
***June
2019***

***WASTEWATER AND SURFACE WATER
MANAGEMENT***

INTERIM FINANCIAL REPORT



Prepared by the City of Tacoma - Finance Department

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management

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Note:

These financial statements are interim, unaudited reports prepared primarily for the use of management.

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Management's Discussion and Analysis

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Management's Discussion and Analysis
For the quarters ended June 30, 2019 and 2018

Introduction

The following is management's discussion and analysis (MD&A) of the financial activities of the City of Tacoma's Wastewater and Surface Water Management Division (the Division) for the periods ended June 30, 2019 and 2018. The MD&A is designed to focus on significant financial transactions and activities and to identify changes in financial position. This information should be read in conjunction with the financial statements taken as a whole. 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.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, applied on a consistent basis, and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the periods ended June 30, 2019 and 2018, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of City of Tacoma Wastewater and Surface Water Management Division's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities.

Financial Highlights

- The change in net position is \$10.3 million in the first six months of 2019, compared to \$9.4 million for the same period in 2018.
- Total net position is \$469.1 million at June 30, 2019 compared to \$444.7 million at June 30, 2018.
- Operating revenues were \$58.4 million for the first six months of 2019 compared to \$57.4 million in 2018.
- Cash and equity in pooled investments unrestricted was \$80.9 million at June 30, 2019 compared to \$99.5 million in 2018.

Financial Analysis – Condensed Statements of Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following condensed statement of net position provides a comparison of net position for the last two years.

	June 30,		Increase
	2019	2018	(Decrease)
Current, restricted, and other assets	\$ 205,709,132	\$ 134,616,489	\$ 71,092,643
Net capital assets	599,677,532	582,860,337	16,817,195
Total assets	805,386,664	717,476,826	87,909,838
Deferred outflows of resources	8,195,129	13,893,256	(5,698,127)
Total assets and deferred outflows of resources	<u>\$ 813,581,793</u>	<u>\$ 731,370,082</u>	<u>\$ 82,211,711</u>
Long-term liabilities	\$ 295,353,241	\$ 245,014,004	\$ 50,339,237
Other liabilities	16,470,788	14,287,573	2,183,215
Total liabilities	311,824,029	259,301,577	52,522,452
Deferred inflows of resources	32,614,960	27,340,805	5,274,155
Total liabilities and deferred inflows of resources	344,438,989	286,642,382	57,796,607
Net position:			
Net investment in capital assets	408,426,186	391,765,443	16,660,743
Restricted	10,628,032	14,335,157	(3,707,125)
Unrestricted	50,088,586	38,627,100	11,461,486
Total net position	469,142,804	444,727,700	24,415,104
Total liabilities, deferred inflows of resources, and net position	<u>\$ 813,581,793</u>	<u>\$ 731,370,082</u>	<u>\$ 82,211,711</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$469.1 million in 2019, compared to \$444.7 million in 2018. The Division's net position increased by \$10.3 million to \$469.1 million in 2019 compared to an increase of \$9.4 million to \$444.7 million in 2018. However, the largest component of net position reflects the Division's net investment in capital assets (e.g. land, buildings, machinery, and equipment).

The net investment in capital assets component of net position was \$408.4 million in 2019 and \$391.8 million in 2018. The Division uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Division's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

