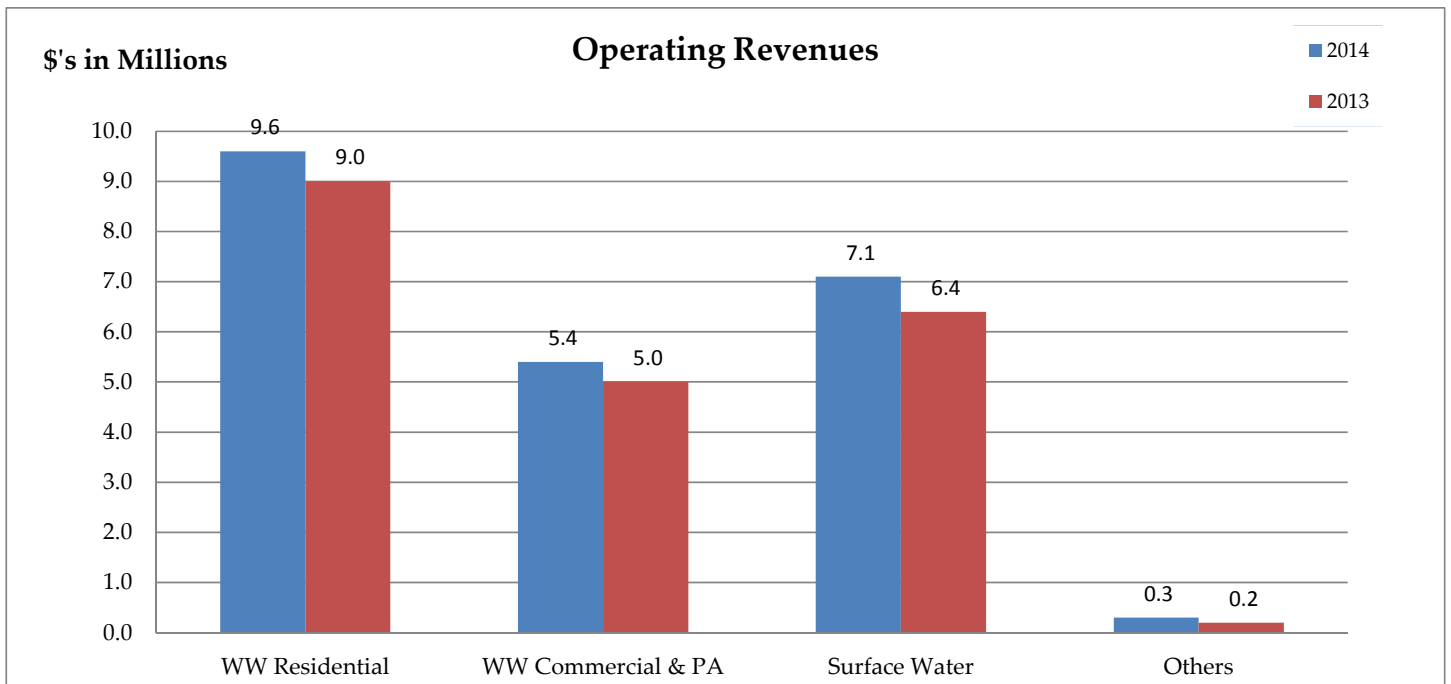
Noncurrent liabilities decreased \$4.0 million to \$181.7 million from \$185.7 million in 2013. The decrease was primarily the result of principal payments on the SRF loans.

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

	Year-to-Date March 31,		Increase (Decrease)
	2014	2013	
Operating revenues	\$ 22,410,396	\$ 20,641,814	\$ 1,768,582
Operating expenses	17,342,804	16,218,778	1,124,026
Net operating income	5,067,592	4,423,036	644,556
Nonoperating revenues (expenses)	(1,189,596)	(1,120,796)	(68,800)
Income before contributions and transfers	3,877,996	3,302,240	575,756
Contributions	453	1,384	(931)
Transfers	750	3,650	(2,900)
Gross earnings taxes	(1,825,961)	(1,719,469)	(106,492)
Change in net position	2,053,238	1,587,805	465,433
Total net position - beginning	386,358,420	369,486,952	16,871,468
Total net position - ending	\$ 388,411,658	\$ 371,074,757	\$ 17,336,901

