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***March 2020***

***WASTEWATER AND SURFACE WATER  
MANAGEMENT***

***INTERIM FINANCIAL REPORT***



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***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 March 31, 2020 and 2019**

**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 March 31, 2020 and 2019. 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 March 31, 2020 and 2019, 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 \$3.4 million in the first three months of 2020, compared to \$4.6 million for the same period in 2019.
- Total net position is \$478.2 million at March 31, 2020 compared to \$463.4 million at March 31, 2019.
- Operating revenues were \$28.6 million for the first three months of 2020 compared to \$28.5 million in 2019.
- Cash and equity in pooled investments unrestricted was \$90.4 million at March 31, 2020 compared to \$73.1 million in 2019.

**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 periods.

	March 31,		
	2020	2019	Increase (Decrease)
Current, restricted, and other assets	\$ 203,003,430	\$ 209,216,224	\$ (6,212,794)
Net capital assets	605,029,524	596,260,958	8,768,566
Total assets	808,032,954	805,477,182	2,555,772
Deferred outflows of resources	20,052,336	8,227,038	11,825,298
Total assets and deferred outflows of resources	<u>\$ 828,085,290</u>	<u>\$ 813,704,220</u>	<u>\$ 14,381,070</u>
Non-current liabilities	\$ 300,254,952	\$ 297,627,771	\$ 2,627,181
Current liabilities	20,794,937	20,057,119	737,818
Total liabilities	321,049,889	317,684,890	3,364,999
Deferred inflows of resources	28,849,294	32,619,600	(3,770,306)
Total liabilities and deferred inflows of resources	<u>349,899,183</u>	<u>350,304,490</u>	<u>(405,307)</u>
Net position:			
Net investment in capital assets	414,215,015	409,195,829	5,019,186
Restricted	4,672,034	12,003,520	(7,331,486)
Unrestricted	59,299,058	42,200,381	17,098,677
Total net position	<u>478,186,107</u>	<u>463,399,730</u>	<u>14,786,377</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 828,085,290</u>	<u>\$ 813,704,220</u>	<u>\$ 14,381,070</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$478.2 million in 2020, compared to \$463.4 million in 2019. The Division's net position increased by \$3.4 million to \$478.2 million in 2020 compared to an increase of \$4.6 million to \$463.4 million in 2019. 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 \$414.2 million in 2020 and \$409.2 million in 2019. 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.

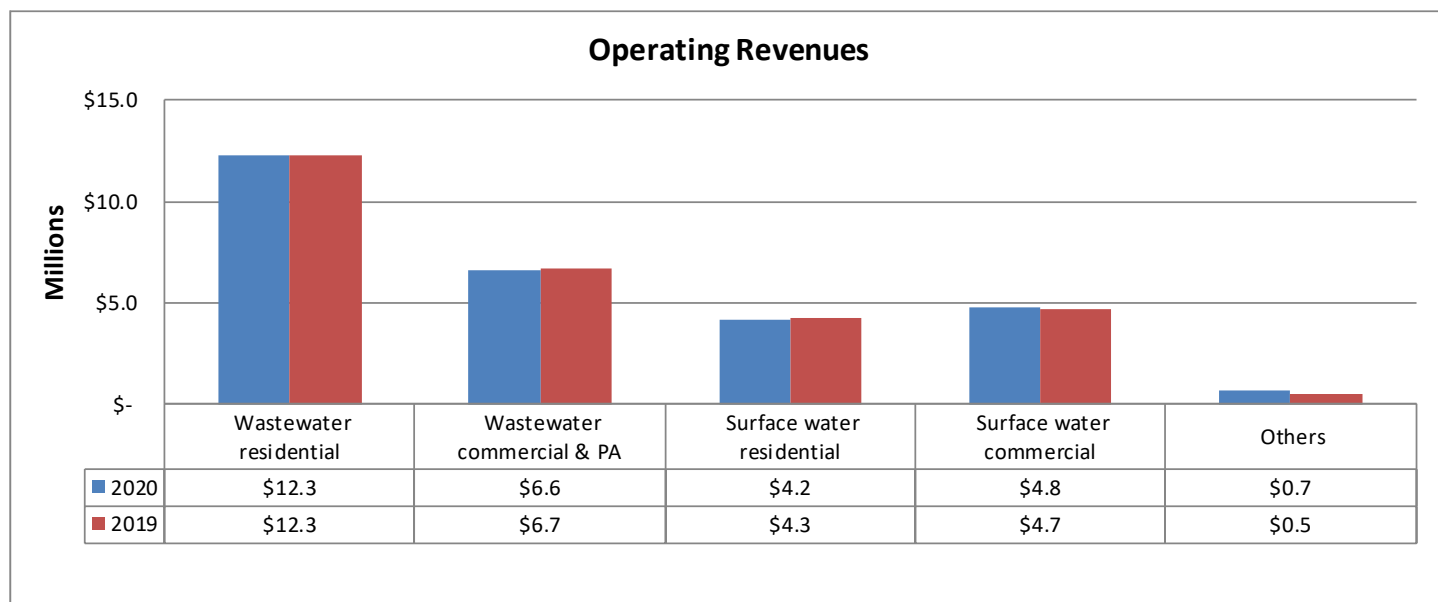
The restricted portion of the Division's net position is \$4.7 million for 2020, compared to \$12.0 million in 2019 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$59.3 million for 2020 and \$42.2 million for 2019 is unrestricted.

