

---

***September 2020***

***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, 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 September 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 September 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 \$10.3 million in the first nine months of 2020, compared to \$14.7 million for the same period in 2019.
- Total net position was \$485.1 million at September 30, 2020 compared to \$473.6 million at September 30, 2019.
- Operating revenues were \$89.7 million for the first nine months of 2020 compared to \$87.2 million in 2019.
- Cash and equity in pooled investments unrestricted was \$100.3 million at September 30, 2020 compared to \$90.4 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.

	September 30,		
	2020	2019	Increase (Decrease)
Current, restricted, and other assets	\$ 207,551,516	\$ 213,734,456	\$ (6,182,940)
Net capital assets	605,884,413	599,117,503	6,766,910
Total assets	813,435,929	812,851,959	583,970
Deferred outflows of resources	19,949,658	8,163,220	11,786,438
Total assets and deferred outflows of resources	<u>\$ 833,385,587</u>	<u>\$ 821,015,179</u>	<u>\$ 12,370,408</u>
Non-current liabilities	\$ 297,684,592	\$ 295,051,958	\$ 2,632,634
Current liabilities	21,792,961	19,792,020	2,000,941
Total liabilities	319,477,553	314,843,978	4,633,575
Deferred inflows of resources	28,840,014	32,610,319	(3,770,305)
Total liabilities and deferred inflows of resources	<u>348,317,567</u>	<u>347,454,297</u>	<u>863,270</u>
Net position:			
Net investment in capital assets	409,039,203	406,490,084	2,549,119
Restricted	4,672,034	9,215,114	(4,543,080)
Unrestricted	71,356,783	57,855,684	13,501,099
Total net position	<u>485,068,020</u>	<u>473,560,882</u>	<u>11,507,138</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 833,385,587</u>	<u>\$ 821,015,179</u>	<u>\$ 12,370,408</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$485.1 million in 2020, compared to \$473.6 million in 2019. The Division's net position increased by \$10.3 million to \$485.1 million in 2020 compared to an increase of \$14.7 million to \$473.6 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 \$409.0 million in 2020 and \$406.5 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.

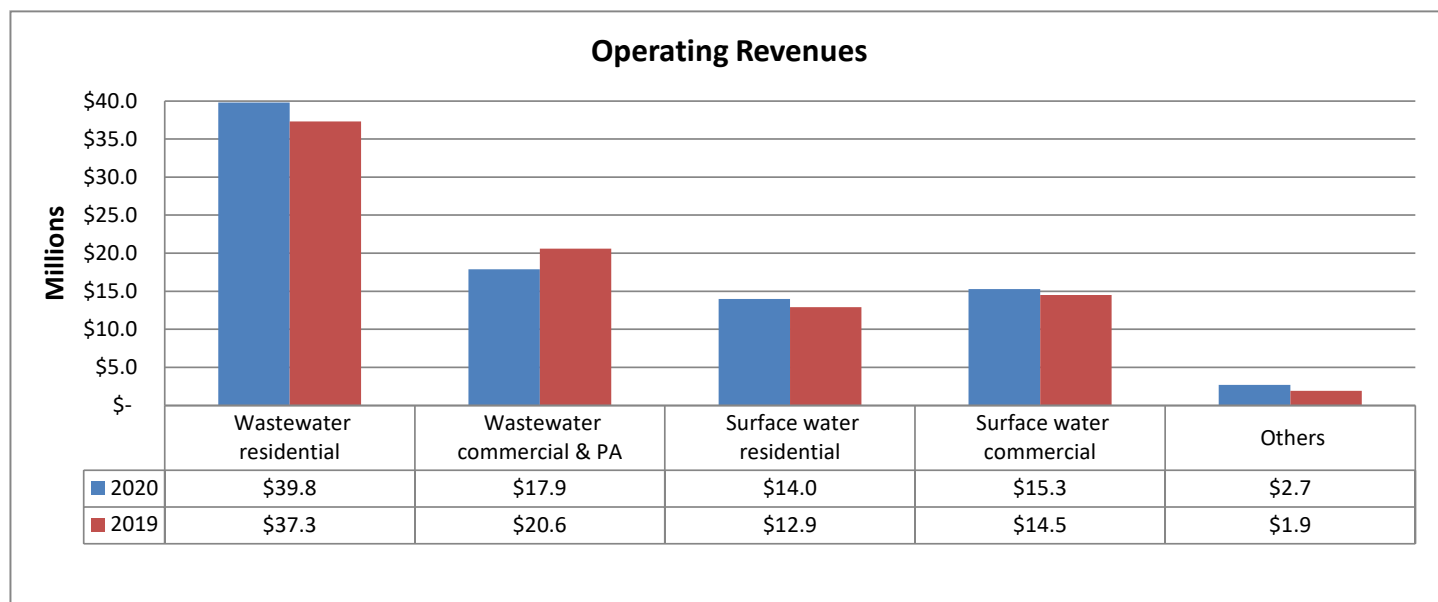
The restricted portion of the Division's net position was \$4.7 million for 2020, compared to \$9.2 million in 2019 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$71.4 million for 2020 and \$57.9 million for 2019 were unrestricted.