Operating revenues

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

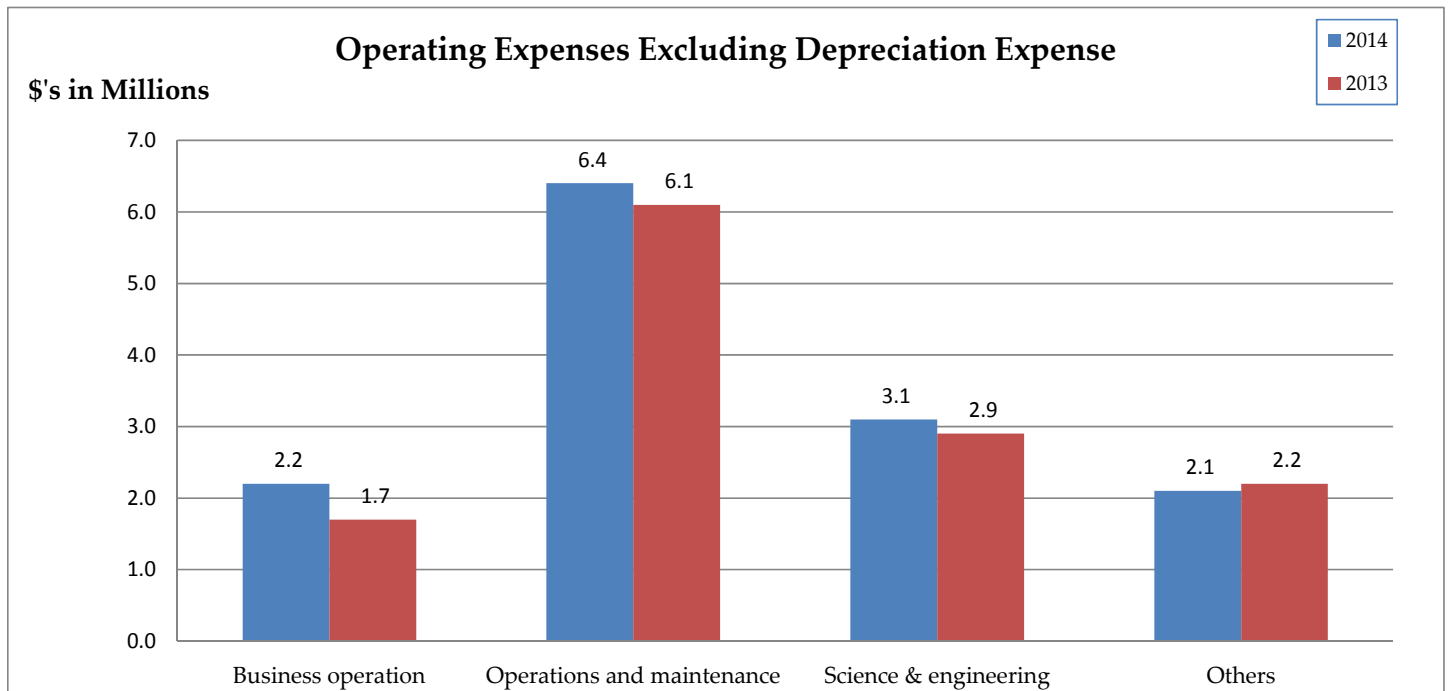


The approved average rate increases for each of the years 2014 and 2013 are 4.8% for Wastewater and 6% for Surface Water and the 2013 rate increases went into effect March 1.

Operating revenues for the first three months of 2014 increased \$1.8 million compared to the same period last year. All revenue categories increased slightly compared to the same period last year. Wastewater residential revenues increased \$650,000, Wastewater commercial and public authority (PA) revenues increased \$374,000, and Surface Water revenue increased \$692,000.

Operating expenses

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



Total operating expenses excluding depreciation expense increased \$887,000 compared to the same period last year.

