



*Wastewater and Surface Water
Management
Financial Report
May 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)**

	May 31,		Increase (Decrease)
	2014	2013	
ASSETS			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 29,457,237	\$ 42,584,180	\$ (13,126,943)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	<u>54,457,237</u>	<u>67,584,180</u>	<u>(13,126,943)</u>
Accounts receivable	10,304,244	8,676,969	1,627,275
Allowance for uncollectible accounts	(4,460,177)	(4,144,848)	(315,329)
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	883,272	822,726	60,546
Prepaid expenses	768,144	485,871	282,273
Grants receivable	912,484	301,259	611,225
Notes and contracts receivable	174,063	158,806	15,257
Total current assets	<u>68,941,913</u>	<u>80,192,523</u>	<u>(11,250,610)</u>
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	11,761,782	11,761,782	-
Customer deposits - detention ponds	104,526	106,471	(1,945)
Construction accounts	5,212,512	15,094,217	(9,881,705)
Total restricted cash and equity in pooled investments	<u>17,078,820</u>	<u>26,962,470</u>	<u>(9,883,650)</u>
Capital assets:			
Land and easements	19,466,492	10,321,617	9,144,875
Buildings	151,293,170	151,408,137	(114,967)
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	152,411,669	142,081,790	10,329,879
Transmission lines and other improvements	333,647,503	306,126,130	27,521,373
Computer software	7,831,714	7,165,274	666,440
Less: accumulated depreciation	(213,209,924)	(199,297,295)	(13,912,629)
Assets in service, net of accumulated depreciation	<u>481,712,624</u>	<u>448,077,653</u>	<u>33,634,971</u>
Construction in progress	32,216,373	32,079,973	136,400
Total capital assets	<u>513,928,997</u>	<u>480,157,626</u>	<u>33,771,371</u>
Other noncurrent assets	3,603,802	3,527,667	76,135
Total assets	<u>603,553,532</u>	<u>590,840,286</u>	<u>12,713,246</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized bonds refunding costs	1,072,818	1,134,123	(61,305)
Total deferred outflows of resources	<u>1,072,818</u>	<u>1,134,123</u>	<u>(61,305)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 604,626,350</u>	<u>\$ 591,974,409</u>	<u>\$ 12,651,941</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)

	May 31,		Increase (Decrease)
	2014	2013	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,176,207	\$ 1,219,756	\$ (43,549)
Accrued wages payable & compensated absences	1,300,888	1,263,608	37,280
Accrued taxes payable	130,288	128,112	2,176
Accrued liability - low income	-	(6,761)	6,761
Due other governmental units	276,563	321,140	(44,577)
State Revolving Loan interest payable	179,290	190,231	(10,941)
Current portion of long-term debt - State Revolving Loans	3,629,210	3,564,085	65,125
Current portion of capital lease obligation	352,000	338,000	14,000
Environmental liabilities	644,720	930,196	(285,476)
Total current liabilities	<u>7,689,166</u>	<u>7,948,367</u>	<u>(259,201)</u>
Deposit payable - detention ponds	104,526	106,471	(1,945)
Bond interest payable	2,188,508	2,188,508	-
Total current liabilities payable from restricted assets	<u>2,293,034</u>	<u>2,294,979</u>	<u>(1,945)</u>
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,369,500	93,688,833	(319,333)
Long-term debt - State Revolving Loans	53,819,798	57,449,008	(3,629,210)
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>179,785,053</u>	<u>183,849,323</u>	<u>(4,064,270)</u>
Total liabilities	<u>189,767,253</u>	<u>194,092,669</u>	<u>(4,325,416)</u>
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>	<u>-</u>
NET POSITION			
Net investment in capital assets	383,309,279	355,201,199	28,108,080
Restricted for bond reserves	9,573,274	9,573,274	(0)
Unrestricted	(3,023,455)	8,107,268	(11,130,723)
Total net position	<u>389,859,097</u>	<u>372,881,740</u>	<u>16,977,357</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 604,626,350</u>	<u>\$ 591,974,409</u>	<u>\$ 12,651,941</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)

