
***September
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	9
Statements of Net Position (Unaudited)	10
Statements of Revenue, Expense, and Changes in Net Position (Unaudited)	13
Statements of Cash Flow (Unaudited)	14
Interim Financial Statements by Utility	17
Statements of Net Position (Unaudited)	18
Statements of Revenues, Expense and Changes in Net Position (Unaudited)	21
Statements of Cash Flow (Unaudited)	22

Note:

These financial statements are interim, unaudited reports prepared primarily for the use of management.

This page intentionally left blank.

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 September 30, 2019 and 2018

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 September 30, 2019 and 2018. 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 September 30, 2019 and 2018, 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 \$14.7 million in the first nine months of 2019, compared to \$14.9 million for the same period in 2018.
- Total net position is \$473.6 million at September 30, 2019 compared to \$450.3 million at September 30, 2018.
- Operating revenues were \$87.2 million for the first nine months of 2019 compared to \$86.7 million in 2018.
- Cash and equity in pooled investments unrestricted was \$90.4 million at September 30, 2019 compared to \$101.9 million in 2018.

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.

	September 30,		Increase
	2019	2018	(Decrease)
Current, restricted, and other assets	\$ 213,734,456	\$ 140,307,663	\$ 73,426,793
Net capital assets	599,117,503	585,366,593	13,750,910
Total assets	812,851,959	725,674,256	87,177,703
Deferred outflows of resources	8,163,220	13,852,555	(5,689,335)
Total assets and deferred outflows of resources	<u>\$ 821,015,179</u>	<u>\$ 739,526,811</u>	<u>\$ 81,488,368</u>
Long-term liabilities	\$ 295,051,958	\$ 244,745,328	\$ 50,306,630
Other liabilities	19,792,020	17,178,757	2,613,263
Total liabilities	314,843,978	261,924,085	52,919,893
Deferred inflows of resources	32,610,319	27,336,165	5,274,154
Total liabilities and deferred inflows of resources	347,454,297	289,260,250	58,194,047
Net position:			
Net investment in capital assets	406,490,084	395,684,035	10,806,049
Restricted	9,215,114	14,344,407	(5,129,293)
Unrestricted	57,855,684	40,238,119	17,617,565
Total net position	473,560,882	450,266,561	23,294,321
Total liabilities, deferred inflows of resources, and net position	<u>\$ 821,015,179</u>	<u>\$ 739,526,811</u>	<u>\$ 81,488,368</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$473.6 million in 2019, compared to \$450.3 million in 2018. The Division's net position increased by \$23.3 million to \$473.6 million in 2019 compared to an increase of \$14.9 million to \$450.3 million in 2018. 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 \$406.5 million in 2019 and \$395.7 million in 2018. 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.