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

	September Year-to-Date		Increase (Decrease)
	2020	2019	
Operating revenues	\$ 89,744,459	\$ 87,173,466	\$ 2,570,993
Operating expenses	70,196,260	63,530,969	6,665,291
Net operating income	19,548,199	23,642,497	(4,094,298)
Nonoperating expenses	(2,522,036)	(2,603,634)	81,598
Increase in net position before transfers	17,026,163	21,038,863	(4,012,700)
Capital contributions	1,558,522	1,657,849	(99,327)
Transfers	(8,278,960)	(7,974,629)	(304,331)
Increase in net position	10,305,725	14,722,083	(4,416,358)
Net position - Beginning of year	474,762,295	458,838,799	15,923,496
Net position - Ending	\$ 485,068,020	\$ 473,560,882	\$ 11,507,138

### Operating revenues

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



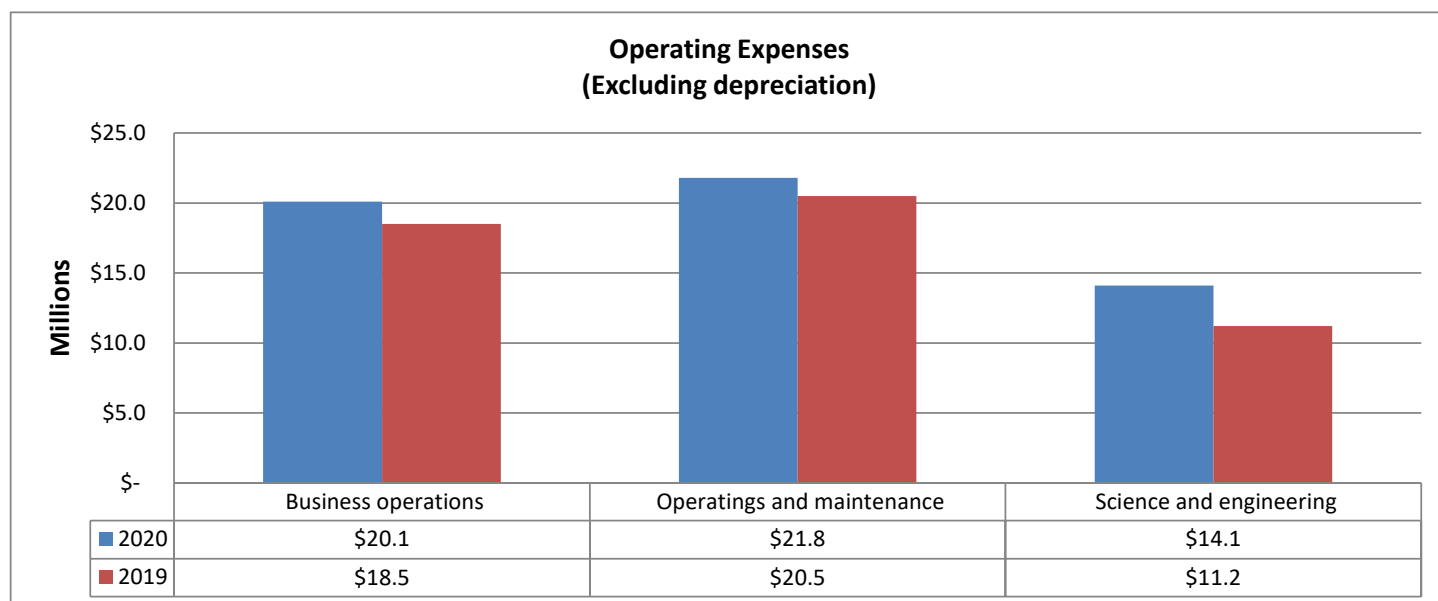
Operating revenues for the first nine months of 2020 were \$89.7 million compared to \$87.2 million in 2019. The approved average rate increases for Wastewater were 4.0% for 2020 and 2019. The approved average rate increase for Surface Water was 3.5% for 2020 and 2019. The rate increases went into effect January 1st of each year.

