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***June 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 June 30, 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 June 30, 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 June 30, 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 was \$6.5 million in the first six months of 2020, compared to \$10.3 million for the same period in 2019.
- Total net position was \$481.3 million at June 30, 2020 compared to \$469.1 million at June 30, 2019.
- Operating revenues were \$59.5 million for the first six months of 2020 compared to \$58.4 million in 2019.
- Cash and equity in pooled investments unrestricted was \$96.6 million at June 30, 2020 compared to \$80.9 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.

	June 30,		
	2020	2019	Increase (Decrease)
Current, restricted, and other assets	\$ 201,757,375	\$ 205,709,132	\$ (3,951,757)
Net capital assets	604,329,844	599,677,532	4,652,312
Total assets	806,087,219	805,386,664	700,555
Deferred outflows of resources	20,000,997	8,195,129	11,805,868
Total assets and deferred outflows of resources	<u>\$ 826,088,216</u>	<u>\$ 813,581,793</u>	<u>\$ 12,506,423</u>
Non-current liabilities	\$ 297,966,684	\$ 295,353,241	\$ 2,613,443
Current liabilities	17,978,889	16,470,788	1,508,101
Total liabilities	315,945,573	311,824,029	4,121,544
Deferred inflows of resources	28,844,654	32,614,960	(3,770,306)
Total liabilities and deferred inflows of resources	<u>344,790,227</u>	<u>344,438,989</u>	<u>351,238</u>
Net position:			
Net investment in capital assets	409,473,034	408,426,186	1,046,848
Restricted	4,672,034	10,628,032	(5,955,998)
Unrestricted	67,152,922	50,088,586	17,064,336
Total net position	<u>481,297,989</u>	<u>469,142,804</u>	<u>12,155,185</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 826,088,216</u>	<u>\$ 813,581,793</u>	<u>\$ 12,506,423</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$481.3 million in 2020, compared to \$469.1 million in 2019. The Division's net position increased by \$6.5 million to \$481.3 million in 2020 compared to an increase of \$10.3 million to \$469.1 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 \$409.5 million in 2020 and \$408.4 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.

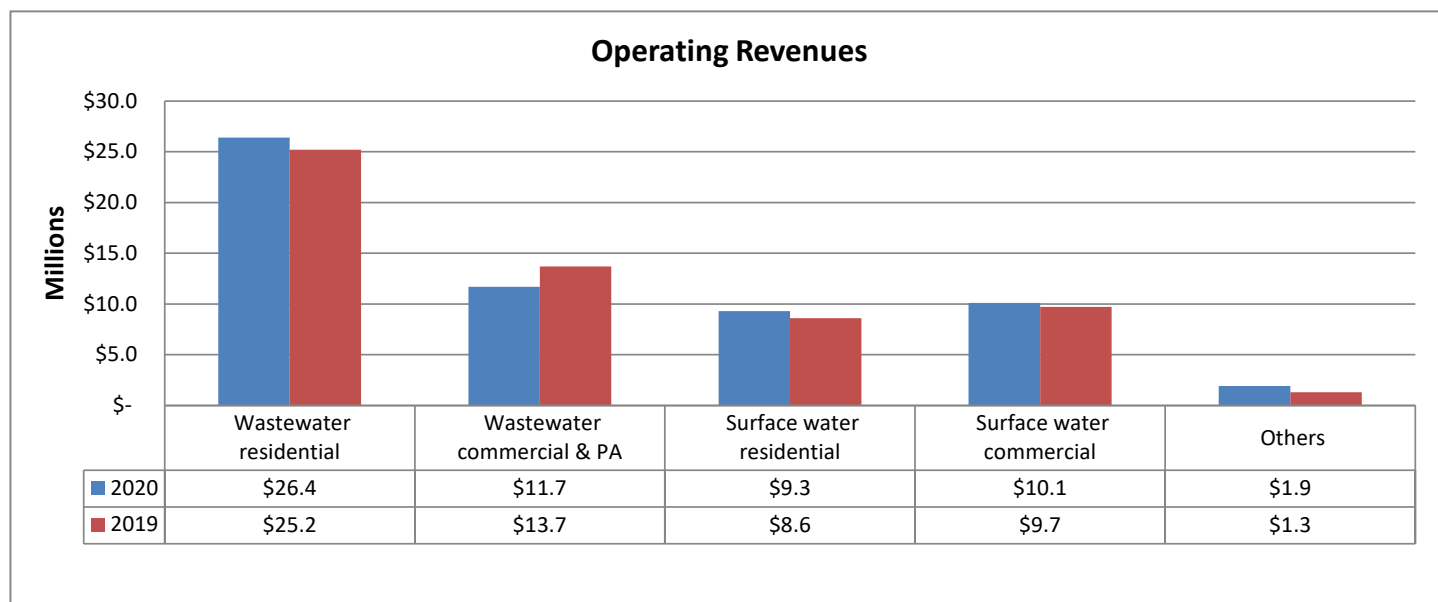
The restricted portion of the Division's net position was \$4.7 million for 2020, compared to \$10.6 million in 2019 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$67.2 million for 2020 and \$50.1 million for 2019 were unrestricted.

