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***September 2021***

***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 September 30, 2021 and 2020**

**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, 2021, and 2020. 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, 2021, and 2020, 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 \$9.1 million in the first nine months of 2021, compared to \$10.3 million for the same period in 2020.
- Total net position was \$499.1 million at September 30, 2021 compared to \$485.1 million at September 30, 2020.
- Operating revenues were \$91.5 million for the first nine months of 2021 compared to \$89.7 million in 2020.
- Cash and equity in pooled investments unrestricted was \$109.3 million at September 30, 2021 compared to \$100.3 million in 2020.

## 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
	2021	2020	(Decrease)
Current, restricted, and other assets	\$ 191,776,285	\$ 207,551,516	\$ (15,775,231)
Net capital assets	639,534,100	605,884,413	33,649,687
Total assets	831,310,385	813,435,929	17,874,456
Deferred outflows of resources	9,742,581	19,949,658	(10,207,077)
Total assets and deferred outflows of resources	<u>\$ 841,052,966</u>	<u>\$ 833,385,587</u>	<u>\$ 7,667,379</u>
Non-current liabilities	\$ 287,232,244	\$ 297,684,592	\$ (10,452,348)
Current liabilities	20,888,161	21,792,961	(904,800)
Total liabilities	308,120,405	319,477,553	(11,357,148)
Deferred inflows of resources	33,788,851	28,840,014	4,948,837
Total liabilities and deferred inflows of resources	<u>341,909,256</u>	<u>348,317,567</u>	<u>(6,408,311)</u>
Net position:			
Net investment in capital assets	412,281,417	409,039,203	3,242,214
Restricted	6,519,318	4,672,034	1,847,284
Unrestricted	80,342,975	71,356,783	8,986,192
Total net position	<u>499,143,710</u>	<u>485,068,020</u>	<u>14,075,690</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 841,052,966</u>	<u>\$ 833,385,587</u>	<u>\$ 7,667,379</u>

The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$499.1 million in 2021, compared to \$485.1 million in 2020. The Division's net position increased by \$9.1 million in 2021 compared to an increase of \$10.3 million in 2020. However, 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 \$412.3 million in 2021 compared to \$409.0 million in 2020. 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.

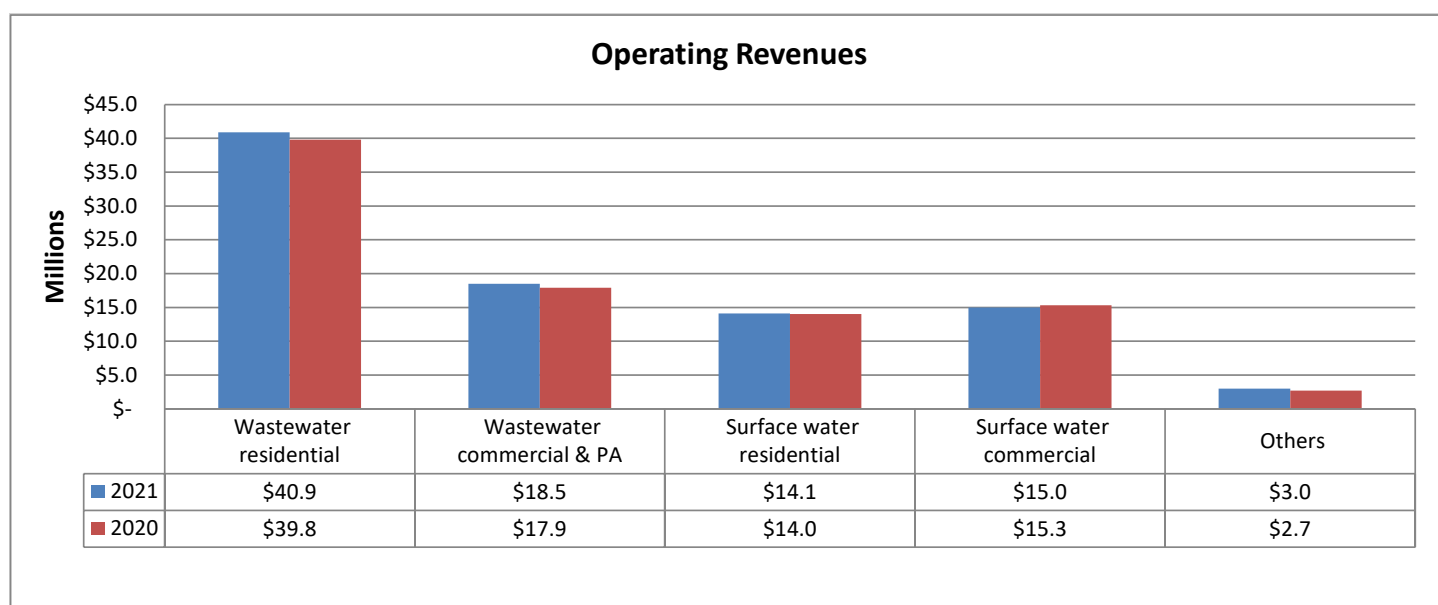
The restricted portion of the Division's net position is \$6.5 million in 2021 compared to \$4.7 million in 2020 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$80.3 million for 2021, and \$71.4 million for 2020 is unrestricted.

