
***August
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

Table of Contents

Management's Discussion and Analysis.....	3
Interim Financial Statements.....	5
Statements of Net Position (Unaudited)	6
Statements of Net Position (Unaudited)	7
Statements of Revenue, Expense, and Changes in Net Position (Unaudited)	8
Interim Financial Statements by Utility	9
Statements of Net Position (Unaudited)	10
Statements of Net Position (Unaudited)	11
Statements of Revenue, Expense, and Changes in Net Position (Unaudited)	12

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)
August 31, 2019 and August 31, 2018

	2019	2018	Increase (Decrease)
ASSETS			
Current assets:			
Cash and equity in pooled investments	\$ 87,324,715	\$ 101,733,506	\$ (14,408,791)
Accounts receivable, net	7,706,815	7,450,745	256,070
Unbilled revenues	8,263,787	6,970,787	1,293,000
Conservation loan fund receivables	237,502	68,072	169,430
Due from other governments	-	155,025	(155,025)
Inventory	1,335,275	1,248,068	87,207
Prepayments	290,672	31,304	259,368
Restricted cash and equity in pooled investments:			
Debt service funds	7,816,659	5,687,658	2,129,001
Construction funds	87,890,576	38	87,890,538
Total restricted cash and equity in pooled investments	95,707,235	5,687,696	90,019,539
Total current assets	200,866,001	123,345,203	77,520,798
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	709,870	710,140	(270)
Prepayments	187,825	281,737	(93,912)
Capital assets:			
Land and easements	23,705,420	23,684,459	20,961
Buildings	191,724,902	191,779,419	(54,517)
Machinery and equipment	210,666,058	209,904,825	761,233
Transmission lines and other improvements	422,991,852	408,681,840	14,310,012
Computer software	9,280,374	8,945,106	335,268
Less: accumulated depreciation	(294,363,472)	(280,017,733)	(14,345,739)
Construction work in progress	35,784,650	22,758,417	13,026,233
Total capital assets, net	599,789,784	585,736,333	14,053,451
Total non-current assets	609,768,881	601,063,367	8,705,514
TOTAL ASSETS	810,634,882	724,408,570	86,226,312
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - loss on refunding bonds	2,201,709	2,795,384	(593,675)
Deferred outflow - OPEB	317,474	-	317,474
Deferred outflow - pensions	5,654,674	11,070,737	(5,416,063)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,173,857	13,866,121	(5,692,264)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 818,808,739	\$ 738,274,691	\$ 80,534,048

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)
August 31, 2019 and August 31, 2018

	2019	2018	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,489,133	\$ 1,945,421	\$ (456,288)
Accrued wages payable and compensated absences payable	1,350,704	1,472,671	(121,967)
Accrued taxes payable	151,698	186,823	(35,125)
Due to other governments	212,648	360,272	(147,624)
Accrued environmental liability	916,063	616,505	299,558
Accrued State Revolving Fund loan interest payable	294,819	324,434	(29,615)
Current portion of State Revolving Fund loan	3,974,950	3,903,128	71,822
Current portion of revenue bonds payable	1,656,250	1,256,250	400,000
GASB 31 market rate adjustment	976,809	742,933	233,876
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	4,968,750	3,768,750	1,200,000
Accrued revenue bonds interest payable	2,539,770	1,918,908	620,862
Deposit in lieu of bond	-	9,250	(9,250)
Total current liabilities	<u>18,531,594</u>	<u>16,505,345</u>	<u>2,026,249</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	252,637,811	188,859,179	63,778,632
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>295,148,503</u>	<u>244,831,116</u>	<u>50,317,387</u>
TOTAL LIABILITIES	<u>313,680,097</u>	<u>261,336,461</u>	<u>52,343,636</u>
DEFERRED INFLOWS OF RESOURCES			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflow - gain on refunding bonds	41,762	60,322	(18,560)
Deferred inflow - OPEB	64,332	-	64,332
Deferred inflow - pensions	7,505,773	2,277,389	5,228,384
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>32,611,867</u>	<u>27,337,711</u>	<u>5,274,156</u>
NET POSITION			
Net investment in capital assets	407,164,971	395,584,004	11,580,967
Restricted for:			
Bond reserves	4,672,034	14,335,157	(9,663,123)
Debt service	308,139	-	308,139
Deposit in lieu of bond	-	9,250	(9,250)
Net pension asset	4,409,368	-	4,409,368
Unrestricted	55,962,263	39,672,108	16,290,155
TOTAL NET POSITION	<u>472,516,775</u>	<u>449,600,519</u>	<u>22,916,256</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 818,808,739</u>	<u>\$ 738,274,691</u>	<u>\$ 80,534,048</u>

