



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

	July 31,		Increase (Decrease)
	2014	2013	
<b>ASSETS</b>			
Current assets:			
Operating cash and equity in pooled investments:			
Operating Fund	\$ 33,175,333	\$ 39,833,707	\$ (6,658,374)
Rate Stabilization Fund	25,000,000	25,000,000	-
Total operating cash and equity in pooled investments	58,175,333	64,833,707	(6,658,374)
Accounts receivable	9,569,626	9,263,957	305,669
Allowance for uncollectible accounts	(4,506,415)	(4,279,332)	(227,083)
Unbilled revenue	5,900,000	5,610,000	290,000
GASB 31 mark to market adjustment	2,646	697,560	(694,914)
Inventory	915,363	888,703	26,660
Prepaid expenses	961,960	451,306	510,654
Grants receivable	15,142	84,075	(68,933)
Notes and contracts receivable	164,444	158,806	5,638
Total current assets	71,198,099	77,708,782	(6,510,683)
Restricted cash and equity in pooled investments:			
Bond reserve and debt service accounts	10,302,777	10,302,777	-
Customer deposits - detention ponds	103,829	105,323	(1,494)
Construction accounts	3,315,733	14,428,634	(11,112,901)
Total restricted cash and equity in pooled investments	13,722,339	24,836,734	(11,114,395)
Capital assets:			
Land and easements	19,466,492	10,509,548	8,956,944
Buildings	151,293,311	151,444,751	(151,440)
Buildings - capital lease	30,272,000	30,272,000	-
Machinery and equipment	152,475,312	142,633,111	9,842,201
Transmission lines and other improvements	333,647,580	306,126,130	27,521,450
Computer software	7,831,714	7,165,274	666,440
Less: accumulated depreciation	(215,563,990)	(201,569,956)	(13,994,034)
Assets in service, net of accumulated depreciation	479,422,419	446,580,858	32,841,561
Construction in progress	35,971,477	38,731,468	(2,759,991)
Total capital assets	515,393,896	485,312,326	30,081,570
Other noncurrent assets	3,651,249	3,527,485	123,764
Total assets	603,965,583	591,385,327	12,580,256
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized bonds refunding costs	1,062,602	1,123,905	(61,303)
Total deferred outflows of resources	1,062,602	1,123,905	(61,303)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 605,028,185</b>	<b>\$ 592,509,232</b>	<b>\$ 12,518,953</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)**

	July 31,		Increase (Decrease)
	2014	2013	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,794,065	\$ 1,567,741	\$ 226,324
Accrued wages payable & compensated absences	1,630,938	1,450,252	180,686
Accrued taxes payable	94,354	140,423	(46,069)
Accrued liability - low income	-	(7,927)	7,927
Due other governmental units	696,563	106,055	590,508
State Revolving Loan interest payable	349,214	370,678	(21,464)
Current portion of long-term debt - State Revolving Loans	3,629,499	3,564,365	65,134
Current portion of capital lease obligation	252,000	242,000	10,000
Environmental liabilities	583,742	830,241	(246,499)
Total current liabilities	<u>9,030,375</u>	<u>8,263,828</u>	<u>766,547</u>
Current liabilities payable from restricted assets:			
Deposit payable - detention ponds	104,406	105,392	(986)
Bond interest payable	729,502	729,502	-
Total current liabilities payable from restricted assets	<u>833,908</u>	<u>834,894</u>	<u>(986)</u>
Noncurrent liabilities:			
Long-term debt - revenue bonds	93,316,279	93,635,612	(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>179,721,755</u>	<u>183,786,313</u>	<u>(4,064,558)</u>
Total liabilities	<u>189,586,038</u>	<u>192,885,035</u>	<u>(3,298,997)</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	382,998,243	359,806,877	23,191,365
Restricted for bond reserves	9,572,698	9,573,206	(508)
Unrestricted	(2,128,794)	5,244,114	(7,372,907)
Total net position	<u>390,442,147</u>	<u>374,624,197</u>	<u>15,817,950</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 605,028,185</u>	<u>\$ 592,509,232</u>	<u>\$ 12,518,953</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)**

	July Year-to-date		% Chg
	2014	2013	
<b>OPERATING REVENUES</b>			
Wastewater residential	\$ 22,931,662	\$ 21,497,656	7%