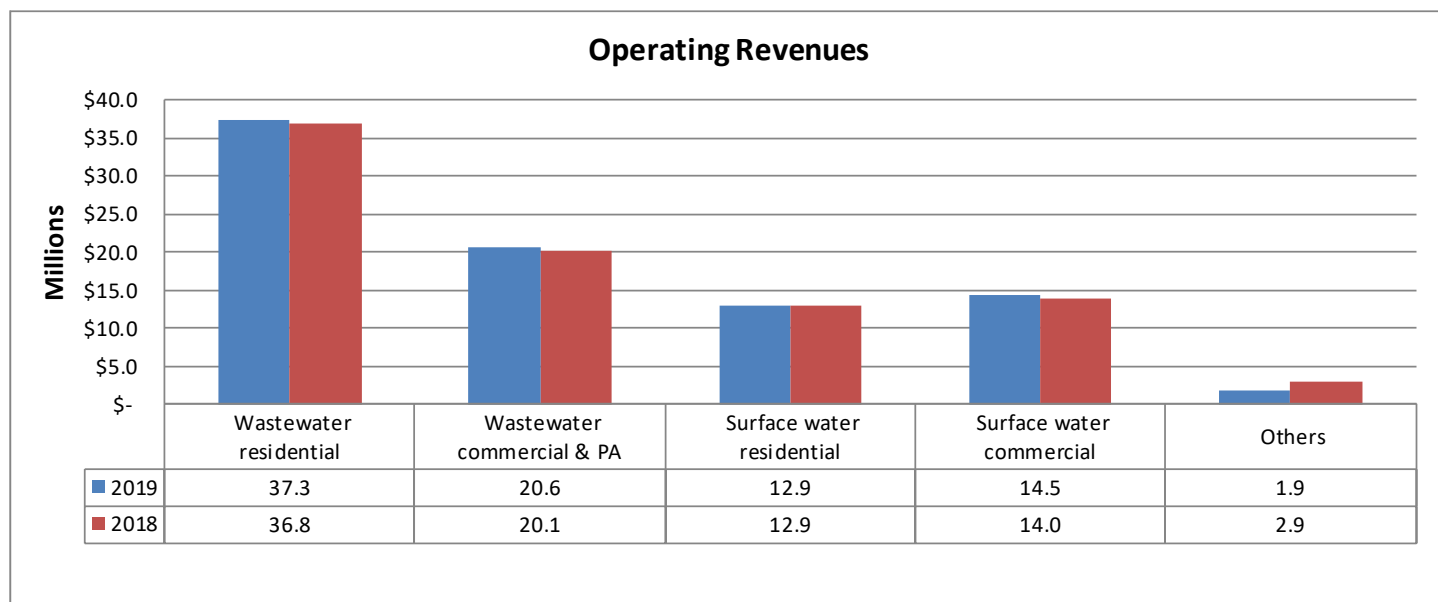
The restricted portion of the Division's net position is \$9.2 million for 2019, compared to \$14.3 million in 2018 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$57.9 million for 2019 and \$40.2 million for 2018 is unrestricted.

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

	Month ended September 30,		Increase (Decrease)
	2019	2018	
Operating revenues	\$ 87,173,466	\$ 86,654,117	\$ 519,349
Operating expenses	63,530,969	64,444,744	(913,775)
Net operating income	23,642,497	22,209,373	1,433,124
Nonoperating revenues (expenses)	(2,603,634)	(2,744,597)	140,963
Increase (decrease) in net position before transfers	21,038,863	19,464,776	1,574,087
Capital contributions	1,657,849	2,355,562	(697,713)
Transfers	(7,974,629)	(6,926,752)	(1,047,877)
Increase (decrease) in net position	14,722,083	14,893,586	(171,503)
Net position - Beginning of year	458,838,799	435,372,975	23,465,824
Net position - Ending	\$ 473,560,882	\$ 450,266,561	\$ 23,294,321

Operating revenues

The following graph provides a comparison of operating revenues for the first nine months of 2019 and 2018.

