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***JUNE***

***TACOMA WATER***

**2019**

**INTERIM  
FINANCIAL  
REPORT**





# Public Utility Board

WOODROW JONES

Chair

KAREN LARKIN

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

Member

CHRISTINE COOLEY

Member

JACKIE FLOWERS

Director of Utilities

SCOTT DEWHIRST

Water Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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City of Tacoma, Washington  
Department of Public Utilities, Water Division  
Doing Business as

# Tacoma Water

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*Note: 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.*

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# Management Discussion and Analysis

## Overview of the Financial Statements

### Summary

As of June 2019, Tacoma Water is reporting year-to-date operating income of \$7.3 million compared to \$6.2 million in 2018. Operating revenues increased \$956,000 (2.1%) and operating expenses decreased by \$213,000 (0.5%). The year-to-date change in net position for 2019 was \$3.7 million; for 2018 it was \$3.9 million.

### Revenues

Water sales revenues increased by \$644,000 (1.7%) for the first half of 2019 compared to the same period in 2018. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of June 2019.

Customer Class	Changes Related to:		YTD Increase (Decrease)	
	Rate	Volume		
Residential and Domestic	\$ 234,491	\$ 315,925	\$	550,416
Commercial and Industrial	(55,186)	194,604		139,418
Special Rate	74,499	23,254		97,753
Other	(312,653)	168,771		(143,882)
Total	\$ (58,849)	\$ 702,554	\$	643,705

Consumption as of June 2019 was 8,048 million gallons compared to 7,919 million gallons for the same period in 2018. Regional Water Supply System (RWSS) partners received 6,024 million gallons. The following table summarizes water consumption by customer class year-to-date.

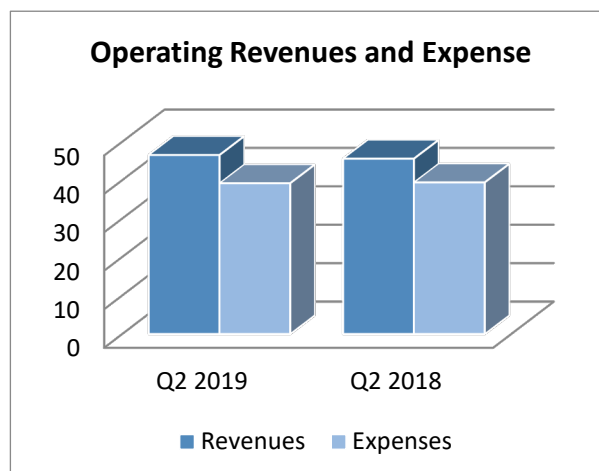
Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2019	2018		
Residential and Domestic	3,508.30	3,465.54	42.76	1%
Commercial and Industrial	1,376.07	1,344.15	31.92	2%
Special Rate	2,786.44	2,777.10	9.34	0%
Other	377.23	332.08	45.15	14%
Total	8,048.04	7,918.87	129.17	2%

### Expenses

Operating expenses were \$39.2 million for the first six months of 2019, a decrease of \$213,000 compared to 2018.

### Request for Information

Water 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.



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City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statements of Net Position (Unaudited)  
June 30, 2019 and June 30, 2018