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

	September Year-to-Date		Increase
	2021	2020	(Decrease)
Operating revenues	\$ 91,530,347	\$ 89,744,459	\$ 1,785,888
Operating expenses	70,684,872	70,196,260	488,612
Net operating income	20,845,475	19,548,199	1,297,276
Nonoperating expenses	(4,500,223)	(2,522,036)	(1,978,187)
Increase in net position			
before transfers	16,345,252	17,026,163	(680,911)
Capital contributions	1,091,884	1,558,522	(466,638)
Transfers	(8,351,298)	(8,278,960)	(72,338)
Increase in net position	9,085,838	10,305,725	(1,219,887)
Net position - Beginning of year	490,057,872	474,762,295	15,295,577
Net position - Ending	\$ 499,143,710	\$ 485,068,020	\$ 14,075,690

### Operating revenues

The following graph provides a comparison of operating revenues for the first nine months of 2021 and 2020.



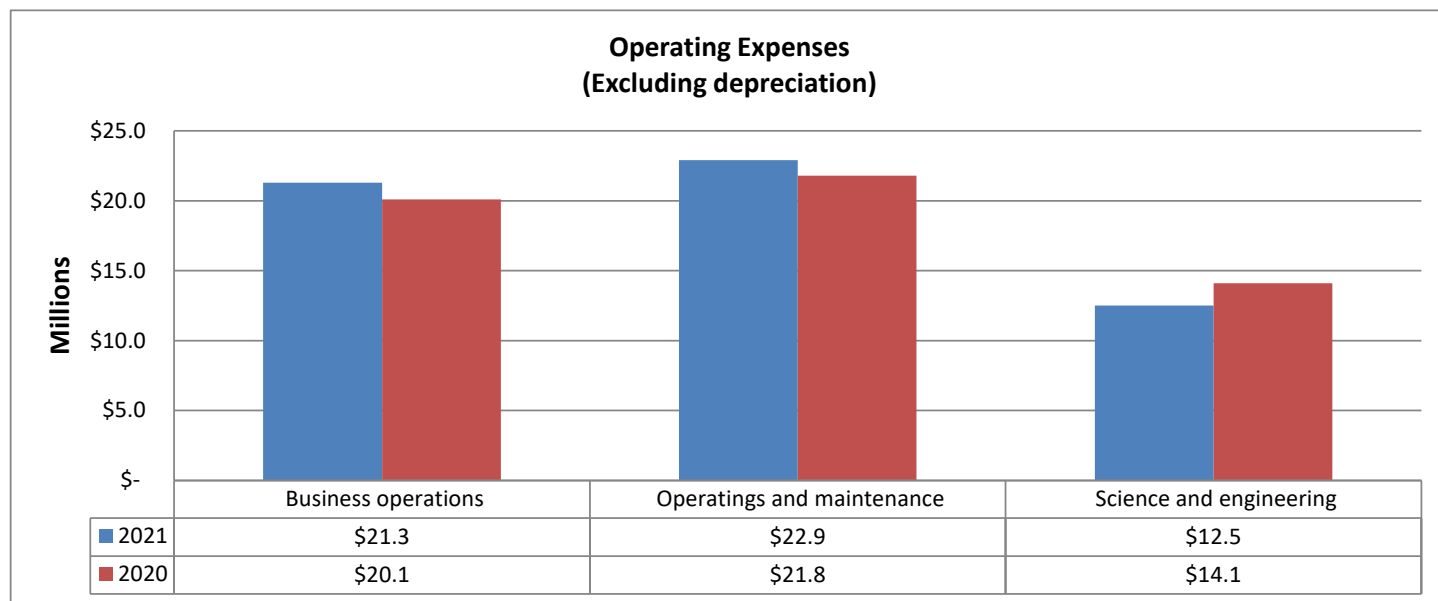
Operating revenues for the first nine months of 2021 were \$91.5 million compared to \$89.7 million in 2020. The approved overall rate increases for Wastewater were 1.5% and 4.0% for 2021 and 2020, respectively. The approved overall rate increase for Surface Water was 1.5% and 3.5% for 2021 and 2020, respectively. The rate increases went into effect January 1 of each year.