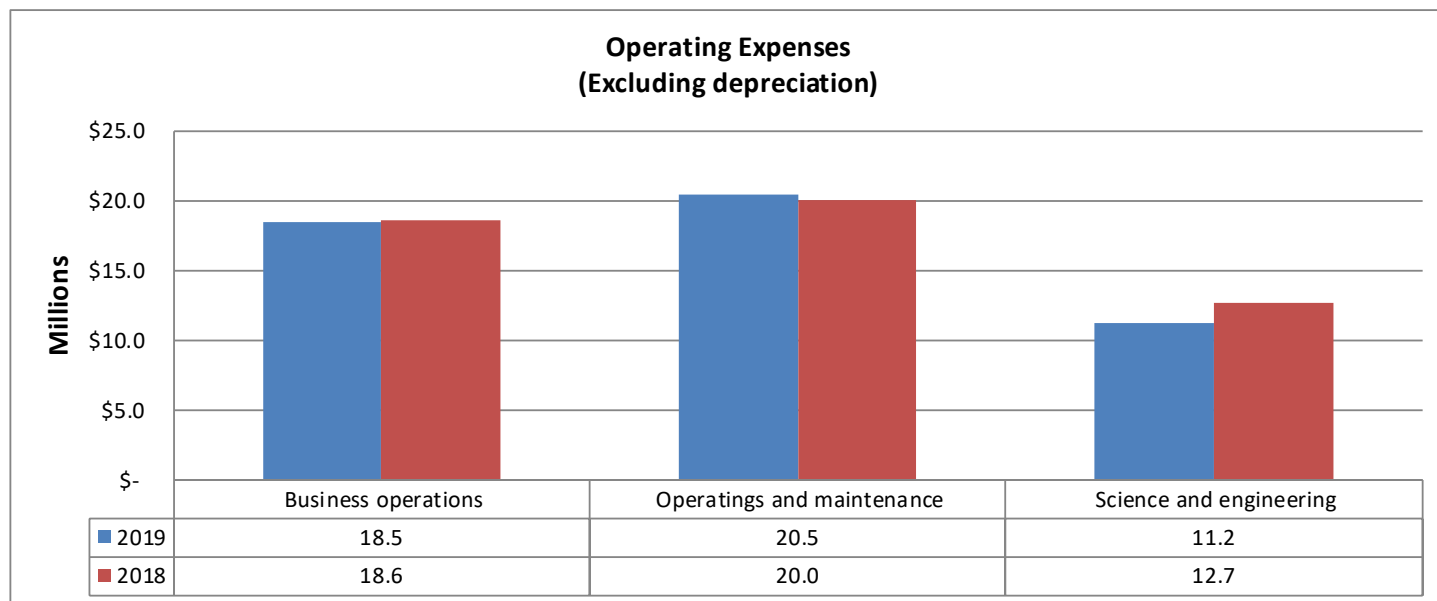


Operating revenues for the first nine months of 2019 were \$87.2 million compared to \$86.7 million in 2018. The approved average rate increases for Wastewater were 4.0% for 2019 and 4.5% for 2018. The Surface Water rate increases were 3.5% for 2019 and 5.5% for 2018. The rate increases went into effect January 1st of each year.

Wastewater residential revenues increased \$523,000 (1%) compared to the same period last year. Wastewater commercial and public authority (PA) revenues increased \$533,000 (3%), Surface Water residential decreased \$58,000 (0%), and Surface Water commercial increased \$496,000 (4%). The reason for these increases was due in part to annual rate increases. Other revenues decreased \$974,000 (34%) due to the Site Development division being transferred to the Public Works department as of January 1st, 2019.

Operating expenses

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



Operating expenses excluding depreciation decreased \$1.1 million compared to the same period last year.

- Business operation expenses decreased \$133,000. The significant events were:
 - Labor expense including all payroll-associated costs increased \$436,000.
 - Administrative and General (A&G) credit allocated to capital projects increased \$355,000 due to more spending on capital projects and the A&G rate increases from 6% to 8.5% for Surface Water and from 7% to 8.5% for Wastewater.
 - Assessment charges from other departments, including Customer Service and IT, decreased \$466,000 for their services.
 - The remaining difference of \$252,000 is related to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$516,000. The significant events were:
 - Inventory reclaim account decreased \$504,000, which was used to readjust inventory counts in SAP based on the physical inventory.
 - Solid Waste expense increased \$257,000 due in part to dewatered debris disposal costs at the LRI Landfill.
 - External contract service increased \$240,000 mainly due to increased asphalt patching and concrete repair services for utility cuts and miscellaneous areas.
 - The remaining difference of \$523,000 is related to multiple small increases in other expenses.
- Science and engineering expenses decreased \$1.5 million. The significant events were:
 - Labor expenses including all payroll associated costs decreased \$2.2 million due in part to the Site Development division being transferred to the Public Works department as of January 1st, 2019.
 - External contract services increased \$608,000 primarily due to increased costs for the field test construction of new permeable mix designs and stormwater collection system with Miles Resources LLC.
 - Repair and maintenance increased \$337,000 mainly due to the increase in management and maintenance service contact with Kidder Mathew for the Center for Urban Water building.
 - The remaining difference of \$254,000 is related to multiple small decreases in other expenses.

Nonoperating revenues and expenses

Net expenses of \$2.6 million were reported for the first nine months of 2019, a decrease of \$140,000 (5%) from the net expenses of \$2.7 million for the same period last year. Compared to last year, investment income increased \$1.5 million due to a higher cash balance in investment pool as a result of the bonds proceeds from 2018 Sewer Revenue Bonds. Interest expense and other related costs increased \$2.2 million primarily due to new interest expense payments on 2018 Sewer Revenue Bonds.

Contributions

Contributions decreased \$698,000 primarily due to \$2.0 million from Pierce County Flood Control Zone District reported in 2018 for the Floodwall project. This decrease was offset in part by contributions related to Contribution in Aid of Construction (CIAC) and grants received from the department of Commerce and Ecology.

