



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

	November 30,		Increase
	2014	2013	(Decrease)
<b>ASSETS</b>			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 24,552,327	\$ 32,454,128	\$ (7,901,801)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	49,552,327	57,454,128	(7,901,801)
Accounts receivable	9,174,318	9,464,208	(289,890)
Allowance for uncollectible accounts	(3,656,589)	(4,340,716)	684,127
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	1,001,679	892,675	109,004
Prepaid expenses	845,047	596,988	248,059
Grants receivable	1,196,829	60,978	1,135,851
Notes and contracts receivable	166,388	158,281	8,107
Total current assets	64,182,645	70,594,102	(6,411,457)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	11,761,782	11,761,782	-
Customer deposits - detention ponds	-	104,604	(104,604)
Construction accounts	738,504	12,171,162	(11,432,658)
Total restricted cash and equity in pooled investments	12,500,286	24,037,548	(11,537,262)
Capital assets:			
Land and easements	19,473,992	10,590,148	8,883,844
Buildings	151,395,914	151,231,450	164,464
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	333,642,323	306,126,155	27,516,168
Computer software	7,879,371	7,429,946	449,425
Less: accumulated depreciation	(220,292,320)	(205,996,425)	(14,295,895)
Assets in service, net of accumulated depreciation	475,820,891	443,157,596	32,663,295
Construction in progress	48,375,201	50,437,385	(2,062,184)
Total capital assets	524,196,092	493,594,981	30,601,111
Other noncurrent assets	3,648,101	3,535,637	112,464
Total assets	604,527,124	591,762,268	12,764,856
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized bonds refunding costs	1,042,167	1,103,471	(61,304)
Total deferred outflows of resources	1,042,167	1,103,471	(61,304)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 605,569,291</b>	<b>\$ 592,865,739</b>	<b>\$ 12,703,552</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)**

	November 30,		Increase
	2014	2013	(Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,390,814	\$ 974,746	\$ 1,416,068
Accrued wages payable & compensated absences	1,291,603	1,235,207	56,396
Accrued taxes payable	119,317	108,240	11,077
Accrued liability - low income	-	(26,215)	26,215
Due other governmental units	280,403	290,971	(10,568)
State Revolving Loan interest payable	173,739	184,788	(11,049)
Current portion of long-term debt - State Revolving Loans	3,662,252	3,596,490	65,762
Current portion of capital lease obligation	52,000	50,000	2,000
Environmental liabilities	578,403	607,730	(29,327)
Total current liabilities	<u>8,548,531</u>	<u>7,021,957</u>	<u>1,526,574</u>
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	-	104,604	(104,604)
Bond interest payable	2,188,508	2,188,508	-
Total current liabilities payable from restricted assets	<u>2,188,508</u>	<u>2,293,112</u>	<u>(104,604)</u>
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,209,838	93,529,171	(319,333)
Long-term debt - State Revolving Loans	51,980,370	55,642,623	(3,662,253)
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>177,785,963</u>	<u>181,883,276</u>	<u>(4,097,313)</u>
Total liabilities	<u>188,523,002</u>	<u>191,198,345</u>	<u>(2,675,343)</u>
<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>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	391,241,914	367,810,640	23,431,275
Restricted for bond reserves	9,573,274	9,573,274	-
Unrestricted	(8,768,899)	(716,520)	(8,052,380)
Total net position	<u>392,046,289</u>	<u>376,667,394</u>	<u>15,378,895</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 605,569,291</u>	<u>\$ 592,865,739</u>	<u>\$ 12,703,552</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)**