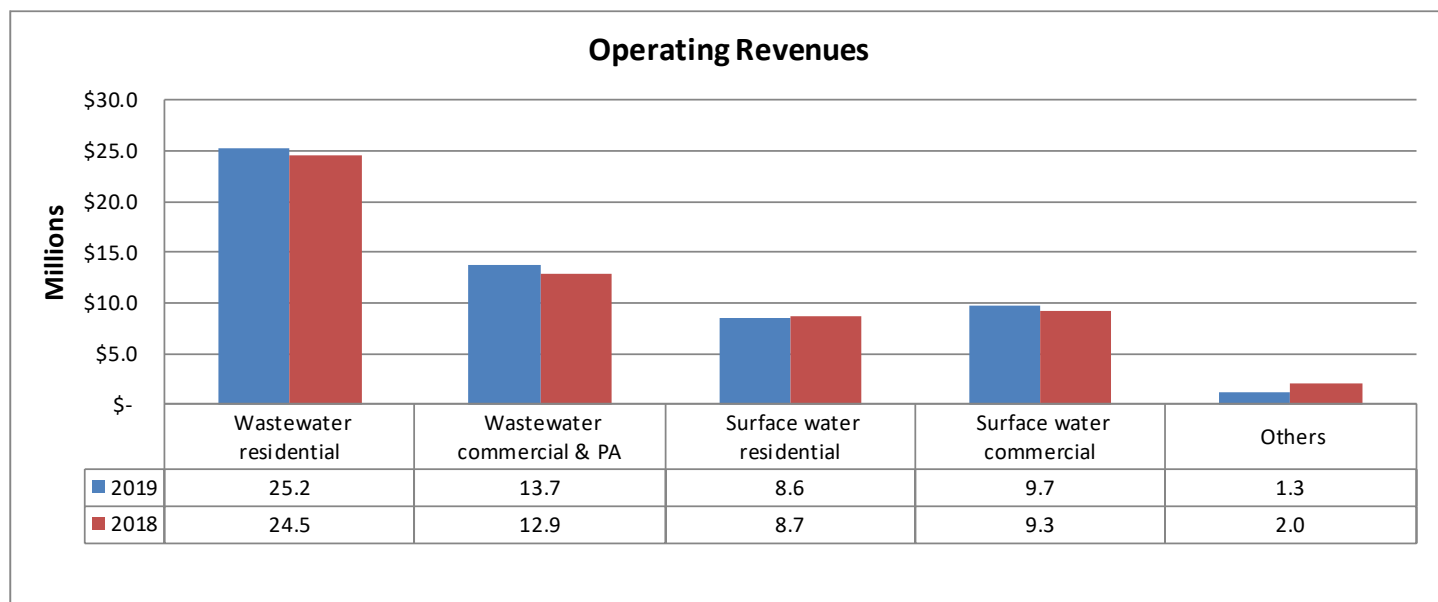
The restricted portion of the Division's net position is \$10.6 million for 2019, compared to \$14.3 million in 2018 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$50.1 million for 2019 and \$38.6 million for 2018 is unrestricted.

Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	Month ended June 30,		Increase
	2019	2018	(Decrease)
Operating revenues	\$ 58,446,438	\$ 57,369,341	\$ 1,077,097
Operating expenses	42,540,092	43,632,979	(1,092,887)
Net operating income	15,906,346	13,736,362	2,169,984
Nonoperating revenues (expenses)	(1,590,275)	(1,950,749)	360,474
Increase (decrease) in net position before transfers	14,316,071	11,785,613	2,530,458
Capital contributions	1,271,715	2,163,378	(891,663)
Transfers	(5,283,781)	(4,594,266)	(689,515)
Increase in net position	10,304,005	9,354,725	949,280
Net position - Beginning of year	458,838,799	435,372,975	23,465,824
Net position - ending	\$ 469,142,804	\$ 444,727,700	\$ 24,415,104

Operating revenues

The following graph provides a comparison of operating revenues for the first six months of 2019 and 2018.