Capital Assets

Capital assets increased \$13.8 million over the prior year. Transmission lines and other improvements increased \$13.7 million: 9,474 feet of donated lines were recorded for \$2.4 million, 19,783 feet of old lines were retired at the historical cost of \$76,000, and 25,300 feet of new replacement lines and extended sewer lines were recorded for \$11.3 million. Construction in progress increased \$13.3 million, which includes \$4.0 million for the Jefferson and Hood St SW Interceptor project and \$3.4 million for the SI Oakland Neighborhood Permeable Pave project. Accumulated depreciation increased \$14.4 million.

Debt Administration

At September 30, 2019, the Division had \$297.8 million outstanding in long-term debt: \$38.6 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, \$8.6 million will be paid in 2019.

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 September 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 3.28 at the end of 2019. This compares to a ratio of 4.28 in 2018.

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)
September 30, 2019 and September 30, 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
ASSETS			
Current assets:			
Cash and equity in pooled investments	\$ 90,379,232	\$ 101,906,969	\$ (11,527,737)
Accounts receivable, net	6,959,570	7,598,597	(639,027)
Unbilled revenues	8,263,787	6,970,787	1,293,000
Conservation loan fund receivables	241,120	135,074	106,046
Due from other governments	-	155,025	(155,025)
Inventory	1,367,156	1,323,642	43,514
Prepayments	256,909	222,864	34,045
Restricted cash and equity in pooled investments:			
Debt service funds	9,047,038	6,746,044	2,300,994
Construction funds	87,254,582	38	87,254,544
Total restricted cash and equity in pooled investments	<u>96,301,620</u>	<u>6,746,082</u>	<u>89,555,538</u>
Total current assets	<u>203,769,394</u>	<u>125,059,040</u>	<u>78,710,354</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	695,835	631,729	64,106
Prepayments	187,825	281,737	(93,912)
Capital assets:			
Land and easements	23,705,420	23,684,459	20,961
Buildings	191,724,902	191,779,418	(54,516)
Machinery and equipment	210,666,058	209,941,917	724,141
Transmission lines and other improvements	422,991,852	409,249,210	13,742,642
Computer software	9,280,373	8,945,106	335,267
Less: accumulated depreciation	(295,850,337)	(281,483,338)	(14,366,999)
Construction work in progress	36,599,235	23,249,821	13,349,414
Total capital assets, net	<u>599,117,503</u>	<u>585,366,593</u>	<u>13,750,910</u>
Total non-current assets	<u>609,082,565</u>	<u>600,615,216</u>	<u>8,467,349</u>
TOTAL ASSETS	<u><u>812,851,959</u></u>	<u><u>725,674,256</u></u>	<u><u>87,177,703</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - loss on refunding bonds	2,191,072	2,781,818	(590,746)
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>8,163,220</u>	<u>13,852,555</u>	<u>(5,689,335)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 821,015,179</u></u>	<u><u>\$ 739,526,811</u></u>	<u><u>\$ 81,488,368</u></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)
September 30, 2019 and September 30, 2018

	2019	2018	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,608,848	\$ 1,805,232	\$ (196,384)
Accrued wages payable and compensated absences payable	1,353,744	1,398,849	(45,105)
Accrued taxes payable	148,554	142,033	6,521
Due to other governments	452,648	600,272	(147,624)
Accrued environmental liability	904,738	603,710	301,028
Accrued State Revolving Fund loan interest payable	354,236	389,807	(35,571)
Current portion of State Revolving Fund loan	3,974,950	3,903,128	71,822
Current portion of revenue bonds payable	1,104,167	837,499	266,668
GASB 31 market rate adjustment	976,809	742,933	233,876
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	5,520,833	4,187,501	1,333,332
Accrued revenue bonds interest payable	3,392,493	2,558,543	833,950
Deposit in lieu of bond	-	9,250	(9,250)
Total current liabilities	<u>19,792,020</u>	<u>17,178,757</u>	<u>2,613,263</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	252,541,266	188,773,391	63,767,875
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>295,051,958</u>	<u>244,745,328</u>	<u>50,306,630</u>
TOTAL LIABILITIES	<u>314,843,978</u>	<u>261,924,085</u>	<u>52,919,893</u>
DEFERRED INFLOWS OF RESOURCES			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflow - gain on refunding bonds	40,214	58,775	(18,561)
Deferred inflow - OPEB	64,332	-	64,332
Deferred inflow - pensions	7,505,773	2,277,390	5,228,383
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>32,610,319</u>	<u>27,336,165</u>	<u>5,274,154</u>
NET POSITION			
Net investment in capital assets	406,490,084	395,684,035	10,806,049
Restricted for:			
Bond reserves	4,672,034	14,335,157	(9,663,123)
Debt service	133,712	-	133,712
Deposit in lieu of bond	-	9,250	(9,250)
Net pension asset	4,409,368	-	4,409,368
Unrestricted	57,855,684	40,238,119	17,617,565
TOTAL NET POSITION	<u>473,560,882</u>	<u>450,266,561</u>	<u>23,294,321</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 821,015,179</u>	<u>\$ 739,526,811</u>	<u>\$ 81,488,368</u>