Wastewater residential revenues increased \$1.1 million or 3% compared to the same period last year. Wastewater commercial and public authority (PA) revenues increased \$615,000 or 3%. Surface Water residential revenue increased \$14,000 or 0%. Surface Water commercial revenue decreased \$343,000 or 2% mainly due to billing adjustment for Port of Tacoma. Other revenues increased \$374,000 or 14% mainly due to increases in 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 \$780,000 compared to the same period last year.

- Business operation expenses increased \$1.1 million. The significant events were:
  - Professional service expense increased \$270,000 due in part to establishing the Puget Sound Institute Modelling Center with the University of Washington Tacoma.
  - Bad debts increased \$1.0 million due to an increase in aged accounts receivable.
  - Administrative and General (A&G) credit allocated to capital projects increased \$848,000 due in part to more spending on capital projects.
  - Assessment charges from other departments, including Customer Service and IT, increased \$406,000 for their services.
  - The remaining difference of \$272,000 was due to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$1.2 million. The significant events were:
  - Labor expenses including all payroll-associated costs increased \$557,000.
  - Operating supplies increased \$622,000 due in part to increases in Transmission, Electrical & Instrumentation, and Plant #1 maintenance and operation.
  - Fleet replacement charges increased \$190,000 due to replacing Telescopic Reach Forklifts.
  - The remaining difference of \$169,000 was due to multiple small decreases in other expenses.
- Science and engineering expenses decreased \$1.5 million. The significant events were:
  - Labor expenses including all payroll-associated costs increased \$246,000.
  - External contract service decreased \$2.2 million primarily due to the completion of the Hosmer basin maintenance project in 2020.
  - Environmental liability adjustment increased \$1.2 million. 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 2021, there was a reversal of \$86,000 for maintenance expense, compared to a reversal of \$1.3 million in 2020 for the Olympic View Resource Area Capital Replenish project.
  - The remaining difference of \$746,000 was due to multiple small decreases in other expenses.

### Non-operating revenues and expenses

Net expenses of \$4.5 million reported for the first nine months of 2021 and \$2.5 million for 2020. Investment income decreased \$1.2 million due to the decrease in cash balance and lower interest rate on investments. Other nonoperating revenues decreased \$1.7 million mainly due to the decrease in grant revenues from Pierce Co. for the Hosmer Holding Basin Maintenance project.

### Capital Assets, net

Net capital assets increased \$33.6 million over the prior year. Buildings increased \$1.4 million mainly due to the Sedimentation Tank #1 & 2 projects. Transmission lines and other improvements increased \$13.6 million: 2,166 feet of donated lines were recorded for \$1.5 million, 28,169 feet of new replacement lines and extended sewer lines were recorded for \$12.4 million, and 74,118 feet of old lines were retired at the historical cost of \$300,000. Accumulated depreciation increased \$17.3 million and construction in progress increased \$36.1 million.

### Debt Administration

At September 30, 2021, the Division had \$288.9 million outstanding debt: \$45.6 million of this is junior lien debt consisting of State Revolving Fund (SRF) loan and Certificate of Participation (COP) loan. The remaining balance is senior parity bonds debt. Of the total outstanding debts, \$12.0 million will be paid in 2021.

### 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 2.96 in 2021. This compares to 2.99 in the same period of 2020.

