ANNUAL

CONSERVATION PROJECT FUND

2013 FINANCIAL REPORT

TACOMA PUBLIC UTILITIES

Public Utility Board

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Finance Director

DEPARTMENT OF PUBLIC UTILITIES
CITY OF TACOMA

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES

CONSERVATION PROJECT FUND

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FINANCIAL DATA

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
CONSERVATION PROJECT FUND

STATEMENT OF NET POSITION - DECEMBER 31, 2013 AND DECEMBER 31, 2012

	2013	2012 (As Restated)
ASSETS		
CURRENT		
Cash and Investments	$174,465	$173,867
Total Current Assets	174,465	173,867
OTHER		
Unamortized Loss on Defeasance	135,586	283,498
Total Other Assets	135,586	283,498
TOTAL ASSETS AND DEFERRED OUTFLOWS	$310,051	$457,365
NET POSITION AND LIABILITIES		
LIABILITIES AND OTHER CREDITS		
Long-Term Debt	$ -	$1,790,000
Add: Unamortized Bond Premium	92,818	194,074
Net Bonded Indebtedness	92,818	1,984,074
Current Liabilities		
Interest Expense Accrued	6,800	13,904
Current Portion of Long-Term Debt	1,790,000	1,705,000
Total Current Liabilities	1,796,800	1,718,904
Total Liabilities and Other Credits	1,889,618	3,702,978
ACCUMULATED EXPENDITURES		
Balance at December 31	(6,549,567)	(8,215,613)
CONTRIBUTIONS		
Long-Term Debt Paid by BPA maturing:		
January 1, 1996 through January 1, 2001 ...	4,135,000	4,135,000
January 1, 2002	835,000	835,000
TOTAL NET POSITION AND LIABILITIES	$310,051	$457,365

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

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
CONSERVATION PROJECT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2013 AND DECEMBER 31, 2012

	YEAR ENDED DECEMBER 31,	
	2013	2012 (As Restated)
REVENUES	$ -	$ -
EXPENSES		
Amortization	46,656	46,656
Interest on Debt	159,746	-
Interest on Long-Term Debt	-	240,321
TOTAL EXPENSES	206,402	286,977
OTHER INCOME	597	3,054
CONTRIBUTIONS FROM BPA	1,871,850	1,872,000
NET EXPENSES (INCOME)	(1,666,046)	(1,588,077)
ACCUMULATED EXPENDITURES		
Balance at January 1	8,215,613	9,803,690
Balance at December 31	$6,549,567	$8,215,613

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

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC WORKS
CONSERVATION PROJECT FUND

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	$ -	$ -
Cash Paid to Suppliers	-	-
Cash Paid to Employees	-	-
Taxes Paid	-	-
Net Cash Used in Operating Activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Capital Debt	(1,705,000)	(1,625,000)
Interest Paid on Capital Debt	(166,850)	(247,000)
Contributions and Donations	1,871,850	1,872,000
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	598	3,054
Net Cash Provided by Investing Activities	598	3,054
Net Increase (Decrease) in Cash and Equity in Pooled Investments	598	3,054
Cash & Equity in Pooled Investments at January 1	173,867	170,813
Cash & Equity in Pooled Investments at December 31	$174,465	$173,867

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Conservation Project Fund was established in 1994 by City of Tacoma Ordinance No. 25623 when the City entered into a Conservation Project Agreement with Bonneville Power Administration (BPA). In the Conservation Project Agreement, BPA agrees to acquire the conservation energy savings generated by the Conservation Project and Bonneville is obligated to pay all annual project costs and debt service on all the bonds that may be issued to fund the project, whether or not the Conservation Project is completed, terminated, operating or operable.

The purpose of the Fund is to account for all these project-related costs as well as all debt service costs.

In 1994, the issuance of Conservation System Revenue Bonds was authorized by ordinance with the sale of the first series of bonds dated December 1, 1994 in the amount of $22,185,000. The proceeds were used by Tacoma Power to fund conservation measures undertaken by its customers.

In 2003, the City authorized the issuance of the Conservation System Revenue Bonds, 2003, in the amount of $17,065,000. The proceeds of the 2003 Bonds were used to provide funds necessary to refund the 1994 Bonds and to pay the costs of issuance of the 2003 bonds.

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

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issue by any State or Local Government with an A or better rating , Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP). Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the WA State LGIP and/or a Municipal Investor interest bearing demand deposit account maintained with U.S. Bank.

The Division's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2013 and 2012 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

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

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Repurchase agreements and commercial paper are protected by the FDIC insurance up to $250,000. All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasures LGIP is authorized by RCW 43.250. The LGIP operated like a 2A7 fund and is collateralized by short-term legal investments.

NOTE 2 LONG-TERM DEBT. Long-term debt activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$3,495,000	$ -	$(1,705,000)	$1,790,000	$1,790,000

The Fund's long-term debt at December 31 consists of the following:

	2013	2012
Conservation System Project Refunding Bonds, 2003, with interest rates ranging from 3.30% to 5.00% due in yearly installments ranging from $1,705,000 to $1,790,000 through 2014 payable from revenues derived from the Conservation Project.	$ 1,790,000	$ 3,495,000
	1,790,000	3,495,000
Unamortized premium	92,818	194,074
Current portion	(1,790,000)	(1,705,000)
	$ 92,818	$ 1,984,074

Scheduled principal maturities on the bonds and interest payments are as follows:

	Principal	Interest
2014	$1,790,000	$ 81,600

The 2003 Bonds are special limited obligations of the City payable from the revenues derived from the Conservation Project and were issued to provide funds necessary to refund the 1994 Bonds, and to pay costs of issuance of the bonds.

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