This page intentionally left blank.

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Revenue, Expense, and Changes in Net Position (Unaudited)
September 30, 2019 and September 30, 2018

	September Year-to-Date		\$	%
	2019	2018	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 37,276,375	\$ 36,753,697	\$ 522,678	1%
Wastewater commercial and public authorities	20,604,815	20,072,126	532,689	3%
Surface water residential	12,870,005	12,927,767	(57,762)	0%
Surface water commercial	14,510,725	14,014,615	496,110	4%
Other revenues	1,911,546	2,885,912	(974,366)	-34%
Total operating revenues	87,173,466	86,654,117	519,349	1%
OPERATING EXPENSES				
Business operations	18,501,253	18,634,596	(133,343)	-1%
Operations and maintenance	20,510,105	19,993,949	516,156	3%
Science and engineering	11,150,777	12,654,621	(1,503,844)	-12%
Depreciation	13,368,834	13,161,578	207,256	2%
Total operating expenses	63,530,969	64,444,744	(913,775)	-1%
Net operating income	23,642,497	22,209,373	1,433,124	6%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	2,919,117	1,380,121	1,538,996	112%
Interest expenses and other related costs	(8,219,418)	(6,008,117)	(2,211,301)	-37%
Amortization of bond premium and gain/loss on refunding	787,101	663,901	123,200	19%
Other nonoperating revenues	1,908,666	1,253,730	654,936	52%
Gain on sale/disposal of capital assets	900	(34,232)	35,132	103%
Total nonoperating expenses	(2,603,634)	(2,744,597)	140,963	5%
Net income before contributions and transfers	21,038,863	19,464,776	1,574,087	8%
Capital contributions and grants	1,657,849	2,355,562	(697,713)	-30%
Transfer in from other funds	263,972	231,625	32,347	14%
Transfer out to other funds	(951,875)	-	(951,875)	N/A
Gross earnings tax	(7,286,726)	(7,158,377)	(128,349)	-2%
Total contributions and transfers	(6,316,780)	(4,571,190)	(1,745,590)	-38%
CHANGE IN NET POSITION	14,722,083	14,893,586	(171,503)	-1%
NET POSITION - JANUARY 1	458,838,799	435,372,975	23,465,824	5%
NET POSITION - SEPTEMBER 30	\$ 473,560,882	\$ 450,266,561	\$ 23,294,321	5%

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)
September 30, 2019 and September 30, 2018

	September Year-to-Date	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 86,417,523	\$ 85,198,892
Payments to suppliers	(28,671,104)	(25,187,708)
Payments to employees	(24,637,443)	(26,041,392)
Payments for taxes	(1,386,071)	(1,384,152)
Other operating or non-operating revenues (expenses)	1,293,699	1,144,084
Net cash from operating activities	33,016,604	33,729,724
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	-	245,125
Transfer out to other funds	(8,957,975)	(7,926,522)
Operating grants received	652,446	110,194
Interest paid on noncapital debt	(217,818)	(894,056)
Contributions and donations	14,760	19,520
Net cash from noncapital financing activities	(8,508,587)	(8,445,739)
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	263,972	28,500
Acquisition and construction of capital assets	(17,826,184)	(16,379,077)
Principal payments on capital debt	(1,960,454)	(1,925,068)
Interest and issuance costs paid on capital debt	(5,292,472)	(3,007,854)
Contributions and donations	2,414,603	2,954,061
Cash proceeds from sale of capital assets	900	20,680
Insurance recoveries	1,760	21,893
Net cash from capital financing activities	(22,397,875)	(18,286,865)
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment income	3,895,925	2,123,055
Net cash from investing activities	3,895,925	2,123,055
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	6,006,067	9,120,175
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	185,346,819	113,868,033
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 191,352,886	\$ 122,988,208