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

	Month ended March 31,		Increase (Decrease)
	2020	2019	
Operating revenues	\$ 28,578,828	\$ 28,463,821	\$ 115,007
Operating expenses	21,893,732	20,796,888	1,096,844
Net operating income	6,685,096	7,666,933	(981,837)
Nonoperating expenses	(1,073,065)	(1,111,437)	38,372
Increase in net position before transfers	5,612,031	6,555,496	(943,465)
Capital contributions	432,873	555,016	(122,143)
Transfers	(2,621,092)	(2,549,581)	(71,511)
Increase in net position	3,423,812	4,560,931	(1,137,119)
Net position - Beginning of year	474,762,295	458,838,799	15,923,496
Net position - Ending	\$ 478,186,107	\$ 463,399,730	\$ 14,786,377

### Operating revenues

The following graph provides a comparison of operating revenues for the first three months of 2020 and 2019.



Operating revenues for the first three months of 2020 were \$28.6 million compared to \$28.5 million in 2019. The approved average rate increases for Wastewater were 4.0% for 2020 and 2019. The approved average rate increase for Surface Water was 3.5% for 2020 and 2019. The rate increases went into effect January 1st of each year.

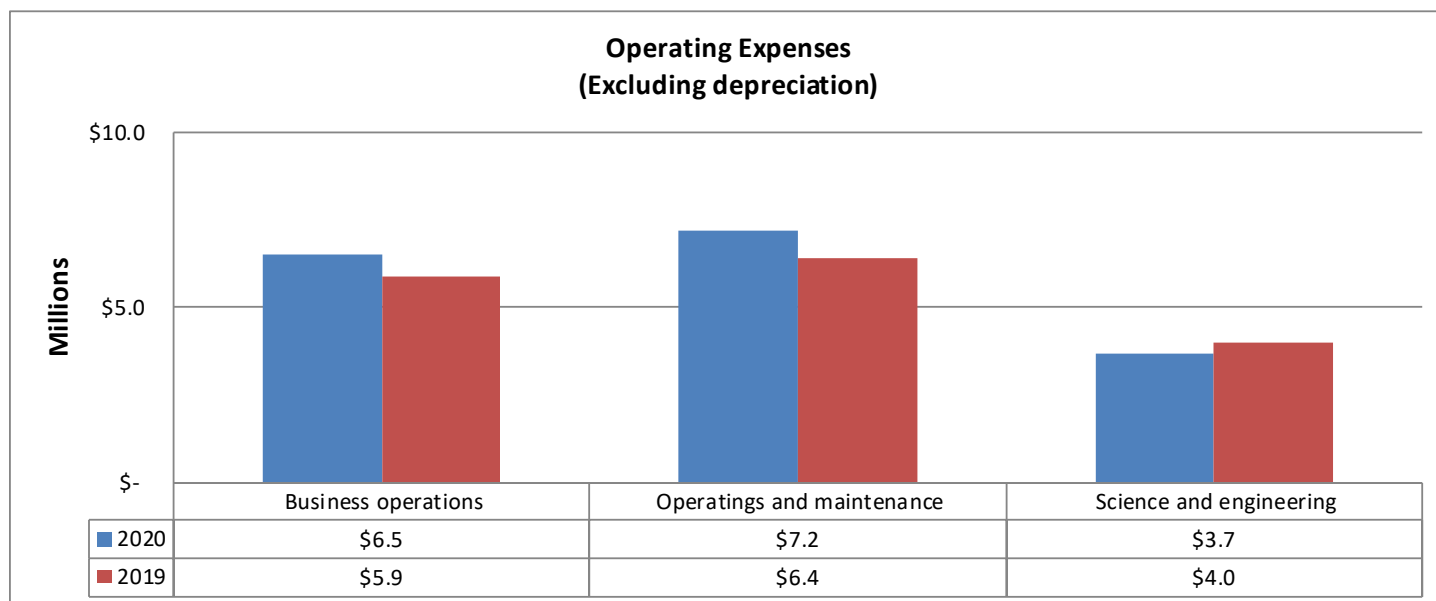
Wastewater residential revenues decreased \$14,000 (0%) compared to the same period last year. Wastewater commercial and public authority (PA) revenues decreased \$127,000 (2%), Surface Water residential revenue decreased \$96,000 (2%), but Surface Water commercial revenue increased \$120,000 (3%). Most revenue categories decreased due to invoice processing delays caused by the temporary TPU mailroom shut down due