	June 30,	
	2019	2018
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,124,409,266	\$1,102,042,203
Less Depreciation and Amortization	<u>(271,052,871)</u>	<u>(250,527,882)</u>
Total	853,356,395	\$851,514,321
Construction Work in Progress	<u>15,909,885</u>	<u>17,797,540</u>
Net Utility Plant	<u>869,266,280</u>	<u>\$869,311,861</u>
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010 Construction Fund	683,324	14,755,399
2013 Construction Fund	17,049,244	16,212,542
Regional Water Supply System Operating Fund	958,132	1,091,541
Provision for Debt Payment	11,409,220	10,855,225
Customer Water Main Deposits	3,394,264	3,311,626
Water Supply Forum Fund	466,935	363,097
Special Bond Reserves	22,111,958	22,106,060
Water Customer Contribution Fund	533,883	503,507
Water Capital Reserves	38,449,769	36,062,881
Water System Development Charge	<u>70,712,365</u>	<u>65,162,731</u>
Total Restricted Assets	165,769,094	170,424,609
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	60,541,304	55,056,942
Customers' Deposits	310,659	315,573
Receivables:		
Customers	6,173,613	6,159,432
Accrued Unbilled Revenues	5,930,220	5,457,221
Others	864,220	768,521
BABs Interest Subsidies	419,284	320,064
Provision for Uncollectible Accounts	(470,829)	(403,505)
Materials and Supplies	2,602,813	2,478,842
Prepayments	<u>1,742,440</u>	<u>996,061</u>
Total Current Assets	<u>78,113,724</u>	<u>71,149,151</u>
TOTAL ASSETS	<u>1,113,642,061</u>	<u>1,111,378,584</u>
OTHER ASSETS		
Regulatory Assets - Surcharges	1,648,806	78,705
Net Pension Asset	<u>3,438,481</u>	<u>947,106</u>
Total Other Assets	5,087,287	1,025,811
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	1,082,561	1,269,806
Deferred Outflows for Pensions	4,409,587	8,671,039
Deferred Outflows for OPEB	<u>295,709</u>	<u>-</u>
Total Deferred Outflows	5,787,857	9,940,845
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$1,124,517,205</u>	<u>\$1,122,345,240</u>

*These statements should be read in conjunction with the Notes to the Financial Statements contained in the previous year-end Financial Report.*



	June 30,	
	2019	2018
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$443,262,999	\$441,703,658
Restricted for:		
Water Capital Reserves	33,819,382	30,953,489
Water System Development Charge	35,136,918	29,587,284
Debt Service Funds	9,065,441	8,493,113
Pension Asset	3,438,481	-
Unrestricted	60,761,295	49,840,916
<b>TOTAL NET POSITION</b>	<b>585,484,516</b>	<b>560,578,460</b>
<b>LIABILITIES</b>		
<b>LONG-TERM DEBT</b>		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	17,790,000	21,890,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	10,820,000	12,340,000
2010 RWSS Revenue Bonds, Series A	1,655,000	1,955,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	57,710,000	59,400,000
Total Outstanding Revenue Bonds	358,340,000	365,950,000
Plus: Unamortized Bond Premium	9,819,333	11,286,025
Net Outstanding Revenue Bonds	368,159,333	377,236,025
PWTF Pre-Construction Loans	480,435	640,609
PWTF Construction Loans	16,278,474	18,815,071
State Drinking Water Loans	61,381,554	65,612,800
Total Long-Term Debt	446,299,796	462,304,505
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable	469,213	441,332
Purchases and Contracts Payable	832,044	1,027,903
Interest Expense Accrued	2,343,779	2,362,112
Taxes Accrued	1,860,420	1,866,355
Customers' and Contractors' Deposits	354,700	344,623
Current Portion of Long-Term Debt	14,710,633	13,554,949
Other Current Liabilities	2,815,408	5,535,300
Current Accrued Compensated Absences	244,160	229,834
Total Current Liabilities	23,630,357	25,362,408
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements	6,412,903	6,585,519
Customer Advances for Construction	6,700,156	7,701,522
Unearned Revenue	7,369,473	7,352,431
Other Long-Term Liabilities	1,159,958	4,754,181
Pension Liability	-	8,278,522
OPEB Liability	3,780,897	-
Long-Term Accrued Compensated Absences	2,197,439	2,068,503
Total Long-Term Liabilities	27,620,826	36,740,678
<b>TOTAL LIABILITIES</b>	<b>497,550,979</b>	<b>524,407,591</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	5,853,098	1,783,742
Deferred Inflows for OPEB	53,165	-
Total Deferred Inflows	41,481,710	37,359,189
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$1,124,517,205</b>	<b>\$1,122,345,240</b>

