



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

	August 31,		Increase
	2014	2013	(Decrease)
<b>ASSETS</b>			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 31,370,102	\$ 38,044,645	\$ (6,674,543)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	56,370,102	63,044,645	(6,674,543)
Accounts receivable	10,019,963	9,345,895	674,068
Allowance for uncollectible accounts	(4,543,955)	(4,198,157)	(345,798)
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	911,778	858,698	53,080
Prepaid expenses	931,416	654,785	276,631
Grants receivable	15,142	60,978	(45,836)
Notes and contracts receivable	171,882	154,395	17,487
Total current assets	69,778,974	76,228,799	(6,449,825)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	10,667,529	10,667,529	-
Customer deposits - detention ponds	103,178	104,648	(1,470)
Construction accounts	2,745,936	13,678,529	(10,932,593)
Total restricted cash and equity in pooled investments	13,516,643	24,450,706	(10,934,063)
Capital assets:			
Land and easements	19,473,992	10,566,948	8,907,044
Buildings	151,293,311	151,444,751	(151,440)
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	152,475,312	142,699,222	9,776,090
Transmission lines and other improvements	333,642,196	306,126,130	27,516,066
Computer software	7,831,714	7,200,713	631,001
Less: accumulated depreciation	(216,738,871)	(202,694,494)	(14,044,377)
Assets in service, net of accumulated depreciation	478,249,654	445,615,270	32,634,384
Construction in progress	38,477,895	41,464,514	(2,986,619)
Total capital assets	516,727,549	487,079,784	29,647,765
Other noncurrent assets	3,636,823	3,520,240	116,583
Total assets	603,659,989	591,279,529	12,380,460
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized bonds refunding costs	1,057,493	1,118,797	(61,304)
Total deferred outflows of resources	1,057,493	1,118,797	(61,304)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 604,717,482</b>	<b>\$ 592,398,326</b>	<b>\$ 12,319,156</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
	2014	2013	(Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,932,697	\$ 757,358	\$ 1,175,339
Accrued wages payable & compensated absences	826,598	761,025	65,573
Accrued taxes payable	81,200	160,356	(79,156)
Accrued liability - low income	221	(8,195)	8,416
Due other governmental units	906,563	306,055	600,508
State Revolving Loan interest payable	437,278	464,144	(26,866)
Current portion of long-term debt - State Revolving Loans	3,629,499	3,564,365	65,134
Current portion of capital lease obligation	202,000	194,000	8,000
Environmental liabilities	584,241	725,302	(141,061)
Total current liabilities	<u>8,600,297</u>	<u>6,924,410</u>	1,675,887
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	103,178	104,717	(1,539)
Bond interest payable	1,094,254	1,094,254	-
Total current liabilities payable from restricted assets	<u>1,197,432</u>	<u>1,198,971</u>	(1,539)
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,289,669	93,609,002	(319,333)
Long-term debt - State Revolving Loans	53,809,721	57,439,219	(3,629,498)
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>179,695,145</u>	<u>183,759,703</u>	(4,064,558)
Total liabilities	<u>189,492,874</u>	<u>191,883,084</u>	(2,390,210)
<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	383,817,624	360,877,759	22,939,866
Restricted for bond reserves	9,573,275	9,573,206	69
Unrestricted	(3,166,291)	5,064,278	(8,230,569)
Total net position	<u>390,224,608</u>	<u>375,515,242</u>	14,709,366
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
	<u>\$ 604,717,482</u>	<u>\$ 592,398,326</u>	<u>\$ 12,319,156</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)**

	August Year-to-date		% Chg
	2014	2013	
<b>OPERATING REVENUES</b>			
Wastewater residential	\$ 26,240,733	\$ 24,758,243	6%
Wastewater commercial and public authorities	13,673,733	13,121,557	4%
Surface water	19,429,017	18,062,380	8%
Other revenues	869,061	688,595	26%