to the Coronavirus crisis. Other revenues increased \$231,000 (47%) mainly due to increased revenues from septic tank and leachates from the Land Recovery Inc.

### Operating expenses

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



Operating expenses excluding depreciation increased \$965,000 compared to the same period last year.

- Business operation expenses increased \$564,000. The significant events were:
  - Labor expense including all payroll-associated costs increased \$326,000 due to pay increases in 2020, which excluded some unions in the process of pay negotiation.
  - Assessment charges from other departments, including Customer Service and IT, increased \$247,000 for their services.
  - Bad debts expenses decreased \$95,000 due to decreased accounts receivables.
  - The remaining difference of \$86,000 is related to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$775,000. The significant events were:
  - Labor expense including all payroll-associated costs increased \$227,000 due to pay increases in 2020.
  - Inventory reclaim account increased \$276,000, which was used to readjust inventory counts in SAP based on the physical inventory.
  - External contract service increased \$213,000 due in part to the renovating project of the employee shower and locker room, located in Building E at 2201 Portland Ave in Tacoma.
  - The remaining difference of \$59,000 is related to multiple small increases in other expenses.
- Science and engineering expenses decreased \$374,000. The significant events were:
  - Labor expenses including all payroll-associated costs increased \$340,000 due to pay increases in 2020.
  - External contract services decreased \$328,000 primarily due to no additional costs incurred for the field test construction of new permeable mix designs and stormwater collection system with Miles Resources LLC.
  - Professional and maintenance service decreased \$422,000 due in part to the reduced management and maintenance service costs with Kidder Mathew for the Center for Urban Water building.
  - The remaining difference of \$36,000 is related to multiple small increases in other expenses.

### Nonoperating revenues and expenses

Net expenses of \$1.1 million were reported for the first three months of 2020 and 2019. Compared to last year, investment income decreased \$62,000 due to a lower cash balance in investment pool. Gain on disposal of capital assets increased \$100,000 due to the sales proceeds from Wastewater vehicles sold at auctions.

### Contributions and transfers

Contributions and transfers decreased \$194,000. Last year, Public Works contributed \$200,000 for the North Bennett Street GSI project.

### Capital Assets

Capital assets increased \$8.8 million over the prior year. Buildings increased \$4.0 million primarily due to the Emergency Digester #2 Band Replacement project and Tagro Canopy project. Machinery and equipment increased \$3.5 million primarily due to the South Tacoma Lift Station project and various vehicles purchased through Fleet. Transmission lines and other improvements increased \$19.7 million: 3,940 feet of donated lines were recorded for \$1.4 million, 68,142 feet of old lines were retired at the historical cost of \$261,000, and 35,228 feet of new replacement lines and extended sewer lines were recorded for \$18.6 million. Accumulated depreciation increased \$16.5 million, and construction in progress decreased \$2.2 million due in part to being postponed capital project spending caused by the coronavirus crisis.

### Debt Administration

At March 31, 2020, the Division had \$288.6 million outstanding in long-term debt: \$36.6 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, \$11.0 million will be paid in 2020.