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)  
June 30, 2019 and June 30, 2018

	JUNE 2019	JUNE 2018
OPERATING REVENUES		
Sales of Water	\$7,815,554	\$8,279,353
Other Operating Revenues	875,710	931,972
Contract Resource Obligation Revenue	386,836	365,620
Total Operating Revenues	<u>9,078,100</u>	<u>9,576,945</u>
OPERATING EXPENSES		
Production Expense:		
Source of Supply	542,329	657,363
Water Treatment	601,323	598,191
Total Production Expense	<u>1,143,652</u>	<u>1,255,554</u>
Power Pumping Expense	61,342	28,871
Transmission and Storage Expense	178,945	209,829
Distribution Expense	1,123,226	1,145,792
Customer Accounting and Consumer Service	422,038	430,373
Taxes	563,875	583,080
Depreciation	2,105,318	2,061,484
Administrative and General	1,023,913	854,149
Total Operating Expenses	<u>6,622,309</u>	<u>6,569,132</u>
OPERATING INCOME (LOSS)	2,455,791	3,007,813
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	411,665	303,431
Miscellaneous	(871)	45,113
Interest on Long-Term Debt	(1,265,656)	(1,345,534)
Interest on Long-Term Debt BABs Sub	(419,284)	(303,716)
Amortization Of Debt Premium	102,308	110,934
Interest Charged to Construction	-	52,931
Total Non-Operating Revenues (Expenses)	<u>(1,171,838)</u>	<u>(1,136,841)</u>
Net Income (Loss) Before Capital Contributions and Transfers	1,283,953	1,870,972
Capital Contributions:		
Cash	480,303	393,699
Donated Fixed Assets	243,073	(21,892)
Federal BABs Subsidies	419,284	320,062
Transfers:		
City Gross Earnings Tax	(685,988)	(727,475)
CHANGE IN NET POSITION	<u>\$1,740,625</u>	<u>\$1,835,366</u>
NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

*These statements should be read in conjunction with the Notes to the Financial Statements contained in the previous year-end Financial Report.*

YEAR TO DATE		2019 OVER (UNDER) 2018	PERCENT CHANGE
JUNE 30, 2019	JUNE 30, 2018		
\$38,478,938	\$37,835,233	\$643,705	1.7%
5,648,405	5,513,202	135,203	2.5%
<u>2,402,321</u>	<u>2,225,161</u>	<u>177,160</u>	8.0%
46,529,664	45,573,596	956,068	2.1%
3,316,417	3,690,993	(374,576)	-10.1%
<u>3,346,780</u>	<u>3,369,281</u>	<u>(22,501)</u>	-0.7%
6,663,197	7,060,274	(397,077)	-5.6%
360,860	238,569	122,291	51.3%
1,056,755	1,139,206	(82,451)	-7.2%
7,155,301	6,763,951	391,350	5.8%
2,560,402	2,584,672	(24,270)	-0.9%
2,377,056	2,369,976	7,080	0.3%
12,630,142	13,757,089	(1,126,947)	-8.2%
<u>6,376,346</u>	<u>5,479,399</u>	<u>896,947</u>	16.4%
<u>39,180,059</u>	<u>39,393,136</u>	<u>(213,077)</u>	-0.5%
7,349,605	6,180,460	1,169,145	18.9%
3,558,241	3,018,827	539,414	17.9%
46,189	41,592	4,597	11.1%
(7,842,369)	(8,090,374)	248,005	-3.1%
(1,920,384)	(1,798,414)	(121,970)	6.8%
613,841	665,603	(51,762)	-7.8%
<u>(32,311)</u>	<u>165,621</u>	<u>(197,932)</u>	-119.5%
<u>(5,576,793)</u>	<u>(5,997,145)</u>	<u>420,352</u>	-7.0%
1,772,812	183,315	1,589,497	867.1%
3,193,046	4,180,151	(987,105)	-23.6%
601,158	1,086,176	(485,018)	-44.7%
1,920,384	1,814,762	105,622	5.8%
<u>(3,741,241)</u>	<u>(3,402,579)</u>	<u>(338,662)</u>	10.0%
3,746,159	3,861,825	(115,666)	-3.0%
581,738,357	556,716,635	25,021,722	
<u>\$585,484,516</u>	<u>\$560,578,460</u>	<u>\$24,906,056</u>	4.4%