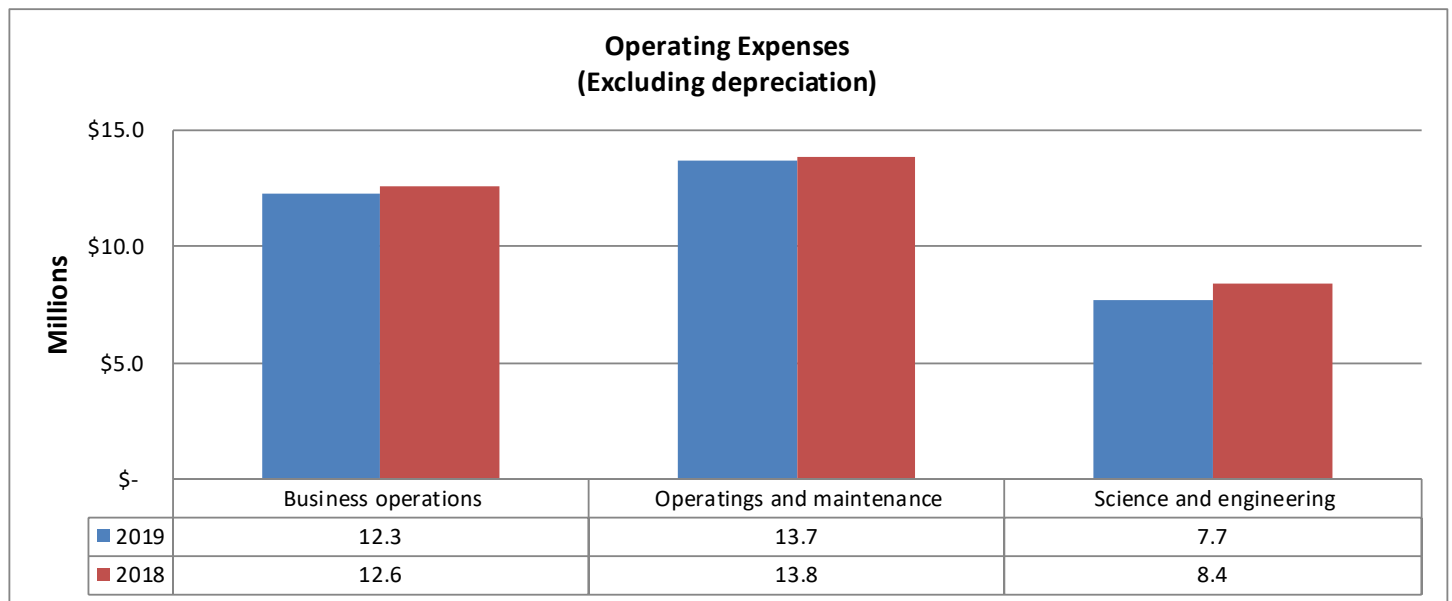


Operating revenues for the first six months of 2019 were \$58.4 million compared to \$57.4 million in 2018. The approved average rate increases for Wastewater were 4.0% for 2019 and 4.5% for 2018. The Surface Water rate increases were 3.5% for 2019 and 5.5% for 2018. The rate increases went into effect January 1st of each year.

Wastewater residential revenues increased \$764,000 (3%) compared to the same period last year. Wastewater commercial and public authority (PA) revenues increased \$729,000 (6%), Surface Water residential decreased \$20,000 (0%), and Surface Water commercial increased \$352,000 (4%). The reason for these increases was due in part to annual rate increases. Other revenues decreased \$749,000 (37%) due to the Site Development division being transferred to the Public Works department as of January 1st, 2019.

Operating expenses

The graph below shows operating expenses for each of the operating groups, which excluded depreciation.



Operating expenses excluding depreciation decreased \$1.2 million compared to the same period last year.

- Business operation expenses decreased \$348,000. The significant events were:
 - Labor expense including all payroll associated costs increased \$266,000.
 - Bad debts expense increased \$189,000 due to increased aged accounts receivable.
 - Administrative and General (A&G) charges allocated to capital projects increased \$469,000 due to more spending on capital projects and the A&G rate increases from 6% to 8.5% for Surface Water and from 7% to 8.5% for Wastewater.
 - Assessment charges from other departments, including Customer Service and IT, decreased \$407,000 for their internal services.
 - Professional service increased \$132,000 mainly due to payments for the Pierce Conservation District (PCD) staff salaries for the Harvest Pierce County Community Garden Support program.
- Operations and maintenance expenses decreased \$108,000. The significant events were:
 - Inventory reclaim account decreased \$476,000, which was used to readjust inventory counts in SAP based on the physical inventory.
 - Solid Waste expense increased \$175,000 due in part to dewatered debris disposal costs at the LRI Landfill.
 - External contract service increased \$268,000 mainly due to increased asphalt patching and concrete repair services for utility cuts and miscellaneous areas.
- Science and engineering expenses decreased \$777,000. The significant events were:
 - Labor expenses including all payroll associated costs decreased \$1.4 million due in part to the Site Development division being transferred to the Public Works department as of January 1st, 2019.
 - External contract services increased \$616,000 primarily due to increased costs for the field test construction of new permeable mix designs and stormwater collection system with Miles Resources LLC.
 - Software license and maintenance decreased \$92,000 mainly due to no annual user licensing fee for e-Builder.

Nonoperating revenues and expenses

Net expenses of \$1.6 million were reported for the first six months of 2019, a decrease of \$360,000 (18%) from the net expenses of \$2.0 million for the same period last year. Compared to last year, investment income increased \$1.1 million due to a higher cash balance in investment pool as a result of the bonds proceeds from 2018 Sewer Revenue Bonds. Interest expense and other related costs increased \$1.4 million primarily due to new interest expense payments on 2018 Sewer Revenue Bonds.

Contributions

Contributions decreased \$892,000 primarily due to \$2.0 million from Pierce County Flood Control Zone District reported in 2018 for the Floodwall project. This decrease was offset in part by contributions related to Contribution in Aid of Construction (CIAC) and grants received from the department of Commerce and Ecology.

Capital Assets

Capital assets increased \$16.8 million over the prior year. Transmission lines and other improvements increased \$14.3 million: 9,474 feet of donated lines were recorded for \$2.4 million, 19,783 feet of old lines were retired at the historical cost of \$76,000, and 25,300 feet of new replacement lines and extended sewer lines were recorded for \$12.0 million. Construction in progress increased \$16.1 million, which includes \$3.7 million for the Jefferson and Hood St SW Interceptor project and \$3.4 million for the SI Oakland Neighborhood Permeable Pave project. Accumulated depreciation increased \$14.2 million.