### 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 March 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 2.98 in 2020. This compares to 3.20 in the same period of 2019.

### Request for Information

Wastewater and Surface 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.

# **Interim Financial Statements**

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

	As of March 31,		Increase
	2020	2019	(Decrease)
ASSETS			
Current assets:			
Cash and equity in pooled investments	\$ 90,395,481	\$ 73,077,134	\$ 17,318,347
Accounts receivable, net	8,168,401	8,438,998	(270,597)
Unbilled revenues	7,736,787	8,263,787	(527,000)
GASB 31 market rate adjustment	1,106,962	-	1,106,962
Conservation loan fund receivables	151,349	241,630	(90,281)
Due from other governments	55,823	700,699	(644,876)
Inventory	1,751,467	1,338,193	413,274
Prepayments	148,244	136,896	11,348
Restricted cash and equity in pooled investments:			
Debt service funds	5,621,382	9,117,163	(3,495,781)
Construction funds	82,347,360	97,992,584	(15,645,224)
Total restricted cash and equity in pooled investments	87,968,742	107,109,747	(19,141,005)
Total current assets	197,483,256	199,307,084	(1,823,828)
Non-current assets:			
Restricted cash and equity in pooled investments:			
Debt reserves	4,672,034	4,672,034	-
Net pension asset	-	4,409,368	(4,409,368)
Conservation loan fund receivables	754,227	639,913	114,314
Prepayments	93,913	187,825	(93,912)
Capital assets:			
Land and easements	23,897,246	23,696,173	201,073
Buildings	195,685,094	191,724,902	3,960,192
Machinery and equipment	213,765,418	210,262,658	3,502,760
Transmission lines and other improvements	442,735,419	422,991,108	19,744,311
Computer software	9,307,245	9,280,373	26,872
Less: accumulated depreciation	(303,790,653)	(287,317,793)	(16,472,860)
Construction work in progress	23,429,755	25,623,537	(2,193,782)
Total capital assets, net	605,029,524	596,260,958	8,768,566
Total non-current assets	610,549,698	606,170,098	4,379,600
TOTAL ASSETS	808,032,954	805,477,182	2,555,772
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - loss on refunding bonds	3,578,060	2,254,890	1,323,170
Deferred outflows - OPEB	1,052,545	317,474	735,071
Deferred outflows - pensions	15,421,731	5,654,674	9,767,057
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,052,336	8,227,038	11,825,298
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 828,085,290	\$ 813,704,220	\$ 14,381,070

*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)

	As of March 31,		Increase
	2020	2019	(Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,898,285	\$ 1,467,138	\$ 431,147
Accrued wages payable and compensated absences payable	1,622,517	1,374,192	248,325
Accrued taxes payable	151,462	151,319	143
Due to other governments	780,000	535,417	244,583
Accrued environmental liability	1,736,567	1,196,135	540,432
Accrued State Revolving Fund loan interest payable	336,188	372,108	(35,920)
Current portion of State Revolving Fund loan	4,011,393	3,938,862	72,531
Current portion of revenue bonds payable	4,636,666	3,831,594	805,072
GASB 31 market rate adjustment	-	976,809	(976,809)
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	2,318,334	2,793,406	(475,072)
Accrued revenue bonds interest payable	3,303,525	3,410,889	(107,364)
Deposit in lieu of bond	-	9,250	(9,250)
Total current liabilities	<u>20,794,937</u>	<u>20,057,119</u>	<u>737,818</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	245,007,799	253,120,538	(8,112,739)
Long-term accrued compensated absences	2,565,742	2,757,749	(192,007)
Long-term accrued environmental liability	1,192,000	1,012,500	179,500
Long-term State Revolving Fund loan	32,624,538	36,635,931	(4,011,393)
Net pension liability	13,029,876	-	13,029,876
Net OPEB liability	2,555,057	4,101,053	(1,545,996)
Pension withdrawal liability	3,279,940	-	3,279,940
Total noncurrent liabilities	<u>300,254,952</u>	<u>297,627,771</u>	<u>2,627,181</u>
<b>TOTAL LIABILITIES</b>	<u>321,049,889</u>	<u>317,684,890</u>	<u>3,364,999</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflows - gain on refunding bonds	30,934	49,495	(18,561)
Deferred inflows - OPEB	2,106,245	64,332	2,041,913
Deferred inflows - pensions	1,712,115	7,505,773	(5,793,658)
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>28,849,294</u>	<u>32,619,600</u>	<u>(3,770,306)</u>
<b>NET POSITION</b>			
Net investment in capital assets	414,215,015	409,195,829	5,019,186
Restricted for:			
Bond reserves	4,672,034	4,672,034	-
Debt service	-	2,912,868	(2,912,868)
Deposit in lieu of bond	-	9,250	(9,250)
Net pension asset	-	4,409,368	(4,409,368)
Unrestricted	59,299,058	42,200,381	17,098,677
<b>TOTAL NET POSITION</b>	<u>478,186,107</u>	<u>463,399,730</u>	<u>14,786,377</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 828,085,290</u>	<u>\$ 813,704,220</u>	<u>\$ 14,381,070</u>