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)
September 30, 2019 and September 30, 2018

	September Year-to-Date	
	2019	2018
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH PROVIDED (Used)		
BY OPERATING ACTIVITIES:		
Net operating income	\$ 23,642,497	\$ 22,209,373
Adjustments to reconcile operating income to net cash provided by operating activities;		
Depreciation expense	13,368,834	13,161,578
Other non-operating revenues	1,293,699	1,144,084
Expense capital project costs	-	20,755
Cash provided from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	276,318	(577,243)
Due from other funds	97,971	1,075
Inventory	(268,370)	(81,185)
Prepayments	(30,073)	(2,432)
Conservation loan fund receivables	(124,376)	78,372
Accounts payable	(4,031,977)	(1,459,719)
Accrued wages and compensated absences payable	219,441	524,669
Accrued taxes payable	4,989	6,403
Deposit in lieu of bonds	(9,250)	9,250
Due to other funds	(556,492)	(732,084)
Due to other governments	(146,380)	49,786
Accrued environmental liability	(317,596)	(281,963)
Unearned revenues	(402,631)	(340,995)
Total adjustments	9,374,107	11,520,351
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 33,016,604	\$ 33,729,724

This page intentionally left blank.

Interim Financial Statements by Utility

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Net Position (Unaudited)
September 30, 2019 and September 30, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
ASSETS				
Current assets:				
Cash and equity in pooled investments	\$ 69,706,887	\$ 63,200,506	\$ 20,672,345	\$ 38,706,463
Accounts receivable, net	5,050,845	5,478,253	1,908,725	2,120,344
Unbilled revenues	5,336,787	4,614,787	2,927,000	2,356,000
Conservation loan fund receivables	241,120	135,074	-	-
Due from other governments	-	-	-	155,025
Inventory	1,367,156	1,323,642	-	-
Prepayments	256,909	222,864	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	5,406,918	3,915,360	3,640,120	2,830,684
Construction funds	38,355,221	38	48,899,361	-
Total restricted cash and equity in pooled investments	43,762,139	3,915,398	52,539,481	2,830,684
Total current assets	125,721,843	78,890,524	78,047,551	46,168,516
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	695,835	631,729	-	-
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	189,808,511	1,970,907	1,970,907
Machinery and equipment	197,312,936	196,487,134	13,353,122	13,454,783
Transmission lines and other improvements	225,221,892	223,095,522	197,769,960	186,153,688
Computer software	5,379,794	5,142,475	3,900,579	3,802,631
Less: accumulated depreciation	(239,599,188)	(228,838,751)	(56,251,149)	(52,644,587)
Construction work in progress	24,217,774	10,669,306	12,381,461	12,580,515
Total capital assets, net	414,302,227	408,371,128	184,815,276	176,995,465
Total non-current assets	422,809,185	419,366,085	186,273,380	181,249,131
TOTAL ASSETS	548,531,028	498,256,609	264,320,931	227,417,647
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - loss on refunding bonds	813,807	957,642	1,377,265	1,824,176
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	4,917,742	8,511,135	3,245,478	5,341,420
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 553,448,770	\$ 506,767,744	\$ 267,566,409	\$ 232,759,067

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)
September 30, 2019 and September 30, 2018