### 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
	2021	2020	(Decrease)
<b>ASSETS</b>			
Current assets:			
Cash and equity in pooled investments	\$ 109,310,260	\$ 100,346,761	\$ 8,963,499
Accounts receivable, net	9,694,569	9,158,414	536,155
Unbilled revenues	7,675,787	7,736,787	(61,000)
GASB 31 market rate adjustment	2,638,833	1,106,962	1,531,871
Conservation loan fund receivables	105,978	151,504	(45,526)
Loan receivable	7,834,491	-	7,834,491
Due from other governments	-	1,895,282	(1,895,282)
Inventory	2,266,002	1,890,644	375,358
Prepayments	425,764	299,091	126,673
Restricted cash and equity in pooled investments:			
Debt service funds	9,258,608	9,099,358	159,250
Construction funds	35,636,893	70,431,609	(34,794,716)
Total restricted cash and equity in pooled investments	44,895,501	79,530,967	(34,635,466)
Total current assets	184,847,185	202,116,412	(17,269,227)
Non-current assets:			
Restricted cash and equity in pooled investments:			
Debt reserves	4,672,034	4,672,034	-
Net pension asset	1,847,284	-	1,847,284
Conservation loan fund receivables	409,782	669,157	(259,375)
Prepayments	-	93,913	(93,913)
Capital assets:			
Land and easements	25,301,414	25,188,346	113,068
Buildings	213,369,172	211,945,712	1,423,460
Machinery and equipment	199,100,017	199,134,583	(34,566)
Transmission lines and other improvements	450,771,019	437,206,638	13,564,381
Computer software	9,318,928	9,466,301	(147,373)
Less: accumulated depreciation	(327,683,537)	(310,340,184)	(17,343,353)
Construction work in progress	69,357,087	33,283,017	36,074,070
Total capital assets, net	639,534,100	605,884,413	33,649,687
Total non-current assets	646,463,200	611,319,517	35,143,683
<b>TOTAL ASSETS</b>	<b>831,310,385</b>	<b>813,435,929</b>	<b>17,874,456</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - loss on refunding bonds	3,270,025	3,475,382	(205,357)
Deferred outflows - OPEB	992,025	1,052,545	(60,520)
Deferred outflows - pensions	5,480,531	15,421,731	(9,941,200)
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,742,581</b>	<b>19,949,658</b>	<b>(10,207,077)</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 841,052,966</b>	<b>\$ 833,385,587</b>	<b>\$ 7,667,379</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, 2021	2020	Increase (Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,505,553	\$ 4,054,223	\$ (1,548,670)
Accrued wages payable and compensated absences payable	1,848,118	1,658,584	189,534
Accrued taxes payable	178,849	185,364	(6,515)
Due to other governments	780,000	780,000	-
Accrued environmental liability	61,163	490,108	(428,945)
Accrued State loan interest payable	355,473	317,961	37,512
Current portion of Capital COP loan	565,000	-	565,000
Current portion of State Revolving Fund loan	4,122,897	4,048,196	74,701
Current portion of revenue bonds payable	1,212,500	1,159,167	53,333
Current liabilities payable from restricted assets:			
Current portion of revenue bonds payable	6,062,500	5,795,833	266,667
Accrued revenue bonds interest payable	3,196,108	3,303,525	(107,417)
Total current liabilities	<u>20,888,161</u>	<u>21,792,961</u>	<u>(904,800)</u>
Non-current liabilities:			
Long-term debt - revenue bonds, net	236,000,755	244,429,705	(8,428,950)
Long-term debt - Capital COP loan	11,705,000	-	11,705,000
Long-term State Revolving Fund loan	29,196,478	30,632,272	(1,435,794)
Long-term accrued compensated absences	3,270,411	2,565,742	704,669
Long-term accrued environmental liability	1,144,500	1,192,000	(47,500)
Net pension liability	-	13,029,876	(13,029,876)
Net OPEB liability	2,635,160	2,555,057	80,103
Pension withdrawal liability	3,279,940	3,279,940	-
Total noncurrent liabilities	<u>287,232,244</u>	<u>297,684,592</u>	<u>(10,452,348)</u>
<b>TOTAL LIABILITIES</b>	<u>308,120,405</u>	<u>319,477,553</u>	<u>(11,357,148)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate stabilization	25,000,000	25,000,000	-
Deferred inflows - gain on refunding bonds	3,093	21,654	(18,561)
Deferred inflows - OPEB	1,746,124	2,106,245	(360,121)
Deferred inflows - pensions	7,039,634	1,712,115	5,327,519
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>33,788,851</u>	<u>28,840,014</u>	<u>4,948,837</u>
<b>NET POSITION</b>			
Net investment in capital assets	412,281,417	409,039,203	3,242,214
Restricted for:			
Bond reserves	4,672,034	4,672,034	-
Net pension asset	1,847,284	-	1,847,284
Unrestricted	80,342,975	71,356,783	8,986,192
<b>TOTAL NET POSITION</b>	<u>499,143,710</u>	<u>485,068,020</u>	<u>14,075,690</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 841,052,966</u>	<u>\$ 833,385,587</u>	<u>\$ 7,667,379</u>

