



*Wastewater and Surface Water
Management
Financial Report
October 2013*

**City of Tacoma
Environmental Services Department
Prepared by Eun Joo Ebenhoh**

Table of Contents

Management's Discussion and Analysis	3
Joint Financial Statements.....	5
Financial Statements by Utility	11

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.

(This page intentionally left blank)

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.

(This page intentionally left blank)

Joint Financial Statements

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

	October 31,		Increase (Decrease)
	2013	2012	
ASSETS			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 33,403,338	\$ 54,647,413	\$ (21,244,075)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled	<u>58,403,338</u>	<u>79,647,413</u>	<u>(21,244,075)</u>
Accounts receivable	10,252,203	8,702,559	1,549,644
Allowance for uncollectible accounts	(4,324,065)	(4,063,829)	(260,236)
Unbilled revenue	5,610,000	4,900,000	710,000
GASB 31 mark to market adjustment	697,560	935,092	(237,532)
Inventory	908,260	1,006,323	(98,063)
Prepaid expenses	625,944	151,300	474,644
Grants receivable	60,978	365,927	(304,949)
Notes and contracts receivable	158,281	143,016	15,265
Total current assets	<u>72,392,499</u>	<u>91,787,801</u>	<u>(19,395,302)</u>
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	11,397,030	10,089,676	1,307,354
Customer deposits - detention ponds	104,526	128,922	(24,396)
Construction accounts	12,676,114	17,180,126	(4,504,012)
Total restricted cash and equity in pooled investments	<u>24,177,670</u>	<u>27,398,724</u>	<u>(3,221,054)</u>
Capital assets:			
Land and easements	10,590,148	10,264,688	325,460
Buildings	151,231,450	146,991,903	4,239,547
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	143,504,322	136,583,828	6,920,494
Transmission lines	306,126,154	285,370,433	20,755,721
Computer software	7,429,946	7,058,551	371,395
Less: accumulated depreciation	(204,856,718)	(191,879,224)	(12,977,494)
Assets in service, net of accumulated depreciation	<u>444,297,302</u>	<u>424,662,179</u>	<u>19,635,123</u>
Construction in progress	47,096,544	39,154,830	7,941,714
Total capital assets	<u>491,393,846</u>	<u>463,817,009</u>	<u>27,576,837</u>
Other noncurrent assets	3,517,379	3,474,047	43,332
Total assets	<u>591,481,394</u>	<u>586,477,581</u>	<u>5,003,813</u>
DEFERRED OUTFLOWS			
Unamortized loss on refunding	1,108,580	1,169,883	(61,303)
Total deferred outflows	<u>1,108,580</u>	<u>1,169,883</u>	<u>(61,303)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 592,589,974</u>	<u>\$ 587,647,464</u>	<u>\$ 4,942,510</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)

	October 31,		Increase
	2013	2012	(Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,074,466	\$ 1,173,875	\$ (99,409)
Accrued wages payable	884,186	773,887	110,299
Compensated absences	271,596	100,181	171,415
Accrued taxes payable	129,517	154,008	(24,491)
Accrued liability - low income	(25,495)	7,099	(32,594)
Due other governmental units	90,971	130,233	(39,262)
State Revolving Loan interest payable	96,650	98,432	(1,782)
Current portion of long-term debt - State Revolving Loans	3,596,490	3,522,486	74,004
Current portion of capital lease obligation	98,000	94,337	3,663
Environmental liabilities	622,154	687,135	(64,981)
Total current liabilities	<u>6,838,535</u>	<u>6,741,673</u>	96,862
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	104,526	128,922	(24,396)
Bond interest payable	1,823,756	1,823,756	-
Total current liabilities payable from restricted assets	<u>1,928,282</u>	<u>1,952,678</u>	(24,396)
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,555,781	93,875,114	(319,333)
Long-term debt - State Revolving Loans	55,642,623	59,248,621	(3,605,998)
Capital lease obligation	28,046,000	28,624,000	(578,000)
Compensated absences	2,444,362	1,903,444	540,918
Net OPEB obligation	1,671,120	1,352,510	318,610
Environmental liabilities	550,000	900,000	(350,000)
Total noncurrent liabilities	<u>181,909,886</u>	<u>185,903,689</u>	(3,993,803)
Total liabilities	<u>190,676,703</u>	<u>194,598,040</u>	(3,921,337)
DEFERRED INFLOWS			
Rate stabilization	25,000,000	22,500,000	2,500,000
Total deferred inflows	<u>25,000,000</u>	<u>22,500,000</u>	2,500,000
NET POSITION			
Net investment in capital assets	366,060,930	338,815,444	27,245,487
Restricted for bond reserves	9,573,274	8,265,920	1,307,354
Unrestricted	1,279,067	23,468,060	(22,188,994)
Total net position	<u>376,913,271</u>	<u>370,549,424</u>	6,363,847
TOTAL LIABILITIES, DEFERRED INFLOWS AND			
NET POSITION	<u>\$ 592,589,974</u>	<u>\$ 587,647,464</u>	<u>\$ 4,942,510</u>

