



*Wastewater and Surface Water  
Management  
Financial Report  
August 2013*

City of Tacoma  
Environmental Services Department  
Prepared by Eun Joo Ebenhoh



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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)**

	August 31,		Increase
	2013	2012	(Decrease)
<b>ASSETS</b>			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 38,044,645	\$ 55,382,322	\$ (17,337,677)
Rate Stabilization Fund	25,000,000	22,500,000	2,500,000
Total operating cash and equity in pooled	63,044,645	77,882,322	(14,837,677)
Accounts receivable	9,345,895	9,067,677	278,218
Allowance for uncollectible accounts	(4,198,157)	(3,964,054)	(234,103)
Unbilled revenue	5,610,000	4,900,000	710,000
GASB 31 mark to market adjustment	697,560	935,093	(237,533)
Inventory	858,698	983,613	(124,915)
Prepaid expenses	654,784	(1,365)	656,149
Grants receivable	60,978	553,945	(492,967)
Notes and contracts receivable	154,395	142,926	11,469
Total current assets	76,228,798	90,500,157	(14,271,359)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	10,667,528	9,360,175	1,307,353
Customer deposits - detention ponds	104,648	131,190	(26,542)
Construction accounts	13,678,529	20,019,490	(6,340,961)
Total restricted cash and equity in pooled investments	24,450,705	29,510,855	(5,060,150)
Capital assets:			
Land and easements	10,566,948	10,264,687	302,261
Buildings	151,444,751	146,991,903	4,452,848
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	142,699,221	136,583,701	6,115,520
Transmission lines	306,126,130	285,137,168	20,988,962
Computer software	7,200,713	7,058,551	142,162
Less: accumulated depreciation	(202,694,494)	(189,873,190)	(12,821,304)
Assets in service, net of accumulated depreciation	445,615,269	426,434,820	19,180,449
Construction in progress	41,464,515	35,515,371	5,949,144
Total capital assets	487,079,784	461,950,191	25,129,593
Other noncurrent assets	3,520,240	3,466,682	53,558
Total assets	591,279,527	585,427,885	5,851,642
<b>DEFERRED OUTFLOWS</b>			
Unamortized loss on refunding	1,118,796	1,171,823	(53,027)
Total deferred outflows	1,118,796	1,171,823	(53,027)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 592,398,323</b>	<b>\$ 586,599,708</b>	<b>\$ 5,798,615</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 Net Position (Unaudited)**

	August 31,		Increase (Decrease)
	2013	2012	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 757,355	\$ 910,736	\$ (153,381)
Accrued wages payable	489,429	485,826	3,603
Compensated absences	271,596	100,181	171,415
Accrued taxes payable	160,356	145,948	14,408
Accrued liability - low income	(8,195)	5,033	(13,228)
Due other funds			
Due other governmental units	306,055	311,296	(5,241)
State Revolving Loan interest payable	464,144	491,667	(27,523)
Current portion of long-term debt - State Revolving Loans	3,564,365	3,490,977	73,388
Current portion of capital lease obligation	194,000	187,003	6,997
Environmental liabilities	725,302	693,316	31,986
Total current liabilities	<u>6,924,407</u>	<u>6,821,983</u>	<u>102,424</u>
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	104,717	131,190	(26,473)
Bond interest payable	1,094,253	1,094,253	-
Total current liabilities payable from restricted assets	<u>1,198,970</u>	<u>1,225,443</u>	<u>(26,473)</u>
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,609,002	93,925,395	(316,393)
Long-term debt - State Revolving Loans	57,439,219	61,013,093	(3,573,874)
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>183,759,703</u>	<u>187,718,442</u>	<u>(3,958,739)</u>
Total liabilities	<u>191,883,080</u>	<u>195,765,868</u>	<u>(3,882,788)</u>
<b>DEFERRED INFLOWS</b>			
Rate stabilization	25,000,000	22,500,000	2,500,000
Total deferred inflows	<u>25,000,000</u>	<u>22,500,000</u>	<u>2,500,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	360,877,758	337,945,970	22,931,788
Restricted for bond reserves	9,573,206	8,265,922	1,307,284
Unrestricted	5,064,280	22,121,948	(17,057,669)
Total net position	<u>375,515,243</u>	<u>368,333,840</u>	<u>7,181,403</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND</b>			
<b>NET POSITION</b>	<u>\$ 592,398,323</u>	<u>\$ 586,599,708</u>	<u>\$ 5,798,615</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)**