Debt Administration

At June 30, 2019, the Division had \$298.1 million outstanding in long-term debt: \$38.6 million of this is junior lien debt consisting of State Revolving Fund (SRF) loans and the remaining balance is senior parity bonds debt. Of the total outstanding debts, \$8.6 million will be paid in 2019.

Debt Service Coverage

The bonds coverage ratio is calculated by dividing net revenue by debt service as defined by bonds covenants. Net revenue was calculated using the January through June actual results and estimates for the remainder of the year for both Wastewater and Surface Water. The SRF loans are junior lien debt and excluded from the debt service in the bonds coverage ratio calculation.

The Division is required by its bond covenants to maintain a debt service coverage ratio of 1.3. The debt service coverage ratio estimate is 3.31 at the end of 2019. This compares to a ratio of 4.28 in 2018.

Request for Information

Wastewater and Surface Water Management financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

Interim Financial Statements

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
June 30, 2019 and June 30, 2018

	2019	2018	Increase (Decrease)
ASSETS			
Current assets:			
Cash and equity in pooled investments	\$ 80,935,758	\$ 99,535,450	\$ (18,599,692)
Accounts receivable, net	8,153,857	7,698,256	455,601
Unbilled revenues	8,263,787	6,970,787	1,293,000
Conservation loan fund receivables	241,330	130,536	110,794
Due from other governments	-	155,025	(155,025)
Inventory	1,373,812	1,268,075	105,737
Prepayments	46,956	46,956	-
Restricted cash and equity in pooled investments:			
Debt service funds	6,122,306	3,570,887	2,551,419
Construction funds	90,644,804	38	90,644,766
Total restricted cash and equity in pooled investments	96,767,110	3,570,925	93,196,185
Total current assets	195,782,610	119,376,010	76,406,600
Non-current assets:			
Restricted cash and equity in pooled investments:			
Debt reserves	4,672,034	14,335,157	(9,663,123)
Net pension asset	4,409,368	-	4,409,368
Conservation loan fund receivables	657,295	623,585	33,710
Prepayments	187,825	281,737	(93,912)
Capital assets:			
Land and easements	23,696,172	23,656,971	39,201
Buildings	191,724,902	191,776,653	(51,751)
Machinery and equipment	209,897,176	209,618,039	279,137
Transmission lines and other improvements	422,991,852	408,697,827	14,294,025
Computer software	9,280,373	8,940,494	339,879
Less: accumulated depreciation	(291,402,520)	(277,237,801)	(14,164,719)
Construction work in progress	33,489,577	17,408,154	16,081,423
Total capital assets, net	599,677,532	582,860,337	16,817,195
Total non-current assets	609,604,054	598,100,816	11,503,238
TOTAL ASSETS	805,386,664	717,476,826	87,909,838
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - loss on refunding bonds	2,222,981	2,822,519	(599,538)
Deferred outflow - OPEB	317,474	-	317,474
Deferred outflow - pensions	5,654,674	11,070,737	(5,416,063)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,195,129	13,893,256	(5,698,127)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 813,581,793	\$ 731,370,082	\$ 82,211,711

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 Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
June 30, 2019 and June 30, 2018

	2019	2018	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,453,290	\$ 1,366,153	\$ 87,137
Accrued wages payable and compensated absences payable	832,714	895,102	(62,388)
Accrued taxes payable	161,411	169,404	(7,993)
Due to other governments	494,032	601,515	(107,483)
Accrued environmental liability	944,670	757,303	187,367
Accrued State Revolving Fund loan interest payable	175,984	198,713	(22,729)
Current portion of State Revolving Fund loan	3,963,303	3,891,814	71,489
Current portion of revenue bonds payable	2,874,400	2,093,749	780,651
GASB 31 market rate adjustment	976,808	742,933	233,875
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	3,750,600	2,931,251	819,349
Accrued revenue bonds interest payable	834,326	639,636	194,690
Deposit in lieu of bond	9,250	-	9,250
Total current liabilities	<u>16,470,788</u>	<u>14,287,573</u>	<u>2,183,215</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	252,830,902	189,030,753	63,800,149
Long-term accrued compensated absences	2,757,749	2,979,424	(221,675)
Long-term accrued environmental liability	1,012,500	840,000	172,500
Long-term State Revolving Fund loan	34,651,037	38,625,654	(3,974,617)
Net pension liability	-	10,569,592	(10,569,592)
Net OPEB liability	4,101,053	2,968,581	1,132,472
Total noncurrent liabilities	<u>295,353,241</u>	<u>245,014,004</u>	<u>50,339,237</u>
TOTAL LIABILITIES	<u>311,824,029</u>	<u>259,301,577</u>	<u>52,522,452</u>
DEFERRED INFLOWS OF RESOURCES			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflow - gain on refunding bonds	44,855	63,415	(18,560)
Deferred inflow - OPEB	64,332	-	64,332
Deferred inflow - pensions	7,505,773	2,277,390	5,228,383
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>32,614,960</u>	<u>27,340,805</u>	<u>5,274,155</u>
NET POSITION			
Net investment in capital assets	408,426,186	391,765,443	16,660,743
Restricted for:			
Bond reserves	4,672,034	14,335,157	(9,663,123)
Debt service	1,537,380	-	1,537,380
Deposit in lieu of bond	9,250	-	9,250
Net pension asset	4,409,368	-	4,409,368
Unrestricted	50,088,586	38,627,100	11,461,486
TOTAL NET POSITION	<u>469,142,804</u>	<u>444,727,700</u>	<u>24,415,104</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 813,581,793</u>	<u>\$ 731,370,082</u>	<u>\$ 82,211,711</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 Revenue, Expenses, and Changes in Net Position (Unaudited)
June 30, 2019 and June 30, 2018

