
July
2019

***WASTEWATER AND SURFACE WATER
MANAGEMENT***

INTERIM FINANCIAL REPORT



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

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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Interim Financial Statements

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
July 31, 2019 and July 31, 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
ASSETS			
Current assets:			
Cash and equity in pooled investments	\$ 83,084,692	\$ 100,497,548	\$ (17,412,856)
Accounts receivable, net	8,921,315	7,146,486	1,774,829
Unbilled revenues	8,263,787	6,970,787	1,293,000
Conservation loan fund receivables	223,974	139,339	84,635
Due from other governments	-	161,461	(161,461)
Inventory	1,382,875	1,242,638	140,237
Prepayments	324,435	39,130	285,305
Restricted cash and equity in pooled investments:			
Debt service funds	6,835,597	4,629,272	2,206,325
Construction funds	88,981,638	38	88,981,600
Total restricted cash and equity in pooled investments	<u>95,817,235</u>	<u>4,629,310</u>	<u>91,187,925</u>
Total current assets	<u>198,018,313</u>	<u>120,826,699</u>	<u>77,191,614</u>
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	654,499	609,162	45,337
Prepayments	187,825	281,737	(93,912)
Capital assets:			
Land and easements	23,700,646	23,684,459	16,187
Buildings	191,724,902	191,776,652	(51,750)
Machinery and equipment	210,678,327	209,618,039	1,060,288
Transmission lines and other improvements	422,991,852	408,697,866	14,293,986
Computer software	9,280,373	8,940,494	339,879
Less: accumulated depreciation	(292,888,741)	(278,696,126)	(14,192,615)
Construction work in progress	34,565,664	20,108,299	14,457,365
Total capital assets, net	<u>600,053,023</u>	<u>584,129,683</u>	<u>15,923,340</u>
Total non-current assets	<u>609,976,749</u>	<u>599,355,739</u>	<u>10,621,010</u>
TOTAL ASSETS	<u>807,995,062</u>	<u>720,182,438</u>	<u>87,812,624</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - loss on refunding bonds	2,212,345	2,808,952	(596,607)
Deferred outflow - OPEB	317,474	-	317,474
Deferred outflow - pensions	5,654,674	11,070,737	(5,416,063)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,184,493</u>	<u>13,879,689</u>	<u>(5,695,196)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 816,179,555</u>	<u>\$ 734,062,127</u>	<u>\$ 82,117,428</u>

These Statements should be read with the Notes to the 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)
July 31, 2019 and July 31, 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,342,712	\$ 1,669,977	\$ (327,265)
Accrued wages payable and compensated absences payable	1,125,233	1,119,961	5,272
Accrued taxes payable	180,141	169,998	10,143
Due to other governments	(27,352)	120,272	(147,624)
Accrued environmental liability	916,063	645,129	270,934
Accrued State Revolving Fund loan interest payable	235,401	259,061	(23,660)
Current portion of State Revolving Fund loan	3,974,950	3,903,128	71,822
Current portion of revenue bonds payable	2,208,333	1,957,617	250,716
GASB 31 market rate adjustment	976,808	742,933	233,875
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	4,416,667	3,067,383	1,349,284
Accrued revenue bonds interest payable	1,687,048	1,279,272	407,776
Total current liabilities	<u>17,036,004</u>	<u>14,934,731</u>	<u>2,101,273</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	252,734,357	188,944,966	63,789,391
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	34,639,390	38,614,340	(3,974,950)
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>295,245,049</u>	<u>244,916,903</u>	<u>50,328,146</u>
TOTAL LIABILITIES	<u>312,281,053</u>	<u>259,851,634</u>	<u>52,429,419</u>
DEFERRED INFLOWS OF RESOURCES			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflow - gain on refunding bonds	43,308	61,869	(18,561)
Deferred inflow - OPEB	64,332	-	64,332
Deferred inflow - pensions	7,505,774	2,277,389	5,228,385
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>32,613,414</u>	<u>27,339,258</u>	<u>5,274,156</u>
NET POSITION			
Net investment in capital assets	407,885,884	393,244,687	14,641,197
Restricted for:			
Bond reserves	4,672,034	14,335,157	(9,663,123)
Debt service	731,882	282,617	449,265
Net pension asset	4,409,368	-	4,409,368
Unrestricted	53,585,920	39,008,774	14,577,146
TOTAL NET POSITION	<u>471,285,088</u>	<u>446,871,235</u>	<u>24,413,853</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 816,179,555</u>	<u>\$ 734,062,127</u>	<u>\$ 82,117,428</u>

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Revenue, Expense, and Changes in Net Position (Unaudited)
July 31, 2019 and July 31, 2018