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

	June Year-to-Date		Increase
	2020	2019	(Decrease)
Operating revenues	\$ 59,482,234	\$ 58,446,438	\$ 1,035,796
Operating expenses	45,554,210	42,540,092	3,014,118
Net operating income	13,928,024	15,906,346	(1,978,322)
Nonoperating expenses	(2,616,787)	(1,590,275)	(1,026,512)
Increase in net position			
before transfers	11,311,237	14,316,071	(3,004,834)
Capital contributions	702,248	1,271,715	(569,467)
Transfers	(5,477,791)	(5,283,781)	(194,010)
Increase in net position	6,535,694	10,304,005	(3,768,311)
Net position - Beginning of year	474,762,295	458,838,799	15,923,496
Net position - Ending	\$ 481,297,989	\$ 469,142,804	\$ 12,155,185

### Operating revenues

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



Operating revenues for the first six months of 2020 were \$59.5 million compared to \$58.4 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.

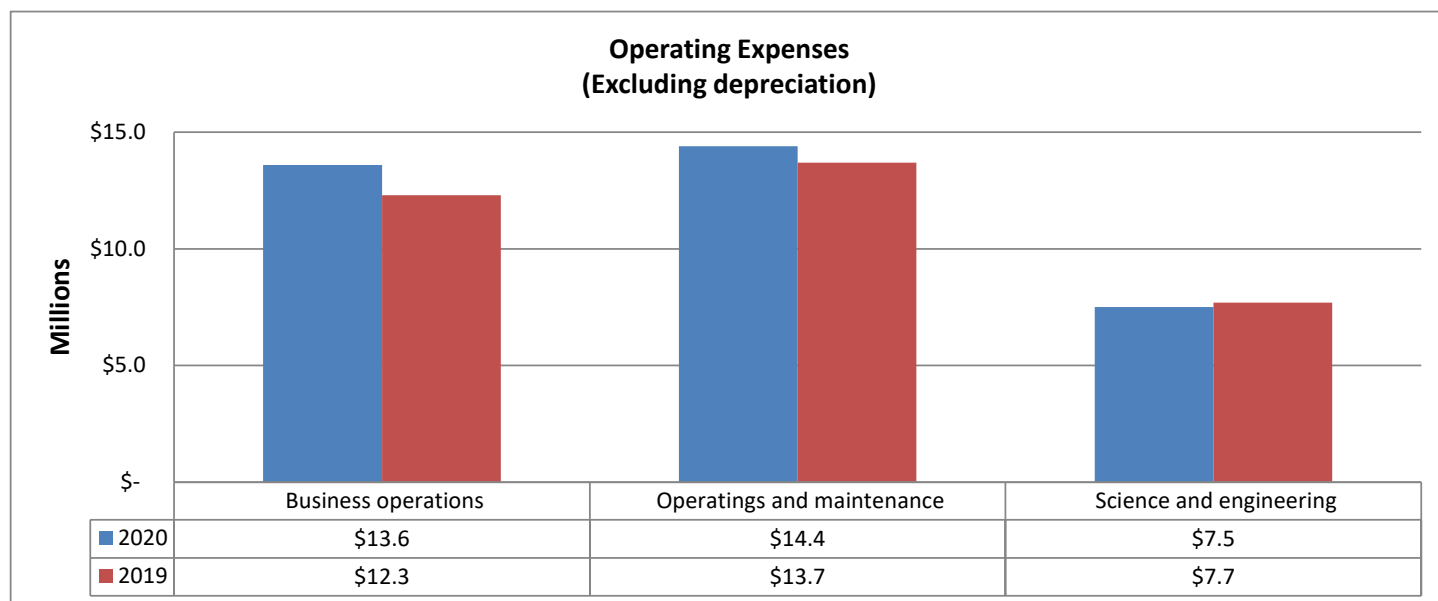
Wastewater residential revenues increased \$1.2 million (5%) compared to the same period last year. Wastewater commercial and public authority (PA) revenues decreased \$1.9 million (14%) due in part to temporary business shut down and partial closures due to Covid 19 impacts. Surface Water residential revenue increased \$698,000 (8%) and Surface Water commercial revenue increased \$462,000 (5%). Other revenues