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

(This page intentionally left blank)

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	
	2013	2012
OPERATING REVENUES		
Wastewater residential	\$ 31,353,266	\$ 30,437,981
Wastewater commercial and public authorities	16,633,262	16,189,019
Surface Water	22,888,378	22,001,594
Other revenues	835,382	876,935
Total operating revenues	<u>71,710,288</u>	<u>69,505,529</u>
OPERATING EXPENSES		
Administration and general	3,117,051	3,938,698
Operations	10,402,484	9,671,249
Science & engineering	9,848,810	9,669,829
Maintenance	13,296,408	14,150,605
Other	7,390,259	7,193,930
Depreciation	11,229,458	10,638,626
Total operating expenses	<u>55,284,470</u>	<u>55,262,937</u>
Net operating income	<u>16,425,818</u>	<u>14,242,592</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	814,819	1,974,253
Rental income	317,836	312,323
Operating grant revenue	-	226,088
Bond interest expense, net of capitalized interest	(2,689,862)	(2,785,156)
Interest on long-term debt - State Revolving Loans	(942,711)	(991,875)
Interest on capital lease	(1,259,090)	(1,277,621)
Amortization of premium, discount, and refunding costs	215,018	(337,011)
Other nonoperating revenues	143,702	197,177
Other nonoperating expenses	(214,532)	(81,335)
Total nonoperating expenses	<u>(3,614,820)</u>	<u>(2,763,157)</u>
CHANGE IN NET POSITION		
Net position before capital contributions and transfers	12,810,998	11,479,435
Contributions:		
Cash	106,657	8,295
Capital related grants	217,161	1,106,038
Donated fixed assets	268,531	91,170
Transfers - from other fund	52,225	683,671
Transfers - to other fund	(173,685)	(564)
Transfers - gross earnings tax	(5,855,567)	(5,658,694)
CHANGE IN NET POSITION	<u>7,426,320</u>	<u>7,709,351</u>
TOTAL NET POSITION- BEGINNING	<u>369,486,951</u>	<u>362,840,073</u>
TOTAL NET POSITION- ENDING	<u>\$ 376,913,271</u>	<u>\$ 370,549,424</u>

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

(This page intentionally left blank)