	July Year-to-Date		\$	%
	2019	2018	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 29,713,253	\$ 28,547,528	\$ 1,165,725	4%
Wastewater commercial and public authorities	15,961,168	15,311,569	649,599	4%
Surface water residential	10,179,679	10,009,608	170,071	2%
Surface water commercial	11,462,286	10,867,072	595,214	5%
Other revenues	1,523,998	2,299,588	(775,590)	-34%
Total operating revenues	68,840,384	67,035,365	1,805,019	3%
OPERATING EXPENSES				
Business operations	14,411,810	14,642,649	(230,839)	-2%
Operatings and maintenance	15,973,983	15,486,871	487,112	3%
Science and engineering	8,933,064	9,967,098	(1,034,034)	-10%
Depreciation	10,394,970	10,226,483	168,487	2%
Total operating expenses	49,713,827	50,323,101	(609,274)	-1%
Net operating income	19,126,557	16,712,264	2,414,293	14%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	2,249,831	1,022,420	1,227,411	120%
Interest expenses and other related costs	(6,395,139)	(4,698,538)	(1,696,601)	-36%
Amortization of bond premium and gain/loss on refunding	612,189	516,367	95,822	19%
Other nonoperating revenues	1,595,794	1,012,692	583,102	58%
Gain on sale/disposal of capital assets	900	19,780	(18,880)	-95%
Total nonoperating expenses	(1,936,425)	(2,127,279)	190,854	9%
Net income before contributions and transfers	17,190,132	14,584,985	2,605,147	18%
Capital contributions and grants	1,504,793	2,236,327	(731,534)	-33%
Transfer in from other funds	263,972	219,153	44,819	20%
Transfer out to other funds	(740,660)	-	(740,660)	N/A
Gross earnings tax	(5,771,948)	(5,542,205)	(229,743)	-4%
Total contributions and transfers	(4,743,843)	(3,086,725)	(1,657,118)	-54%
CHANGE IN NET POSITION	12,446,289	11,498,260	948,029	8%
NET POSITION - JANUARY 1	458,838,799	435,372,975	23,465,824	5%
NET POSITION - JULY 31	\$ 471,285,088	\$ 446,871,235	\$ 24,413,853	5%

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

Interim Financial Statements by Utility

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
July 31, 2019 and July 31, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
ASSETS				
Current assets:				
Cash and equity in pooled investments	\$ 64,251,883	\$ 62,164,290	\$ 18,832,809	\$ 38,333,258
Accounts receivable, net	6,529,080	5,067,049	2,392,235	2,079,437
Unbilled revenues	5,336,787	4,614,787	2,927,000	2,356,000
Conservation loan fund receivables	223,974	139,339	-	-
Due from other governments	-	-	-	161,461
Inventory	1,382,875	1,242,638	-	-
Prepayments	324,435	39,130	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	4,234,169	2,713,016	2,601,428	1,916,256
Construction funds	39,571,003	38	49,410,635	-
Total restricted cash and equity in pooled investments	43,805,172	2,713,054	52,012,063	1,916,256
Total current assets	121,854,206	75,980,287	76,164,107	44,846,412
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	654,499	609,162	-	-
Prepayments	187,825	281,737	-	-
Capital assets:				
Land and easements	12,015,025	12,006,931	11,685,621	11,677,528
Buildings	189,753,995	189,805,746	1,970,907	1,970,906
Machinery and equipment	197,325,205	196,107,223	13,353,122	13,510,816
Transmission lines and other improvements	225,221,892	222,543,624	197,769,960	186,154,242
Computer software	5,379,794	5,140,169	3,900,579	3,800,325
Less: accumulated depreciation	(237,311,526)	(226,644,729)	(55,577,215)	(52,051,397)
Construction work in progress	22,885,610	8,529,837	11,680,054	11,578,462
Total capital assets, net	415,269,995	407,488,801	184,783,028	176,640,882
Total non-current assets	423,735,617	418,461,191	186,241,132	180,894,548
TOTAL ASSETS	545,589,823	494,441,478	262,405,239	225,740,960
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - loss on refunding bonds	821,708	966,763	1,390,637	1,842,189
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	4,925,643	8,520,256	3,258,850	5,359,433
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 550,515,466	\$ 502,961,734	\$ 265,664,089	\$ 231,100,393