Wastewater residential revenues increased \$2.5 million (7%) compared to the same period last year. Wastewater commercial and public authority (PA) revenues decreased \$2.7 million (13%) due in part to temporary business shut down and partial closures due to Covid 19 impacts. Surface Water residential revenue increased \$1.2 million (9%) and Surface Water commercial revenue increased \$837,000 (6%). Other revenues increased \$763,000 (40%) 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 \$5.8 million compared to the same period last year.

- Business operation expenses increased \$1.6 million. The significant events were:
  - Labor expense including all payroll-associated costs increased \$527,000 due to pay increases in 2020.
  - Bad debts increased \$590,000 due to an increase in aged accounts receivable.
  - Intergovernmental services increased \$236,000 due to the increase in sewerage processing fee.
  - The remaining difference of \$290,000 was due to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$1.3 million. The significant events were:
  - Labor expense including all payroll-associated costs increased \$910,000 due to pay increases in 2020.
  - Inventory reclaim account increased \$318,000, which was used to readjust inventory counts in SAP based on the physical inventory.
  - Electricity increased \$219,000 primarily due to rate increase: overall 2% rate increase went into effect April 1, 2019 and July 1, 2020.
  - The remaining difference of \$190,000 was due to multiple small decreases in other expenses.
- Science and engineering expenses increased \$2.9 million. The significant events were:
  - Labor expense including all payroll-associated costs increased \$831,000 due to pay increases in 2020.
  - External contract services increased \$2.9 million primarily due to the payments to the Glacier Environmental Services for the Hosmer Holding Basin Maintenance project.
  - Environmental liability adjustment decreased \$958,000. Negative expense is generally the result of reversal of the liability, which was accrued in one period and subsequently paid in the next period. The accrual and reversal of expenses were recorded in this account while the actual payment was recorded in different expense accounts. In the first nine months of 2020, environmental liability for the Olympic View Resource Area Capital Replenish project was paid and the accrual for this project was reversed in this account.
  - The remaining difference of \$103,000 was due to multiple small increases in other expenses.

## Non-operating revenues and expenses

Net expenses of \$2.5 million reported for the first nine months of 2020 and \$2.6 million for 2019. Compared to last year, investment income decreased \$611,000 due to a lower cash balance in investment pool and lower

interest on investments. Other non-operating revenues increased \$1.2 million due in part to operating grant received from Pierce Co. for the Hosmer Holding Basin Maintenance project. Gain and Loss on disposal of capital assets decreased \$587,000 due in part to disposed assets per the physical inventory.

#### Contributions and transfers

Contributions and transfers decreased \$404,000. This is primarily due to a decrease in transfer in of \$200,000 from Public Works for the Bennet Street GSI project.