- Business operation costs increased \$530,000 (32%) due to increased consultant service of \$135,000 for implementing E-Builder, increased capital lease payments of \$174,000 due to expensing the January 2013 payment in December 2012, and increased bad debts and credit fees of \$168,000 due to an increase in older receivables.
- Operation and maintenance costs increased \$313,000 mainly due to increased material costs for Plant #1 and #3 maintenance and repairs.
- Science and engineering costs increased \$179,000 due to increased professional payments; a payment of \$49,000 to the Washington State Department of Ecology in accordance with the agreement of maintenance and restoration of the City’s habitat restoration sites and open spaces, and \$91,000 to ACCELA Inc. for web-based software for processing building and land use permits. The Wastewater expense construction cost center was set up for expense projects in 2014 and reported \$75,000 in mostly labor charges.
- Other expenses decreased \$136,000 mainly due to reduced assessment charges from IT due to lower spending and reduced charges from Customers services due to a change in allocation methodology.

Capital Assets

Capital assets increased \$36.9 million over the prior year. Land and easements increased \$8.9 million mainly due to recording “Open Space” land transferred to Surface Water. Machinery and equipment increased \$10.5 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 Pacific Avenue Streetscape Project. Accumulated depreciation increased \$14.0 million and construction in progress increased \$3.4 million.

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**

	March 31,		Increase (Decrease)
	2014	2013	
ASSETS			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 30,576,431	\$ 45,931,184	\$ (15,354,753)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	55,576,431	70,931,184	(15,354,753)
Accounts receivable	10,712,367	9,401,752	1,310,615
Allowance for uncollectible accounts	(4,430,540)	(4,087,433)	(343,107)
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	897,036	848,583	48,453
Prepaid expenses	826,057	539,348	286,709
Grants receivable	912,484	84,075	828,409
Notes and contracts receivable	168,513	147,333	21,180
Total current assets	70,564,994	84,172,402	(13,607,408)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	11,032,279	11,032,279	-
Customer deposits - detention ponds	104,478	109,148	(4,670)
Construction accounts	6,866,206	16,363,290	(9,497,084)
Total restricted cash and equity in pooled investments	18,002,963	27,504,717	(9,501,754)
Capital assets:			
Land and easements	19,255,327	10,321,617	8,933,710
Buildings	151,293,171	151,387,034	(93,863)
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	152,600,151	142,055,559	10,544,592
Transmission lines and other improvements	333,647,503	306,123,300	27,524,203
Computer software	7,831,714	7,165,274	666,440
Less: accumulated depreciation	(211,034,182)	(197,038,090)	(13,996,092)
Assets in service, net of accumulated depreciation	483,865,684	450,286,694	33,578,990
Construction in progress	27,714,020	24,357,526	3,356,494
Total capital assets	511,579,704	474,644,220	36,935,484
Other noncurrent assets	3,564,991	3,496,242	68,749
Total assets	603,712,652	589,817,581	13,895,071
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized bonds refunding costs	1,083,036	1,144,340	(61,304)
Total deferred outflows of resources	1,083,036	1,144,340	(61,304)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 604,795,688	\$ 590,961,921	\$ 13,833,767

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

	March 31,		Increase
	2014	2013	(Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,388,264	\$ 709,786	\$ 678,478
Accrued wages payable & compensated absences	909,296	779,274	130,022
Accrued taxes payable	128,267	135,630	(7,363)
Accrued liability - low income	-	(4,681)	4,681
Due other governmental units	494,643	536,224	(41,581)
State Revolving Loan interest payable	541,555	573,510	(31,955)
Current portion of long-term debt - State Revolving Loans	3,596,773	3,532,270	64,503
Current portion of capital lease obligation	452,000	434,000	18,000
Environmental liabilities	658,610	939,998	(281,388)
Total current liabilities	<u>8,169,408</u>	<u>7,636,011</u>	533,397
Deposit payable - detention ponds	104,452	109,148	(4,696)
Bond interest payable	1,459,005	1,459,005	-
Total current liabilities payable from restricted assets	<u>1,563,457</u>	<u>1,568,153</u>	(4,696)
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,422,718	93,742,054	(319,336)
Long-term debt - State Revolving Loans	55,632,692	59,229,464	(3,596,772)
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>181,651,165</u>	<u>185,683,000</u>	(4,031,835)
Total liabilities	<u>191,384,030</u>	<u>194,887,164</u>	(3,503,134)
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>	-
NET POSITION			
Net investment in capital assets	380,722,172	349,101,170	31,621,002
Restricted for bond reserves	9,573,300	9,573,300	-
Unrestricted	(1,883,814)	12,400,287	(14,284,101)
Total net position	<u>388,411,658</u>	<u>371,074,757</u>	17,336,901
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 604,795,688</u>	<u>\$ 590,961,921</u>	<u>\$ 13,833,767</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