	November Year-to-Date		% Chg
	2014	2013	
<b>OPERATING REVENUES</b>			
Wastewater residential	\$ 35,988,164	\$ 34,091,356	6%
Wastewater commercial and public authorities	18,574,132	18,012,712	3%
Surface water	26,625,799	24,879,325	7%
Other revenues	1,136,736	955,008	19%
Total operating revenues	<u>82,324,831</u>	<u>77,938,401</u>	6%
<b>OPERATING EXPENSES</b>			
Business operation detail:			
Revenue and accounting	(2,674,450)	(522,176)	412%
Community relations	410,418	330,972	24%
Assessment	2,525,011	1,460,068	73%
Business operation	4,260,615	2,153,036	98%
Source control	2,979,976	3,234,231	(8%)
Customer service	780,050	784,749	(1%)
Wastewater treatment by other	2,272,825	2,170,876	5%
CTP parts room	105,127	99,766	5%
Biosolids operation	609,866	2,353,751	(74%)
Business operation	<u>11,269,438</u>	<u>12,065,273</u>	(7%)
Operations and maintenance detail:			
Plant #1	6,650,720	5,255,564	27%
Biosolids maintenance	92,511	192,174	(52%)
Plant #3	866,986	812,492	7%
Pumping	1,958,370	1,752,331	12%
Transmission	7,770,449	7,181,178	8%
Plant #1 maintenance	5,664,480	4,466,319	27%
Administration	378,343	458,551	(17%)
Plant #3 maintenance	756,640	476,438	59%
Holding basins	36,055	9,272	289%
Operations and maintenance	<u>24,174,554</u>	<u>20,604,319</u>	17%
Science & engineering detail:			
Engineering	2,249,269	2,175,410	3%
Environmental program	3,822,817	3,238,372	18%
Construction support	696,521	526,185	32%
Laboratory	1,565,438	1,777,851	(12%)
Site development	88,938	-	n/a
Asset management	152,659	-	n/a
Open space	197,203	-	n/a
Private development	600,503	(18,583)	(3,331%)
Natural Resource Damage Consent Decree (NRDA)	79,861	10,039	696%
Detention ponds	1,945	6,657	(71%)
Expense construction	1,486,155	217,685	583%
Science & engineering	<u>10,941,309</u>	<u>7,933,616</u>	38%
<b>Total divisional operating expenses</b>	<u><b>46,385,301</b></u>	<u><b>40,603,208</b></u>	14%

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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)**

	November Year-to-Date		% Chg
	2014	2013	
<b>OPERATING EXPENSES (Continued)</b>			
Other expenses detail:			
Insurance	\$ 425,984	\$ 413,511	3%
Taxes	1,095,392	1,317,496	(17%)
IT services	2,974,515	2,888,515	3%
Customer service	3,447,981	3,435,304	0%
Other	7,943,872	8,054,826	(1%)
Depreciation	13,010,442	12,369,166	5%
Total operating expenses	67,339,615	61,027,200	10%
Net operating income	14,985,216	16,911,201	(11%)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	547,820	876,648	(38%)
Rental income	358,214	349,993	2%
Bond interest expense, net of capitalized interest	(2,847,524)	(2,924,776)	(3%)
Interest on long-term debt - State Revolving Loans	(971,488)	(1,030,848)	(6%)
Interest on capital lease	(1,363,879)	(1,384,999)	(2%)
Amortization of premium, discount, and refunding costs	236,519	236,519	N/A
Other nonoperating revenues	24,490	144,228	(83%)
Other nonoperating expenses	(9,966)	(137,951)	(93%)
Total nonoperating expenses	(4,025,814)	(3,871,185)	4%
<b>CHANGE IN NET POSITION</b>			
Net position before capital contributions and transfers	10,959,402	13,040,016	(16%)
Contributions:			
Cash	122,690	106,657	15%
Capital related grants	1,154,969	217,161	432%
Donated fixed assets	218,665	268,531	(19%)
Transfers - capital related	(146,616)	75,575	(294%)
Transfers - operating related	-	(168,035)	(100%)
Transfers - gross earnings tax	(6,621,241)	(6,359,462)	4%
<b>CHANGE IN NET POSITION</b>	<b>5,687,869</b>	<b>7,180,443</b>	<b>(21%)</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>\$ 392,046,289</b>	<b>\$ 376,667,394</b>	<b>4%</b>