#### Capital Assets

Capital assets increased \$6.8 million over the prior year. Buildings increased \$20.2 million: \$4.0 million increased for the Emergency Digester #2 Band Replacement project and Tagro Canopy project, \$17.9 million increased for reclassified assets, and \$1.7 million decreased for disposed assets per the physical inventory. Machinery and equipment decreased \$11.5 million: \$4.0 million increased for the South Tacoma Lift Station project and various vehicles purchased through Fleet, \$12.8 million decreased for reclassified assets, and \$2.7 million decreased for disposed assets per the physical inventory. Transmission lines and other improvements increased \$14.2 million: 3,940 feet of donated lines were recorded for \$1.4 million, 35,228 feet of new replacement lines and extended sewer lines were recorded for \$18.4 million, 68,142 feet of old lines were retired at the historical cost of \$261,000, and \$5.3 million decreased for reclassified assets. Accumulated depreciation increased \$14.5 million, and construction in progress decreased \$3.3 million due in part to being postponed capital project spending caused by Covid 19 impacts.

#### Debt Administration

At September 30, 2020, the Division had \$286.1 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 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 was 2.99 in 2020. This compares to 3.28 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 September 30,		Increase
	2020	2019	(Decrease)
<b>ASSETS</b>			
Current assets:			
Cash and equity in pooled investments	\$ 100,346,761	\$ 90,379,232	\$ 9,967,529
Accounts receivable, net	9,158,414	6,959,570	2,198,844
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	151,504	241,120	(89,616)
Due from other governments	1,895,282	-	1,895,282
Inventory	1,890,644	1,367,156	523,488
Prepayments	299,091	256,909	42,182
Restricted cash and equity in pooled investments:			
Debt service funds	9,099,358	9,047,038	52,320
Construction funds	70,431,609	87,254,582	(16,822,973)
Total restricted cash and equity in pooled investments	79,530,967	96,301,620	(16,770,653)
Total current assets	202,116,412	203,769,394	(1,652,982)
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	669,157	695,835	(26,678)
Prepayments	93,913	187,825	(93,912)
Capital assets:			
Land and easements	25,188,346	23,705,420	1,482,926
Buildings	211,945,712	191,724,902	20,220,810
Machinery and equipment	199,134,583	210,666,058	(11,531,475)
Transmission lines and other improvements	437,206,638	422,991,852	14,214,786
Computer software	9,466,301	9,280,373	185,928
Less: accumulated depreciation	(310,340,184)	(295,850,337)	(14,489,847)
Construction work in progress	33,283,017	36,599,235	(3,316,218)
Total capital assets, net	605,884,413	599,117,503	6,766,910
Total non-current assets	611,319,517	609,082,565	2,236,952
<b>TOTAL ASSETS</b>	<b>813,435,929</b>	<b>812,851,959</b>	<b>583,970</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - loss on refunding bonds	3,475,382	2,191,072	1,284,310
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>19,949,658</b>	<b>8,163,220</b>	<b>11,786,438</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 833,385,587</b>	<b>\$ 821,015,179</b>	<b>\$ 12,370,408</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 September 30,		Increase
	2020	2019	(Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 4,054,223	\$ 1,608,848	\$ 2,445,375
Accrued wages payable and compensated absences payable	1,658,584	1,353,744	304,840
Accrued taxes payable	185,364	148,554	36,810
Due to other governments	780,000	452,648	327,352