Total operating revenues	<u>60,212,544</u>	<u>56,630,775</u>	6%
<b>OPERATING EXPENSES</b>			
Business operation detail:			
Revenue and accounting	(1,734,887)	570,591	(404%)
Community relations	285,096	259,892	10%
Assessment	1,870,233	824,167	127%
Business operation	3,142,786	853,702	268%
Source control	2,142,990	2,274,514	(6%)
Customer service	551,793	575,935	(4%)
Wastewater treatment by other	2,268,675	1,570,636	44%
CTP parts room	86,157	73,661	17%
Biosolids operation	525,159	1,776,184	(70%)
Business operation	<u>9,138,002</u>	<u>8,779,282</u>	4%
Operations and maintenance detail:			
Plant #1	4,805,432	3,736,913	29%
Biosolids maintenance	53,540	146,806	(64%)
Plant #3	610,422	602,295	1%
Pumping	1,262,060	1,173,286	8%
Transmission	5,417,779	5,255,974	3%
Plant #1 maintenance	3,833,646	3,146,384	22%
Administration	267,816	325,526	(18%)
Plant #3 maintenance	384,214	305,186	26%
Holding basins	25,504	6,004	325%
Operations and maintenance	<u>16,660,413</u>	<u>14,698,374</u>	13%
Science & engineering detail:			
Engineering	1,632,547	1,523,173	7%
Environmental program	2,826,350	2,116,252	34%
Construction support	507,807	333,306	52%
Laboratory	1,133,216	1,215,869	(7%)
Site development	32,921	-	n/a
Asset management	51,467	-	n/a
Open space	19,128	-	n/a
Private development	423,605	(42,592)	(1,095%)
Natural Resource Damage Consent Decree (NRDA)	44,361	7,020	532%
Detention ponds	1,802	6,385	(72%)
Expense construction	915,396	187,230	389%
Science & engineering	<u>7,588,600</u>	<u>5,346,643</u>	42%
<b>Total divisional operating expenses</b>	<u><b>33,387,015</b></u>	<u><b>28,824,299</b></u>	16%

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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		% Chg
	2014	2013	
<b>OPERATING EXPENSES (Continued)</b>			
Other expenses detail:			
Insurance	\$ 310,243	\$ 297,270	4%
Taxes	753,487	979,165	(23%)
IT services	2,180,958	2,145,176	2%
Customer service	2,536,481	2,506,276	1%
Other	5,781,169	5,927,887	(2%)
Depreciation	9,454,221	8,967,420	5%
Total operating expenses	48,622,405	43,719,606	11%
Net operating income	11,590,139	12,911,169	(10%)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	423,441	691,720	(39%)
Rental income	215,750	253,522	(15%)
Bond interest expense, net of capitalized interest	(2,171,900)	(2,229,329)	(3%)
Interest on long-term debt - State Revolving Loans	(712,727)	(755,779)	(6%)
Interest on capital lease	(991,912)	(1,007,272)	(2%)
Amortization of premium, discount, and refunding costs	172,014	172,014	N/A
Other nonoperating revenues	19,936	140,607	(86%)
Other nonoperating expenses	(3,447)	(23,141)	(85%)
Total nonoperating expenses	(3,048,845)	(2,757,658)	11%
<b>CHANGE IN NET POSITION</b>			
Net position before capital contributions and transfers	8,541,294	10,153,511	(16%)
Contributions:			
Cash	1,802	6,316	(71%)
Capital related grants	(26,718)	217,161	(112%)
Donated fixed assets	218,665	245,331	
Transfers - capital related	750	46,575	(98%)
Transfers - operating related	-	3,650	(100%)
Transfers - gross earnings tax	(4,869,605)	(4,644,253)	5%
<b>CHANGE IN NET POSITION</b>	<b>3,866,188</b>	<b>6,028,291</b>	<b>(36%)</b>
<b>TOTAL NET POSITION- BEGINNING</b>	<b>386,358,420</b>	<b>369,486,951</b>	<b>5%</b>
<b>TOTAL NET POSITION- ENDING</b>	<b>\$ 390,224,608</b>	<b>\$ 375,515,242</b>	<b>4%</b>

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 August 31,		Surface Water August 31,	
	2014	2013	2014	2013
<b>ASSETS</b>				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 16,407,577	\$ 24,657,400	\$ 14,962,525	\$ 13,387,245
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	33,407,577	41,657,400	22,962,525	21,387,245
Accounts receivable	6,336,906	5,950,210	3,683,057	3,395,685
Allowance for uncollectible accounts	(2,505,014)	(2,381,670)	(2,038,941)	(1,816,487)
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	911,778	858,698	-	-
Prepaid expenses	896,684	645,343	34,732	9,442