	August Year-to-Date	
	2013	2012
<b>OPERATING REVENUES</b>		
Wastewater residential	\$ 24,817,243	\$ 24,347,228
Wastewater commercial and public authorities	13,121,557	12,757,959
Surface Water	18,082,380	17,613,965
Other revenues	688,595	713,957
Total operating revenues	<u>56,709,775</u>	<u>55,433,109</u>
<b>OPERATING EXPENSES</b>		
Administration and general	2,508,353	3,095,920
Operations	8,261,963	7,956,254
Science & engineering	7,621,157	7,655,016
Maintenance	10,432,827	11,545,737
Other	5,927,887	5,647,069
Depreciation	8,967,421	8,632,591
Total operating expenses	<u>43,719,608</u>	<u>44,532,587</u>
Net operating income	<u>12,990,167</u>	<u>10,900,522</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	691,723	1,699,008
Rental income	253,522	249,253
Operating grant revenue	-	224,088
Bond interest expense, net of capitalized interest	(2,229,329)	(2,310,356)
Interest on long-term debt - State Revolving Loans	(755,779)	(799,177)
Interest on capital lease	(1,007,272)	(1,022,097)
Amortization of premium, discount, and refunding costs	172,014	(385,352)
Other nonoperating revenues	140,607	189,327
Other nonoperating expenses	(102,141)	(69,535)
Total nonoperating expenses	<u>(2,836,655)</u>	<u>(2,224,841)</u>
<b>CHANGE IN NET POSITION</b>		
Net position before capital contributions and transfers	10,153,512	8,675,681
Contributions:		
Cash	6,316	5,691
Capital related grants	217,161	952,063
Donated fixed assets	245,331	91,170
Transfers - from other fund	52,225	278,682
Transfers - to other fund	(2,000)	(564)
Transfers - gross earnings tax	(4,644,253)	(4,508,956)
<b>CHANGE IN NET POSITION</b>	<u>6,028,292</u>	<u>5,493,767</u>
<b>TOTAL NET POSITION- BEGINNING</b>	<u>369,486,951</u>	<u>362,840,073</u>
<b>TOTAL NET POSITION- ENDING</b>	<u>\$ 375,515,243</u>	<u>\$ 368,333,840</u>