Accrued environmental liability	490,108	904,738	(414,630)
Accrued State Revolving Fund loan interest payable	317,961	354,236	(36,275)
Current portion of State Revolving Fund loan	4,048,196	3,974,950	73,246
Current portion of revenue bonds payable	1,159,167	1,104,167	55,000
GASB 31 market rate adjustment	-	976,809	(976,809)
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	5,795,833	5,520,833	275,000
Accrued revenue bonds interest payable	3,303,525	3,392,493	(88,968)
Total current liabilities	<u>21,792,961</u>	<u>19,792,020</u>	<u>2,000,941</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	244,429,705	252,541,266	(8,111,561)
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	30,632,272	34,639,390	(4,007,118)
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>297,684,592</u>	<u>295,051,958</u>	<u>2,632,634</u>
<b>TOTAL LIABILITIES</b>	<u>319,477,553</u>	<u>314,843,978</u>	<u>4,633,575</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflows - gain on refunding bonds	21,654	40,214	(18,560)
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>28,840,014</u>	<u>32,610,319</u>	<u>(3,770,305)</u>
<b>NET POSITION</b>			
Net investment in capital assets	409,039,203	406,490,084	2,549,119
Restricted for:			
Bond reserves	4,672,034	4,672,034	-
Debt service	-	133,712	(133,712)
Net pension asset	-	4,409,368	(4,409,368)
Unrestricted	71,356,783	57,855,684	13,501,099
<b>TOTAL NET POSITION</b>	<u>485,068,020</u>	<u>473,560,882</u>	<u>11,507,138</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 833,385,587</u>	<u>\$ 821,015,179</u>	<u>\$ 12,370,408</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 Year-to-Date		\$	%
	2020	2019	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 39,788,216	\$ 37,276,375	\$ 2,511,841	7%
Wastewater commercial and public authorities	17,895,061	20,604,815	(2,709,754)	-13%
Surface water residential	14,038,800	12,870,005	1,168,795	9%
Surface water commercial	15,347,414	14,510,725	836,689	6%
Other revenues	2,674,968	1,911,546	763,422	40%
Total operating revenues	89,744,459	87,173,466	2,570,993	3%
OPERATING EXPENSES				
Business operations	20,143,705	18,501,253	1,642,452	9%
Operations and maintenance	21,766,643	20,510,105	1,256,538	6%
Science and engineering	14,051,137	11,150,777	2,900,360	26%
Depreciation	14,234,775	13,368,834	865,941	6%
Total operating expenses	70,196,260	63,530,969	6,665,291	10%
Net operating income	19,548,199	23,642,497	(4,094,298)	-17%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	2,308,467	2,919,117	(610,650)	-21%
Interest expenses and other related costs	(8,050,641)	(8,219,418)	168,777	2%
Amortization of bond premium and gain/loss on refunding	727,043	787,101	(60,058)	-8%
Other nonoperating revenues	3,079,139	1,908,666	1,170,473	61%
Gain or loss on sale/disposal of capital assets	(586,044)	900	(586,944)	-65216%
Total nonoperating expenses	(2,522,036)	(2,603,634)	81,598	3%
Net income before contributions and transfers	17,026,163	21,038,863	(4,012,700)	-19%
Capital contributions and grants	1,558,522	1,657,849	(99,327)	-6%
Transfer in from other funds	22,260	263,972	(241,712)	-92%
Transfer out to other funds	(949,876)	(951,875)	1,999	0%
Gross earnings tax	(7,351,344)	(7,286,726)	(64,618)	-1%
Total contributions and transfers	(6,720,438)	(6,316,780)	(403,658)	-6%
CHANGE IN NET POSITION	10,305,725	14,722,083	(4,416,358)	-30%
NET POSITION - JANUARY 1	474,762,295	458,838,799	15,923,496	3%
NET POSITION - SEPTEMBER 30	\$ 485,068,020	\$ 473,560,882	\$ 11,507,138	2%

*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)