Grants receivable	-	-	15,142	60,978
Notes and contracts receivable	171,882	154,395	-	-
Total current assets	42,971,317	51,097,997	26,807,657	25,130,802
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,694,358	6,694,358	3,973,171	3,973,171
Customer deposits - detention ponds	-	-	103,178	104,648
Construction accounts	745,125	1,420,446	2,000,811	12,258,083
Total restricted cash and equity in pooled investments	7,439,483	8,114,804	6,077,160	16,335,902
Capital assets:				
Land and easements	7,488,228	7,476,628	11,985,764	3,090,320
Buildings	148,827,781	148,933,297	2,465,530	2,511,454
Buildings - capital lease	16,271,200	16,271,200	14,000,800	14,000,800
Machinery and equipment	148,072,943	138,085,057	4,402,369	4,614,165
Transmission lines and other improvements	188,175,062	172,992,796	145,467,134	133,133,334
Computer software	4,646,282	4,317,823	3,185,432	2,882,890
Less: accumulated depreciation	(175,711,956)	(165,027,613)	(41,026,915)	(37,666,881)
Assets in service, net of accumulated depreciation	337,769,540	323,049,188	140,480,114	122,566,082
Construction in progress	23,875,705	32,956,593	14,602,190	8,507,921
Total capital assets	361,645,245	356,005,781	155,082,304	131,074,003
Other noncurrent assets	2,365,769	2,249,186	1,271,054	1,271,054
Total assets	414,421,814	417,467,768	189,238,175	173,811,761
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized bonds refunding costs	315,653	333,952	741,840	784,845
Total deferred outflows of resources	315,653	333,952	741,840	784,845
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 414,737,467</b>	<b>\$ 417,801,720</b>	<b>\$ 189,980,015</b>	<b>\$ 174,596,606</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)**

	Wastewater August 31,		Surface Water August 31,	
	2014	2013	2014	2013
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 836,311	\$ 605,085	\$ 1,096,386	\$ 152,273
Accrued wages payable & compensated absences	588,338	537,191	238,260	223,834
Accrued taxes payable	44,218	98,387	36,982	61,969
Accrued liability - low income	40	194	181	(8,389)
Due other governmental units	906,563	306,055	-	-
State Revolving Loan interest payable	435,250	462,021	2,028	2,123
Current portion of long-term debt - State Revolving Loans	3,609,491	3,544,928	20,008	19,437
Current portion of capital lease obligation	108,575	104,275	93,425	89,725
Environmental liabilities	-	-	584,241	725,302
Total current liabilities	<u>6,528,786</u>	<u>5,658,136</u>	<u>2,071,511</u>	<u>1,266,274</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	103,178	104,717
Bond interest payable	368,642	368,643	725,612	725,611
Total current liabilities payable from restricted assets	<u>368,642</u>	<u>368,643</u>	<u>828,790</u>	<u>830,328</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,766,510	30,841,975	62,523,159	62,767,027
Long-term debt - State Revolving Loans	53,412,585	57,022,075	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>102,472,294</u>	<u>106,059,981</u>	<u>77,222,851</u>	<u>77,699,722</u>
Total liabilities	<u>109,369,722</u>	<u>112,086,760</u>	<u>80,123,152</u>	<u>79,796,324</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	260,057,712	251,172,201	123,759,912	109,705,558
Restricted for bond reserves	6,325,716	6,325,715	3,247,559	3,247,491
Unrestricted	21,984,317	31,217,044	(25,150,608)	(26,152,767)
Total net position	<u>288,367,745</u>	<u>288,714,960</u>	<u>101,856,863</u>	<u>86,800,282</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
	<u>\$ 414,737,467</u>	<u>\$ 417,801,720</u>	<u>\$ 189,980,015</u>	<u>\$ 174,596,606</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	
	2014	2013	2014	2013
<b>OPERATING REVENUES</b>				
Wastewater residential	\$ 26,240,733	\$ 24,758,243	\$ -	\$ -
Wastewater commercial and public authorities	13,673,733	13,121,557	-	-
Surface water	-	-	19,429,017	18,062,380
Other revenues	756,915	547,527	112,146	141,068