	Year-to-date May 31,	
	2014	2013
OPERATING REVENUES		
Wastewater residential	\$ 16,329,122	\$ 15,269,649
Wastewater commercial and public authorities	8,591,472	8,099,714
Surface water	12,165,584	11,098,060
Other revenues	552,413	435,019
Total operating revenues	<u>37,638,591</u>	<u>34,902,442</u>
OPERATING EXPENSES		
Business operation detail:		
Revenue and accounting	(992,829)	1,115,383
Community relations	196,085	145,413
Assessment	1,133,728	198,298
Business operation	2,079,128	3,734
Source control	1,320,649	1,417,693
Customer service	325,261	374,060
Wastewater treatment by other	1,010,252	970,440
Biosolids operation	1,045,054	1,107,807
Business operation	<u>6,117,328</u>	<u>5,332,828</u>
Operations and maintenance detail:		
Plant #1	2,315,155	2,256,931
Biosolids maintenance	39,823	95,146
Plant #3	398,321	422,543
Pumping	718,835	724,981
Transmission	3,416,703	3,303,430
Plant #1 maintenance	2,386,801	2,021,782
Parts	47,609	47,253
Administration	156,633	205,218
Plant #3 maintenance	204,077	153,544
Holding basins	11,297	167
Operations and maintenance	<u>9,695,254</u>	<u>9,230,995</u>
Science & engineering detail:		
Engineering	2,569,402	2,195,629
Construction support	221,491	190,679
Laboratory	808,454	817,382
Private development	184,026	(18,716)
Natural Resource Damage Consent Decree (NRDA)	24,645	6,142
Detention ponds	453	4,334
Expense construction	256,367	128,477
Science & engineering	<u>4,064,838</u>	<u>3,323,927</u>
Total divisional operating expenses	<u>19,877,420</u>	<u>17,887,750</u>

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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)