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,	
	2013	2012	2013	2012
ASSETS				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 20,013,384	\$ 42,978,420	\$ 13,389,954	\$ 11,668,993
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled	<u>37,013,384</u>	<u>59,978,420</u>	<u>21,389,954</u>	<u>19,668,993</u>
Accounts receivable	6,810,660	5,372,025	3,441,543	3,330,534
Allowance for uncollectible accounts	(2,436,060)	(2,252,871)	(1,888,005)	(1,810,958)
Unbilled revenue	3,772,000	3,200,000	1,838,000	1,700,000
GASB 31 mark to market adjustment	441,621	611,780	255,939	323,312
Inventory	908,260	1,006,323	-	-
Prepaid expenses	589,319	144,933	36,625	6,367
Grants receivable	-	23,097	60,978	342,830
Notes and contracts receivable	158,281	143,016	-	-
Total current assets	<u>47,257,465</u>	<u>68,226,723</u>	<u>25,135,034</u>	<u>23,561,078</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,940,118	5,808,516	4,456,912	4,281,160
Customer deposits - detention ponds	-	-	104,526	128,922
Construction accounts	1,386,152	2,150,683	11,289,962	15,029,443
Total restricted cash and equity in pooled investments	<u>8,326,270</u>	<u>7,959,199</u>	<u>15,851,400</u>	<u>19,439,525</u>
Capital assets:				
Land and easements	7,488,228	7,361,420	3,101,920	2,903,268
Buildings	148,682,708	145,990,824	2,548,742	1,001,079
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	138,876,087	132,367,398	4,628,235	4,216,430
Transmission lines	172,992,795	159,046,611	133,133,359	126,323,822
Computer software	4,547,056	4,248,417	2,882,890	2,810,134
Less: accumulated depreciation	(166,689,034)	(156,535,397)	(38,167,684)	(35,343,827)
Assets in service, net of accumulated depreciation	<u>322,169,040</u>	<u>308,750,473</u>	<u>122,128,262</u>	<u>115,911,706</u>
Construction in progress	36,409,195	30,065,697	10,687,349	9,089,133
Total capital assets	<u>358,578,235</u>	<u>338,816,170</u>	<u>132,815,611</u>	<u>125,000,839</u>
Other noncurrent assets	2,246,325	2,202,993	1,271,054	1,271,054
Total assets	<u>416,408,295</u>	<u>417,205,085</u>	<u>175,073,099</u>	<u>169,272,496</u>
DEFERRED OUTFLOWS				
Unamortized loss on refunding	330,902	349,200	777,678	820,683
Total deferred outflows	<u>330,902</u>	<u>349,200</u>	<u>777,678</u>	<u>820,683</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 416,739,197</u>	<u>\$ 417,554,285</u>	<u>\$ 175,850,777</u>	<u>\$ 170,093,179</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,	
	2013	2012	2013	2012
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 935,873	\$ 1,021,366	\$ 138,593	\$ 152,509
Accrued wages payable	597,182	536,445	287,004	237,442
Compensated absences	208,674	79,055	62,922	21,126
Accrued taxes payable	95,680	109,125	33,837	44,883
Accrued liability - low income	(17,166)	96	(8,329)	7,003
Due other governmental units	90,971	130,233	-	-
State Revolving Loan interest payable	92,404	95,043	4,246	3,389
Current portion of long-term debt - State Revolving Loans	3,577,053	3,513,113	19,437	9,373
Current portion of capital lease obligation	52,675	50,704	45,325	43,633
Environmental liabilities	-	-	622,154	687,135
Total current liabilities	<u>5,633,346</u>	<u>5,535,180</u>	<u>1,205,189</u>	<u>1,206,493</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	104,526	128,922
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>1,313,880</u>	<u>1,338,276</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,829,398	30,904,863	62,726,383	62,970,251
Long-term debt - State Revolving Loans	55,225,479	58,802,531	417,144	446,090
Capital lease obligation	15,074,725	15,385,400	12,971,275	13,238,600
Compensated absences	1,878,064	1,502,053	566,298	401,391
Net OPEB obligation	1,243,142	1,017,469	427,978	335,041
Environmental liabilities	-	-	550,000	900,000
Total noncurrent liabilities	<u>104,250,808</u>	<u>107,612,316</u>	<u>77,659,078</u>	<u>78,291,373</u>
Total liabilities	<u>110,498,556</u>	<u>113,761,898</u>	<u>80,178,147</u>	<u>80,836,142</u>
DEFERRED INFLOWS				
Rate stabilization	17,000,000	17,000,000	8,000,000	5,500,000
Total deferred inflows	<u>17,000,000</u>	<u>17,000,000</u>	<u>8,000,000</u>	<u>5,500,000</u>
NET POSITION				
Net investment in capital assets	255,535,959	232,659,442	110,524,971	106,156,002
Restricted for bond reserves	6,325,716	5,194,114	3,247,558	3,071,806
Unrestricted	27,378,966	48,938,831	(26,099,899)	(25,470,771)