Wastewater commercial and public authorities	11,908,834	11,362,935	5%
Surface water	17,108,358	15,743,606	9%
Other revenues	785,772	621,379	26%
Total operating revenues	<u>52,734,626</u>	<u>49,225,576</u>	7%
<b>OPERATING EXPENSES</b>			
Business operation detail:			
Revenue and accounting	(1,499,969)	929,406	(261%)
Community relations	259,135	199,363	30%
Assessment	1,631,016	607,761	168%
Business operation	3,012,282	468,939	542%
Source control	1,872,775	1,961,075	(5%)
Customer service	473,629	506,288	(6%)
Wastewater treatment by other	1,430,353	1,370,566	4%
Biosolids operation	486,472	1,521,091	(68%)
Business operation	<u>7,665,693</u>	<u>7,564,489</u>	1%
Operations and maintenance detail:			
Plant #1	4,334,606	3,266,167	33%
Biosolids maintenance	48,753	128,095	(62%)
Plant #3	519,887	532,147	(2%)
Pumping	1,018,745	1,013,499	1%
Transmission	4,683,164	4,571,322	2%
Plant #1 maintenance	3,348,996	2,760,187	21%
Parts	71,368	63,191	13%
Administration	233,222	278,543	(16%)
Plant #3 maintenance	322,857	231,494	39%
Holding basins	21,449	228	9,307%
Operations and maintenance	<u>14,603,047</u>	<u>12,844,873</u>	14%
Science & engineering detail:			
Engineering	1,408,383	1,364,073	3%
Environmental compliance	2,529,494	1,761,470	44%
Construction support	397,024	286,452	39%
Laboratory	967,282	1,117,290	(13%)
Site development	14,349	-	n/a
Asset management	17,404	-	n/a
Open space	446	-	n/a
Private development	401,212	(6,195)	(6,576%)
Natural Resource Damage Consent Decree (NRDA)	44,210	6,294	602%
Detention ponds	1,151	5,639	(80%)
Expense construction	575,214	176,787	225%
Science & engineering	<u>6,356,169</u>	<u>4,711,810</u>	35%
<b>Total divisional operating expenses</b>	<u><b>28,624,909</b></u>	<u><b>25,121,172</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)**

	July Year-to-date		% Chg
	2014	2013	
<b>OPERATING EXPENSES (Continued)</b>			
Other expenses detail:			
Insurance	\$ 271,664	\$ 237,392	14%
Taxes	632,949	882,748	(28%)
IT services	1,843,673	1,853,128	(1%)
Customer service	2,217,725	2,180,434	2%
Other	4,966,011	5,153,702	(4%)
Depreciation	8,279,340	7,842,882	6%
Total operating expenses	41,870,260	38,117,756	10%
Net operating income	10,864,366	11,107,820	(2%)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	371,108	630,480	(41%)
Rental income	225,740	221,365	2%
Bond interest expense, net of capitalized interest	(1,926,749)	(1,983,137)	(3%)
Interest on long-term debt - State Revolving Loans	(624,663)	(662,314)	(6%)
Interest on capital lease	(867,923)	(881,363)	(2%)
Amortization of premium, discount, and refunding costs	150,513	150,513	N/A
Other nonoperating revenues	19,011	138,711	(86%)
Other nonoperating expenses	(3,446)	(44)	7,732%
Total nonoperating expenses	(2,656,409)	(2,385,789)	11%
<b>CHANGE IN NET POSITION</b>			
Net position before capital contributions and transfers	8,207,957	8,722,031	(6%)
Contributions:			
Cash	573	5,570	(90%)
Capital related grants	(80,615)	217,161	(137%)
Donated fixed assets	211,165	155,931	
Transfers - capital related	750	78,575	(99%)
Transfers - operating related	-	3,650	(100%)
Transfers - gross earnings tax	(4,256,103)	(4,045,672)	5%
<b>CHANGE IN NET POSITION</b>	4,083,727	5,137,246	(21%)
<b>TOTAL NET POSITION- BEGINNING</b>	386,358,420	369,486,951	5%
<b>TOTAL NET POSITION- ENDING</b>	\$ 390,442,147	\$ 374,624,197	4%

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		Surface Water	
	July 31,		July 31,	
	2014	2013	2014	2013
<b>ASSETS</b>				
Current assets:				
Operating cash and equity in pooled investments:				
Operating Fund	\$ 17,995,031	\$ 26,260,963	\$ 15,180,302	\$ 13,572,744
Rate Stabilization Fund	17,000,000	17,000,000	8,000,000	8,000,000
Total operating cash and equity in pooled investments	<u>34,995,031</u>	<u>43,260,963</u>	<u>23,180,302</u>	<u>21,572,744</u>
Accounts receivable	5,925,519	5,908,962	3,644,107	3,354,995
Allowance for uncollectible accounts	(2,486,050)	(2,354,158)	(2,020,365)	(1,925,174)
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	915,363	888,703	-	-