	Year-to-date March 31,	
	2014	2013
OPERATING REVENUES		
Wastewater residential	\$ 9,614,219	\$ 8,963,803
Wastewater commercial and public authorities	5,415,504	5,041,659
Surface water	7,128,606	6,437,102
Other revenues	252,067	199,250
Total operating revenues	<u>22,410,396</u>	<u>20,641,814</u>
OPERATING EXPENSES		
Business operation detail:		
Revenue and accounting	(710,913)	753,539
Community relations	103,376	67,515
Assessment	640,425	-
Business operation	1,342,072	-
Customer service	184,476	220,298
Biosolids operation	612,914	572,494
Biosolids maintenance	23,470	51,817
Business operation	<u>2,195,820</u>	<u>1,665,663</u>
Operations and maintenance detail:		
Plant #1	1,479,576	1,463,995
Wastewater treatment by other	600,187	570,292
Plant #3	273,153	289,704
Pumping	440,776	412,627
Transmission	1,909,423	1,905,447
Plant #1 maintenance	1,436,826	1,221,980
Parts	34,355	28,140
Administration	94,563	118,292
Plant #3 maintenance	114,305	62,470
Holding basins	3,044	105
Operations and maintenance	<u>6,386,208</u>	<u>6,073,052</u>
Science & engineering detail:		
Engineering	1,423,937	1,314,854
Construction support	200,052	205,570
Laboratory	491,798	476,116
Environmental compliance	769,834	840,933
Private development	77,756	13,251
Natural Resource Damage Consent Decree (NRDA)	6,036	760
Detention ponds	453	1,408
Expense construction	134,134	71,684
Science & engineering	<u>3,104,000</u>	<u>2,924,576</u>
Total divisional operating expenses	<u>11,686,028</u>	<u>10,663,291</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

	Year-to-date March 31,	
	2014	2013
OPERATING EXPENSES (Continued)		
Other expenses detail:		
Insurance	\$ 116,842	\$ 110,189
Taxes	339,670	371,862
IT services	738,552	795,512
Customer service	891,478	945,061
Other	2,086,542	2,222,624
Depreciation	3,570,234	3,332,863
Total operating expenses	<u>17,342,804</u>	<u>16,218,778</u>
Net operating income	<u>5,067,592</u>	<u>4,423,036</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	164,267	272,180
Rental income	96,471	94,604
Bond interest expense, net of capitalized interest	(874,104)	(914,812)
Interest on long-term debt - State Revolving Loans	(272,334)	(288,382)
Interest on capital lease	(371,967)	(377,727)
Amortization of premium, discount, and refunding costs	64,505	64,506
Other nonoperating revenues	3,566	63,345
Other nonoperating expenses	-	(34,510)
Total nonoperating expenses	<u>(1,189,596)</u>	<u>(1,120,796)</u>
CHANGE IN NET POSITION		
Net position before capital contributions and transfers	3,877,996	3,302,240
Contributions:		
Cash	453	1,408
Capital related grants	-	(24)
Transfers - capital related	750	-
Transfers - operating related	-	3,650
Transfers - gross earnings tax	(1,825,961)	(1,719,469)
CHANGE IN NET POSITION	<u>2,053,238</u>	<u>1,587,805</u>
TOTAL NET POSITION- BEGINNING	<u>386,358,420</u>	<u>369,486,952</u>
TOTAL NET POSITION- ENDING	<u>\$ 388,411,658</u>	<u>\$ 371,074,757</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