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

	August Year-to-Date		\$	%
	2019	2018	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 33,677,343	\$ 33,176,056	\$ 501,287	2%
Wastewater commercial and public authorities	18,215,220	17,981,341	233,879	1%
Surface water residential	11,621,241	11,568,580	52,661	0%
Surface water commercial	12,941,884	12,633,605	308,279	2%
Other revenues	1,742,337	2,608,768	(866,431)	-33%
Total operating revenues	78,198,025	77,968,350	229,675	0%
OPERATING EXPENSES				
Business operations	16,528,162	16,517,155	11,007	0%
Operations and maintenance	18,256,500	17,862,198	394,302	2%
Science and engineering	10,040,297	11,302,055	(1,261,758)	-11%
Depreciation	11,881,968	11,695,971	185,997	2%
Total operating expenses	56,706,927	57,377,379	(670,452)	-1%
Net operating income	21,491,098	20,590,971	900,127	4%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	2,585,842	1,196,556	1,389,286	116%
Interest expenses and other related costs	(7,307,279)	(5,354,588)	(1,952,691)	-36%
Amortization of bond premium and gain/loss on refunding	699,645	590,134	109,511	19%
Other nonoperating revenues	1,751,392	1,106,759	644,633	58%
Gain on sale/disposal of capital assets	900	(34,232)	35,132	103%
Total nonoperating expenses	(2,269,500)	(2,495,371)	225,871	9%
Net income before contributions and transfers	19,221,598	18,095,600	1,125,998	6%
Capital contributions and grants	1,610,687	2,367,172	(756,485)	-32%
Transfer in from other funds	263,972	246,389	17,583	7%
Transfer out to other funds	(846,333)	-	(846,333)	N/A
Gross earnings tax	(6,571,948)	(6,481,617)	(90,331)	-1%
Total contributions and transfers	(5,543,622)	(3,868,056)	(1,675,566)	-43%
CHANGE IN NET POSITION	13,677,976	14,227,544	(549,568)	-4%
NET POSITION - JANUARY 1	458,838,799	435,372,975	23,465,824	5%
NET POSITION - AUGUST 31	\$ 472,516,775	\$ 449,600,519	\$ 22,916,256	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)
August 31, 2019 and August 31, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
ASSETS				
Current assets:				
Cash and equity in pooled investments	\$ 67,574,681	\$ 63,125,057	\$ 19,750,034	\$ 38,608,449
Accounts receivable, net	5,443,565	5,246,822	2,263,250	2,203,923
Unbilled revenues	5,336,787	4,614,787	2,927,000	2,356,000
Conservation loan fund receivables	237,502	68,072	-	-
Due from other governments	-	-	-	155,025
Inventory	1,335,275	1,248,068	-	-
Prepayments	290,672	31,304	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	4,759,248	3,314,188	3,057,411	2,373,470
Construction funds	38,663,775	38	49,226,801	-
Total restricted cash and equity in pooled investments	43,423,023	3,314,226	52,284,212	2,373,470
Total current assets	123,641,505	77,648,336	77,224,496	45,696,867
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	709,870	710,140	-	-
Prepayments	187,825	281,737	-	-
Capital assets:				
Land and easements	12,015,024	12,006,931	11,690,396	11,677,528
Buildings	189,753,995	189,808,512	1,970,907	1,970,907
Machinery and equipment	197,312,936	196,467,229	13,353,122	13,437,596
Transmission lines and other improvements	225,221,892	222,543,624	197,769,960	186,138,216
Computer software	5,379,794	5,142,475	3,900,580	3,802,631
Less: accumulated depreciation	(238,449,223)	(227,699,776)	(55,914,249)	(52,317,957)
Construction work in progress	23,840,655	10,673,793	11,943,995	12,084,624
Total capital assets, net	415,075,073	408,942,788	184,714,711	176,793,545
Total non-current assets	423,596,066	420,016,156	186,172,815	181,047,211
TOTAL ASSETS	547,237,571	497,664,492	263,397,311	226,744,078
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - loss on refunding bonds	817,757	962,202	1,383,952	1,833,182
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	4,921,692	8,515,695	3,252,165	5,350,426
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 552,159,263	\$ 506,180,187	\$ 266,649,476	\$ 232,094,504