	Year-to-date May 31,	
	2014	2013
OPERATING EXPENSES (Continued)		
Other expenses detail:		
Insurance	\$ 194,337	\$ 183,247
Taxes	443,841	627,998
IT services	1,330,812	1,313,578
Customer service	1,587,855	1,553,096
Other	3,556,845	3,677,919
Depreciation	5,925,274	5,570,221
Total operating expenses	<u>29,359,539</u>	<u>27,135,890</u>
Net operating income	<u>8,279,052</u>	<u>7,766,552</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	269,505	497,054
Rental income	160,785	157,673
Operating grant revenue	-	-
Bond interest expense, net of capitalized interest	(1,413,056)	(1,497,723)
Interest on long-term debt - State Revolving Loans	(448,511)	(475,359)
Interest on capital lease	(619,945)	(629,545)
Amortization of premium, discount, and refunding costs	107,509	107,509
Other nonoperating revenues	11,058	135,785
Other nonoperating expenses	(3,434)	(10)
Total nonoperating expenses	<u>(1,936,089)</u>	<u>(1,704,616)</u>
CHANGE IN NET POSITION		
Net position before capital contributions and transfers	6,342,963	6,061,936
Contributions:		
Cash	453	221,495
Capital related grants	-	-
Donated fixed assets	211,165	-
Transfers - capital related	750	(2,000)
Transfers - operating related	-	3,650
Transfers - gross earnings tax	(3,054,654)	(2,890,292)
CHANGE IN NET POSITION	<u>3,500,677</u>	<u>3,394,789</u>
TOTAL NET POSITION- BEGINNING	<u>386,358,420</u>	<u>369,486,951</u>
TOTAL NET POSITION- ENDING	<u>\$ 389,859,097</u>	<u>\$ 372,881,740</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		Surface Water	
	May 31,		May 31,	
	2014	2013	2014	2013
ASSETS				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 15,476,560	\$ 29,740,061	\$ 13,980,677	\$ 12,844,119
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	<u>32,476,560</u>	<u>46,740,061</u>	<u>21,980,677</u>	<u>20,844,119</u>
Accounts receivable	6,796,137	5,449,416	3,508,107	3,227,553
Allowance for uncollectible accounts	(2,475,441)	(2,294,573)	(1,984,736)	(1,850,275)
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	883,272	822,726	-	-
Prepaid expenses	740,179	485,075	27,965	796
Grants receivable	-	23,097	912,484	278,162
Notes and contracts receivable	174,063	158,806	-	-
Total current assets	<u>42,346,274</u>	<u>55,598,229</u>	<u>26,595,639</u>	<u>24,594,294</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	7,062,999	7,062,999	4,698,783	4,698,783
Customer deposits - detention ponds	-	-	104,526	106,471
Construction accounts	822,725	1,467,907	4,389,787	13,626,310
Total restricted cash and equity in pooled investments	<u>7,885,724</u>	<u>8,530,906</u>	<u>9,193,096</u>	<u>18,431,564</u>
Capital assets:				
Land and easements	7,488,228	7,398,663	11,978,264	2,922,954
Buildings	148,827,640	148,896,683	2,465,530	2,511,454
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	148,009,300	137,533,735	4,402,369	4,548,055
Transmission lines and other improvements	188,175,061	172,992,796	145,472,442	133,133,334
Computer software	4,646,282	4,317,823	3,185,432	2,847,451
Less: accumulated depreciation	(172,999,110)	(162,404,171)	(40,210,814)	(36,893,124)
Assets in service, net of accumulated depreciation	<u>340,418,601</u>	<u>325,006,729</u>	<u>141,294,023</u>	<u>123,070,924</u>
Construction in progress	21,198,045	25,699,811	11,018,328	6,380,162
Total capital assets	<u>361,616,646</u>	<u>350,706,540</u>	<u>152,312,351</u>	<u>129,451,086</u>
Other noncurrent assets	2,332,748	2,256,613	1,271,054	1,271,054
Total assets	<u>414,181,392</u>	<u>417,092,288</u>	<u>189,372,140</u>	<u>173,747,998</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bonds refunding costs	320,227	338,526	752,591	795,597
Total deferred outflows of resources	<u>320,227</u>	<u>338,526</u>	<u>752,591</u>	<u>795,597</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 414,501,619</u>	<u>\$ 417,430,814</u>	<u>\$ 190,124,731</u>	<u>\$ 174,543,595</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		Surface Water	
	May 31,		May 31,	
	2014	2013	2014	2013
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 737,651	\$ 949,268	\$ 438,556	\$ 270,488
Accrued wages payable & compensated absences	890,420	893,334	410,468	370,274
Accrued taxes payable	91,420	93,274	38,868	34,838
Accrued liability - low income	-	969	-	(7,730)
Due other governmental units	276,563	321,140	-	-
State Revolving Loan interest payable	174,100	184,808	5,190	5,423
Current portion of long-term debt - State Revolving Loans	3,609,490	3,544,928	19,720	19,157
Current portion of capital lease obligation	189,200	181,675	162,800	156,325
Environmental liabilities	-	-	644,720	930,196
Total current liabilities	<u>5,968,844</u>	<u>6,169,396</u>	<u>1,720,322</u>	<u>1,778,971</u>
Deposit payable - detention ponds	-	-	104,526	106,471
Bond interest payable	737,283	737,283	1,451,225	1,451,225
Total current liabilities payable from restricted assets	<u>737,283</u>	<u>737,283</u>	<u>1,555,751</u>	<u>1,557,696</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,785,375	30,860,840	62,584,125	62,827,993
Long-term debt - State Revolving Loans	53,412,585	57,022,075	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>102,491,159</u>	<u>106,078,846</u>	<u>77,293,894</u>	<u>77,770,477</u>
Total liabilities	<u>109,197,286</u>	<u>112,985,525</u>	<u>80,569,967</u>	<u>81,107,144</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	260,011,798	245,828,730	123,297,481	109,372,469
Restricted for bond reserves	6,325,716	6,325,716	3,247,558	3,247,558
Unrestricted	21,966,819	35,290,843	(24,990,275)	(27,183,576)
Total net position	<u>288,304,333</u>	<u>287,445,289</u>	<u>101,554,764</u>	<u>85,436,451</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
	<u>\$ 414,501,619</u>	<u>\$ 417,430,814</u>	<u>\$ 190,124,731</u>	<u>\$ 174,543,595</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	
	Year-to-date May 31,		Year-to-date May 31,	
	2014	2013	2014	2013
OPERATING REVENUES				
Wastewater residential	\$ 16,329,122	\$ 15,269,649	\$ -	\$ -
Wastewater commercial and public authorities	8,591,472	8,099,714	-	-
Surface water	-	-	12,165,584	11,098,060
Other revenues	480,668	332,851	71,745	102,168
Total operating revenues	<u>25,401,262</u>	<u>23,702,214</u>	<u>12,237,329</u>	<u>11,200,228</u>
OPERATING EXPENSES				
Business operation detail:				
Revenue and accounting	(422,440)	623,412	(570,389)	491,971
Community relations	118,370	74,787	77,715	70,626
Assessment	696,627	115,447	437,101	82,851
Business operation	1,172,584	2,228	906,544	1,506
Source control	559,569	570,545	761,080	847,148
Customer service	250,012	294,860	75,249	79,200
Wastewater treatment by other	1,010,252	970,440	-	-
Biosolids operation	1,045,054	1,107,807	-	-
Business operation	<u>4,430,028</u>	<u>3,759,526</u>	<u>1,687,300</u>	<u>1,573,302</u>
Operations and maintenance detail:				
Plant #1	2,315,155	2,256,931	-	-
Biosolids maintenance	39,823	95,146	-	-
Plant #3	398,321	422,543	-	-
Pumping	619,719	624,622	99,116	100,359
Transmission	2,308,399	2,216,976	1,108,304	1,086,454
Plant #1 maintenance	2,386,801	2,021,782	-	-
Parts	47,609	47,253	-	-
Administration	156,633	205,218	-	-
Plant #3 maintenance	204,077	153,544	-	-
Holding basins	-	-	11,297	167
Operations and maintenance	<u>8,476,537</u>	<u>8,044,015</u>	<u>1,218,717</u>	<u>1,186,980</u>
Science & engineering detail:				
Engineering	954,292	964,341	1,615,110	1,231,288
Construction support	134,744	84,925	86,747	105,754
Laboratory	537,606	440,078	270,848	377,304
Private development	-	-	184,026	(18,716)
Natural Resource Damage Consent Decree (NRDA)	-	-	24,645	6,142
Detention ponds	-	-	453	4,334
Expense construction	145,309	-	111,058	128,477
Science & engineering	<u>1,771,951</u>	<u>1,489,344</u>	<u>2,292,887</u>	<u>1,834,583</u>
Total divisional operating expenses	<u>14,678,516</u>	<u>13,292,885</u>	<u>5,198,904</u>	<u>4,594,865</u>