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Summary of Revenues and Billings (Unaudited)  
June 30, 2019 and June 30, 2018

	JUNE 2019	JUNE 2018
SALES OF WATER		
Residential and Domestic	\$5,329,553	\$5,611,050
Commercial and Industrial	1,611,826	1,861,730
Special Rate	610,895	593,922
Sales to Other Utilities	<u>263,280</u>	<u>212,651</u>
Total	<u><u>\$7,815,554</u></u>	<u><u>\$8,279,353</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	103,011	108,370
Commercial and Industrial	6,639	7,356
Sales to Other Utilities	<u>15</u>	<u>15</u>
Total	<u><u>109,665</u></u>	<u><u>115,741</u></u>

YEAR TO DATE		2019 OVER (UNDER) 2018	PERCENT CHANGE
JUNE 30, 2019	JUNE 30, 2018		
\$25,572,945	\$25,027,839	\$545,106	2.2%
8,491,155	8,346,429	144,726	1.7%
3,325,214	3,227,460	97,754	3.0%
1,089,624	1,233,505	(143,881)	-11.7%
<u>\$38,478,938</u>	<u>\$37,835,233</u>	<u>\$643,705</u>	1.7%
592,906	584,265	8,641	1.5%
40,076	39,889	187	0.5%
94	90	4	4.4%
<u>633,076</u>	<u>624,244</u>	<u>8,832</u>	1.4%

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Summary of Water Billed (Unaudited)  
June 30, 2019 and June 30, 2018

	MILLION GALLONS, TOTAL			
	JUNE 2019	JUNE 2018	YEAR TO DATE	
			JUNE 30, 2019	JUNE 30, 2018
WATER BILLED				
Residential and Domestic	828.66	897.25	3,508.30	3,465.54
Commercial and Industrial	266.82	331.91	1,376.07	1,344.15
Special Rate	513.51	512.63	2,786.44	2,777.10
Sales to Other Utilities	80.86	68.67	377.23	332.08
	<u>1,689.85</u>	<u>1,810.46</u>	<u>8,048.04</u>	<u>7,918.87</u>

NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY	
JUNE 2019	JUNE 2018
27.62	29.91
8.89	11.06
17.12	17.09
2.70	2.29
56.33	60.35

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statement of Cash Flows (Unaudited)  
June 30, 2019 and June 30, 2018

	YEAR TO DATE	
	JUNE 30, 2019	JUNE 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$48,049,027	\$47,893,961
Cash Paid to Suppliers	(12,555,248)	(11,628,106)
Cash Paid to Employees	(13,448,144)	(12,893,394)
Taxes Paid	(2,335,699)	(2,059,959)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	19,709,936	21,312,502
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(3,741,241)	(3,402,579)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(3,741,241)	(3,402,579)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(10,319,142)	(8,298,380)
Proceeds from PWTF Loan	(555,556)	-
Principal Payments on Long-Term Debt	-	(555,556)
Principal Payments on Muckleshoot LT Liability	(176,932)	(181,355)
Interest Paid	(9,253,679)	(9,386,563)
BABs Federal Interest Subsidies	1,801,323	1,793,638
Contributions in Aid of Construction	3,193,046	4,180,151
Proceeds Held from Sale of Land	-	2,775,100
System Development Charges & Other LT Liabilities	90,248	1,460,828
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(15,220,692)	(8,212,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	3,558,242	3,018,827
Other Net Non-Op Revenues and Expenses	46,188	41,593
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,604,430	3,060,420
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	4,352,433	12,758,206
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	222,268,624	213,038,918
CASH AND EQUITY IN POOLED INVESTMENTS AT JUNE 30	\$226,621,057	\$225,797,124