	Year-to-date March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 21,109,517	\$ 20,422,982
Payments to suppliers	(9,753,571)	(10,645,423)
Payments to employees	(7,971,735)	(7,684,886)
Taxes paid	(345,280)	(358,541)
Net cash from operating activities	<u>3,038,931</u>	<u>1,734,132</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earning taxes paid	(2,381,843)	(2,245,326)
Operating grants received	60,978	362,291
Transfers	-	3,650
Net cash from noncapital financing activities	<u>(2,320,865)</u>	<u>(1,879,385)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,205,592)	(5,907,588)
Capital assets transferred in or out	750	-
Capital lease obligation	(521,967)	(521,727)
Interest expense, net of capitalized interest	220,150	179,432
Net cash from capital and related financing activities	<u>(6,506,659)</u>	<u>(6,249,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	161,622	(425,379)
Rental income	96,471	94,604
Other investing proceeds	3,566	63,345
Net cash from investing activities	<u>261,659</u>	<u>(267,430)</u>
Net change in cash and equity in pooled investments	(5,526,934)	(6,662,566)
Cash and equity in pooled investments - beginning	79,106,328	105,098,467
Cash and equity in pooled investments - ending	<u>\$ 73,579,394</u>	<u>\$ 98,435,901</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**

	Year-to-date March 31,	
	2014	2013
Reconciliation of cash and equity in pooled investments to balance sheets:		
Operating funds	\$ 55,576,431	\$ 70,931,184
Restricted funds	18,002,963	27,504,717
	<u>\$ 73,579,394</u>	<u>\$ 98,435,901</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 5,067,592	\$ 4,423,036
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	3,570,234	3,332,863
Low income assistance	-	(34,500)
Change in assets, liabilities and deferred credits:		
Accounts receivable, net of allowance	(1,007,348)	(66,541)
Notes and contract receivable	(42,376)	(15,868)
Due from other funds	108,426	15,259
Inventory	(2,951)	7,863
Prepaid expenses	(252,252)	(425,872)
Accounts payable	(2,236,760)	(3,707,621)
Accounts liability - low income	-	(4,681)
Accrued wages and compensated absences	(635,754)	(549,789)
Accrued taxes payable	(5,611)	13,321
Deposits payable	(226)	(1,113)
Due other funds	(1,317,775)	(1,072,811)
Due other governmental units	1,420	25,991
Unearned revenue	(187,718)	(179,057)
Environmental liability	(19,970)	(26,348)
Total adjustments	<u>(2,028,661)</u>	<u>(2,688,904)</u>
	<u>\$ 3,038,931</u>	<u>\$ 1,734,132</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

	Wastewater		Surface Water	
	March 31,		March 31,	
	2014	2013	2014	2013
ASSETS				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 17,254,459	\$ 34,387,395	\$ 13,321,972	\$ 11,543,789
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	<u>34,254,459</u>	<u>51,387,395</u>	<u>21,321,972</u>	<u>19,543,789</u>
Accounts receivable	7,187,361	6,063,936	3,525,006	3,337,816
Allowance for uncollectible accounts	(2,474,554)	(2,296,488)	(1,955,986)	(1,790,945)
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	897,036	848,583		
Prepaid expenses	796,204	536,960	29,853	2,388
Grants receivable	-	23,097	912,484	60,978
Notes and contracts receivable	168,513	147,333	-	-
Total current assets	<u>44,580,523</u>	<u>60,924,437</u>	<u>25,984,471</u>	<u>23,247,965</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,817,238	6,817,238	4,215,041	4,215,041
Customer deposits - detention ponds	-	-	104,478	109,148
Construction accounts	825,658	1,872,439	6,040,548	14,490,851
Total restricted cash and equity in pooled investments	<u>7,642,896</u>	<u>8,689,677</u>	<u>10,360,067</u>	<u>18,815,040</u>
Capital assets:				
Land and easements	7,488,228	7,398,663	11,767,099	2,922,954
Buildings	148,827,640	148,875,580	2,465,531	2,511,454
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	148,009,300	137,507,504	4,590,851	4,548,055
Transmission lines and other improvements	188,175,061	172,989,966	145,472,442	133,133,334
Computer software	4,646,282	4,317,823	3,185,432	2,847,451
Less: accumulated depreciation	(171,190,076)	(160,632,564)	(39,844,106)	(36,405,526)
Assets in service, net of accumulated depreciation	<u>342,227,635</u>	<u>326,728,172</u>	<u>141,638,049</u>	<u>123,558,522</u>
Construction in progress	18,835,476	19,312,128	8,878,544	5,045,398
Total capital assets	<u>361,063,111</u>	<u>346,040,300</u>	<u>150,516,593</u>	<u>128,603,920</u>
Other noncurrent assets	2,293,937	2,225,188	1,271,054	1,271,054
Total assets	<u>415,580,467</u>	<u>417,879,602</u>	<u>188,132,185</u>	<u>171,937,979</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bonds refunding costs	323,277	341,576	759,759	802,764
Total deferred outflows of resources	<u>323,277</u>	<u>341,576</u>	<u>759,759</u>	<u>802,764</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 415,903,744</u>	<u>\$ 418,221,178</u>	<u>\$ 188,891,944</u>	<u>\$ 172,740,743</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**