	<u>June 2019</u>	<u>June 2018</u>	<u>\$ Change</u>	<u>% Change</u>
OPERATING REVENUES				
Wastewater residential	\$ 25,228,400	\$ 24,464,251	\$ 764,149	3%
Wastewater commercial and public authorities	13,667,671	12,938,689	728,982	6%
Surface water residential	8,634,389	8,654,245	(19,856)	0%
Surface water commercial	9,658,815	9,306,419	352,396	4%
Other revenues	1,257,163	2,005,737	(748,574)	-37%
Total operating revenues	<u>58,446,438</u>	<u>57,369,341</u>	<u>1,077,097</u>	2%
OPERATING EXPENSES				
Business operations	12,298,921	12,647,346	(348,425)	-3%
Operatings and maintenance	13,673,699	13,781,640	(107,941)	-1%
Science and engineering	7,658,724	8,435,835	(777,111)	-9%
Depreciation	8,908,748	8,768,158	140,590	2%
Total operating expenses	<u>42,540,092</u>	<u>43,632,979</u>	<u>(1,092,887)</u>	-3%
Net operating income	<u>15,906,346</u>	<u>13,736,362</u>	<u>2,169,984</u>	16%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,913,771	853,101	1,060,670	124%
Interest expenses and other related costs	(5,482,999)	(4,035,428)	(1,447,571)	36%
Amortization of bond premium and gain/loss on refunding	524,734	442,601	82,133	19%
Other nonoperating revenues	1,453,319	782,677	670,642	86%
Gain on sale/disposal of capital assets	900	6,300	(5,400)	-86%
Total nonoperating expenses	<u>(1,590,275)</u>	<u>(1,950,749)</u>	<u>360,474</u>	-18%
Net income before contributions and transfers	<u>14,316,071</u>	<u>11,785,613</u>	<u>2,530,458</u>	21%
Capital contributions and grants	1,271,715	2,163,378	(891,663)	-41%
Transfer in from other funds	263,972	163,416	100,556	62%
Transfer out to other funds	(635,250)	(28,500)	(606,750)	2129%
Gross earnings tax	(4,912,503)	(4,729,182)	(183,321)	4%
Total contributions and transfers	<u>(4,012,066)</u>	<u>(2,430,888)</u>	<u>(1,581,178)</u>	65%
CHANGE IN NET POSITION	10,304,005	9,354,725	949,280	10%
NET POSITION - JANUARY 1	458,838,799	435,372,975	23,465,824	5%
NET POSITION - JUNE 30	<u>\$ 469,142,804</u>	<u>\$ 444,727,700</u>	<u>\$ 24,415,104</u>	5%

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 Cash Flows (Unaudited)
June 30, 2019 and June 30, 2018