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

	September Year-to-Date		\$	%
	2021	2020	Change	Change
OPERATING REVENUES				
Wastewater residential	\$ 40,913,405	\$ 39,788,216	\$ 1,125,189	3%
Wastewater commercial and public authorities	18,510,208	17,895,061	615,147	3%
Surface water residential	14,053,267	14,038,800	14,467	0%
Surface water commercial	15,004,246	15,347,414	(343,168)	-2%
Other revenues	3,049,221	2,674,968	374,253	14%
Total operating revenues	91,530,347	89,744,459	1,785,888	2%
OPERATING EXPENSES				
Business operations	21,260,427	20,143,705	1,116,722	6%
Operations and maintenance	22,934,661	21,766,643	1,168,018	5%
Science and engineering	12,546,711	14,051,137	(1,504,426)	-11%
Depreciation	13,943,073	14,234,775	(291,702)	-2%
Total operating expenses	70,684,872	70,196,260	488,612	1%
Net operating income	20,845,475	19,548,199	1,297,276	7%
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	1,112,059	2,308,467	(1,196,408)	-52%
Interest expenses and other related costs	(7,795,157)	(8,050,641)	255,484	3%
Amortization of bond premium and gain/loss on refunding	725,029	727,043	(2,014)	0%
Other nonoperating revenues	1,381,394	3,079,139	(1,697,745)	-55%
Gain or loss on sale/disposal of capital assets	76,452	(586,044)	662,496	113%
Total nonoperating expenses	(4,500,223)	(2,522,036)	(1,978,187)	-78%
Net income before contributions and transfers	16,345,252	17,026,163	(680,911)	-4%
Capital contributions and grants	1,091,884	1,558,522	(466,638)	-30%
Transfer in from other funds	-	22,260	(22,260)	-100%
Transfer out to other funds	(879,375)	(949,876)	70,501	7%
Gross earnings tax	(7,471,923)	(7,351,344)	(120,579)	-2%
Total contributions and transfers	(7,259,414)	(6,720,438)	(538,976)	-8%
CHANGE IN NET POSITION	9,085,838	10,305,725	(1,219,887)	-12%
NET POSITION - JANUARY 1	490,057,872	474,762,295	15,295,577	3%
NET POSITION - SEPTEMBER 30	\$ 499,143,710	\$ 485,068,020	\$ 14,075,690	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)

	<b>September Year-to-Date</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 88,394,419	\$ 86,384,343
Payments to suppliers	(33,108,485)	(27,615,831)
Payments to employees	(27,912,934)	(26,549,473)
Payments for taxes	(1,624,569)	(1,514,261)
Net cash from operating activities	25,748,431	30,704,778
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfer out to other funds	(8,351,298)	(8,301,220)
Operating grants received	543,042	651,662
Interest paid on noncapital debt	(186,618)	(202,876)
Contributions and donations	(101,252)	117,072
Net cash from noncapital financing activities	(8,096,126)	(7,735,362)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Transfer in from other funds	-	22,260
Acquisition and construction of capital assets	(30,060,172)	(15,537,893)
Principal payments on capital debt	(2,558,344)	(1,955,464)
Interest and issuance costs paid on capital debt	(5,023,661)	(5,219,161)
Proceeds from capital debt	7,560,896	-
Contributions and donations	998,435	1,102,001
Cash proceeds from sale of capital assets	84,864	202,277
Insurance recoveries	4,344	5,750
Net cash from capital financing activities	(28,993,638)	(21,380,230)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	(1,526,774)	1,201,505
Nonoperating income	1,172,952	1,368,426
Net cash from investing activities	(353,822)	2,569,931
<b>NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	<b>(11,695,155)</b>	<b>4,159,117</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING</b>	<b>170,572,950</b>	<b>180,390,645</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS, ENDING</b>	<b>\$ 158,877,795</b>	<b>\$ 184,549,762</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)