increased \$615,000 (49%) 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 \$1.8 million compared to the same period last year.

- Business operation expenses increased \$1.3 million. The significant events were:
  - Labor expense including all payroll-associated costs increased \$420,000 due to pay increases in 2020.
  - Administrative and General (A&G) credit allocated to capital projects decreased \$363,000 due to less spending on capital projects caused by Covid 19 impacts.
  - Assessment charges from other departments, including Customer Service and IT, increased \$250,000 for their services.
  - The remaining difference of \$270,000 was related to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$684,000. The significant events were:
  - Labor expense including all payroll-associated costs increased \$622,000 due to pay increases in 2020.
  - Inventory reclaim account increased \$313,000, which was used to readjust inventory counts in SAP based on the physical inventory.
  - Chemical & gases decreased \$226,000 due in part to less chemicals purchased for treatment plants and solids dewatering process.
  - The remaining difference of \$25,000 was related to multiple small decreases in other expenses.
- Science and engineering expenses decreased \$143,000. The significant events were:
  - Labor expense including all payroll-associated costs increased \$499,000 due to pay increases in 2020.
  - External contract services decreased \$568,000 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 \$386,000 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 \$312,000 was related to multiple small increases in other expenses.

### Nonoperating revenues and expenses

Net expenses of \$2.6 million were reported for the first six months of 2020 and \$1.6 million for 2019. Compared to last year, investment income decreased \$287,000 due to a lower cash balance in investment pool. Other nonoperating revenues decreased \$488,000 due in part to no operating grant received in 2020. Gain and Loss on disposal of capital assets decreased \$308,000 due in part to disposed assets per the physical inventory.

### Contributions and transfers

Contributions and transfers decreased \$763,000 due in part to less grants received from the Department of Commerce and Ecology.

### Capital Assets

Capital assets increased \$4.7 million over the prior year. Buildings increased \$21.5 million: \$3.6 million increased for the Emergency Digester #2 Band Replacement project and Tagro Canopy project, and \$17.9 million increased for reclassified assets. Machinery and equipment decreased \$10.9 million: \$4.7 million increased for the South Tacoma Lift Station project and various vehicles purchased through Fleet, \$12.8 million decreased for reclassified assets, and \$2.8 million decreased for disposed assets per the physical inventory. Transmission lines and other improvements increased \$14.1 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, 35,228 feet of new replacement lines and extended sewer lines were recorded for \$18.3 million, and reclassified assets were recorded for \$5.3 million. Accumulated depreciation increased \$15.8 million, and construction in progress decreased \$4.9 million due in part to being postponed capital project spending caused by Covid 19 impacts.