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

	March Year-to-Date		\$	%
	2020	2019	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 12,272,351	\$ 12,286,591	\$ (14,240)	0%
Wastewater commercial and public authorities	6,557,491	6,684,555	(127,064)	-2%
Surface water residential	4,238,759	4,334,322	(95,563)	-2%
Surface water commercial	4,788,181	4,667,557	120,624	3%
Other revenues	722,046	490,796	231,250	47%
Total operating revenues	28,578,828	28,463,821	115,007	0%
OPERATING EXPENSES				
Business operations	6,460,623	5,896,489	564,134	10%
Operations and maintenance	7,193,595	6,418,417	775,178	12%
Science and engineering	3,650,550	4,024,945	(374,395)	-9%
Depreciation	4,588,964	4,457,037	131,927	3%
Total operating expenses	21,893,732	20,796,888	1,096,844	5%
Net operating income	6,685,096	7,666,933	(981,837)	-13%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	873,510	935,649	(62,139)	-7%
Interest expenses and other related costs	(2,748,206)	(2,746,497)	(1,709)	0%
Amortization of bond premium and gain/loss on refunding	242,346	262,367	(20,021)	-8%
Other nonoperating revenues	458,785	436,144	22,641	5%
Gain or loss on sale/disposal of capital assets	100,500	900	99,600	11067%
Total nonoperating expenses	(1,073,065)	(1,111,437)	38,372	3%
Net income before contributions and transfers	5,612,031	6,555,496	(943,465)	-14%
Capital contributions and grants	432,873	555,016	(122,143)	-22%
Transfer in from other funds	7,552	211,803	(204,251)	-96%
Transfer out to other funds	(316,626)	(318,625)	1,999	1%
Gross earnings tax	(2,312,018)	(2,442,759)	130,741	5%
Total contributions and transfers	(2,188,219)	(1,994,565)	(193,654)	-10%
CHANGE IN NET POSITION	3,423,812	4,560,931	(1,137,119)	-25%
NET POSITION - JANUARY 1	474,762,295	458,838,799	15,923,496	3%
NET POSITION - MARCH 31	\$ 478,186,107	\$ 463,399,730	\$ 14,786,377	3%

*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 Cash Flow (Unaudited)

	March Year-to-Date	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 27,274,369	\$ 26,589,540
Payments to suppliers	(10,007,244)	(12,467,909)
Payments to employees	(8,420,602)	(7,847,855)
Payments for taxes	(434,984)	(448,352)
Net cash from operating activities	8,411,539	5,825,424
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer out to other funds	(2,628,644)	(3,480,760)
Operating grants received	595,839	53,998
Contributions and donations	15,820	14,500
Net cash from noncapital financing activities	(2,016,985)	(3,412,262)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	7,552	211,803
Acquisition and construction of capital assets	(4,353,294)	(6,062,315)
Interest and issuance costs paid on capital debt	(101,377)	(1,101)
Contributions and donations	388,164	601,045
Cash proceeds from sale of capital assets	100,500	900
Insurance recoveries	5,750	673
Net cash from capital financing activities	(3,952,705)	(5,248,995)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	(233,452)	1,912,457
Nonoperating income	437,215	435,472
Net cash from investing activities	203,763	2,347,929
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	2,645,612	(487,904)
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	180,390,645	185,346,819
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 183,036,257	\$ 184,858,915

*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 Cash Flow (Unaudited)