	<b>September Year-to-Date</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 86,384,343	\$ 86,417,523
Payments to suppliers	(27,615,831)	(28,671,104)
Payments to employees	(26,549,473)	(24,637,443)
Payments for taxes	(1,514,261)	(1,386,071)
Net cash from operating activities	30,704,778	31,722,905
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfer out to other funds	(8,301,220)	(8,957,975)
Operating grants received	651,662	652,446
Interest paid on noncapital debt	(202,876)	(217,818)
Contributions and donations	117,072	14,760
Net cash from noncapital financing activities	(7,735,362)	(8,508,587)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Transfer in from other funds	22,260	263,972
Acquisition and construction of capital assets	(15,537,893)	(17,826,184)
Principal payments on capital debt	(1,955,464)	(1,960,454)
Interest and issuance costs paid on capital debt	(5,219,161)	(5,292,472)
Contributions and donations	1,102,001	2,414,603
Cash proceeds from sale of capital assets	202,277	900
Insurance recoveries	5,750	1,760
Net cash from capital financing activities	(21,380,230)	(22,397,875)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	1,201,505	3,895,925
Nonoperating income	1,368,426	1,293,699
Net cash from investing activities	2,569,931	5,189,624
<b>NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	<b>4,159,117</b>	<b>6,006,067</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING</b>	<b>180,390,645</b>	<b>185,346,819</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS, ENDING</b>	<b>\$ 184,549,762</b>	<b>\$ 191,352,886</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 Cash Flow (Unaudited)

	September Year-to-Date	
	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 19,548,199	\$ 23,642,497
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	14,234,775	13,368,834
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(1,638,288)	276,318
Due from other funds	-	97,971
Inventory	(462,710)	(268,370)
Prepayments	(49,558)	(30,073)
Accounts payable	39,692	(4,031,977)
Conservation loan fund receivables	76,706	(124,376)
Accrued wages and compensated absences payable	586,267	219,441
Accrued taxes payable	42,985	4,989
Due to other funds	-	(556,492)
Due to other governments	60,000	(146,380)
Accrued environmental liability	(1,275,949)	(317,596)
Unearned revenues	(457,341)	(402,631)
Total adjustments	<u>11,156,579</u>	<u>8,080,408</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 30,704,778</u>	<u>\$ 31,722,905</u>

*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)

	Wastewater As of September 30,		Surface Water As of September 30,	
	2020	2019	2020	2019
<b>ASSETS</b>				
Current assets:				
Cash and equity in pooled investments	\$ 73,245,027	\$ 69,706,887	\$ 27,101,734	\$ 20,672,345
Accounts receivable, net	6,687,042	5,050,845	2,471,372	1,908,725
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	151,504	241,120	-	-
Due from other governments	-	-	1,895,282	-
Inventory	1,890,644	1,367,156	-	-
Prepayments	299,091	256,909	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	5,379,678	5,406,918	3,719,680	3,640,120
Construction funds	29,048,246	38,355,221	41,383,363	48,899,361
Total restricted cash and equity in pooled investments	34,427,924	43,762,139	45,103,043	52,539,481
Total current assets	122,371,693	125,721,843	79,744,719	78,047,551
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	669,157	695,835	-	-
Prepayments	93,913	187,825	-	-
Capital assets:				
Land and easements	13,258,354	12,015,024	11,929,992	11,690,396
Buildings	210,081,167	189,753,995	1,864,545	1,970,907
Machinery and equipment	179,137,148	197,312,936	19,997,435	13,353,122
Transmission lines and other improvements	237,953,024	225,221,892	199,253,614	197,769,960
Computer software	5,548,488	5,379,794	3,917,813	3,900,579
Less: accumulated depreciation	(250,141,469)	(239,599,188)	(60,198,715)	(56,251,149)
Construction work in progress	19,574,629	24,217,774	13,708,388	12,381,461
Total capital assets, net	415,411,341	414,302,227	190,473,072	184,815,276
Total non-current assets	420,814,411	422,809,185	190,505,106	186,273,380
<b>TOTAL ASSETS</b>	<b>543,186,104</b>	<b>548,531,028</b>	<b>270,249,825</b>	<b>264,320,931</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - loss on refunding bonds	2,178,346	813,807	1,297,036	1,377,265
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>12,853,822</b>	<b>4,917,742</b>	<b>7,095,836</b>	<b>3,245,478</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 556,039,926</b>	<b>\$ 553,448,770</b>	<b>\$ 277,345,661</b>	<b>\$ 267,566,409</b>