### Debt Administration

At June 30, 2020, the Division had \$286.3 million outstanding debt: \$34.7 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 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 was 3.14 in 2020. This compares to 3.31 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 June 30,		Increase
	2020	2019	(Decrease)
<b>ASSETS</b>			
Current assets:			
Cash and equity in pooled investments	\$ 96,649,980	\$ 80,935,758	\$ 15,714,222
Accounts receivable, net	9,379,548	8,153,857	1,225,691
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	241,330	(89,981)
Inventory	1,958,825	1,373,812	585,013
Prepayments	46,956	46,956	-
Restricted cash and equity in pooled investments:			
Debt service funds	4,882,965	6,122,306	(1,239,341)
Construction funds	74,367,877	90,644,804	(16,276,927)
Total restricted cash and equity in pooled investments	79,250,842	96,767,110	(17,516,268)
Total current assets	196,281,249	195,782,610	498,639
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	710,179	657,295	52,884
Prepayments	93,913	187,825	(93,912)
Capital assets:			
Land and easements	23,897,246	23,696,172	201,074
Buildings	213,250,514	191,724,902	21,525,612
Machinery and equipment	198,973,761	209,897,176	(10,923,415)
Transmission lines and other improvements	437,401,694	422,991,852	14,409,842
Computer software	9,463,010	9,280,373	182,637
Less: accumulated depreciation	(307,203,856)	(291,402,520)	(15,801,336)
Construction work in progress	28,547,475	33,489,577	(4,942,102)
Total capital assets, net	604,329,844	599,677,532	4,652,312
Total non-current assets	609,805,970	609,604,054	201,916
<b>TOTAL ASSETS</b>	<b>806,087,219</b>	<b>805,386,664</b>	<b>700,555</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - loss on refunding bonds	3,526,721	2,222,981	1,303,740
Deferred outflows - OPEB	1,052,545	317,474	735,071
Deferred outflows - pensions	15,421,731	5,654,674	9,767,057
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,000,997</b>	<b>8,195,129</b>	<b>11,805,868</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 826,088,216</b>	<b>\$ 813,581,793</b>	<b>\$ 12,506,423</b>

*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 June 30,		Increase
	2020	2019	(Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,499,819	\$ 1,453,290	\$ 1,046,529
Accrued wages payable and compensated absences payable	877,418	832,714	44,704
Accrued taxes payable	191,627	161,411	30,216
Due to other governments	780,000	494,032	285,968
Accrued environmental liability	1,655,006	944,670	710,336
Accrued State Revolving Fund loan interest payable	157,931	175,984	(18,053)
Current portion of State Revolving Fund loan	4,036,207	3,963,303	72,904
Current portion of revenue bonds payable	2,897,917	2,874,400	23,517
GASB 31 market rate adjustment	-	976,808	(976,808)
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	4,057,083	3,750,600	306,483
Accrued revenue bonds interest payable	825,881	834,326	(8,445)
Deposit in lieu of bond	-	9,250	(9,250)
Total current liabilities	17,978,889	16,470,788	1,508,101
Non-current liabilities:			
Long-term debt - revenue bonds, net	244,718,752	252,830,902	(8,112,150)
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	30,625,317	34,651,037	(4,025,720)
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	297,966,684	295,353,241	2,613,443
<b>TOTAL LIABILITIES</b>	<b>315,945,573</b>	<b>311,824,029</b>	<b>4,121,544</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflows - gain on refunding bonds	26,294	44,855	(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>	<b>28,844,654</b>	<b>32,614,960</b>	<b>(3,770,306)</b>
<b>NET POSITION</b>			
Net investment in capital assets	409,473,034	408,426,186	1,046,848
Restricted for:			
Bond reserves	4,672,034	4,672,034	-
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	67,152,922	50,088,586	17,064,336
<b>TOTAL NET POSITION</b>	<b>481,297,989</b>	<b>469,142,804</b>	<b>12,155,185</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 826,088,216</b>	<b>\$ 813,581,793</b>	<b>\$ 12,506,423</b>

