



*Wastewater and Surface Water  
Management  
Financial Report  
October 2014*



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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*

The management discussion and analysis (MD&A) is prepared for quarter-end reports: March, June, September, and December. Please refer to the prior quarter-end MD&A for interim months.

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# *Joint Financial Statements*

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

	October 31,		Increase
	2014	2013	(Decrease)
<b>ASSETS</b>			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 24,960,514	\$ 33,403,338	\$ (8,442,824)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	49,960,514	58,403,338	(8,442,824)
Accounts receivable	9,824,298	10,252,203	(427,905)
Allowance for uncollectible accounts	(3,612,341)	(4,324,065)	711,724
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	973,158	908,260	64,898
Prepaid expenses	873,836	625,944	247,892
Grants receivable	196,829	60,978	135,851
Notes and contracts receivable	171,727	158,281	13,446
Total current assets	64,290,667	72,392,499	(8,101,832)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	11,397,030	11,397,030	-
Customer deposits - detention ponds	-	104,526	(104,526)
Construction accounts	843,034	12,676,114	(11,833,080)
Total restricted cash and equity in pooled investments	12,240,064	24,177,670	(11,937,606)
Capital assets:			
Land and easements	19,473,992	10,590,148	8,883,844
Buildings	151,395,915	151,231,450	164,465
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	153,449,611	143,504,322	9,945,289
Transmission lines and other improvements	333,642,195	306,126,154	27,516,041
Computer software	7,879,370	7,429,945	449,425
Less: accumulated depreciation	(219,093,358)	(204,856,718)	(14,236,640)
Assets in service, net of accumulated depreciation	477,019,725	444,297,301	32,722,424
Construction in progress	45,115,716	47,096,544	(1,980,828)
Total capital assets	522,135,441	491,393,845	30,741,596
Other noncurrent assets	3,650,104	3,517,379	132,725
Total assets	602,316,276	591,481,393	10,834,883
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized bonds refunding costs	1,047,276	1,108,580	(61,304)
Total deferred outflows of resources	1,047,276	1,108,580	(61,304)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	\$ 603,363,552	\$ 592,589,973	\$ 10,773,579

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)**

	October 31,		Increase
	2014	2013	(Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,365,803	\$ 1,074,466	\$ 291,337
Accrued wages payable & compensated absences	1,337,444	1,155,782	181,662
Accrued taxes payable	134,453	129,517	4,936
Accrued liability - low income	-	(25,495)	25,495
Due other governmental units	70,403	90,971	(20,568)
State Revolving Loan interest payable	88,391	96,650	(8,259)
Current portion of long-term debt - State Revolving Loans	3,662,252	3,596,489	65,763
Current portion of capital lease obligation	102,000	98,000	4,000
Environmental liabilities	579,977	622,154	(42,177)
Total current liabilities	<u>7,340,723</u>	<u>6,838,534</u>	502,189
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	-	104,526	(104,526)
Bond interest payable	1,823,756	1,823,756	-
Total current liabilities payable from restricted assets	<u>1,823,756</u>	<u>1,928,282</u>	(104,526)
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,236,450	93,555,780	(319,330)
Long-term debt - State Revolving Loans	51,980,371	55,642,623	(3,662,252)
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>177,812,576</u>	<u>181,909,885</u>	(4,097,309)
Total liabilities	<u>186,977,055</u>	<u>190,676,701</u>	(3,699,646)
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate stabilization	25,000,000	25,000,000	-
Total deferred inflows of resources	<u>25,000,000</u>	<u>25,000,000</u>	-
<b>NET POSITION</b>			
Net investment in capital assets	389,230,263	366,060,931	23,169,332
Restricted for bond reserves	9,573,274	9,573,274	-
Unrestricted	(7,417,040)	1,279,067	(8,696,107)
Total net position	<u>391,386,497</u>	<u>376,913,272</u>	14,473,225
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 603,363,552</u>	<u>\$ 592,589,973</u>	<u>\$ 10,773,579</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)**