*These statements should be read in conjunction with the Notes to Financial statements contained in the 2018 Annual Report.*

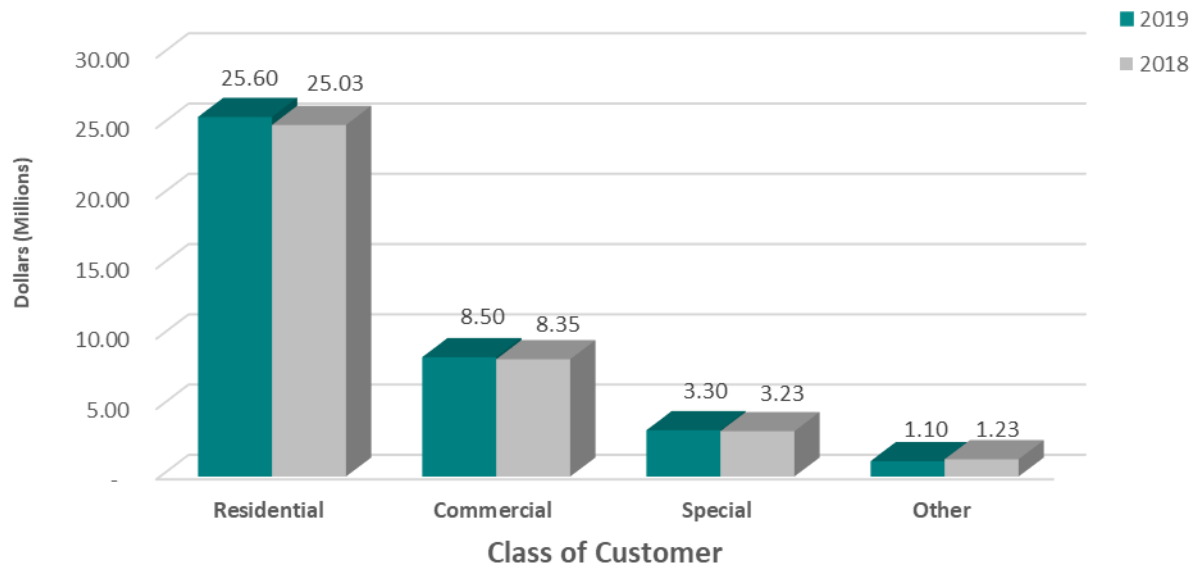


	YEAR TO DATE	
	JUNE 30, 2019	JUNE 30, 2018
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$7,349,606	\$6,180,460
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	12,630,142	13,757,089
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(889,389)	(1,212,148)
Interfund Receivables	756,845	69,262
Regulatory Asset-Public Fire Protection Fees	-	377,930
Regulatory Asset-Surcharges	(417,990)	406,689
Materials and Supplies	(133,308)	(75,537)
Prepayments	319,432	243,615
Unearned Revenues	2,815,408	2,760,200
Accrued Taxes	41,357	310,017
Salaries, Wages and Fringe Benefits Payable	(86,858)	(54,609)
Customers' Deposits	11,334	(12,306)
Accrued Expenses and Contracts Payable	(1,120,902)	(341,331)
Interfund Payables	(1,565,741)	(1,096,829)
Total Adjustments	12,360,330	15,132,042
NET CASH FROM OPERATING ACTIVITIES	<u>\$19,709,936</u>	<u>\$21,312,502</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$165,769,094	\$170,424,609
Cash and Equity in Pooled Investments in Operating Funds	<u>60,851,963</u>	<u>55,372,515</u>
Cash and Equity in Pooled Investments at June 30	<u>\$226,621,057</u>	<u>\$225,797,124</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$601,158	\$1,086,176