	Wastewater		Surface Water	
	March 31,		March 31,	
	2014	2013	2014	2013
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 680,200	\$ 592,065	\$ 708,064	\$ 117,721
Accrued wages payable & compensated absences	635,103	558,962	274,193	220,312
Accrued taxes payable	90,821	105,467	37,446	30,163
Accrued liability - low income	-	409	-	(5,090)
Due other governmental units	494,643	536,224	-	-
State Revolving Loan interest payable	538,441	570,256	3,114	3,254
Current portion of long-term debt - State Revolving Loans	3,577,053	3,513,113	19,720	19,157
Current portion of capital lease obligation	242,950	233,275	209,050	200,725
Environmental liabilities	-	-	658,610	939,998
Total current liabilities	<u>6,259,211</u>	<u>6,109,771</u>	<u>1,910,197</u>	<u>1,526,240</u>
Deposit payable - detention ponds	-	-	104,452	109,148
Bond interest payable	491,522	491,522	967,483	967,483
Total current liabilities payable from restricted assets	<u>491,522</u>	<u>491,522</u>	<u>1,071,935</u>	<u>1,076,631</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,797,951	30,873,417	62,624,767	62,868,637
Long-term debt - State Revolving Loans	55,225,479	58,802,531	407,213	426,933
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>104,316,629</u>	<u>107,871,879</u>	<u>77,334,536</u>	<u>77,811,121</u>
Total liabilities	<u>111,067,362</u>	<u>114,473,172</u>	<u>80,316,668</u>	<u>80,413,992</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	257,617,463	239,757,254	123,104,709	109,343,916
Restricted for bond reserves	6,325,716	6,325,716	3,247,584	3,247,584
Unrestricted	23,893,203	40,665,036	(25,777,017)	(28,264,749)
Total net position	<u>287,836,382</u>	<u>286,748,006</u>	<u>100,575,276</u>	<u>84,326,751</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 415,903,744</u>	<u>\$ 418,221,178</u>	<u>\$ 188,891,944</u>	<u>\$ 172,740,743</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