	Wastewater		Surface Water	
	2019	2018	2019	2018
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,255,062	\$ 1,269,953	\$ 353,786	\$ 535,279
Accrued wages payable and compensated absences payable	1,031,296	985,361	322,448	413,488
Accrued taxes payable	106,599	101,117	41,955	40,916
Due to other governments	452,648	600,272	-	-
Accrued environmental liability	-	-	904,738	603,710
Accrued State Revolving Fund loan interest payable	351,967	387,374	2,269	2,433
Current portion of State Revolving Fund loan	3,951,824	3,880,662	23,126	22,466
Current portion of revenue bonds payable	664,577	503,557	439,590	333,942
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	3,322,883	2,517,788	2,197,950	1,669,713
Accrued revenue bonds interest payable	1,950,323	1,397,572	1,442,170	1,160,971
Deposit in lieu of bond	-	9,250	-	-
Total current liabilities	13,710,292	12,108,717	6,081,728	5,070,040
Non-current liabilities:				
Long-term debt - revenue bonds, net	147,957,123	107,454,745	104,584,143	81,318,646
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	188,329,192	157,762,211	106,722,766	86,983,117
TOTAL LIABILITIES	202,039,484	169,870,928	112,804,494	92,053,157
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflow - gain on refunding bonds	16,890	24,685	23,324	34,090
Deferred inflow - OPEB	61,726	-	2,606	-
Deferred inflow - pensions	5,078,270	1,553,849	2,427,503	723,541
TOTAL DEFERRED INFLOWS OF RESOURCES	22,156,886	18,578,534	10,453,433	8,757,631
NET POSITION				
Net investment in capital assets	266,529,374	259,161,868	139,960,710	136,522,167
Restricted for:				
Bond reserves	4,640,000	10,081,491	32,034	4,253,666
Debt service	133,712	-	-	-
Deposit in lieu of bond	-	9,250	-	-
Net pension asset	2,983,298	-	1,426,070	-
Unrestricted	54,966,016	49,065,673	2,889,668	(8,827,554)
TOTAL NET POSITION	329,252,400	318,318,282	144,308,482	131,948,279
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 553,448,770	\$ 506,767,744	\$ 267,566,409	\$ 232,759,067

This page intentionally left blank.

City of Tacoma, Washington
Environmental Service Department
Wastewater and Surface Water Management
Statements of Revenues, Expense and Changes in Net Position (Unaudited)
September 30, 2019 and September 30, 2018

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2019	2018	2019	2018
OPERATING REVENUES				
Wastewater residential	\$ 37,276,375	\$ 36,753,697	\$ -	\$ -
Wastewater commercial and public authorities	20,604,815	20,072,126	-	-
Surface water residential	-	-	12,870,005	12,927,767
Surface water commercial	-	-	14,510,725	14,014,615
Other revenues	1,807,617	2,017,315	103,929	868,597
Total operating revenues	<u>59,688,807</u>	<u>58,843,138</u>	<u>27,484,659</u>	<u>27,810,979</u>
OPERATING EXPENSES				
Business operations	12,442,978	12,948,287	6,058,275	5,686,309
Operations and maintenance	17,762,092	17,342,880	2,748,013	2,651,069
Science and engineering	5,816,251	5,721,312	5,334,526	6,933,309
Depreciation	10,327,605	10,197,128	3,041,229	2,964,450
Total operating expenses	<u>46,348,926</u>	<u>46,209,607</u>	<u>17,182,043</u>	<u>18,235,137</u>
Net operating income	<u>13,339,881</u>	<u>12,633,531</u>	<u>10,302,616</u>	<u>9,575,842</u>
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,807,632	860,946	1,111,485	519,175
Interest expenses and other related costs	(4,945,710)	(3,615,603)	(3,273,708)	(2,392,514)
Amortization of bond premium and gain/loss on refunding	389,671	331,903	397,430	331,998
Other nonoperating revenues	1,295,099	1,140,707	613,567	113,023
Gain on sale/disposal of capital assets	900	(6,070)	-	(28,162)
Total nonoperating expenses	<u>(1,452,408)</u>	<u>(1,288,117)</u>	<u>(1,151,226)</u>	<u>(1,456,480)</u>
Net income before contributions and transfers	<u>11,887,473</u>	<u>11,345,414</u>	<u>9,151,390</u>	<u>8,119,362</u>
Capital contributions and grants	721,043	2,121,844	936,806	233,718
Transfer in from other funds	-	-	263,972	231,625
Transfer out to other funds	(89,088)	-	(862,787)	-
Gross earnings tax	(5,018,089)	(4,881,597)	(2,268,637)	(2,276,780)
Total contributions and transfers	<u>(4,386,134)</u>	<u>(2,759,753)</u>	<u>(1,930,646)</u>	<u>(1,811,437)</u>
CHANGE IN NET POSITION	<u>7,501,339</u>	<u>8,585,661</u>	<u>7,220,744</u>	<u>6,307,925</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 - SEPTEMBER 30	<u>\$ 329,252,400</u>	<u>\$ 318,318,282</u>	<u>\$ 144,308,482</u>	<u>\$ 131,948,279</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)
September 30, 2019 and September 30, 2018