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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 August 31,		Surface Water August 31,	
	2013	2012	2013	2012
<b>ASSETS</b>				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 24,657,400	\$ 42,024,600	\$ 13,387,245	\$ 13,357,722
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	5,500,000
Total operating cash and equity in pooled	<u>41,657,400</u>	<u>59,024,600</u>	<u>21,387,245</u>	<u>18,857,722</u>
Accounts receivable	5,950,210	5,915,465	3,395,685	3,152,212
Allowance for uncollectible accounts	(2,381,670)	(2,226,538)	(1,816,487)	(1,737,516)
Unbilled revenue	3,772,000	3,200,000	1,838,000	1,700,000
GASB 31 mark to market adjustment	441,621	611,781	255,939	323,312
Inventory	858,698	983,613	-	-
Prepaid expenses	645,343	-	9,441	(1,365)
Grants receivable	-	23,097	60,978	530,848
Notes and contracts receivable	154,395	142,926	-	-
Total current assets	<u>51,097,997</u>	<u>67,674,944</u>	<u>25,130,801</u>	<u>22,825,213</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,694,358	5,562,756	3,973,170	3,797,419
Customer deposits - detention ponds	-	-	104,648	131,190
Construction accounts	1,420,446	2,570,939	12,258,083	17,448,551
Total restricted cash and equity in pooled investmen	<u>8,114,804</u>	<u>8,133,695</u>	<u>16,335,901</u>	<u>21,377,160</u>
Capital assets:				
Land and easements	7,476,628	7,361,419	3,090,320	2,903,268
Buildings	148,933,297	145,990,824	2,511,454	1,001,079
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	138,085,056	132,367,270	4,614,165	4,216,431
Transmission lines	172,992,796	159,057,625	133,133,334	126,079,543
Computer software	4,317,823	4,248,417	2,882,890	2,810,134
Less: accumulated depreciation	(165,027,613)	(154,940,643)	(37,666,881)	(34,932,547)
Assets in service, net of accumulated depreciation	<u>323,049,187</u>	<u>310,356,112</u>	<u>122,566,082</u>	<u>116,078,708</u>
Construction in progress	32,956,594	29,507,162	8,507,921	6,008,209
Total capital assets	<u>356,005,781</u>	<u>339,863,274</u>	<u>131,074,003</u>	<u>122,086,917</u>
Other noncurrent assets	2,249,186	2,195,628	1,271,054	1,271,054
Total assets	<u>417,467,768</u>	<u>417,867,541</u>	<u>173,811,759</u>	<u>167,560,344</u>
<b>DEFERRED OUTFLOWS</b>				
Unamortized loss on refunding	333,951	352,250	784,845	819,573
Total deferred outflows	<u>333,951</u>	<u>352,250</u>	<u>784,845</u>	<u>819,573</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 417,801,719</u>	<u>\$ 418,219,791</u>	<u>\$ 174,596,604</u>	<u>\$ 168,379,917</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 August 31,		Surface Water August 31,	
	2013	2012	2013	2012
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 605,084	\$ 837,661	\$ 152,271	\$ 73,075
Accrued wages payable	328,517	337,963	160,912	147,863
Compensated absences	208,674	79,055	62,922	21,126
Accrued taxes payable	98,387	109,356	61,969	36,592
Accrued liability - low income	194	120	(8,389)	4,913
Due other governmental units	306,055	311,296	-	-
State Revolving Loan interest payable	462,021	488,278	2,123	3,389
Current portion of long-term debt - State Revolving Loan	3,544,928	3,481,604	19,437	9,373
Current portion of capital lease obligation	104,275	100,512	89,725	86,491
Environmental liabilities	-	-	725,302	693,316
Total current liabilities	<u>5,658,135</u>	<u>5,745,845</u>	<u>1,266,272</u>	<u>1,076,138</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	104,717	131,190
Bond interest payable	368,641	368,641	725,612	725,612
Total current liabilities payable from restricted assets	<u>368,641</u>	<u>368,641</u>	<u>830,329</u>	<u>856,802</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,841,975	30,917,440	62,767,027	63,007,955
Long-term debt - State Revolving Loans	57,022,075	60,567,003	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>106,059,981</u>	<u>109,389,365</u>	<u>77,699,722</u>	<u>78,329,077</u>
Total liabilities	<u>112,086,757</u>	<u>115,503,851</u>	<u>79,796,323</u>	<u>80,262,017</u>
<b>DEFERRED INFLOWS</b>				
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>
<b>NET POSITION</b>				
Net investment in capital assets	251,172,200	232,334,504	109,705,558	105,611,466
Restricted for bond reserves	6,325,717	5,194,115	3,247,489	3,071,807