	<b>September Year-to-Date</b>	
	<b>2021</b>	<b>2020</b>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 20,845,475	\$ 19,548,199
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	13,943,073	14,234,775
Expense capital project costs	62,050	-
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(290,309)	(1,638,288)
Inventory	(120,481)	(462,710)
Prepayments	(148,109)	(49,558)
Accounts payable	(8,683,326)	39,692
Conservation loan fund receivables	270,716	76,706
Accrued wages and compensated absences payable	438,143	586,267
Accrued taxes payable	(10,852)	42,985
Deposit in lieu of bonds	(4,017)	-
Due to other governments	-	60,000
Accrued environmental liability	(86,337)	(1,275,949)
Unearned revenues	(467,595)	(457,341)
Total adjustments	4,902,956	11,156,579
NET CASH FROM OPERATING ACTIVITIES	\$ 25,748,431	\$ 30,704,778

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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 September 30,		Surface Water As of September 30,	
	2021	2020	2021	2020
<b>ASSETS</b>				
Current assets:				
Cash and equity in pooled investments	\$ 73,947,958	\$ 73,245,027	\$ 35,362,302	\$ 27,101,734
Accounts receivable, net	7,242,056	6,687,042	2,452,513	2,471,372
Unbilled revenues	4,827,787	4,993,787	2,848,000	2,743,000
GASB 31 market rate adjustment	1,545,642	676,674	1,093,191	430,288
Conservation loan fund receivables	105,978	151,504	-	-
Loan receivable	7,834,491	-	-	-
Due from other governments	-	-	-	1,895,282
Inventory	2,266,002	1,890,644	-	-
Prepayments	425,764	299,091	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	5,477,315	5,379,678	3,781,293	3,719,680
Construction funds	2,501,642	29,048,246	33,135,251	41,383,363
Total restricted cash and equity in pooled investments	7,978,957	34,427,924	36,916,544	45,103,043
Total current assets	106,174,635	122,371,693	78,672,550	79,744,719
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	1,363,742	-	483,542	-
Conservation loan fund receivables	409,782	669,157	-	-
Prepayments	-	93,913	-	-
Capital assets:				
Land and easements	13,313,483	13,258,354	11,987,931	11,929,992
Buildings	211,504,627	210,081,167	1,864,545	1,864,545
Machinery and equipment	179,060,686	179,137,148	20,039,331	19,997,435
Transmission lines and other improvements	247,624,564	237,953,024	203,146,455	199,253,614
Computer software	5,451,250	5,548,488	3,867,678	3,917,813
Less: accumulated depreciation	(263,437,679)	(250,141,469)	(64,245,858)	(60,198,715)
Construction work in progress	49,625,385	19,574,629	19,731,702	13,708,388
Total capital assets, net	443,142,316	415,411,341	196,391,784	190,473,072
Total non-current assets	449,555,840	420,814,411	196,907,360	190,505,106
<b>TOTAL ASSETS</b>	<b>555,730,475</b>	<b>543,186,104</b>	<b>275,579,910</b>	<b>270,249,825</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - loss on refunding bonds	2,053,217	2,178,346	1,216,808	1,297,036
Deferred outflows - OPEB	263,428	217,076	728,597	835,469
Deferred outflows - pensions	4,045,956	10,458,400	1,434,575	4,963,331
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,362,601</b>	<b>12,853,822</b>	<b>3,379,980</b>	<b>7,095,836</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 562,093,076</b>	<b>\$ 556,039,926</b>	<b>\$ 278,959,890</b>	<b>\$ 277,345,661</b>