	March Year-to-Date	
	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 6,685,096	\$ 7,666,933
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	4,588,964	4,457,037
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(648,275)	(1,203,110)
Due from other funds	-	97,971
Inventory	(323,533)	(239,407)
Prepayments	101,289	89,940
Accounts payable	(2,116,246)	(4,173,687)
Conservation loan fund receivables	(8,209)	(68,964)
Accrued wages and compensated absences payable	550,200	239,889
Accrued taxes payable	9,084	7,755
Due to other funds	-	(556,492)
Due to other governments	60,000	(63,611)
Accrued environmental liability	(29,490)	(26,199)
Unearned revenues	(457,341)	(402,631)
Total adjustments	<u>1,726,443</u>	<u>(1,841,509)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 8,411,539</u>	<u>\$ 5,825,424</u>

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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)

	Wastewater As of March 31,		Surface Water As of March 31,	
	2020	2019	2020	2019
<b>ASSETS</b>				
Current assets:				
Cash and equity in pooled investments	\$ 68,109,421	\$ 59,344,777	\$ 22,286,060	\$ 13,732,357
Accounts receivable, net	6,214,614	6,340,333	1,953,787	2,098,665
Unbilled revenues	4,993,787	5,336,787	2,743,000	2,927,000
GASB 31 market rate adjustment	676,674	-	430,288	-
Conservation loan fund receivables	151,349	241,630	-	-
Due from other governments	-	-	55,823	700,699
Inventory	1,751,467	1,338,193	-	-
Prepayments	148,244	136,896	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	3,289,069	5,802,126	2,332,313	3,315,037
Construction funds	35,235,397	45,927,229	47,111,963	52,065,355
Total restricted cash and equity in pooled investments	38,524,466	51,729,355	49,444,276	55,380,392
Total current assets	120,570,022	124,467,971	76,913,234	74,839,113
Non-current assets:				
Restricted cash and equity in pooled investments:				
Debt reserves	4,640,000	4,640,000	32,034	32,034
Net pension asset	-	2,983,298	-	1,426,070
Conservation loan fund receivables	754,227	639,913	-	-
Prepayments	93,913	187,825	-	-
Capital assets:				
Land and easements	12,052,764	12,012,788	11,844,482	11,683,385
Buildings	193,820,550	189,753,996	1,864,544	1,970,906
Machinery and equipment	200,095,181	196,909,536	13,670,237	13,353,122
Transmission lines and other improvements	237,213,579	225,221,892	205,521,840	197,769,216
Computer software	5,391,078	5,379,794	3,916,167	3,900,579
Less: accumulated depreciation	(245,826,067)	(233,091,211)	(57,964,586)	(54,226,582)
Construction work in progress	12,909,999	16,968,320	10,519,756	8,655,217
Total capital assets, net	415,657,084	413,155,115	189,372,440	183,105,843
Total non-current assets	421,145,224	421,606,151	189,404,474	184,563,947
<b>TOTAL ASSETS</b>	<b>541,715,246</b>	<b>546,074,122</b>	<b>266,317,708</b>	<b>259,403,060</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - loss on refunding bonds	2,240,909	837,510	1,337,151	1,417,380
Deferred outflows - OPEB	217,076	278,085	835,469	39,389
Deferred outflows - pensions	10,458,400	3,825,850	4,963,331	1,828,824
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,916,385</b>	<b>4,941,445</b>	<b>7,135,951</b>	<b>3,285,593</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 554,631,631</b>	<b>\$ 551,015,567</b>	<b>\$ 273,453,659</b>	<b>\$ 262,688,653</b>