Unrestricted	31,217,045	48,187,321	(26,152,766)	(26,065,373)
Total net position	<u>288,714,962</u>	<u>285,715,940</u>	<u>86,800,281</u>	<u>82,617,900</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
	<u>\$ 417,801,719</u>	<u>\$ 418,219,791</u>	<u>\$ 174,596,604</u>	<u>\$ 168,379,917</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	
	August Year-to-Date		August Year-to-Date	
	2013	2012	2013	2012
<b>OPERATING REVENUES</b>				
Wastewater residential	\$ 24,817,243	\$ 24,347,228	\$ -	\$ -
Wastewater commercial and public authorities	13,121,557	12,757,959	-	-
Surface Water	-	-	18,082,380	17,613,965
Other revenues	547,527	471,716	141,068	242,241
Total operating revenues	<u>38,486,327</u>	<u>37,576,903</u>	<u>18,223,448</u>	<u>17,856,206</u>
<b>OPERATING EXPENSES</b>				
Administration and general	1,403,856	1,616,533	1,104,497	1,479,387
Operations detail:				
Customer service	438,540	397,531	137,395	166,614
Plant #1	3,736,913	3,698,697	-	-
Wastewater treatment by other	1,570,636	1,446,905	-	-
Plant #3	602,295	704,029	-	-
Biosolids (Tagro)	1,776,184	1,542,478	-	-
Operations	<u>8,124,568</u>	<u>7,789,640</u>	<u>137,395</u>	<u>166,614</u>
Science & engineering detail:				
Engineering	1,523,173	1,695,240	2,116,252	2,028,820
Construction support	176,996	390,590	156,310	100,248
Laboratory	773,539	1,022,938	442,330	267,039
Environmental Compliance	907,349	1,093,177	1,367,165	1,066,847
Private development	-	-	(42,592)	(68,459)
NRDA	-	-	7,020	13,000
Detention Ponds	-	-	6,385	4,344
Expense construction	-	-	187,230	41,232
Science & engineering	<u>3,381,057</u>	<u>4,201,945</u>	<u>4,240,100</u>	<u>3,453,071</u>
Maintenance detail:				
Pumping	1,012,663	1,292,286	160,623	143,932
Transmission	3,306,634	3,371,797	1,949,340	2,169,272
Plant #1	3,146,384	3,656,196	-	-
Parts	73,661	130,031	-	-
Administration	325,526	299,612	-	-
Plant #3	305,186	326,577	-	-
Holding basins	-	-	6,004	24,803
Biosolids (Tagro)	146,806	131,231	-	-
Maintenance	<u>8,316,860</u>	<u>9,207,730</u>	<u>2,115,967</u>	<u>2,338,007</u>
<b>Subtotal divisional operating expenses</b>	<u><b>21,226,341</b></u>	<u><b>22,815,848</b></u>	<u><b>7,597,959</b></u>	<u><b>7,437,079</b></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	
	August Year-to-Date		August Year-to-Date	
	2013	2012	2013	2012
<b>OPERATING EXPENSES</b>				
Other expenses detail:				
Insurance	\$ 267,469	\$ 214,090	\$ 29,801	\$ 28,962
Taxes	719,601	749,663	259,564	300,082
IT services	1,383,116	1,171,380	762,060	744,578
Customer service	1,241,138	1,177,438	1,265,138	1,260,876
Other	3,611,324	3,312,571	2,316,563	2,334,498
Depreciation	6,974,670	6,706,195	1,992,751	1,926,396
Total operating expenses	31,812,335	32,834,614	11,907,273	11,697,973
Net operating income	6,673,992	4,742,289	6,316,175	6,158,233
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	413,585	1,098,906	278,138	600,102
Rental income	136,268	133,974	117,254	115,279
Operating grant revenue	-	100,000	-	124,088
Bond interest expense, net of capitalized interest	(490,083)	(374,791)	(1,739,246)	(1,935,565)
Interest on long-term debt - State Revolving Loans	(747,149)	(789,009)	(8,630)	(10,168)
Interest on capital lease	(541,408)	(549,377)	(465,864)	(472,720)
Amortization of premium, discount, and refunding costs	38,108	(589,480)	133,906	204,128
Other nonoperating revenues	140,193	64,425	414	124,902
Other nonoperating expenses	(82,097)	(40,613)	(20,044)	(28,922)
Total nonoperating expenses	(1,132,583)	(945,965)	(1,704,072)	(1,278,876)
<b>CHANGE IN NET POSITION</b>				
Net position before capital contributions and transfers	5,541,409	3,796,324	4,612,103	4,879,357
Contributions:				
Cash	-	1,347	6,316	4,344
Capital related grants	-	-	217,161	952,063
Donated fixed assets	77,966	62,005	167,365	29,165
Transfers - from other fund	-	193,245	52,225	85,437
Transfers - to other fund	(2,000)	-	-	(564)
Transfers - gross earnings tax	(3,177,024)	(3,100,878)	(1,467,229)	(1,408,078)
<b>CHANGE IN NET POSITION</b>	2,440,351	952,043	3,587,941	4,541,724
<b>TOTAL NET POSITION- BEGINNING</b>	286,274,611	284,763,897	83,212,340	78,076,176
<b>TOTAL NET POSITION- ENDING</b>	\$ 288,714,962	\$ 285,715,940	\$ 86,800,281	\$ 82,617,900

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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