These Statements should be read with the Notes to the 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)
July 31, 2019 and July 31, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 970,902	\$ 849,963	\$ 371,810	\$ 820,014
Accrued wages payable and compensated absences payable	853,640	798,788	271,593	321,173
Accrued taxes payable	130,799	126,640	49,342	43,358
Due to other governments	(27,352)	120,272	-	-
Accrued environmental liability	-	-	916,063	645,129
Accrued State Revolving Fund loan interest payable	234,645	258,250	756	811
Current portion of State Revolving Fund loan	3,951,824	3,880,662	23,126	22,466
Current portion of revenue bonds payable	1,329,153	1,289,732	879,180	667,885
GASB 31 market rate adjustment	623,113	455,811	353,695	287,122
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	2,658,307	1,731,613	1,758,360	1,335,770
Accrued revenue bonds interest payable	970,705	698,786	716,343	580,486
Total current liabilities	11,695,736	10,210,517	5,340,268	4,724,214
Non-current liabilities:				
Long-term debt - revenue bonds, net	148,050,319	107,536,324	104,684,038	81,408,642
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	287,923	311,049
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	188,422,388	157,843,790	106,822,661	87,073,113
TOTAL LIABILITIES	200,118,124	168,054,307	112,162,929	91,797,327
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflow - gain on refunding bonds	18,189	25,985	25,119	35,884
Deferred inflow - OPEB	61,726	-	2,606	-
Deferred inflow - pensions	5,078,270	1,553,849	2,427,504	723,540
TOTAL DEFERRED INFLOWS OF RESOURCES	22,158,185	18,579,834	10,455,229	8,759,424
NET POSITION				
Net investment in capital assets	267,961,754	257,419,608	139,924,130	135,825,079
Restricted for:				
Bond reserves	4,640,000	10,081,491	32,034	4,253,666
Debt service	605,157	282,617	126,725	-
Net pension asset	2,983,298	-	1,426,070	-
Unrestricted	52,048,948	48,543,877	1,536,972	(9,535,103)
TOTAL NET POSITION	328,239,157	316,327,593	143,045,931	130,543,642
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 550,515,466	\$ 502,961,734	\$ 265,664,089	\$ 231,100,393

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Revenue, Expense, and Changes in Net Position (Unaudited)
July 31, 2019 and July 31, 2018

	Wastewater July Year-to-Date		Surface Water July Year-to-Date	
	2019	2018	2019	2018
OPERATING REVENUES				
Wastewater residential	\$ 29,713,253	\$ 28,547,528	\$ -	\$ -
Wastewater commercial and public authorities	15,961,168	15,311,569	-	-
Surface water residential	-	-	10,179,679	10,009,608
Surface water commercial	-	-	11,462,286	10,867,072
Other revenues	1,440,639	1,651,524	83,359	648,064
Total operating revenues	<u>47,115,060</u>	<u>45,510,621</u>	<u>21,725,324</u>	<u>21,524,744</u>
OPERATING EXPENSES				
Business operations	9,687,052	10,242,921	4,724,758	4,399,728
Operatings and maintenance	13,802,143	13,488,201	2,171,840	1,998,670
Science and engineering	4,568,692	4,561,425	4,364,372	5,405,673
Depreciation	8,027,674	7,916,340	2,367,296	2,310,143
Total operating expenses	<u>36,085,561</u>	<u>36,208,887</u>	<u>13,628,266</u>	<u>14,114,214</u>
Net operating income	<u>11,029,499</u>	<u>9,301,734</u>	<u>8,097,058</u>	<u>7,410,530</u>
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,396,220	636,359	853,611	386,061
Interest expenses and other related costs	(3,848,770)	(2,834,521)	(2,546,369)	(1,864,017)
Amortization of bond premium and gain/loss on refunding	303,077	258,146	309,112	258,221
Other nonoperating revenues	1,006,856	885,291	588,938	127,401
Gain on sale/disposal of capital assets	900	19,780	-	-
Total nonoperating expenses	<u>(1,141,717)</u>	<u>(1,034,945)</u>	<u>(794,708)</u>	<u>(1,092,334)</u>
Net income before contributions and transfers	<u>9,887,782</u>	<u>8,266,789</u>	<u>7,302,350</u>	<u>6,318,196</u>
Capital contributions and grants	639,889	2,106,373	864,904	129,954
Transfer in from other funds	-	-	263,972	219,153
Transfer out to other funds	(69,381)	-	(671,279)	-
Gross earnings tax	(3,970,194)	(3,778,190)	(1,801,754)	(1,764,015)
Total contributions and transfers	<u>(3,399,686)</u>	<u>(1,671,817)</u>	<u>(1,344,157)</u>	<u>(1,414,908)</u>
CHANGE IN NET POSITION	<u>6,488,096</u>	<u>6,594,972</u>	<u>5,958,193</u>	<u>4,903,288</u>
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 - JULY 31	<u>\$ 328,239,157</u>	<u>\$ 316,327,593</u>	<u>\$ 143,045,931</u>	<u>\$ 130,543,642</u>

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

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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.