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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)

	June Year-to-Date		\$	%
	2020	2019	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 26,438,954	\$ 25,228,400	\$ 1,210,554	5%
Wastewater commercial and public authorities	11,717,959	13,667,671	(1,949,712)	-14%
Surface water residential	9,332,031	8,634,389	697,642	8%
Surface water commercial	10,120,794	9,658,815	461,979	5%
Other revenues	1,872,496	1,257,163	615,333	49%
Total operating revenues	59,482,234	58,446,438	1,035,796	2%
OPERATING EXPENSES				
Business operations	13,601,521	12,298,921	1,302,600	11%
Operations and maintenance	14,357,268	13,673,699	683,569	5%
Science and engineering	7,515,244	7,658,724	(143,480)	-2%
Depreciation	10,080,177	8,908,748	1,171,429	13%
Total operating expenses	45,554,210	42,540,092	3,014,118	7%
Net operating income	13,928,024	15,906,346	(1,978,322)	-12%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,626,677	1,913,771	(287,094)	-15%
Interest expenses and other related costs	(5,385,967)	(5,482,999)	97,032	2%
Amortization of bond premium and gain/loss on refunding	484,695	524,734	(40,039)	-8%
Other nonoperating revenues	965,226	1,453,319	(488,093)	-34%
Gain or loss on sale/disposal of capital assets	(307,418)	900	(308,318)	-34258%
Total nonoperating expenses	(2,616,787)	(1,590,275)	(1,026,512)	-65%
Net income before contributions and transfers	11,311,237	14,316,071	(3,004,834)	-21%
Capital contributions and grants	702,248	1,271,715	(569,467)	-45%
Transfer in from other funds	7,552	263,972	(256,420)	-97%
Transfer out to other funds	(633,250)	(635,250)	2,000	0%
Gross earnings tax	(4,852,093)	(4,912,503)	60,410	1%
Total contributions and transfers	(4,775,543)	(4,012,066)	(763,477)	-19%
CHANGE IN NET POSITION	6,535,694	10,304,005	(3,768,311)	-37%
NET POSITION - JANUARY 1	474,762,295	458,838,799	15,923,496	3%
NET POSITION - JUNE 30	\$ 481,297,989	\$ 469,142,804	\$ 12,155,185	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)

	June Year-to-Date	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 56,502,102	\$ 56,567,883
Payments to suppliers	(17,436,809)	(20,660,270)
Payments to employees	(18,418,172)	(16,988,950)
Payments for taxes	(959,573)	(917,818)
Net cash from operating activities	19,687,548	18,000,845
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer out to other funds	(5,485,343)	(6,267,127)
Operating grants received	651,662	642,447
Interest paid on noncapital debt	(202,876)	(217,818)
Contributions and donations	15,820	14,760
Net cash from noncapital financing activities	(5,020,737)	(5,827,738)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	7,552	263,972
Acquisition and construction of capital assets	(9,644,522)	(13,930,601)
Principal payments on capital debt	(1,974,407)	(1,960,454)
Interest and issuance costs paid on capital debt	(5,192,181)	(5,292,474)
Contributions and donations	657,539	2,018,182
Cash proceeds from sale of capital assets	192,277	900
Insurance recoveries	5,750	1,760
Net cash from capital financing activities	(15,947,992)	(18,898,715)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	519,716	2,890,579
Nonoperating income	943,676	863,112
Net cash from investing activities	1,463,392	3,753,691
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	182,211	(2,971,917)
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	180,390,645	185,346,819
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	<u>\$ 180,572,856</u>	<u>\$ 182,374,902</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 Cash Flow (Unaudited)