	Wastewater		Surface Water	
	Year-to-date March 31,		Year-to-date March 31,	
	2014	2013	2014	2013
OPERATING REVENUES				
Wastewater residential	\$ 9,614,219	\$ 8,963,803	\$ -	\$ -
Wastewater commercial and public authorities	5,415,504	5,041,659	-	-
Surface water	-	-	7,128,606	6,437,102
Other revenues	210,346	129,033	41,721	70,217
Total operating revenues	<u>15,240,069</u>	<u>14,134,495</u>	<u>7,170,327</u>	<u>6,507,319</u>
OPERATING EXPENSES				
Business operation detail:				
Revenue and accounting	(362,037)	494,450	(348,876)	259,089
Community relations	65,097	37,499	38,279	30,016
Assessment	389,618	-	250,807	-
Business operation	771,723	-	570,349	-
Customer service	145,417	187,849	39,059	32,449
Biosolids operation	612,914	572,494	-	-
Biosolids maintenance	23,470	51,817	-	-
Business operation	<u>1,646,202</u>	<u>1,344,109</u>	<u>549,618</u>	<u>321,554</u>
Operations and maintenance detail:				
Plant #1	1,479,576	1,463,995	-	-
Wastewater treatment by other	600,187	570,292	-	-
Plant #3	273,153	289,704	-	-
Pumping	378,406	354,285	62,370	58,342
Transmission	1,271,748	1,222,392	637,675	683,055
Plant #1 maintenance	1,436,826	1,221,980	-	-
Parts	34,355	28,140	-	-
Administration	94,563	118,292	-	-
Plant #3 maintenance	114,305	62,470	-	-
Holding basins	-	-	3,044	105
Operations and maintenance	<u>5,683,119</u>	<u>5,331,550</u>	<u>703,089</u>	<u>741,502</u>
Science & engineering detail:				
Engineering	555,436	590,486	868,501	724,368
Construction support	139,088	132,311	60,964	73,259
Laboratory	335,354	278,251	156,444	197,865
Environmental compliance	325,557	352,240	444,277	488,693
Private development	-	-	77,756	13,251
Natural Resource Damage Consent Decree (NRDA)	-	-	6,036	760
Detention ponds	-	-	453	1,408
Expense construction	75,047	-	59,087	71,684
Science & engineering	<u>1,430,482</u>	<u>1,353,288</u>	<u>1,673,518</u>	<u>1,571,288</u>
Total divisional operating expenses	<u>8,759,803</u>	<u>8,028,947</u>	<u>2,926,225</u>	<u>2,634,344</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

	Wastewater		Surface Water	
	Year-to-date March 31,		Year-to-date March 31,	
	2014	2013	2014	2013
OPERATING EXPENSES (Continued)				
Other expenses detail:				
Insurance	\$ 105,214	\$ 99,012	\$ 11,628	\$ 11,177
Taxes	231,126	277,360	108,544	94,502
IT services	478,057	511,093	260,495	284,419
Customer service	413,882	467,567	477,596	477,494
Other	1,228,279	1,355,032	858,263	867,592
Depreciation	2,748,522	2,601,467	821,712	731,396
Total operating expenses	<u>12,736,604</u>	<u>11,985,446</u>	<u>4,606,200</u>	<u>4,233,332</u>
Net operating income	<u>2,503,465</u>	<u>2,149,049</u>	<u>2,564,127</u>	<u>2,273,987</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	93,122	167,343	71,145	104,837
Rental income	51,853	50,850	44,618	43,754
Bond interest expense, net of capitalized interest	(231,381)	(251,244)	(642,723)	(663,568)
Interest on long-term debt - State Revolving Loans	(269,220)	(285,128)	(3,114)	(3,254)
Interest on capital lease	(199,932)	(203,028)	(172,035)	(174,699)
Amortization of premium, discount, and refunding costs	14,291	14,291	50,214	50,215
Other nonoperating revenues	3,566	63,245	-	100
Other nonoperating expenses	-	(27,000)	-	(7,510)
Total nonoperating expenses	<u>(537,701)</u>	<u>(470,671)</u>	<u>(651,895)</u>	<u>(650,125)</u>
CHANGE IN NET POSITION				
Net position before capital contributions and transfers	1,965,764	1,678,378	1,912,232	1,623,862
Contributions:				
Cash	-	-	453	1,408
Capital related grants	-	-	-	(24)
Transfers - capital related	-	-	750	-
Transfers - operating related	-	-	-	3,650
Transfers - gross earnings tax	(1,223,148)	(1,204,984)	(602,813)	(514,485)
CHANGE IN NET POSITION	<u>742,616</u>	<u>473,394</u>	<u>1,310,622</u>	<u>1,114,411</u>
TOTAL NET POSITION- BEGINNING	<u>287,093,766</u>	<u>286,274,612</u>	<u>99,264,654</u>	<u>83,212,340</u>
TOTAL NET POSITION- ENDING	<u>\$ 287,836,382</u>	<u>\$ 286,748,006</u>	<u>\$ 100,575,276</u>	<u>\$ 84,326,751</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**