	October Year-to-date		% Chg
	2014	2013	
<b>OPERATING REVENUES</b>			
Wastewater residential	\$ 33,090,668	\$ 31,301,666	6%
Wastewater commercial and public authorities	17,185,734	16,633,262	3%
Surface water	24,458,224	22,863,378	7%
Other revenues	1,048,080	835,382	25%
Total operating revenues	<u>75,782,706</u>	<u>71,633,688</u>	6%
<b>OPERATING EXPENSES</b>			
Business operation detail:			
Revenue and accounting	(2,417,304)	(248,055)	875%
Community relations	387,553	308,813	25%
Assessment	2,326,257	1,270,074	83%
Business operation	3,886,071	1,786,219	118%
Source control	2,721,646	2,934,056	(7%)
Customer service	704,615	721,196	(2%)
Wastewater treatment by other	2,062,713	1,970,762	5%
CTP parts room	122,010	93,813	30%
Biosolids operation	591,713	2,166,469	(73%)
Business operation	<u>10,385,274</u>	<u>11,003,347</u>	(6%)
Operations and maintenance detail:			
Plant #1	6,101,403	4,780,851	28%
Biosolids maintenance	78,837	173,247	(54%)
Plant #3	802,801	763,206	5%
Pumping	1,759,650	1,556,916	13%
Transmission	6,986,460	6,555,143	7%
Plant #1 maintenance	5,232,780	4,066,621	29%
Administration	349,495	429,799	(19%)
Plant #3 maintenance	695,228	414,681	68%
Holding basins	31,097	6,188	403%
Operations and maintenance	<u>22,037,751</u>	<u>18,746,652</u>	18%
Science & engineering detail:			
Engineering	2,004,152	1,886,585	6%
Environmental program	3,513,046	3,011,751	17%
Construction support	603,953	317,049	90%
Laboratory	1,411,669	1,540,559	(8%)
Site development	39,512	-	n/a
Asset management	121,396	-	n/a
Open space	147,572	-	n/a
Private development	500,426	(70,109)	(814%)
Natural Resource Damage Consent Decree (NRDA)	68,980	8,378	723%
Detention ponds	1,945	6,657	(71%)
Expense construction	1,331,738	213,884	523%
Science & engineering	<u>9,744,389</u>	<u>6,914,754</u>	41%
<b>Total divisional operating expenses</b>	<u><b>42,167,414</b></u>	<u><b>36,664,753</b></u>	15%

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

	October Year-to-date		% Chg
	2014	2013	
<b>OPERATING EXPENSES (Continued)</b>			
Other expenses detail:			
Insurance	\$ 387,404	\$ 374,764	3%
Taxes	993,020	1,223,060	(19%)
IT services	2,729,564	2,661,247	3%
Customer service	3,172,118	3,131,188	1%
Other	7,282,106	7,390,259	(1%)
Depreciation	11,811,479	11,229,458	5%
Total operating expenses	61,260,999	55,284,470	11%
Net operating income	14,521,707	16,349,218	(11%)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	502,173	814,819	(38%)
Rental income	303,382	317,836	(5%)
Bond interest expense, net of capitalized interest	(2,630,323)	(2,689,862)	(2%)
Interest on long-term debt - State Revolving Loans	(886,140)	(942,711)	(6%)
Interest on capital lease	(1,239,890)	(1,259,090)	(2%)
Amortization of premium, discount, and refunding costs	215,018	215,018	N/A
Other nonoperating revenues	23,715	143,702	(83%)
Other nonoperating expenses	(9,917)	(137,932)	(93%)
Total nonoperating expenses	(3,721,982)	(3,538,219)	5%
<b>CHANGE IN NET POSITION</b>			
Net position before capital contributions and transfers	10,799,725	12,810,999	(16%)
Contributions:			
Cash	92,357	106,657	(13%)
Capital related grants	154,970	217,161	(29%)
Donated fixed assets	218,665	268,531	(19%)
Transfers - capital related	(146,616)	46,575	(415%)
Transfers - operating related	-	(168,035)	(100%)
Transfers - gross earnings tax	(6,091,024)	(5,855,567)	4%
<b>CHANGE IN NET POSITION</b>	5,028,077	7,426,321	(32%)
<b>TOTAL NET POSITION- BEGINNING</b>	386,358,420	369,486,951	5%
<b>TOTAL NET POSITION- ENDING</b>	\$ 391,386,497	\$ 376,913,272	4%