	June Year-to-Date	
	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 13,928,024	\$ 15,906,346
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	10,080,177	8,908,748
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(1,859,422)	(917,969)
Due from other funds	-	97,971
Inventory	(530,891)	(275,026)
Prepayments	202,577	179,880
Accounts payable	(1,514,712)	(4,187,535)
Conservation loan fund receivables	35,839	(86,046)
Accrued wages and compensated absences payable	(194,899)	(301,589)
Accrued taxes payable	49,247	17,848
Due to other funds	-	(556,492)
Due to other governments	60,000	(104,996)
Accrued environmental liability	(111,051)	(277,664)
Unearned revenues	(457,341)	(402,631)
Total adjustments	<u>5,759,524</u>	<u>2,094,499</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 19,687,548</u>	<u>\$ 18,000,845</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 June 30,		Surface Water As of June 30,	
	2020	2019	2020	2019
<b>ASSETS</b>				
Current assets:				
Cash and equity in pooled investments	\$ 69,104,636	\$ 62,981,240	\$ 27,545,344	\$ 17,954,518
Accounts receivable, net	6,832,074	5,960,449	2,547,474	2,193,408
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	241,330	-	-
Inventory	1,958,825	1,373,812	-	-
Prepayments	46,956	46,956	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	2,912,519	3,889,217	1,970,446	2,233,089
Construction funds	31,498,319	40,569,482	42,869,558	50,075,322
Total restricted cash and equity in pooled investments	34,410,838	44,458,699	44,840,004	52,308,411
Total current assets	118,175,139	120,399,273	78,106,110	75,383,337
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	710,179	657,295	-	-
Prepayments	93,913	187,825	-	-
Capital assets:				
Land and easements	12,052,764	12,012,788	11,844,482	11,683,384
Buildings	211,385,969	189,753,995	1,864,545	1,970,907
Machinery and equipment	179,018,950	196,544,054	19,954,811	13,353,122
Transmission lines and other improvements	238,159,355	225,221,892	199,242,339	197,769,960
Computer software	5,546,843	5,379,793	3,916,167	3,900,580
Less: accumulated depreciation	(247,911,183)	(236,162,346)	(59,292,673)	(55,240,174)
Construction work in progress	16,425,528	22,570,239	12,121,947	10,919,338
Total capital assets, net	414,678,226	415,320,415	189,651,618	184,357,117
Total non-current assets	420,122,318	423,788,833	189,683,652	185,815,221
<b>TOTAL ASSETS</b>	<b>538,297,457</b>	<b>544,188,106</b>	<b>267,789,762</b>	<b>261,198,558</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - loss on refunding bonds	2,209,627	825,658	1,317,094	1,397,323
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>12,885,103</b>	<b>4,929,593</b>	<b>7,115,894</b>	<b>3,265,536</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 551,182,560</b>	<b>\$ 549,117,699</b>	<b>\$ 274,905,656</b>	<b>\$ 264,464,094</b>