	June Year-to-Date	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 56,567,883	\$ 55,998,390
Payments to suppliers	(20,660,270)	(18,366,653)
Payments to employees	(16,988,950)	(17,646,482)
Payments for taxes	(917,818)	(891,416)
Other operating or non-operating revenues (expenses)	863,112	756,184
Net cash from operating activities	18,863,957	19,850,023
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	-	163,416
Transfer out to other funds	(6,267,127)	(5,455,326)
Operating grants received	642,447	46,561
Interest paid on noncapital debt	(217,818)	(894,056)
Contributions and donations	14,760	19,520
Net cash from noncapital financing activities	(5,827,738)	(6,119,885)
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	263,972	-
Transfer out to other funds	-	(28,500)
Acquisition and construction of capital assets	(13,930,601)	(9,451,977)
Principal payments on capital debt	(1,960,454)	(1,925,067)
Interest and issuance costs paid on capital debt	(5,292,474)	(3,145,168)
Contributions and donations	2,018,182	2,769,845
Cash proceeds from sale of capital assets	900	6,300
Insurance recoveries	1,760	21,893
Net cash from capital financing activities	(18,898,715)	(11,752,674)
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment income	2,890,579	1,596,035
Net cash from investing activities	2,890,579	1,596,035
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	(2,971,917)	3,573,499
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	185,346,819	113,868,033
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 182,374,902	\$ 117,441,532

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 Cash Flows (Unaudited)
June 30, 2019 and June 30, 2018

	June Year-to-Date	
	2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (Used)		
BY OPERATING ACTIVITIES:		
Net operating income	\$ 15,906,346	\$ 13,736,362
Adjustments to reconcile operating income to net cash provided by operating activities;		
Depreciation expense	8,908,748	8,768,158
Other non-operating revenues	863,112	756,184
Expense capital project costs	-	20,755
Cash provided from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(917,969)	(676,902)
Due from other funds	97,971	1,075
Inventory	(275,026)	(25,618)
Prepayments	179,880	173,476
Conservation loan fund receivables	(86,046)	91,054
Accounts payable	(4,187,535)	(1,898,798)
Accrued wages and compensated absences payable	(301,589)	20,922
Accrued taxes payable	17,848	33,775
Due to other funds	(556,492)	(732,084)
Due to other governments	(104,996)	51,029
Accrued environmental liability	(277,664)	(128,370)
Unearned revenues	(402,631)	(340,995)
Total adjustments	2,957,611	6,113,661
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 18,863,957	\$ 19,850,023

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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Interim Financial Statements by Utility

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
June 30, 2019 and June 30, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
ASSETS				
Current assets:				
Cash and equity in pooled investments	\$ 62,981,240	\$ 61,288,467	\$ 17,954,518	\$ 38,246,983
Accounts receivable, net	5,960,449	5,487,223	2,193,408	2,211,033
Unbilled revenues	5,336,787	4,614,787	2,927,000	2,356,000
Conservation loan fund receivables	241,330	130,536	-	-
Due from other governments	-	-	-	155,025
Inventory	1,373,812	1,268,075	-	-
Prepayments	46,956	46,956	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	3,889,217	2,111,845	2,233,089	1,459,042
Construction funds	40,569,482	38	50,075,322	-
Total restricted cash and equity in pooled investments	44,458,699	2,111,883	52,308,411	1,459,042
Total current assets	120,399,273	74,947,927	75,383,337	44,428,083
Non-current assets:				
Restricted cash and equity in pooled investments:				
Debt reserves	4,640,000	10,081,491	32,034	4,253,666
Net pension asset	2,983,298	-	1,426,070	-
Conservation loan fund receivables	657,295	623,585	-	-
Prepayments	187,825	281,737	-	-
Capital assets:				
Land and easements	12,012,788	11,993,187	11,683,384	11,663,784
Buildings	189,753,995	189,805,746	1,970,907	1,970,907
Machinery and equipment	196,544,054	196,107,223	13,353,122	13,510,816
Transmission lines and other improvements	225,221,892	222,543,624	197,769,960	186,154,203
Computer software	5,379,793	5,140,169	3,900,580	3,800,325
Less: accumulated depreciation	(236,162,346)	(225,514,397)	(55,240,174)	(51,723,404)
Construction work in progress	22,570,239	6,942,778	10,919,338	10,465,376
Total capital assets, net	415,320,415	407,018,330	184,357,117	175,842,007
Total non-current assets	423,788,833	418,005,143	185,815,221	180,095,673
TOTAL ASSETS	544,188,106	492,953,070	261,198,558	224,523,756
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - loss on refunding bonds	825,658	971,324	1,397,323	1,851,195
Deferred outflow - OPEB	278,085	-	39,389	-
Deferred outflow - pensions	3,825,850	7,553,493	1,828,824	3,517,244
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,929,593	8,524,817	3,265,536	5,368,439
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 549,117,699	\$ 501,477,887	\$ 264,464,094	\$ 229,892,195