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 October 31,		Surface Water October 31,	
	2014	2013	2014	2013
<b>ASSETS</b>				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 9,917,120	\$ 20,013,384	\$ 15,043,394	\$ 13,389,954
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	<u>26,917,120</u>	<u>37,013,384</u>	<u>23,043,394</u>	<u>21,389,954</u>
Accounts receivable	6,577,600	6,810,660	3,246,698	3,441,543
Allowance for uncollectible accounts	(1,862,111)	(2,436,060)	(1,750,230)	(1,888,005)
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	973,158	908,260	-	-
Prepaid expenses	840,997	589,319	32,839	36,625
Grants receivable	-	-	196,829	60,978
Notes and contracts receivable	171,727	158,281	-	-
Total current assets	<u>37,369,995</u>	<u>47,257,465</u>	<u>26,920,672</u>	<u>25,135,034</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,940,118	6,940,118	4,456,912	4,456,912
Customer deposits - detention ponds	-	-	-	104,526
Construction accounts	725,180	1,386,152	117,854	11,289,962
Total restricted cash and equity in pooled investments	<u>7,665,298</u>	<u>8,326,270</u>	<u>4,574,766</u>	<u>15,851,400</u>
Capital assets:				
Land and easements	7,488,228	7,488,228	11,985,764	3,101,920
Buildings	148,930,385	148,682,708	2,465,530	2,548,742
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	148,740,687	138,876,087	4,708,924	4,628,235
Transmission lines and other improvements	188,175,061	172,992,795	145,467,134	133,133,359
Computer software	4,693,938	4,547,056	3,185,432	2,882,889
Less: accumulated depreciation	(177,517,177)	(166,689,034)	(41,576,181)	(38,167,684)
Assets in service, net of accumulated depreciation	<u>336,782,322</u>	<u>322,169,040</u>	<u>140,237,403</u>	<u>122,128,261</u>
Construction in progress	28,407,554	36,409,195	16,708,162	10,687,349
Total capital assets	<u>365,189,876</u>	<u>358,578,235</u>	<u>156,945,565</u>	<u>132,815,610</u>
Other noncurrent assets	2,379,050	2,246,325	1,271,054	1,271,054
Total assets	<u>412,604,219</u>	<u>416,408,295</u>	<u>189,712,057</u>	<u>175,073,098</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized bonds refunding costs	312,603	330,902	734,673	777,678
Total deferred outflows of resources	<u>312,603</u>	<u>330,902</u>	<u>734,673</u>	<u>777,678</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 412,916,822</u>	<u>\$ 416,739,197</u>	<u>\$ 190,446,730</u>	<u>\$ 175,850,776</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 October 31,		Surface Water October 31,	
	2014	2013	2014	2013
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 957,792	\$ 935,873	\$ 408,011	\$ 138,593
Accrued wages payable & compensated absences	935,016	805,856	402,428	349,926
Accrued taxes payable	94,422	95,680	40,031	33,837
Accrued liability - low income	-	(17,166)	-	(8,329)
Due other governmental units	70,403	90,971	-	-
State Revolving Loan interest payable	84,334	92,404	4,057	4,246
Current portion of long-term debt - State Revolving Loans	3,642,244	3,577,053	20,008	19,436
Current portion of capital lease obligation	54,825	52,675	47,175	45,325
Environmental liabilities	-	-	579,977	622,154
Total current liabilities	<u>5,839,036</u>	<u>5,633,346</u>	<u>1,501,687</u>	<u>1,205,188</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	-	104,526
Bond interest payable	614,402	614,402	1,209,354	1,209,354
Total current liabilities payable from restricted assets	<u>614,402</u>	<u>614,402</u>	<u>1,209,354</u>	<u>1,313,880</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,753,935	30,829,398	62,482,515	62,726,382
Long-term debt - State Revolving Loans	51,583,235	55,225,479	397,136	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>100,630,369</u>	<u>104,250,808</u>	<u>77,182,207</u>	<u>77,659,077</u>
Total liabilities	<u>107,083,807</u>	<u>110,498,556</u>	<u>79,893,248</u>	<u>80,178,145</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
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>
<b>NET POSITION</b>				
Net investment in capital assets	265,442,270	255,535,959	123,787,993	110,524,972
Restricted for bond reserves	6,325,716	6,325,716	3,247,558	3,247,558
Unrestricted	17,065,029	27,378,966	(24,482,069)	(26,099,899)
Total net position	<u>288,833,015</u>	<u>289,240,641</u>	<u>102,553,482</u>	<u>87,672,631</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 412,916,822</u>	<u>\$ 416,739,197</u>	<u>\$ 190,446,730</u>	<u>\$ 175,850,776</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	
	October Year-to-date		October Year-to-date	
	2014	2013	2014	2013
<b>OPERATING REVENUES</b>				
Wastewater residential	\$ 33,090,668	\$ 31,301,666	\$ -	\$ -
Wastewater commercial and public authorities	17,185,734	16,633,262	-	-
Surface water	-	-	24,458,224	22,863,378
Other revenues	913,325	659,629	134,755	175,753
Total operating revenues	<u>51,189,727</u>	<u>48,594,557</u>	<u>24,592,979</u>	<u>23,039,131</u>
<b>OPERATING EXPENSES</b>				
Business operation detail:				
Revenue and accounting	(1,195,074)	(5,324)	(1,222,230)	(242,731)
Community relations	250,491	175,912	137,062	132,901
Assessment	1,438,235	774,961	888,022	495,113
Business operation	2,165,296	991,308	1,720,775	794,911
Source control	1,142,058	1,168,744	1,579,588	1,765,312
Customer service	554,297	547,926	150,318	173,270
Wastewater treatment by other	2,062,713	1,970,762	-	-
CTP parts room	122,010	93,813	-	-
Biosolids operation	591,713	2,166,469	-	-
Business operation	<u>7,131,739</u>	<u>7,884,571</u>	<u>3,253,535</u>	<u>3,118,776</u>
Operations and maintenance detail:				
Plant #1	6,101,403	4,780,851	-	-
Biosolids maintenance	78,837	173,247	-	-
Plant #3	802,801	763,206	-	-
Pumping	1,519,083	1,347,945	240,567	208,971
Transmission	4,503,085	4,019,670	2,483,375	2,535,473
Plant #1 maintenance	5,232,780	4,066,621	-	-
Administration	349,495	429,799	-	-
Plant #3 maintenance	695,228	414,681	-	-
Holding basins	-	-	31,097	6,188
Operations and maintenance	<u>19,282,712</u>	<u>15,996,020</u>	<u>2,755,039</u>	<u>2,750,632</u>
Science & engineering detail:				
Engineering	2,004,152	1,886,585	-	-
Environmental program	-	-	3,513,046	3,011,751
Construction support	403,063	160,510	200,890	156,539
Laboratory	923,221	997,122	488,448	543,437
Site development	39,512	-	-	-
Asset management	54,480	-	66,916	-
Open space	-	-	147,572	-
Private development	-	-	500,426	(70,109)
Natural Resource Damage Consent Decree (NRDA)	-	-	68,980	8,378
Detention ponds	-	-	1,945	6,657
Expense construction	433,419	-	898,319	213,884
Science & engineering	<u>3,857,847</u>	<u>3,044,217</u>	<u>5,886,542</u>	<u>3,870,537</u>
<b>Total divisional operating expenses</b>	<u>30,272,298</u>	<u>26,924,808</u>	<u>11,895,116</u>	<u>9,739,945</u>