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

	Wastewater As of June 30,		Surface Water As of June 30,	
	2020	2019	2020	2019
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,861,409	\$ 850,578	\$ 638,410	\$ 602,712
Accrued wages payable and compensated absences payable	667,513	647,329	209,905	185,385
Accrued taxes payable	133,163	120,042	58,464	41,369
Due to other governments	780,000	494,032	-	-
Accrued environmental liability	-	-	1,655,006	944,670
Accrued State Revolving Fund loan interest payable	157,931	175,984	-	-
Current portion of State Revolving Fund loan	4,024,390	3,951,824	11,817	11,479
Current portion of revenue bonds payable	1,741,777	1,775,425	1,156,140	1,098,975
GASB 31 market rate adjustment	-	623,112	-	353,696
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	2,438,488	2,212,035	1,618,595	1,538,565
Accrued revenue bonds interest payable	474,031	480,897	351,850	353,429
Deposit in lieu of bond	-	9,250	-	-
Total current liabilities	<u>12,278,702</u>	<u>11,340,508</u>	<u>5,700,187</u>	<u>5,130,280</u>
Non-current liabilities:				
Long-term debt - revenue bonds, net	143,358,060	148,096,917	101,360,692	104,733,985
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	30,327,077	34,351,467	298,240	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	<u>189,247,093</u>	<u>188,468,986</u>	<u>108,719,591</u>	<u>106,884,255</u>
<b>TOTAL LIABILITIES</b>	<u>201,525,795</u>	<u>199,809,494</u>	<u>114,419,778</u>	<u>112,014,535</u>
<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	11,043	18,839	15,251	26,016
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>	<u>20,160,205</u>	<u>22,158,835</u>	<u>8,684,449</u>	<u>10,456,125</u>
<b>NET POSITION</b>				
Net investment in capital assets	268,923,825	268,521,083	140,549,209	139,905,103
Restricted for:				
Bond reserves	4,640,000	4,640,000	32,034	32,034
Debt service	-	1,196,285	-	341,095
Deposit in lieu of bond	-	9,250	-	-
Net pension asset	-	2,983,298	-	1,426,070
Unrestricted	55,932,735	49,799,454	11,220,187	289,132
<b>TOTAL NET POSITION</b>	<u>329,496,560</u>	<u>327,149,370</u>	<u>151,801,429</u>	<u>141,993,434</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 551,182,560</u>	<u>\$ 549,117,699</u>	<u>\$ 274,905,656</u>	<u>\$ 264,464,094</u>

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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	
	June Year-to-Date		June Year-to-Date	
	2020	2019	2020	2019
OPERATING REVENUES				
Wastewater residential	\$ 26,438,954	\$ 25,228,400	\$ -	\$ -
Wastewater commercial and public authorities	11,717,959	13,667,671	-	-
Surface water residential	-	-	9,332,031	8,634,389
Surface water commercial	-	-	10,120,794	9,658,815
Other revenues	1,836,226	1,185,470	36,270	71,693
Total operating revenues	39,993,139	40,081,541	19,489,095	18,364,897
OPERATING EXPENSES				
Business operations	9,333,692	8,201,499	4,267,829	4,097,422
Operations and maintenance	12,551,635	11,844,665	1,805,633	1,829,034
Science and engineering	4,088,040	3,947,995	3,427,204	3,710,729
Depreciation	7,705,729	6,878,494	2,374,448	2,030,254
Total operating expenses	33,679,096	30,872,653	11,875,114	11,667,439
Net operating income	6,314,043	9,208,888	7,613,981	6,697,458
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	982,707	1,189,408	643,970	724,363
Interest expenses and other related costs	(3,270,180)	(3,300,300)	(2,115,787)	(2,182,699)
Amortization of bond premium and gain/loss on refunding	220,428	259,781	264,267	264,953
Other nonoperating revenues	944,524	864,381	20,702	588,938
Gain or loss on sale/disposal of capital assets	(307,418)	900	-	-
Total nonoperating expenses	(1,429,939)	(985,830)	(1,186,848)	(604,445)
Net income before contributions and transfers	4,884,104	8,223,058	6,427,133	6,093,013
Capital contributions and grants	426,256	618,944	275,992	652,771
Transfer in from other funds	-	-	7,552	263,972
Transfer out to other funds	(58,725)	(59,725)	(574,525)	(575,525)
Gross earnings tax	(3,287,545)	(3,383,968)	(1,564,548)	(1,528,535)
Total contributions and transfers	(2,920,014)	(2,824,749)	(1,855,529)	(1,187,317)
CHANGE IN NET POSITION	1,964,090	5,398,309	4,571,604	4,905,696
NET POSITION - JANUARY 1	327,532,470	321,751,061	147,229,825	137,087,738
NET POSITION - JUNE 30	\$ 329,496,560	\$ 327,149,370	\$ 151,801,429	\$ 141,993,434