Total operating revenues	<u>40,671,381</u>	<u>38,427,327</u>	<u>19,541,163</u>	<u>18,203,448</u>
<b>OPERATING EXPENSES</b>				
Business operation detail:				
Revenue and accounting	(790,436)	296,402	(944,451)	274,189
Community relations	172,046	144,872	113,050	115,020
Assessment	1,157,132	497,066	713,101	327,101
Business operation	1,755,941	465,515	1,386,845	388,187
Source control	911,469	907,349	1,231,521	1,367,165
Customer service	433,236	438,540	118,557	137,395
Wastewater treatment by other	2,268,675	1,570,636	-	-
CTP parts room	86,157	73,661	-	-
Biosolids operation	525,159	1,776,184	-	-
Business operation	<u>6,519,379</u>	<u>6,170,225</u>	<u>2,618,623</u>	<u>2,609,057</u>
Operations and maintenance detail:				
Plant #1	4,805,432	3,736,913	-	-
Biosolids maintenance	53,540	146,806	-	-
Plant #3	610,422	602,295	-	-
Pumping	1,079,399	1,012,663	182,661	160,623
Transmission	3,569,953	3,306,634	1,847,826	1,949,340
Plant #1 maintenance	3,833,646	3,146,384	-	-
Administration	267,816	325,526	-	-
Plant #3 maintenance	384,214	305,186	-	-
Holding basins	-	-	25,504	6,004
Operations and maintenance	<u>14,604,422</u>	<u>12,582,407</u>	<u>2,055,991</u>	<u>2,115,967</u>
Science & engineering detail:				
Engineering	1,632,547	1,523,173	-	-
Environmental program	-	-	2,826,350	2,116,252
Construction support	334,296	176,996	173,511	156,310
Laboratory	731,690	773,539	401,526	442,330
Site development	32,921	-	-	-
Asset management	26,747	-	24,720	-
Open space	-	-	19,128	-
Private development	-	-	423,605	(42,592)
Natural Resource Damage Consent Decree (NRDA)	-	-	44,361	7,020
Detention ponds	-	-	1,802	6,385
Expense construction	248,860	-	666,536	187,230
Science & engineering	<u>3,007,061</u>	<u>2,473,708</u>	<u>4,581,539</u>	<u>2,872,935</u>
<b>Total divisional operating expenses</b>	<u>24,130,862</u>	<u>21,226,340</u>	<u>9,256,153</u>	<u>7,597,959</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	
	2014	2013	2014	2013
<b>OPERATING EXPENSES (Continued)</b>				
Other expenses detail:				
Insurance	\$ 279,541	\$ 267,469	\$ 30,702	\$ 29,801
Taxes	468,831	719,601	284,656	259,564
IT services	1,413,589	1,383,116	767,369	762,060
Customer service	1,176,931	1,241,138	1,359,550	1,265,138
Other	3,338,892	3,611,324	2,442,277	2,316,563
Depreciation	7,270,402	6,974,670	2,183,819	1,992,750
Total operating expenses	<u>34,740,156</u>	<u>31,812,334</u>	<u>13,882,249</u>	<u>11,907,272</u>
Net operating income	<u>5,931,225</u>	<u>6,614,993</u>	<u>5,658,914</u>	<u>6,296,176</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	241,009	413,582	182,432	278,138
Rental income	115,966	136,268	99,784	117,254
Bond interest expense, net of capitalized interest	(558,584)	(490,083)	(1,613,316)	(1,739,246)
Interest on long-term debt - State Revolving Loans	(704,471)	(747,149)	(8,256)	(8,630)
Interest on capital lease	(533,152)	(541,408)	(458,760)	(465,864)
Amortization of premium, discount, and refunding costs	38,108	38,108	133,906	133,906
Other nonoperating revenues	14,054	140,193	5,882	414
Other nonoperating expenses	(5)	(23,097)	(3,442)	(44)
Total nonoperating expenses	<u>(1,387,075)</u>	<u>(1,073,586)</u>	<u>(1,661,770)</u>	<u>(1,684,072)</u>
<b>CHANGE IN NET POSITION</b>				
Net position before capital contributions and transfers	4,544,150	5,541,407	3,997,144	4,612,104
Contributions:				
Cash	-	-	1,802	6,316
Capital related grants	-	-	(26,718)	217,161
Donated fixed assets	-	77,966	218,665	167,365
Transfers - capital related	-	(2,000)	750	48,575
Transfers - operating related	-	-	-	3,650
Transfers - gross earnings tax	(3,270,171)	(3,177,024)	(1,599,434)	(1,467,229)
<b>CHANGE IN NET POSITION</b>	<u>1,273,979</u>	<u>2,440,349</u>	<u>2,592,209</u>	<u>3,587,942</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>\$ 288,367,745</u>	<u>\$ 288,714,960</u>	<u>\$ 101,856,863</u>	<u>\$ 86,800,282</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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