	Wastewater		Surface Water	
	Year-to-date March 31,		Year-to-date March 31,	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 14,251,599	\$ 13,962,579	\$ 6,857,918	\$ 6,460,403
Payments to suppliers	(6,594,741)	(8,222,265)	(3,158,830)	(2,423,158)
Payments to employees	(5,794,174)	(5,566,310)	(2,177,561)	(2,118,576)
Taxes paid	(223,575)	(264,110)	(121,705)	(94,431)
Net cash from operating activities	<u>1,639,109</u>	<u>(90,106)</u>	<u>1,399,822</u>	<u>1,824,238</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Gross earning taxes paid	(1,598,394)	(1,563,151)	(783,449)	(682,175)
Operating grants received	-	-	60,978	362,291
Transfers	-	-	-	3,650
Net cash from noncapital financing activities	<u>(1,598,394)</u>	<u>(1,563,151)</u>	<u>(722,471)</u>	<u>(316,234)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,141,865)	(4,059,921)	(3,063,727)	(1,847,667)
Capital assets transferred in or out	-	-	750	-
Capital lease obligation	(280,557)	(280,428)	(241,410)	(241,299)
Interest expense, net of capitalized interest	137,260	117,397	82,890	62,035
Net cash from capital and related financing activities	<u>(3,285,162)</u>	<u>(4,222,952)</u>	<u>(3,221,497)</u>	<u>(2,026,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	91,619	(274,277)	70,003	(151,102)
Rental income	51,853	50,850	44,618	43,754
Other investing proceeds	3,566	63,245	-	100
Net cash from investing activities	<u>147,038</u>	<u>(160,182)</u>	<u>114,621</u>	<u>(107,248)</u>
Net change in cash and equity in pooled investments	(3,097,409)	(6,036,391)	(2,429,525)	(626,175)
Cash and equity in pooled investments - beginning	44,994,764	66,113,463	34,111,564	38,985,004
Cash and equity in pooled investments - ending	<u>\$ 41,897,355</u>	<u>\$ 60,077,072</u>	<u>\$ 31,682,039</u>	<u>\$ 38,358,829</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

	Wastewater		Surface Water	
	Year-to-date March 31,		Year-to-date March 31,	
	2014	2013	2014	2013
Reconciliation of cash and equity in pooled investments to balance sheets:				
Operating funds	\$ 34,254,459	\$ 51,387,395	\$ 21,321,972	\$ 19,543,789
Restricted funds	7,642,896	8,689,677	10,360,067	18,815,040
	<u>\$ 41,897,355</u>	<u>\$ 60,077,072</u>	<u>\$ 31,682,039</u>	<u>\$ 38,358,829</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 2,503,465	\$ 2,149,049	\$ 2,564,127	\$ 2,273,987
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	2,748,522	2,601,467	821,712	731,396
Low income assistance	-	(27,000)	-	(7,500)
Change in assets, liabilities and deferred credits:				
Accounts receivable, net of allowance	(810,419)	11,055	(196,929)	(77,596)
Notes and contract receivable	(42,376)	(15,868)	-	-
Due from other funds	64,553	4,481	43,873	10,778
Inventory	(2,951)	7,863	-	-
Prepaid expenses	(255,084)	(428,260)	2,832	2,388
Accounts payable	(1,292,648)	(3,319,827)	(944,112)	(387,794)
Accounts liability - low income	-	409	-	(5,090)
Accrued wages and compensated absences	(437,926)	(385,643)	(197,828)	(164,146)
Accrued taxes payable	7,550	13,250	(13,161)	71
Deposits payable	-	-	(226)	(1,113)
Due other funds	(716,081)	(603,904)	(601,694)	(468,907)
Due other governmental units	1,420	25,991	-	-
Unearned revenue	(128,916)	(123,169)	(58,802)	(55,888)
Environmental liability	-	-	(19,970)	(26,348)
Total adjustments	<u>(864,356)</u>	<u>(2,239,155)</u>	<u>(1,164,305)</u>	<u>(449,749)</u>
	<u>\$ 1,639,109</u>	<u>\$ (90,106)</u>	<u>\$ 1,399,822</u>	<u>\$ 1,824,238</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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