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



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

	Wastewater		Surface Water	
	October Year-to-date		October Year-to-date	
	2014	2013	2014	2013
<b>OPERATING EXPENSES (Continued)</b>				
Other expenses detail:				
Insurance	\$ 349,069	\$ 337,335	\$ 38,335	\$ 37,429
Taxes	636,984	889,913	356,036	333,147
IT services	1,767,463	1,714,293	962,101	946,954
Customer service	1,471,903	1,549,745	1,700,215	1,581,443
Other	4,225,419	4,491,286	3,056,687	2,898,973
Depreciation	9,078,394	8,735,905	2,733,085	2,493,553
Total operating expenses	<u>43,576,111</u>	<u>40,151,999</u>	<u>17,684,888</u>	<u>15,132,471</u>
Net operating income	<u>7,613,616</u>	<u>8,442,558</u>	<u>6,908,091</u>	<u>7,906,660</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	286,942	482,616	215,231	332,203
Rental income	163,068	170,837	140,314	146,999
Bond interest expense, net of capitalized interest	(659,225)	(546,174)	(1,971,098)	(2,143,688)
Interest on long-term debt - State Revolving Loans	(875,855)	(931,957)	(10,285)	(10,754)
Interest on capital lease	(666,440)	(676,760)	(573,450)	(582,330)
Amortization of premium, discount, and refunding costs	47,636	47,636	167,382	167,382
Other nonoperating revenues	17,832	143,265	5,883	437
Other nonoperating expenses	(6,471)	(137,888)	(3,446)	(44)
Total nonoperating expenses	<u>(1,692,513)</u>	<u>(1,448,424)</u>	<u>(2,029,469)</u>	<u>(2,089,795)</u>
<b>CHANGE IN NET POSITION</b>				
Net position before capital contributions and transfers	5,921,103	6,994,134	4,878,622	5,816,865
Contributions:				
Cash	14,917	-	77,440	106,657
Capital related grants	-	-	154,970	217,161
Donated fixed assets	-	89,565	218,665	178,966
Transfers - capital related	(103,375)	(2,000)	(43,241)	48,575
Transfers - operating related	-	(118,781)	-	(49,254)
Transfers - gross earnings tax	(4,093,396)	(3,996,888)	(1,997,628)	(1,858,679)
<b>CHANGE IN NET POSITION</b>	<u>1,739,249</u>	<u>2,966,030</u>	<u>3,288,828</u>	<u>4,460,291</u>
<b>TOTAL NET POSITION- BEGINNING</b>	<u>287,093,766</u>	<u>286,274,611</u>	<u>99,264,654</u>	<u>83,212,340</u>
<b>TOTAL NET POSITION- ENDING</b>	<u>\$ 288,833,015</u>	<u>\$ 289,240,641</u>	<u>\$ 102,553,482</u>	<u>\$ 87,672,631</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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