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

	Wastewater As of September 30,		Surface Water As of September 30,	
	2020	2019	2020	2019
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 3,036,781	\$ 1,255,062	\$ 1,017,442	\$ 353,786
Accrued wages payable and compensated absences payable	1,245,336	1,031,296	413,248	322,448
Accrued taxes payable	127,957	106,599	57,407	41,955
Due to other governments	780,000	452,648	-	-
Accrued environmental liability	-	-	490,108	904,738
Accrued State Revolving Fund loan interest payable	315,861	351,967	2,100	2,269
Current portion of State Revolving Fund loan	4,024,390	3,951,824	23,806	23,126
Current portion of revenue bonds payable	696,711	664,577	462,456	439,590
GASB 31 market rate adjustment	-	623,113	-	353,696
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	3,483,554	3,322,883	2,312,279	2,197,950
Accrued revenue bonds interest payable	1,896,124	1,950,323	1,407,401	1,442,170
Total current liabilities	15,606,714	13,710,292	6,186,247	6,081,728
Non-current liabilities:				
Long-term debt - revenue bonds, net	143,218,513	147,957,123	101,211,192	104,584,143
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	305,195	287,923
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	189,107,546	188,329,192	108,577,046	106,722,766
<b>TOTAL LIABILITIES</b>	<b>204,714,260</b>	<b>202,039,484</b>	<b>114,763,293</b>	<b>112,804,494</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	9,095	16,890	12,559	23,324
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>20,158,257</b>	<b>22,156,886</b>	<b>8,681,757</b>	<b>10,453,433</b>
<b>NET POSITION</b>				
Net investment in capital assets	268,362,147	266,529,374	140,677,056	139,960,710
Restricted for:				
Bond reserves	4,640,000	4,640,000	32,034	32,034
Debt service	-	133,712	-	-
Net pension asset	-	2,983,298	-	1,426,070
Unrestricted	58,165,262	54,966,016	13,191,521	2,889,668
<b>TOTAL NET POSITION</b>	<b>331,167,409</b>	<b>329,252,400</b>	<b>153,900,611</b>	<b>144,308,482</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 556,039,926</b>	<b>\$ 553,448,770</b>	<b>\$ 277,345,661</b>	<b>\$ 267,566,409</b>

*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)

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2020	2019	2020	2019
OPERATING REVENUES				
Wastewater residential	\$ 39,788,216	\$ 37,276,375	\$ -	\$ -
Wastewater commercial and public authorities	17,895,061	20,604,815	-	-
Surface water residential	-	-	14,038,800	12,870,005
Surface water commercial	-	-	15,347,414	14,510,725
Other revenues	2,631,412	1,807,617	43,556	103,929
Total operating revenues	60,314,689	59,688,807	29,429,770	27,484,659
OPERATING EXPENSES				
Business operations	13,880,687	12,442,978	6,263,018	6,058,275
Operations and maintenance	18,931,839	17,762,092	2,834,804	2,748,013
Science and engineering	6,205,086	5,816,251	7,846,051	5,334,526
Depreciation	10,954,286	10,327,605	3,280,489	3,041,229
Total operating expenses	49,971,898	46,348,926	20,224,362	17,182,043
Net operating income	10,342,791	13,339,881	9,205,408	10,302,616
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,393,055	1,807,632	915,412	1,111,485
Interest expenses and other related costs	(4,877,203)	(4,945,710)	(3,173,438)	(3,273,708)
Amortization of bond premium and gain/loss on refunding	330,643	389,671	396,400	397,430
Other nonoperating revenues	1,470,546	1,295,099	1,608,593	613,567
Gain or loss on sale/disposal of capital assets	(586,044)	900	-	-
Total nonoperating expenses	(2,269,003)	(1,452,408)	(253,033)	(1,151,226)
Net income before contributions and transfers	8,073,788	11,887,473	8,952,375	9,151,390
Capital contributions and grants	632,334	721,043	926,188	936,806
Transfer in from other funds	-	-	22,260	263,972
Transfer out to other funds	(88,088)	(89,088)	(861,788)	(862,787)
Gross earnings tax	(4,983,095)	(5,018,089)	(2,368,249)	(2,268,637)
Total contributions and transfers	(4,438,849)	(4,386,134)	(2,281,589)	(1,930,646)
CHANGE IN NET POSITION	3,634,939	7,501,339	6,670,786	7,220,744
NET POSITION - JANUARY 1	327,532,470	321,751,061	147,229,825	137,087,738
NET POSITION - SEPTEMBER 30	\$ 331,167,409	\$ 329,252,400	\$ 153,900,611	\$ 144,308,482