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
June 30, 2019 and June 30, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 850,578	\$ 829,128	\$ 602,712	\$ 537,025
Accrued wages payable and compensated absences payable	647,329	644,384	185,385	250,718
Accrued taxes payable	120,042	122,749	41,369	46,655
Due to other governments	494,032	601,515	-	-
Accrued environmental liability	-	-	944,670	757,303
Accrued State Revolving Fund loan interest payable	175,984	193,687	-	5,026
Current portion of State Revolving Fund loan	3,951,824	3,880,662	11,479	11,152
Current portion of revenue bonds payable	1,775,425	1,258,893	1,098,975	834,856
GASB 31 market rate adjustment	623,112	455,811	353,696	287,122
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	2,212,035	1,762,452	1,538,565	1,168,799
Accrued revenue bonds interest payable	480,897	349,393	353,429	290,243
Deposit in lieu of bond	9,250	-	-	-
Total current liabilities	11,340,508	10,098,674	5,130,280	4,188,899
Non-current liabilities:				
Long-term debt - revenue bonds, net	148,096,917	107,577,113	104,733,985	81,453,640
Long-term accrued compensated absences	2,288,084	2,314,865	469,665	664,559
Long-term accrued environmental liability	-	-	1,012,500	840,000
Long-term State Revolving Fund loan	34,351,467	38,303,291	299,570	322,363
Net pension liability	-	7,211,565	-	3,358,027
Net OPEB liability	3,732,518	2,477,745	368,535	490,836
Total noncurrent liabilities	188,468,986	157,884,579	106,884,255	87,129,425
TOTAL LIABILITIES	199,809,494	167,983,253	112,014,535	91,318,324
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflow - gain on refunding bonds	18,839	26,634	26,016	36,781
Deferred inflow - OPEB	61,726	-	2,606	-
Deferred inflow - pensions	5,078,270	1,553,849	2,427,503	723,541
TOTAL DEFERRED INFLOWS OF RESOURCES	22,158,835	18,580,483	10,456,125	8,760,322
NET POSITION				
Net investment in capital assets	268,521,083	256,943,099	139,905,103	134,822,344
Restricted for:				
Bond reserves	4,640,000	10,081,491	32,034	4,253,666
Debt service	1,196,285	-	341,095	-
Deposit in lieu of bond	9,250	-	-	-
Net pension asset	2,983,298	-	1,426,070	-
Unrestricted	49,799,454	47,889,561	289,132	(9,262,461)
TOTAL NET POSITION	327,149,370	314,914,151	141,993,434	129,813,549
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 549,117,699	\$ 501,477,887	\$ 264,464,094	\$ 229,892,195

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Revenue, Expenses, and Changes in Net Position (Unaudited)
June 30, 2019 and June 30, 2018

	Wastewater		Surface Water	
	June 2019	June 2018	June 2019	June 2018
OPERATING REVENUES				
Wastewater residential	\$ 25,228,400	\$ 24,464,251	\$ -	\$ -
Wastewater commercial and public authorities	13,667,671	12,938,689	-	-
Surface water residential	-	-	8,634,389	8,654,245
Surface water commercial	-	-	9,658,815	9,306,419
Other revenues	1,185,470	1,423,668	71,693	582,069
Total operating revenues	<u>40,081,541</u>	<u>38,826,608</u>	<u>18,364,897</u>	<u>18,542,733</u>
OPERATING EXPENSES				
Business operations	8,201,499	8,838,144	4,097,422	3,809,202
Operatings and maintenance	11,844,665	12,072,483	1,829,034	1,709,157
Science and engineering	3,947,995	3,863,484	3,710,729	4,572,351
Depreciation	6,878,494	6,786,008	2,030,254	1,982,150
Total operating expenses	<u>30,872,653</u>	<u>31,560,119</u>	<u>11,667,439</u>	<u>12,072,860</u>
Net operating income	<u>9,208,888</u>	<u>7,266,489</u>	<u>6,697,458</u>	<u>6,469,873</u>
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,189,408	530,502	724,363	322,599
Interest expenses and other related costs	(3,300,300)	(2,437,975)	(2,182,699)	(1,597,453)
Amortization of bond premium and gain/loss on refunding	259,781	221,269	264,953	221,332
Other nonoperating revenues	864,381	757,118	588,938	25,559
Gain on sale/disposal of capital assets	900	6,300	-	-
Total nonoperating expenses	<u>(985,830)</u>	<u>(922,786)</u>	<u>(604,445)</u>	<u>(1,027,963)</u>
Net income before contributions and transfers	<u>8,223,058</u>	<u>6,343,703</u>	<u>6,093,013</u>	<u>5,441,910</u>
Capital contributions and grants	618,944	2,064,333	652,771	99,045
Transfer in from other funds	-	-	263,972	163,416
Transfer out to other funds	(59,725)	-	(575,525)	(28,500)
Gross earnings tax	(3,383,968)	(3,226,506)	(1,528,535)	(1,502,676)
Total contributions and transfers	<u>(2,824,749)</u>	<u>(1,162,173)</u>	<u>(1,187,317)</u>	<u>(1,268,715)</u>
CHANGE IN NET POSITION	5,398,309	5,181,530	4,905,696	4,173,195
NET POSITION - JANUARY 1	<u>321,751,061</u>	<u>309,732,621</u>	<u>137,087,738</u>	<u>125,640,354</u>
NET POSITION - JUNE 30	<u>\$ 327,149,370</u>	<u>\$ 314,914,151</u>	<u>\$ 141,993,434</u>	<u>\$ 129,813,549</u>