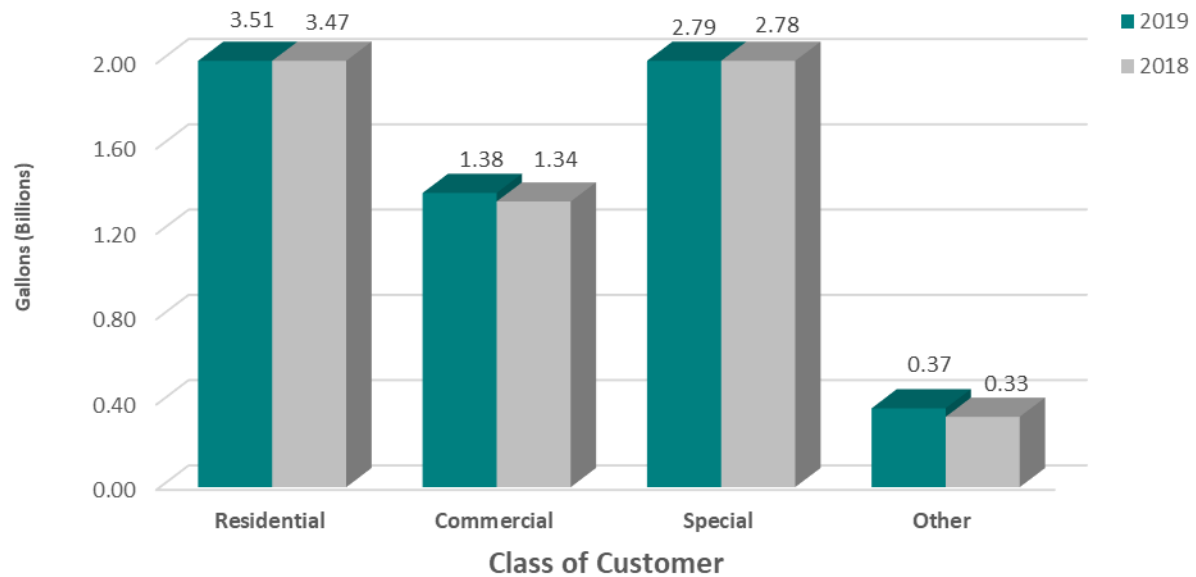
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## Supplemental Data

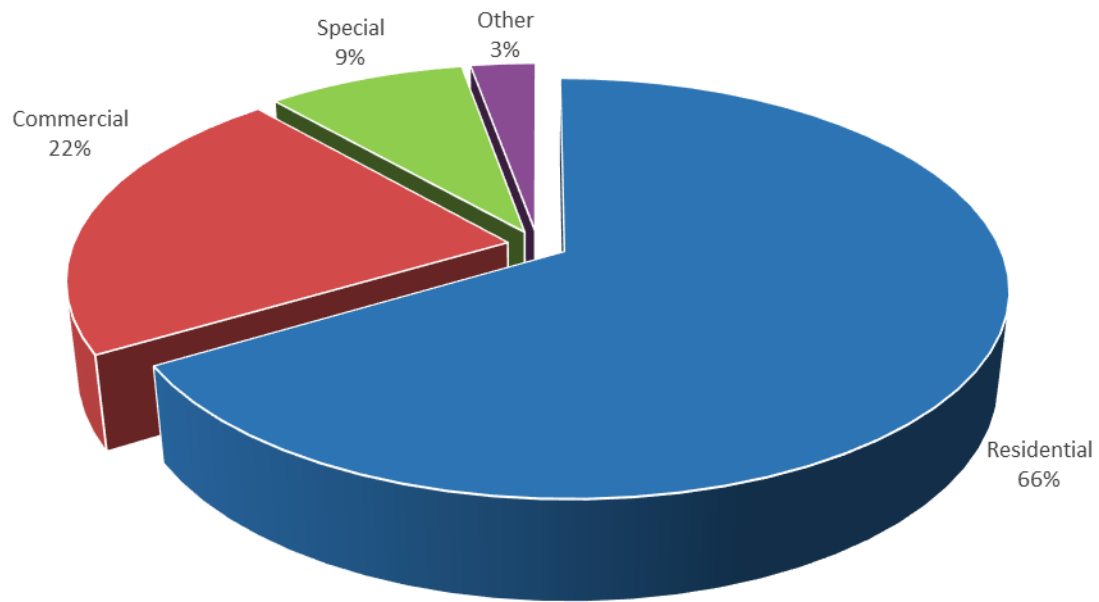
## WATER SALES Year to Date - June 2019 & 2018