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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)

	Wastewater		Surface Water	
	Year-to-date May 31,		Year-to-date May 31,	
	2014	2013	2014	2013
OPERATING EXPENSES (Continued)				
Other expenses detail:				
Insurance	\$ 175,081	\$ 164,739	\$ 19,256	\$ 18,508
Taxes	264,492	461,412	179,349	166,586
IT services	864,914	846,511	465,898	467,067
Customer service	736,533	769,015	851,322	784,081
Other	2,041,020	2,241,677	1,515,825	1,436,242
Depreciation	4,557,555	4,351,228	1,367,719	1,218,993
Total operating expenses	<u>21,277,091</u>	<u>19,885,790</u>	<u>8,082,448</u>	<u>7,250,100</u>
Net operating income	<u>4,124,171</u>	<u>3,816,424</u>	<u>4,154,881</u>	<u>3,950,128</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	151,385	301,389	118,120	195,665
Rental income	86,422	84,749	74,363	72,924
Operating grant revenue	-	-	-	-
Bond interest expense, net of capitalized interest	(367,502)	(393,877)	(1,045,554)	(1,103,846)
Interest on long-term debt - State Revolving Loans	(443,321)	(469,936)	(5,190)	(5,423)
Interest on capital lease	(333,220)	(338,380)	(286,725)	(291,165)
Amortization of premium, discount, and refunding costs	23,818	23,818	83,691	83,691
Other nonoperating revenues	10,953	135,535	105	250
Other nonoperating expenses	-	-	(3,434)	(10)
Total nonoperating expenses	<u>(871,465)</u>	<u>(656,702)</u>	<u>(1,064,624)</u>	<u>(1,047,914)</u>
CHANGE IN NET POSITION				
Net position before capital contributions and transfers	3,252,706	3,159,722	3,090,257	2,902,214
Contributions:				
Cash	-	-	453	221,495
Capital related grants	-	-	-	-
Donated fixed assets	-	-	211,165	-
Transfers - capital related	-	(2,000)	750	-
Transfers - operating related	-	-	-	3,650
Transfers - gross earnings tax	(2,042,139)	(1,987,044)	(1,012,515)	(903,248)
CHANGE IN NET POSITION	<u>1,210,567</u>	<u>1,170,678</u>	<u>2,290,110</u>	<u>2,224,111</u>
TOTAL NET POSITION- BEGINNING	<u>287,093,766</u>	<u>286,274,611</u>	<u>99,264,654</u>	<u>83,212,340</u>
TOTAL NET POSITION- ENDING	<u>\$ 288,304,333</u>	<u>\$ 287,445,289</u>	<u>\$ 101,554,764</u>	<u>\$ 85,436,451</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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