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)
August 31, 2019 and August 31, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,137,347	\$ 1,509,560	\$ 351,786	\$ 435,861
Accrued wages payable and compensated absences payable	1,020,204	1,042,414	330,500	430,257
Accrued taxes payable	109,209	135,647	42,489	51,176
Due to other governments	212,648	360,272	-	-
Accrued environmental liability	-	-	916,063	616,505
Accrued State Revolving Fund loan interest payable	293,306	322,812	1,513	1,622
Current portion of State Revolving Fund loan	3,951,824	3,880,662	23,126	22,466
Current portion of revenue bonds payable	996,865	755,336	659,385	500,914
GASB 31 market rate adjustment	623,113	455,811	353,696	287,122
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	2,990,595	2,266,009	1,978,155	1,502,741
Accrued revenue bonds interest payable	1,460,514	1,048,179	1,079,256	870,729
Deposit in lieu of bond	-	9,250	-	-
Total current liabilities	12,795,625	11,785,952	5,735,969	4,719,393
Non-current liabilities:				
Long-term debt - revenue bonds, net	148,003,721	107,495,535	104,634,090	81,363,644
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	188,375,790	157,803,001	106,772,713	87,028,115
TOTAL LIABILITIES	201,171,415	169,588,953	112,508,682	91,747,508
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflow - gain on refunding bonds	17,540	25,335	24,222	34,987
Deferred inflow - OPEB	61,726	-	2,606	-
Deferred inflow - pensions	5,078,270	1,553,849	2,427,503	723,540
TOTAL DEFERRED INFLOWS OF RESOURCES	22,157,536	18,579,184	10,454,331	8,758,527
NET POSITION				
Net investment in capital assets	267,235,188	259,444,869	139,929,783	136,139,135
Restricted for:				
Bond reserves	4,640,000	10,081,491	32,034	4,253,666
Debt service	308,139	-	-	-
Deposit in lieu of bond	-	9,250	-	-
Net pension asset	2,983,298	-	1,426,070	-
Unrestricted	53,663,687	48,476,440	2,298,576	(8,804,332)
TOTAL NET POSITION	328,830,312	318,012,050	143,686,463	131,588,469
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 552,159,263	\$ 506,180,187	\$ 266,649,476	\$ 232,094,504

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

	Wastewater		Surface Water	
	August Year-to-Date		August Year-to-Date	
	2019	2018	2019	2018
OPERATING REVENUES				
Wastewater residential	\$ 33,677,343	\$ 33,176,056	\$ -	\$ -
Wastewater commercial and public authorities	18,215,220	17,981,341	-	-
Surface water residential	-	-	11,621,241	11,568,580
Surface water commercial	-	-	12,941,884	12,633,605
Other revenues	1,647,729	1,799,861	94,608	808,907
Total operating revenues	<u>53,540,292</u>	<u>52,957,258</u>	<u>24,657,733</u>	<u>25,011,092</u>
OPERATING EXPENSES				
Business operations	11,118,923	11,473,239	5,409,239	5,043,916
Operations and maintenance	15,773,995	15,538,297	2,482,505	2,323,901
Science and engineering	5,155,256	5,153,057	4,885,041	6,148,998
Depreciation	9,177,639	9,058,152	2,704,329	2,637,819
Total operating expenses	<u>41,225,813</u>	<u>41,222,745</u>	<u>15,481,114</u>	<u>16,154,634</u>
Net operating income	<u>12,314,479</u>	<u>11,734,513</u>	<u>9,176,619</u>	<u>8,856,458</u>
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,602,527	745,769	983,315	450,787
Interest expenses and other related costs	(4,397,240)	(3,225,608)	(2,910,039)	(2,128,980)
Amortization of bond premium and gain/loss on refunding	346,374	295,024	353,271	295,110
Other nonoperating revenues	1,152,454	1,013,305	598,938	93,454
Gain on sale/disposal of capital assets	900	(6,071)	-	(28,161)
Total nonoperating expenses	<u>(1,294,985)</u>	<u>(1,177,581)</u>	<u>(974,515)</u>	<u>(1,317,790)</u>
Net income before contributions and transfers	<u>11,019,494</u>	<u>10,556,932</u>	<u>8,202,104</u>	<u>7,538,668</u>
Capital contributions and grants	659,251	2,114,194	951,436	252,978
Transfer in from other funds	-	-	263,972	246,389
Transfer out to other funds	(79,300)	-	(767,033)	-
Gross earnings tax	(4,520,194)	(4,391,697)	(2,051,754)	(2,089,920)
Total contributions and transfers	<u>(3,940,243)</u>	<u>(2,277,503)</u>	<u>(1,603,379)</u>	<u>(1,590,553)</u>
CHANGE IN NET POSITION	<u>7,079,251</u>	<u>8,279,429</u>	<u>6,598,725</u>	<u>5,948,115</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 - AUGUST 31	<u>\$ 328,830,312</u>	<u>\$ 318,012,050</u>	<u>\$ 143,686,463</u>	<u>\$ 131,588,469</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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