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

	Wastewater As of March 31,		Surface Water As of March 31,	
	2020	2019	2020	2019
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,344,992	\$ 1,155,754	\$ 553,293	\$ 311,384
Accrued wages payable and compensated absences payable	1,198,873	1,035,630	423,644	338,562
Accrued taxes payable	111,069	106,460	40,393	44,859
Due to other governments	780,000	535,417	-	-
Accrued environmental liability	-	-	1,736,567	1,196,135
Accrued State Revolving Fund loan interest payable	334,003	369,757	2,185	2,351
Current portion of State Revolving Fund loan	3,987,930	3,916,069	23,463	22,793
Current portion of revenue bonds payable	2,786,843	2,658,307	1,849,823	1,173,287
GASB 31 market rate adjustment	-	623,113	-	353,696
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	1,393,422	1,329,153	924,912	1,464,253
Accrued revenue bonds interest payable	1,896,124	1,959,235	1,407,401	1,451,654
Deposit in lieu of bond	-	9,250	-	-
Total current liabilities	13,833,256	13,698,145	6,961,681	6,358,974
Non-current liabilities:				
Long-term debt - revenue bonds, net	143,497,608	148,236,710	101,510,191	104,883,828
Long-term accrued compensated absences	2,094,738	2,288,084	471,004	469,665
Long-term accrued environmental liability	-	-	1,192,000	1,012,500
Long-term State Revolving Fund loan	32,348,431	36,336,361	276,107	299,570
Net pension liability	8,836,340	-	4,193,536	-
Net OPEB liability	1,350,938	3,732,518	1,204,119	368,535
Pension withdrawal liability	3,279,940	-	-	-
Total noncurrent liabilities	191,407,995	190,593,673	108,846,957	107,034,098
<b>TOTAL LIABILITIES</b>	<b>205,241,251</b>	<b>204,291,818</b>	<b>115,808,638</b>	<b>113,393,072</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflows - gain on refunding bonds	12,992	20,788	17,942	28,707
Deferred inflows - OPEB	1,988,074	61,726	118,171	2,606
Deferred inflows - pensions	1,161,088	5,078,270	551,027	2,427,503
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>20,162,154</b>	<b>22,160,784</b>	<b>8,687,140</b>	<b>10,458,816</b>
<b>NET POSITION</b>				
Net investment in capital assets	270,499,586	268,751,619	143,715,429	140,444,210
Restricted for:				
Bond reserves	4,640,000	4,640,000	32,034	32,034
Debt service	-	2,513,738	-	399,130
Deposit in lieu of bond	-	9,250	-	-
Net pension asset	-	2,983,298	-	1,426,070
Unrestricted	54,088,640	45,665,060	5,210,418	(3,464,679)
<b>TOTAL NET POSITION</b>	<b>329,228,226</b>	<b>324,562,965</b>	<b>148,957,881</b>	<b>138,836,765</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 554,631,631</b>	<b>\$ 551,015,567</b>	<b>\$ 273,453,659</b>	<b>\$ 262,688,653</b>

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City of Tacoma, Washington  
Environmental Service Department  
Wastewater and Surface Water Management  
Statements of Revenues, Expense and Changes in Net Position (Unaudited)

	Wastewater		Surface Water	
	March Year-to-Date		March Year-to-Date	
	2020	2019	2020	2019
OPERATING REVENUES				
Wastewater residential	\$ 12,272,351	\$ 12,286,591	\$ -	\$ -
Wastewater commercial and public authorities	6,557,491	6,684,555	-	-
Surface water residential	-	-	4,238,759	4,334,322
Surface water commercial	-	-	4,788,181	4,667,557
Other revenues	697,077	451,310	24,969	39,486
Total operating revenues	<u>19,526,919</u>	<u>19,422,456</u>	<u>9,051,909</u>	<u>9,041,365</u>
OPERATING EXPENSES				
Business operations	4,357,190	3,937,360	2,103,433	1,959,129
Operations and maintenance	6,205,132	5,590,551	988,463	827,866
Science and engineering	1,890,484	1,928,287	1,760,066	2,096,658
Depreciation	3,542,603	3,440,374	1,046,361	1,016,663
Total operating expenses	<u>15,995,409</u>	<u>14,896,572</u>	<u>5,898,323</u>	<u>5,900,316</u>
Net operating income	<u>3,531,510</u>	<u>4,525,884</u>	<u>3,153,586</u>	<u>3,141,049</u>
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	529,229	586,250	344,281	349,399
Interest expenses and other related costs	(1,690,156)	(1,654,890)	(1,058,050)	(1,091,607)
Amortization of bond premium and gain/loss on refunding	110,213	129,890	132,133	132,477
Other nonoperating revenues	438,063	425,570	20,722	10,574
Gain or loss on sale/disposal of capital assets	100,500	900	-	-
Total nonoperating expenses	<u>(512,151)</u>	<u>(512,280)</u>	<u>(560,914)</u>	<u>(599,157)</u>
Net income before contributions and transfers	<u>3,019,359</u>	<u>4,013,604</u>	<u>2,592,672</u>	<u>2,541,892</u>
Capital contributions and grants	293,833	496,963	139,040	58,053
Transfer in from other funds	-	-	7,552	211,803
Transfer out to other funds	(29,363)	(30,363)	(287,263)	(288,262)
Gross earnings tax	(1,588,073)	(1,668,300)	(723,945)	(774,459)
Total contributions and transfers	<u>(1,323,603)</u>	<u>(1,201,700)</u>	<u>(864,616)</u>	<u>(792,865)</u>
CHANGE IN NET POSITION	<u>1,695,756</u>	<u>2,811,904</u>	<u>1,728,056</u>	<u>1,749,027</u>
NET POSITION - JANUARY 1	<u>327,532,470</u>	<u>321,751,061</u>	<u>147,229,825</u>	<u>137,087,738</u>
NET POSITION - MARCH 31	<u>\$ 329,228,226</u>	<u>\$ 324,562,965</u>	<u>\$ 148,957,881</u>	<u>\$ 138,836,765</u>