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

	Wastewater		Surface Water	
	As of September 30,		As of September 30,	
	2021	2020	2021	2020
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,872,658	\$ 3,036,781	\$ 632,895	\$ 1,017,442
Accrued wages payable and compensated absences payable	1,372,108	1,245,336	476,010	413,248
Accrued taxes payable	131,158	127,957	47,691	57,407
Due to other governments	780,000	780,000	-	-
Accrued environmental liability	-	-	61,163	490,108
Accrued State loan interest payable	353,547	315,861	1,926	2,100
Current portion of Capital COP loan	565,000	-	-	-
Current portion of State Revolving Fund loan	4,098,392	4,024,390	24,505	23,806
Current portion of revenue bonds payable	728,856	696,711	483,644	462,456
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	3,644,279	3,483,554	2,418,221	2,312,279
Accrued revenue bonds interest payable	1,833,036	1,896,124	1,363,072	1,407,401
Total current liabilities	15,379,034	15,606,714	5,509,127	6,186,247
Non-current liabilities:				
Long-term debt - revenue bonds, net	138,288,122	143,218,513	97,712,633	101,211,192
Long-term debt - Capital COP loan	11,705,000	-	-	-
Long-term State Revolving Fund loan	28,854,619	30,327,077	341,859	305,195
Long-term accrued compensated absences	2,654,336	2,094,738	616,075	471,004
Long-term accrued environmental liability	-	-	1,144,500	1,192,000
Net pension liability	-	8,836,340	-	4,193,536
Net OPEB liability	1,375,803	1,350,938	1,259,357	1,204,119
Pension withdrawal liability	3,279,940	3,279,940	-	-
Total noncurrent liabilities	186,157,820	189,107,546	101,074,424	108,577,046
<b>TOTAL LIABILITIES</b>	<b>201,536,854</b>	<b>204,714,260</b>	<b>106,583,551</b>	<b>114,763,293</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	1,299	9,095	1,794	12,559
Deferred inflows - OPEB	1,618,935	1,988,074	127,189	118,171
Deferred inflows - pensions	5,196,951	1,161,088	1,842,683	551,027
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>23,817,185</b>	<b>20,158,257</b>	<b>9,971,666</b>	<b>8,681,757</b>
<b>NET POSITION</b>				
Net investment in capital assets	271,290,378	268,362,147	140,991,039	140,677,056
Restricted for:				
Bond reserves	4,640,000	4,640,000	32,034	32,034
Net pension asset	1,363,742	-	483,542	-
Unrestricted	59,444,917	58,165,262	20,898,058	13,191,521
<b>TOTAL NET POSITION</b>	<b>336,739,037</b>	<b>331,167,409</b>	<b>162,404,673</b>	<b>153,900,611</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 562,093,076</b>	<b>\$ 556,039,926</b>	<b>\$ 278,959,890</b>	<b>\$ 277,345,661</b>

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

	Wastewater		Surface Water	
	September Year-to-Date		September Year-to-Date	
	2021	2020	2021	2020
OPERATING REVENUES				
Wastewater residential	\$ 40,913,405	\$ 39,788,216	\$ -	\$ -
Wastewater commercial and public authorities	18,510,208	17,895,061	-	-
Surface water residential	-	-	14,053,267	14,038,800
Surface water commercial	-	-	15,004,246	15,347,414
Other revenues	2,951,278	2,631,412	97,943	43,556
Total operating revenues	62,374,891	60,314,689	29,155,456	29,429,770
OPERATING EXPENSES				
Business operations	14,249,885	13,880,687	7,010,542	6,263,018
Operations and maintenance	20,145,521	18,931,839	2,789,140	2,834,804
Science and engineering	6,358,056	6,205,086	6,188,655	7,846,051
Depreciation	10,656,908	10,954,286	3,286,165	3,280,489
Total operating expenses	51,410,370	49,971,898	19,274,502	20,224,362
Net operating income	10,964,521	10,342,791	9,880,954	9,205,408
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	623,849	1,393,055	488,210	915,412
Interest expenses and other related costs	(4,722,290)	(4,877,203)	(3,072,867)	(3,173,438)
Amortization of bond premium and gain/loss on refunding	329,802	330,643	395,227	396,400
Other nonoperating revenues	1,058,239	1,470,546	323,155	1,608,593
Gain or loss on sale/disposal of capital assets	80,679	(586,044)	(4,227)	-
Total nonoperating expenses	(2,629,721)	(2,269,003)	(1,870,502)	(253,033)
Net income before contributions and transfers	8,334,800	8,073,788	8,010,452	8,952,375
Capital contributions and grants	580,375	632,334	511,509	926,188
Transfer in from other funds	-	-	-	22,260
Transfer out to other funds	-	(88,088)	(879,375)	(861,788)
Gross earnings tax	(5,108,981)	(4,983,095)	(2,362,942)	(2,368,249)
Total contributions and transfers	(4,528,606)	(4,438,849)	(2,730,808)	(2,281,589)
CHANGE IN NET POSITION	3,806,194	3,634,939	5,279,644	6,670,786
NET POSITION - JANUARY 1	332,932,843	327,532,470	157,125,029	147,229,825
NET POSITION - SEPTEMBER 30	\$ 336,739,037	\$ 331,167,409	\$ 162,404,673	\$ 153,900,611