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

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 57,866,409	\$ 59,067,653	\$ 28,517,934	\$ 27,349,870
Payments to suppliers	(17,394,368)	(20,109,467)	(10,221,463)	(8,561,637)
Payments to employees	(19,273,282)	(17,966,010)	(7,276,191)	(6,671,433)
Payments for taxes	(1,031,160)	(973,862)	(483,101)	(412,209)
Net cash from operating activities	20,167,599	20,018,314	10,537,179	11,704,591
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	(5,071,183)	(5,603,281)	(3,230,037)	(3,354,694)
Operating grants received	-	11,172	651,662	641,274
Interest paid on noncapital debt	-	-	(202,876)	(217,818)
Contributions and donations	101,252	130	15,820	14,630
Net cash from noncapital financing activities	(4,969,931)	(5,591,979)	(2,765,431)	(2,916,608)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	22,260	263,972
Acquisition and construction of capital assets	(9,973,723)	(12,043,979)	(5,564,170)	(5,782,205)
Principal payments on capital debt	(1,984,894)	(1,949,140)	29,430	(11,314)
Interest and issuance costs paid on capital debt	(3,306,250)	(3,318,107)	(1,912,911)	(1,974,365)
Contributions and donations	591,069	718,806	510,932	1,695,797
Cash proceeds from sale of capital assets	202,277	900	-	-
Insurance recoveries	5,750	-	-	1,760
Net cash from capital financing activities	(14,465,771)	(16,591,520)	(6,914,459)	(5,806,355)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	716,381	2,430,745	485,124	1,465,180
Nonoperating income	1,363,544	1,283,797	4,882	9,902
Net cash from investing activities	2,079,925	3,714,542	490,006	1,475,082
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	2,811,822	1,549,357	1,347,295	4,456,710
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	<u>\$ 112,312,951</u>	<u>\$ 118,109,026</u>	<u>\$ 72,236,811</u>	<u>\$ 73,243,860</u>



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

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2020	2019	2020	2019
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income	\$ 10,342,791	\$ 13,339,881	\$ 9,205,408	\$ 10,302,616
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	10,954,286	10,327,605	3,280,489	3,041,229
Cash from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(1,246,592)	30,337	(391,696)	245,981
Due from other funds	-	10,842	-	87,129
Inventory	(462,710)	(268,370)	-	-
Prepayments	(49,558)	(30,073)	-	-
Accounts payable	329,688	(2,796,935)	(289,996)	(1,235,042)
Conservation loan fund receivables	76,706	(124,376)	-	-
Accrued wages and compensated absences payable	428,690	207,455	157,577	11,986
Accrued taxes payable	32,164	8,323	10,821	(3,334)
Due to other funds	-	(262,324)	-	(294,168)
Due to other governments	60,000	(146,380)	-	-
Accrued environmental liability	-	-	(1,275,949)	(317,596)
Unearned revenues	(297,866)	(268,421)	(159,475)	(134,210)
Total adjustments	9,824,808	6,678,433	1,331,771	1,401,975
NET CASH FROM OPERATING ACTIVITIES	\$ 20,167,599	\$ 20,018,314	\$ 10,537,179	\$ 11,704,591



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.