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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 November 30,		Surface Water November 30,	
	2014	2013	2014	2013
<b>ASSETS</b>				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 9,737,534	\$ 19,589,896	\$ 14,814,793	\$ 12,864,232
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	26,737,534	36,589,896	22,814,793	20,864,232
Accounts receivable	5,796,384	5,958,389	3,377,934	3,505,819
Allowance for uncollectible accounts	(1,876,563)	(2,435,003)	(1,780,026)	(1,905,713)
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	1,001,679	892,675	-	-
Prepaid expenses	813,155	561,306	31,892	35,682
Grants receivable	-	-	1,196,829	60,978
Notes and contracts receivable	166,388	158,281	-	-
Total current assets	36,390,081	45,939,165	27,792,564	24,654,937
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	-	-	-	104,604
Construction accounts	721,600	1,371,409	16,904	10,799,753
Total restricted cash and equity in pooled investments	7,784,599	8,434,408	4,715,687	15,603,140
Capital assets:				
Land and easements	7,488,228	7,488,228	11,985,764	3,101,920
Buildings	148,930,384	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	148,743,502	138,876,087	4,706,109	4,628,235
Transmission lines and other improvements	188,175,061	172,992,796	145,467,262	133,133,359
Computer software	4,693,939	4,547,056	3,185,432	2,882,890
Less: accumulated depreciation	(178,440,711)	(167,578,198)	(41,851,609)	(38,418,227)
Assets in service, net of accumulated depreciation	335,861,603	321,279,877	139,959,288	121,877,719
Construction in progress	30,982,128	38,362,501	17,393,073	12,074,884
Total capital assets	366,843,731	359,642,378	157,352,361	133,952,603
Other noncurrent assets	2,377,047	2,264,583	1,271,054	1,271,054
Total assets	413,395,458	416,280,534	191,131,666	175,481,734
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized bonds refunding costs	311,078	329,377	731,089	774,094
Total deferred outflows of resources	311,078	329,377	731,089	774,094
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 413,706,536</b>	<b>\$ 416,609,911</b>	<b>\$ 191,862,755</b>	<b>\$ 176,255,828</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 November 30,		Surface Water November 30,	
	2014	2013	2014	2013
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,806,186	\$ 792,021	\$ 584,628	\$ 182,725
Accrued wages payable & compensated absences	907,657	865,528	383,946	369,679
Accrued taxes payable	72,510	82,133	46,807	26,107
Accrued liability - low income	-	(17,646)	-	(8,569)
Due other governmental units	280,403	290,971	-	-
State Revolving Loan interest payable	168,668	179,481	5,071	5,307
Current portion of long-term debt - State Revolving Loans	3,642,244	3,577,053	20,008	19,437
Current portion of capital lease obligation	27,950	26,875	24,050	23,125
Environmental liabilities	-	-	578,403	607,730
Total current liabilities	<u>6,905,618</u>	<u>5,796,416</u>	<u>1,642,913</u>	<u>1,225,541</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	-	104,604
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>1,451,225</u>	<u>1,555,829</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,747,645	30,823,110	62,462,193	62,706,061
Long-term debt - State Revolving Loans	51,583,234	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>100,624,078</u>	<u>104,244,520</u>	<u>77,161,885</u>	<u>77,638,756</u>
Total liabilities	<u>108,266,979</u>	<u>110,778,219</u>	<u>80,256,023</u>	<u>80,420,126</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	267,124,186	256,615,922	124,117,728	111,194,718
Restricted for bond reserves	6,325,716	6,325,716	3,247,558	3,247,558
Unrestricted	14,989,655	25,890,054	(23,758,554)	(26,606,574)
Total net position	<u>288,439,557</u>	<u>288,831,692</u>	<u>103,606,732</u>	<u>87,835,702</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
	<u>\$ 413,706,536</u>	<u>\$ 416,609,911</u>	<u>\$ 191,862,755</u>	<u>\$ 176,255,828</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	
	November Year-to-Date		November Year-to-Date	
	2014	2013	2014	2013
<b>OPERATING REVENUES</b>				
Wastewater residential	\$ 35,988,164	\$ 34,091,356	\$ -	\$ -