City of Tacoma, Washington  
Environmental Service Department  
Wastewater and Surface Water Management  
Statements of Cash Flow (Unaudited)

	Wastewater March Year-to-Date		Surface Water March Year-to-Date	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 18,343,864	\$ 17,730,552	\$ 8,930,505	\$ 8,858,988
Payments to suppliers	(7,139,983)	(8,511,289)	(2,867,261)	(3,956,620)
Payments to employees	(6,037,356)	(5,681,682)	(2,383,246)	(2,166,173)
Payments for taxes	(299,492)	(308,687)	(135,492)	(139,665)
Net cash from operating activities	4,867,033	3,228,894	3,544,506	2,596,530
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	(1,617,436)	(2,194,768)	(1,011,208)	(1,285,992)
Operating grants received	-	-	595,839	53,998
Contributions and donations	-	-	15,820	14,500
Net cash from noncapital financing activities	(1,617,436)	(2,194,768)	(399,549)	(1,217,494)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	7,552	211,803
Acquisition and construction of capital assets	(2,038,373)	(4,011,873)	(2,314,921)	(2,050,442)
Interest and issuance costs paid on capital debt	(101,062)	(585)	(315)	(516)
Contributions and donations	271,478	496,963	116,686	104,082
Cash proceeds from sale of capital assets	100,500	900	-	-
Insurance recoveries	5,750	-	-	673
Net cash from capital financing activities	(1,761,707)	(3,514,595)	(2,190,998)	(1,734,400)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	(147,445)	1,209,362	(86,007)	703,095
Nonoperating income	432,313	425,570	4,902	9,902
Net cash from investing activities	284,868	1,634,932	(81,105)	712,997
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	1,772,758	(845,537)	872,854	357,633
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	109,501,129	116,559,669	70,889,516	68,787,150
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 111,273,887	\$ 115,714,132	\$ 71,762,370	\$ 69,144,783



City of Tacoma, Washington  
Environmental Service Department  
Wastewater and Surface Water Management  
Statements of Cash Flow (Unaudited)

	Wastewater March Year-to-Date		Surface Water March Year-to-Date	
	2020	2019	2020	2019
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income	\$ 3,531,510	\$ 4,525,884	\$ 3,153,586	\$ 3,141,049
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	3,542,603	3,440,374	1,046,361	1,016,663
Cash from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(774,164)	(1,259,151)	125,889	56,041
Due from other funds	-	10,842	-	87,129
Inventory	(323,533)	(239,407)	-	-
Prepayments	101,289	89,940	-	-
Accounts payable	(1,362,101)	(2,896,243)	(754,145)	(1,277,444)
Conservation loan fund receivables	(8,209)	(68,964)	-	-
Accrued wages and compensated absences payable	382,227	211,789	167,973	28,100
Accrued taxes payable	15,277	8,186	(6,193)	(431)
Due to other funds	-	(262,324)	-	(294,168)
Due to other governments	60,000	(63,611)	-	-
Accrued environmental liability	-	-	(29,490)	(26,199)
Unearned revenues	(297,866)	(268,421)	(159,475)	(134,210)
Total adjustments	1,335,523	(1,296,990)	390,920	(544,519)
NET CASH FROM OPERATING ACTIVITIES	\$ 4,867,033	\$ 3,228,894	\$ 3,544,506	\$ 2,596,530



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.