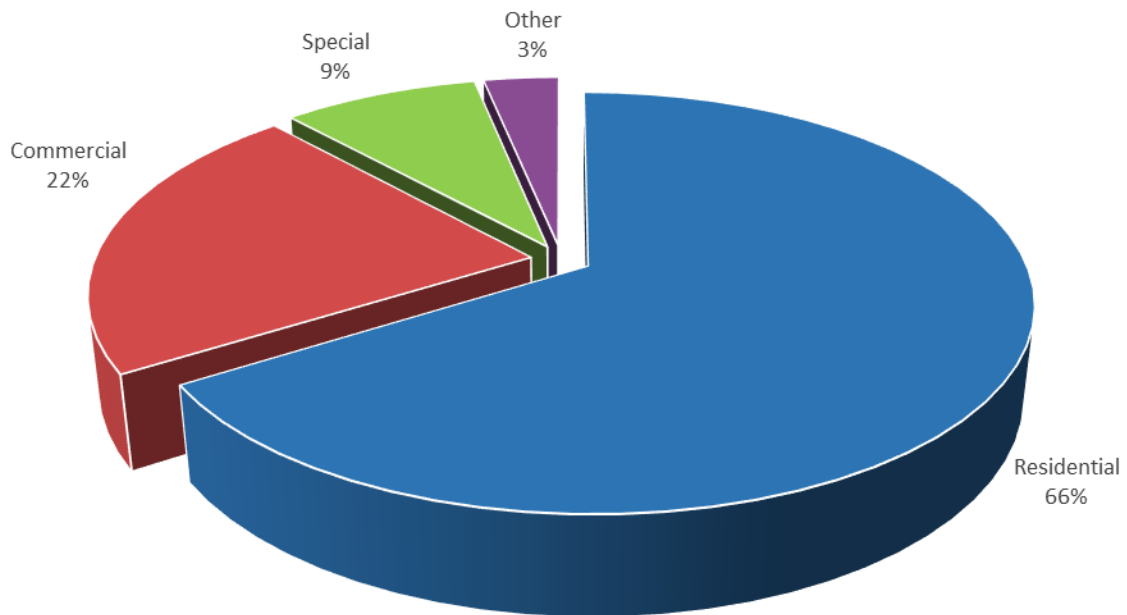
## WATER CONSUMPTION Year to Date - June 2019 & 2018