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	
	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 60,238,320	\$ 57,866,409	\$ 28,156,099	\$ 28,517,934
Payments to suppliers	(24,350,084)	(17,394,368)	(8,758,401)	(10,221,463)
Payments to employees	(20,458,275)	(19,273,282)	(7,454,659)	(7,276,191)
Payments for taxes	(1,115,457)	(1,031,160)	(509,112)	(483,101)
Net cash from operating activities	14,314,504	20,167,599	11,433,927	10,537,179
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	(5,108,981)	(5,071,183)	(3,242,317)	(3,230,037)
Operating grants received	-	-	543,042	651,662
Interest paid on noncapital debt	-	-	(186,618)	(202,876)
Contributions and donations	(101,252)	101,252	-	15,820
Net cash from noncapital financing activities	(5,210,233)	(4,969,931)	(2,885,893)	(2,765,431)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	-	22,260
Acquisition and construction of capital assets	(24,751,635)	(9,973,723)	(5,308,537)	(5,564,170)
Principal payments on capital debt	(2,546,355)	(1,984,894)	(11,989)	29,430
Interest and issuance costs paid on capital debt	(3,161,643)	(3,306,250)	(1,862,018)	(1,912,911)
Proceeds from capital debt	7,502,820	-	58,076	-
Contributions and donations	533,651	591,069	464,784	510,932
Cash proceeds from sale of capital assets	84,864	202,277	-	-
Insurance recoveries	2,527	5,750	1,817	-
Net cash from capital financing activities	(22,335,771)	(14,465,771)	(6,657,867)	(6,914,459)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	(921,793)	716,381	(604,981)	485,124
Nonoperating income	1,156,965	1,363,544	15,987	4,882
Net cash from investing activities	235,172	2,079,925	(588,994)	490,006
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	(12,996,328)	2,811,822	1,301,173	1,347,295
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	99,563,243	109,501,129	71,009,707	70,889,516
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 86,566,915	\$ 112,312,951	\$ 72,310,880	\$ 72,236,811



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	
	2021	2020	2021	2020
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income	\$ 10,964,521	\$ 10,342,791	\$ 9,880,954	\$ 9,205,408
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	10,656,908	10,954,286	3,286,165	3,280,489
Expense capital project costs	62,050	-	-	-
Cash from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(172,111)	(1,246,592)	(118,198)	(391,696)
Inventory	(120,481)	(462,710)	-	-
Prepayments	(148,109)	(49,558)	-	-
Accounts payable	(7,198,741)	329,688	(1,484,585)	(289,996)
Conservation loan fund receivables	270,716	76,706	-	-
Accrued wages and compensated absences payable	308,399	428,690	129,744	157,577
Accrued taxes payable	(87)	32,164	(10,765)	10,821
Deposit in lieu of bonds	(4,017)	-	-	-
Due to other governments	-	60,000	-	-
Accrued environmental liability	-	-	(86,337)	(1,275,949)
Unearned revenues	(304,544)	(297,866)	(163,051)	(159,475)
Total adjustments	3,349,983	9,824,808	1,552,973	1,331,771
NET CASH FROM OPERATING ACTIVITIES	\$ 14,314,504	\$ 20,167,599	\$ 11,433,927	\$ 10,537,179



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.