Prepaid expenses	924,526	451,306	37,434	-
Grants receivable	-	23,097	15,142	60,978
Notes and contracts receivable	164,444	158,806	-	-
Total current assets	<u>44,190,337</u>	<u>52,551,300</u>	<u>27,007,762</u>	<u>25,157,482</u>
Restricted cash and equity in pooled investments:				
Bond reserve and debt service accounts	6,571,477	6,571,477	3,731,300	3,731,300
Customer deposits - detention ponds	-	-	103,829	105,323
Construction accounts	744,608	1,428,490	2,571,125	13,000,144
Total restricted cash and equity in pooled investments	<u>7,316,085</u>	<u>7,999,967</u>	<u>6,406,254</u>	<u>16,836,767</u>
Capital assets:				
Land and easements	7,488,228	7,476,628	11,978,264	3,032,920
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	138,085,056	4,402,369	4,548,055
Transmission lines and other improvements	188,175,061	172,992,796	145,472,519	133,133,334
Computer software	4,646,282	4,317,823	3,185,432	2,847,451
Less: accumulated depreciation	<u>(174,809,360)</u>	<u>(164,153,133)</u>	<u>(40,754,630)</u>	<u>(37,416,823)</u>
Assets in service, net of accumulated depreciation	338,672,135	323,923,667	140,750,284	122,657,191
Construction in progress	<u>22,802,057</u>	<u>31,142,844</u>	<u>13,169,420</u>	<u>7,588,624</u>
Total capital assets	<u>361,474,192</u>	<u>355,066,511</u>	<u>153,919,704</u>	<u>130,245,815</u>
Other noncurrent assets	<u>2,380,195</u>	<u>2,256,431</u>	<u>1,271,054</u>	<u>1,271,054</u>
Total assets	<u>415,360,809</u>	<u>417,874,209</u>	<u>188,604,774</u>	<u>173,511,118</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized bonds refunding costs	317,178	335,476	745,424	788,429
Total deferred outflows of resources	<u>317,178</u>	<u>335,476</u>	<u>745,424</u>	<u>788,429</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 415,677,987</u>	<u>\$ 418,209,685</u>	<u>\$ 189,350,198</u>	<u>\$ 174,299,547</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	
	July 31,		July 31,	
	2014	2013	2014	2013
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,258,208	\$ 1,337,429	\$ 535,857	\$ 230,312
Accrued wages payable & compensated absences	1,143,981	1,006,166	486,957	444,086
Accrued taxes payable	55,314	100,776	39,040	39,647
Accrued liability - low income	-	254	-	(8,181)
Due other governmental units	696,563	106,055	-	-
State Revolving Loan interest payable	348,200	369,617	1,014	1,061
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	135,450	130,075	116,550	111,925
Environmental liabilities	-	-	583,742	830,241
Total current liabilities	<u>7,247,207</u>	<u>6,595,300</u>	<u>1,783,168</u>	<u>1,668,528</u>
Current liabilities payable from restricted assets:				
Deposit payable - detention ponds	-	-	104,406	105,392
Bond interest payable	245,760	245,761	483,742	483,741
Total current liabilities payable from restricted assets	<u>245,760</u>	<u>245,761</u>	<u>588,148</u>	<u>589,133</u>
Noncurrent liabilities:				
Long-term debt - revenue bonds	30,772,798	30,848,263	62,543,481	62,787,349
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>102,478,582</u>	<u>106,066,269</u>	<u>77,243,173</u>	<u>77,720,044</u>
Total liabilities	<u>109,971,549</u>	<u>112,907,330</u>	<u>79,614,489</u>	<u>79,977,705</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	259,854,504	250,210,411	123,143,739	109,596,466
Restricted for bond reserves	6,325,717	6,325,716	3,246,981	3,247,490
Unrestricted	22,526,217	31,766,228	(24,655,011)	(26,522,114)
Total net position	<u>288,706,438</u>	<u>288,302,355</u>	<u>101,735,709</u>	<u>86,321,842</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 415,677,987</u>	<u>\$ 418,209,685</u>	<u>\$ 189,350,198</u>	<u>\$ 174,299,547</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	
	July Year-to-date		July Year-to-date	
	2014	2013	2014	2013
<b>OPERATING REVENUES</b>				
Wastewater residential	\$ 22,931,662	\$ 21,497,656	\$ -	\$ -
Wastewater commercial and public authorities	11,908,834	11,362,935	-	-
Surface water	-	-	17,108,358	15,743,606
Other revenues	686,578	489,853	99,194	131,526