Wastewater commercial and public authorities	18,574,132	18,012,712	-	-
Surface water	-	-	26,625,799	24,879,325
Other revenues	988,294	763,927	148,442	191,081
Total operating revenues	<u>55,550,590</u>	<u>52,867,995</u>	<u>26,774,241</u>	<u>25,070,406</u>
<b>OPERATING EXPENSES</b>				
Business operation detail:				
Revenue and accounting	(1,373,431)	(174,555)	(1,301,019)	(347,621)
Community relations	266,454	187,712	143,964	143,260
Assessment	1,562,314	891,563	962,697	568,505
Business operation	2,383,899	1,186,080	1,876,716	966,956
Source control	1,251,939	1,277,091	1,728,037	1,957,140
Customer service	617,972	591,413	162,078	193,336
Wastewater treatment by other	2,272,825	2,170,876	-	-
CTP parts room	105,127	99,766	-	-
Biosolids operation	609,866	2,353,751	-	-
Business operation	<u>7,696,965</u>	<u>8,583,697</u>	<u>3,572,473</u>	<u>3,481,576</u>
Operations and maintenance detail:				
Plant #1	6,650,720	5,255,564	-	-
Biosolids maintenance	92,511	192,174	-	-
Plant #3	866,986	812,492	-	-
Pumping	1,688,058	1,524,157	270,312	228,174
Transmission	4,982,848	4,459,179	2,787,601	2,721,999
Plant #1 maintenance	5,664,480	4,466,319	-	-
Administration	378,343	458,551	-	-
Plant #3 maintenance	756,640	476,438	-	-
Holding basins	-	-	36,055	9,272
Operations and maintenance	<u>21,080,586</u>	<u>17,644,874</u>	<u>3,093,968</u>	<u>2,959,445</u>
Science & engineering detail:				
Engineering	2,249,269	2,175,410	-	-
Environmental program	-	-	3,822,817	3,238,372
Construction support	454,494	292,879	242,027	233,306
Laboratory	1,023,157	1,154,026	542,281	623,825
Site development	88,938	-	-	-
Asset management	66,589	-	86,070	-
Open space	-	-	197,203	-
Private development	-	-	600,503	(18,583)
Natural Resource Damage Consent Decree (NRDA)	-	-	79,861	10,039
Detention ponds	-	-	1,945	6,657
Expense construction	570,093	-	916,062	217,685
Science & engineering	<u>4,452,540</u>	<u>3,622,315</u>	<u>6,488,769</u>	<u>4,311,301</u>
<b>Total divisional operating expenses</b>	<u>33,230,091</u>	<u>29,850,886</u>	<u>13,155,210</u>	<u>10,752,322</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	
	November Year-to-Date		November Year-to-Date	
	2014	2013	2014	2013
<b>OPERATING EXPENSES (Continued)</b>				
Other expenses detail:				
Insurance	\$ 383,833	\$ 372,269	\$ 42,151	\$ 41,242
Taxes	707,203	959,617	388,189	357,879
IT services	1,926,262	1,861,557	1,048,253	1,026,958
Customer service	1,599,454	1,700,121	1,848,527	1,735,183
Other	4,616,752	4,893,564	3,327,120	3,161,262
Depreciation	10,001,412	9,625,069	3,009,030	2,744,097
Total operating expenses	<u>47,848,255</u>	<u>44,369,519</u>	<u>19,491,360</u>	<u>16,657,681</u>
Net operating income	<u>7,702,335</u>	<u>8,498,476</u>	<u>7,282,881</u>	<u>8,412,725</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	312,367	516,896	235,453	359,752
Rental income	192,540	188,121	165,674	161,872
Bond interest expense, net of capitalized interest	(700,405)	(570,509)	(2,147,119)	(2,354,267)
Interest on long-term debt - State Revolving Loans	(960,188)	(1,019,033)	(11,300)	(11,815)
Interest on capital lease	(733,084)	(744,436)	(630,795)	(640,563)
Amortization of premium, discount, and refunding costs	52,399	52,399	184,120	184,120
Other nonoperating revenues	18,607	143,762	5,883	466
Other nonoperating expenses	(6,471)	(137,908)	(3,495)	(43)
Total nonoperating expenses	<u>(1,824,235)</u>	<u>(1,570,707)</u>	<u>(2,201,579)</u>	<u>(2,300,478)</u>
<b>CHANGE IN NET POSITION</b>				
Net position before capital contributions and transfers	5,878,100	6,927,769	5,081,302	6,112,247
Contributions:				
Cash	16,750	-	105,940	106,657
Capital related grants	-	-	1,154,969	217,161
Donated fixed assets	-	89,565	218,665	178,966
Transfers - capital related	(103,375)	(2,000)	(43,241)	77,575
Transfers - operating related	-	(118,781)	-	(49,254)
Transfers - gross earnings tax	(4,445,684)	(4,339,472)	(2,175,557)	(2,019,990)
<b>CHANGE IN NET POSITION</b>	<u>1,345,791</u>	<u>2,557,081</u>	<u>4,342,078</u>	<u>4,623,362</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>\$ 288,439,557</u>	<u>\$ 288,831,692</u>	<u>\$ 103,606,732</u>	<u>\$ 87,835,702</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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