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows (Unaudited)
June 30, 2019 and June 30, 2018

	Wastewater		Surface Water	
	June Year-to-Date		June Year-to-Date	
	2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 38,603,323	\$ 37,997,389	\$ 17,964,560	\$ 18,001,001
Payments to suppliers	(14,486,672)	(12,483,135)	(6,173,598)	(5,883,518)
Payments to employees	(12,433,782)	(12,166,133)	(4,555,168)	(5,480,349)
Payments for taxes	(637,007)	(626,354)	(280,811)	(265,062)
Other operating or non-operating revenues (expenses)	853,210	753,245	9,902	2,939
Net cash from operating activities	11,899,072	13,475,012	6,964,885	6,375,011
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	-	163,416
Transfer out to other funds	(3,939,796)	(3,728,657)	(2,327,331)	(1,726,669)
Operating grants received	11,172	-	631,275	46,561
Interest paid on noncapital debt	-	-	(217,818)	(894,056)
Contributions and donations	130	260	14,630	19,260
Net cash from noncapital financing activities	(3,928,494)	(3,728,397)	(1,899,244)	(2,391,488)
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	263,972	-
Transfer out to other funds	-	-	-	(28,500)
Acquisition and construction of capital assets	(9,615,294)	(4,838,315)	(4,315,307)	(4,613,662)
Principal payments on capital debt	(1,949,140)	(1,914,076)	(11,314)	(10,991)
Interest and issuance costs paid on capital debt	(3,318,108)	(2,446,699)	(1,974,366)	(698,469)
Contributions and donations	618,814	2,064,073	1,399,368	705,772
Cash proceeds from sale of capital assets	900	6,300	-	-
Insurance recoveries	-	3,873	1,760	18,020
Net cash from capital financing activities	(14,262,828)	(7,124,844)	(4,635,887)	(4,627,830)
CASH FLOW FROM INVESTING ACTIVITIES:				
Investment income	1,812,520	986,313	1,078,059	609,722
Net cash from investing activities	1,812,520	986,313	1,078,059	609,722
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	(4,479,730)	3,608,084	1,507,813	(34,585)
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	116,559,669	69,873,757	68,787,150	43,994,276
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	<u>\$ 112,079,939</u>	<u>\$ 73,481,841</u>	<u>\$ 70,294,963</u>	<u>\$ 43,959,691</u>

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows (Unaudited)
June 30, 2019 and June 30, 2018

	Wastewater		Surface Water	
	June Year-to-Date		June Year-to-Date	
	2019	2018	2019	2018
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED (Used)				
BY OPERATING ACTIVITIES:				
Net operating income	\$ 9,208,888	\$ 7,266,489	\$ 6,697,458	\$ 6,469,873
Adjustments to reconcile operating income to net cash provided by operating activities;				
Depreciation expense	6,878,494	6,786,008	2,030,254	1,982,150
Other non-operating revenues	853,210	753,245	9,902	2,939
Expense capital project costs	-	-	-	20,755
Cash provided from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(879,267)	(369,707)	(38,702)	(307,195)
Due from other funds	10,842	1,251	87,129	(176)
Inventory	(275,026)	(25,618)	-	-
Prepayments	179,880	173,389	-	87
Conservation loan fund receivables	(86,046)	91,054	-	-
Accounts payable	(3,201,419)	(790,825)	(986,116)	(1,107,973)
Accrued wages and compensated absences payable	(176,512)	19,949	(125,077)	973
Accrued taxes payable	21,769	28,334	(3,921)	5,441
Due to other funds	(262,324)	(282,256)	(294,168)	(449,828)
Due to other governments	(104,996)	51,029	-	-
Accrued environmental liability	-	-	(277,664)	(128,370)
Unearned revenues	(268,421)	(227,330)	(134,210)	(113,665)
Total adjustments	2,690,184	6,208,523	267,427	(94,862)
NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES	\$ 11,899,072	\$ 13,475,012	\$ 6,964,885	\$ 6,375,011

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The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.