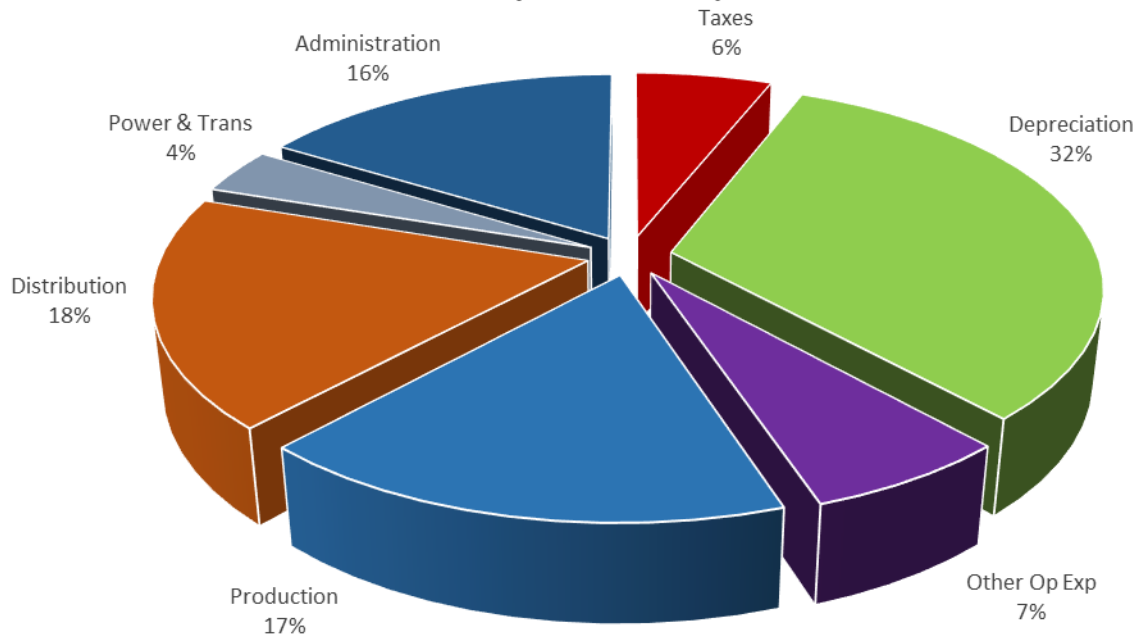
**WATER SALES**  
**Year to Date - June 2019**  
**(\$38,478,938)**



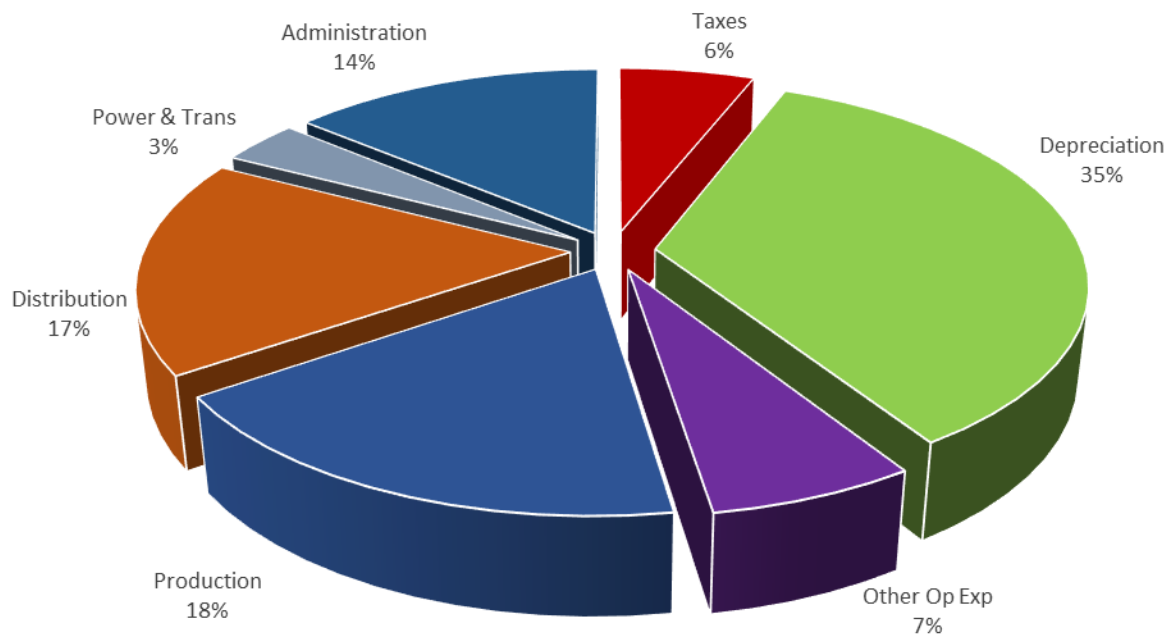
**WATER SALES**  
**Year to Date - June 2018**  
**(\$37,835,233)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2019**  
**(\$39,180,059)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2018**  
**(\$39,393,136)**



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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.