Total net position	<u>289,240,641</u>	<u>286,792,387</u>	<u>87,672,630</u>	<u>83,757,037</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 416,739,197</u>	<u>\$ 417,554,285</u>	<u>\$ 175,850,777</u>	<u>\$ 170,093,179</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	
	2013	2012	2013	2012
OPERATING REVENUES				
Wastewater residential	\$ 31,353,266	\$ 30,437,981	\$ -	\$ -
Wastewater commercial and public authorities	16,633,262	16,189,019	-	-
Surface Water	-	-	22,888,378	22,001,594
Other revenues	659,629	567,325	175,753	309,610
Total operating revenues	<u>48,646,157</u>	<u>47,194,325</u>	<u>23,064,131</u>	<u>22,311,204</u>
OPERATING EXPENSES				
Administration and general	1,936,857	2,170,764	1,180,194	1,767,934
Operations detail:				
Customer service	547,926	498,666	173,270	203,904
Plant #1	4,780,851	4,444,136	-	-
Wastewater treatment by other	1,970,762	1,827,094	-	-
Plant #3	763,206	835,964	-	-
Biosolids (Tagro)	2,166,469	1,861,485	-	-
Operations	<u>10,229,214</u>	<u>9,467,345</u>	<u>173,270</u>	<u>203,904</u>
Science & engineering detail:				
Engineering	1,886,585	2,121,149	3,011,751	2,553,291
Construction support	160,510	473,170	156,539	126,888
Laboratory	997,122	1,245,256	543,437	385,285
Environmental Compliance	1,168,744	1,334,136	1,765,312	1,400,633
Private development	-	-	(70,109)	(92,210)
NRDA	-	-	8,378	13,476
Detention Ponds	-	-	6,657	6,948
Expense construction	-	-	213,884	101,807
Science & engineering	<u>4,212,961</u>	<u>5,173,711</u>	<u>5,635,849</u>	<u>4,496,118</u>
Maintenance detail:				
Pumping	1,347,945	1,596,834	208,971	211,053
Transmission	4,019,670	4,041,276	2,535,473	2,712,003
Plant #1	4,066,621	4,514,670	-	-
Parts	93,813	115,826	-	-
Administration	429,799	380,053	-	-
Plant #3	414,681	393,605	-	-
Holding basins	-	-	6,188	34,016
Biosolids (Tagro)	173,247	151,269	-	-
Maintenance	<u>10,545,776</u>	<u>11,193,533</u>	<u>2,750,632</u>	<u>2,957,072</u>
Subtotal divisional operating expenses	<u>26,924,808</u>	<u>28,005,353</u>	<u>9,739,945</u>	<u>9,425,028</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	
	2013	2012	2013	2012
OPERATING EXPENSES				
Other expenses detail:				
Insurance	\$ 337,335	\$ 316,050	\$ 37,429	\$ 36,520
Taxes	889,913	937,299	333,147	383,307
IT services	1,714,293	1,488,972	946,954	941,377
Customer service	1,549,745	1,492,856	1,581,443	1,597,549
Other	4,491,286	4,235,177	2,898,973	2,958,753
Depreciation	8,735,905	8,300,950	2,493,553	2,337,676
Total operating expenses	<u>40,151,999</u>	<u>40,541,480</u>	<u>15,132,471</u>	<u>14,721,457</u>
Net operating income	<u>8,494,158</u>	<u>6,652,845</u>	<u>7,931,660</u>	<u>7,589,747</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	482,618	1,272,511	332,201	701,742
Rental income	170,837	167,874	146,999	144,449
Operating grant revenue	-	100,000	-	126,088
Bond interest expense, net of capitalized interest	(546,174)	(620,552)	(2,143,688)	(2,164,604)
Interest on long-term debt - State Revolving Loans	(931,958)	(981,707)	(10,753)	(10,168)
Interest on capital lease	(676,760)	(686,721)	(582,330)	(590,900)
Amortization of premium, discount, and refunding costs	47,636	(579,953)	167,382	242,942
Other nonoperating revenues	143,265	66,508	437	130,669
Other nonoperating expenses	(189,488)	(47,413)	(25,044)	(33,922)
Total nonoperating expenses	<u>(1,500,024)</u>	<u>(1,309,453)</u>	<u>(2,114,796)</u>	<u>(1,453,704)</u>
CHANGE IN NET POSITION				
Net position before capital contributions and transfers	6,994,134	5,343,392	5,816,864	6,136,043
Contributions:				
Cash	-	1,347	106,657	6,948
Capital related grants	-	-	217,161	1,106,038
Donated fixed assets	89,565	62,005	178,966	29,165
Transfers - from other fund	-	509,000	52,225	174,671
Transfers - to other fund	(120,781)	-	(52,904)	(564)
Transfers - gross earnings tax	(3,996,888)	(3,887,254)	(1,858,679)	(1,771,440)
CHANGE IN NET POSITION	<u>2,966,030</u>	<u>2,028,490</u>	<u>4,460,290</u>	<u>5,680,861</u>
TOTAL NET POSITION- BEGINNING	<u>286,274,611</u>	<u>284,763,897</u>	<u>83,212,340</u>	<u>78,076,176</u>
TOTAL NET POSITION- ENDING	<u>\$ 289,240,641</u>	<u>\$ 286,792,387</u>	<u>\$ 87,672,630</u>	<u>\$ 83,757,037</u>

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

(This page intentionally left blank)



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.