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

	Wastewater		Surface Water	
	June Year-to-Date		June Year-to-Date	
	2020	2019	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 37,860,355	\$ 38,603,323	\$ 18,641,747	\$ 17,964,560
Payments to suppliers	(12,619,519)	(14,486,672)	(4,817,290)	(6,173,598)
Payments to employees	(13,450,401)	(12,433,782)	(4,967,771)	(4,555,168)
Payments for taxes	(650,075)	(637,007)	(309,498)	(280,811)
Net cash from operating activities	11,140,360	11,045,862	8,547,188	6,954,983
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfer out to other funds	(3,346,270)	(3,939,796)	(2,139,073)	(2,327,331)
Operating grants received	-	11,172	651,662	631,275
Interest paid on noncapital debt	-	-	(202,876)	(217,818)
Contributions and donations	-	130	15,820	14,630
Net cash from noncapital financing activities	(3,346,270)	(3,928,494)	(1,674,467)	(1,899,244)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Transfer in from other funds	-	-	7,552	263,972
Acquisition and construction of capital assets	(5,722,337)	(9,615,294)	(3,922,185)	(4,315,307)
Principal payments on capital debt	(1,984,894)	(1,949,140)	10,487	(11,314)
Interest and issuance costs paid on capital debt	(3,279,250)	(3,318,108)	(1,912,931)	(1,974,366)
Contributions and donations	403,902	618,814	253,637	1,399,368
Cash proceeds from sale of capital assets	192,277	900	-	-
Insurance recoveries	5,750	-	-	1,760
Net cash from capital financing activities	(10,384,552)	(14,262,828)	(5,563,440)	(4,635,887)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	306,033	1,812,520	213,683	1,078,059
Nonoperating income	938,774	853,210	4,902	9,902
Net cash from investing activities	1,244,807	2,665,730	218,585	1,087,961
<b>NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	(1,345,655)	(4,479,730)	1,527,866	1,507,813
<b>CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING</b>	109,501,129	116,559,669	70,889,516	68,787,150
<b>CASH AND EQUITY IN POOLED INVESTMENTS, ENDING</b>	<u>\$ 108,155,474</u>	<u>\$ 112,079,939</u>	<u>\$ 72,417,382</u>	<u>\$ 70,294,963</u>



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

	Wastewater June Year-to-Date		Surface Water June Year-to-Date	
	2020	2019	2020	2019
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income	\$ 6,314,043	\$ 9,208,888	\$ 7,613,981	\$ 6,697,458
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	7,705,729	6,878,494	2,374,448	2,030,254
Cash from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(1,391,624)	(879,267)	(467,798)	(38,702)
Due from other funds	-	10,842	-	87,129
Inventory	(530,891)	(275,026)	-	-
Prepayments	202,577	179,880	-	-
Accounts payable	(845,684)	(3,201,419)	(669,028)	(986,116)
Conservation loan fund receivables	35,839	(86,046)	-	-
Accrued wages and compensated absences payable	(149,133)	(176,512)	(45,766)	(125,077)
Accrued taxes payable	37,370	21,769	11,877	(3,921)
Due to other funds	-	(262,324)	-	(294,168)
Due to other governments	60,000	(104,996)	-	-
Accrued environmental liability	-	-	(111,051)	(277,664)
Unearned revenues	(297,866)	(268,421)	(159,475)	(134,210)
Total adjustments	4,826,317	1,836,974	933,207	257,525
NET CASH FROM OPERATING ACTIVITIES	\$ 11,140,360	\$ 11,045,862	\$ 8,547,188	\$ 6,954,983



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