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 59,067,653	\$ 57,907,714	\$ 27,349,870	\$ 27,291,178
Payments to suppliers	(20,109,467)	(17,028,849)	(8,561,637)	(8,158,859)
Payments to employees	(17,966,010)	(17,866,711)	(6,671,433)	(8,174,681)
Payments for taxes	(973,862)	(979,238)	(412,209)	(404,914)
Other operating or non-operating revenues (expenses)	1,283,797	1,136,574	9,902	7,510
Net cash from operating activities	21,302,111	23,169,490	11,714,493	10,560,234
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	-	245,125
Transfer out to other funds	(5,603,281)	(5,383,748)	(3,354,694)	(2,542,774)
Operating grants received	11,172	-	641,274	110,194
Interest paid on noncapital debt	-	-	(217,818)	(894,056)
Contributions and donations	130	260	14,630	19,260
Net cash from noncapital financing activities	(5,591,979)	(5,383,488)	(2,916,608)	(3,062,251)
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	263,972	28,500
Acquisition and construction of capital assets	(12,043,979)	(9,615,239)	(5,782,205)	(6,763,838)
Principal payments on capital debt	(1,949,140)	(1,914,077)	(11,314)	(10,991)
Interest and issuance costs paid on capital debt	(3,318,107)	(2,382,459)	(1,974,365)	(625,395)
Contributions and donations	718,806	2,108,100	1,695,797	845,961
Cash proceeds from sale of capital assets	900	20,680	-	-
Insurance recoveries	-	3,873	1,760	18,020
Net cash from capital financing activities	(16,591,520)	(11,779,122)	(5,806,355)	(6,507,743)
CASH FLOW FROM INVESTING ACTIVITIES:				
Investment income	2,430,745	1,316,758	1,465,180	806,297
Net cash from investing activities	2,430,745	1,316,758	1,465,180	806,297
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	1,549,357	7,323,638	4,456,710	1,796,537
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	116,559,669	69,873,757	68,787,150	43,994,276
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 118,109,026	\$ 77,197,395	\$ 73,243,860	\$ 45,790,813

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)
September 30, 2019 and September 30, 2018

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2019	2018	2019	2018
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED (Used)				
BY OPERATING ACTIVITIES:				
Net operating income	\$ 13,339,881	\$ 12,633,531	\$ 10,302,616	\$ 9,575,842
Adjustments to reconcile operating income to net cash provided by operating activities;				
Depreciation expense	10,327,605	10,197,128	3,041,229	2,964,450
Other non-operating revenues	1,283,797	1,136,574	9,902	7,510
Expense capital project costs	-	-	-	20,755
Cash provided from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	30,337	(360,737)	245,981	(216,506)
Due from other funds	10,842	1,251	87,129	(176)
Inventory	(268,370)	(81,185)	-	-
Prepayments	(30,073)	(2,519)	-	87
Conservation loan fund receivables	(124,376)	78,372	-	-
Accounts payable	(2,796,935)	(350,000)	(1,235,042)	(1,109,719)
Accrued wages and compensated absences payable	207,455	360,926	11,986	163,743
Accrued taxes payable	8,323	6,699	(3,334)	(296)
Deposit in lieu of bonds	(9,250)	9,250	-	-
Due to other funds	(262,324)	(282,256)	(294,168)	(449,828)
Due to other governments	(146,380)	49,786	-	-
Accrued environmental liability	-	-	(317,596)	(281,963)
Unearned revenues	(268,421)	(227,330)	(134,210)	(113,665)
Total adjustments	7,962,230	10,535,959	1,411,877	984,392
NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES	\$ 21,302,111	\$ 23,169,490	\$ 11,714,493	\$ 10,560,234



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.