Total operating revenues	<u>35,527,074</u>	<u>33,350,444</u>	<u>17,207,552</u>	<u>15,875,132</u>
<b>OPERATING EXPENSES</b>				
Business operation detail:				
Revenue and accounting	(678,113)	428,999	(821,856)	500,407
Community relations	156,216	107,764	102,919	91,599
Assessment	1,008,742	366,675	622,274	241,086
Business operation	1,683,494	258,754	1,328,788	210,185
Source control	792,506	783,930	1,080,269	1,177,145
Customer service	369,417	389,239	104,212	117,049
Wastewater treatment by other	1,430,353	1,370,566	-	-
Biosolids operation	486,472	1,521,091	-	-
Business operation	<u>5,249,087</u>	<u>5,227,018</u>	<u>2,416,606</u>	<u>2,337,471</u>
Operations and maintenance detail:				
Plant #1	4,334,606	3,266,167	-	-
Biosolids maintenance	48,753	128,095	-	-
Plant #3	519,887	532,147	-	-
Pumping	853,280	880,250	165,465	133,249
Transmission	3,107,929	2,952,997	1,575,235	1,618,325
Plant #1 maintenance	3,348,996	2,760,187	-	-
Parts	71,368	63,191	-	-
Administration	233,222	278,543	-	-
Plant #3 maintenance	322,857	231,494	-	-
Holding basins	-	-	21,449	228
Operations and maintenance	<u>12,840,898</u>	<u>11,093,071</u>	<u>1,762,149</u>	<u>1,751,802</u>
Science & engineering detail:				
Engineering	1,408,383	1,364,073	-	-
Environmental compliance	-	-	2,529,494	1,761,470
Construction support	258,983	156,304	138,041	130,148
Laboratory	621,602	648,907	345,680	468,383
Site development	14,349	-	-	-
Asset management	12,880	-	4,524	-
Open space	-	-	446	-
Private development	-	-	401,212	(6,195)
Natural Resource Damage Consent Decree (NRDA)	-	-	44,210	6,294
Detention ponds	-	-	1,151	5,639
Expense construction	228,739	-	346,475	176,787
Science & engineering	<u>2,544,936</u>	<u>2,169,284</u>	<u>3,811,233</u>	<u>2,542,526</u>
<b>Total divisional operating expenses</b>	<u>20,634,921</u>	<u>18,489,373</u>	<u>7,989,988</u>	<u>6,631,799</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	
	July Year-to-date		July Year-to-date	
	2014	2013	2014	2013
<b>OPERATING EXPENSES (Continued)</b>				
Other expenses detail:				
Insurance	\$ 244,777	\$ 212,349	\$ 26,887	\$ 25,043
Taxes	383,733	646,360	249,216	236,388
IT services	1,196,638	1,193,781	647,035	659,347
Customer service	1,028,765	1,079,348	1,188,960	1,101,086
Other	2,853,913	3,131,838	2,112,098	2,021,864
Depreciation	6,367,805	6,100,190	1,911,535	1,742,692
Total operating expenses	29,856,639	27,721,401	12,013,621	10,396,355
Net operating income	5,670,435	5,629,043	5,193,931	5,478,777
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	210,363	378,701	160,745	251,779
Rental income	121,335	118,984	104,405	102,381
Bond interest expense, net of capitalized interest	(497,693)	(452,343)	(1,429,056)	(1,530,794)
Interest on long-term debt - State Revolving Loans	(617,421)	(654,745)	(7,242)	(7,569)
Interest on capital lease	(466,508)	(473,732)	(401,415)	(407,631)
Amortization of premium, discount, and refunding costs	33,345	33,345	117,168	117,168
Other nonoperating revenues	13,258	138,392	5,753	319
Other nonoperating expenses	(4)	-	(3,442)	(44)
Total nonoperating expenses	(1,203,325)	(911,398)	(1,453,084)	(1,474,391)
<b>CHANGE IN NET POSITION</b>				
Net position before capital contributions and transfers	4,467,110	4,717,645	3,740,847	4,004,386
Contributions:				
Cash	-	-	573	5,570
Capital related grants	-	-	(80,615)	217,161
Donated fixed assets	-	77,966	211,165	77,965
Transfers - capital related	-	(2,000)	750	80,575
Transfers - operating related	-	-	-	3,650
Transfers - gross earnings tax	(2,854,438)	(2,765,867)	(1,401,665)	(1,279,805)
<b>CHANGE IN NET POSITION</b>	<b>1,612,672</b>	<b>2,027,744</b>	<b>2,471,055</b>	<b>3,109,502</b>
<b>TOTAL NET POSITION- BEGINNING</b>	<b>287,093,766</b>	<b>286,274,611</b>	<b>99,264,654</b>	<b>83,212,340</b>
<b>TOTAL NET POSITION- ENDING</b>	<b>\$ 288,706,438</b>	<b>\$ 288,302,355</b>	<b>\$ 101,735,709</b>	<b>\$ 86,321,842</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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