



Report of Independent Auditors and Financial  
Statements with Required Supplementary  
Information and Other Information for

**Seattle Public Utilities –  
Water Fund**  
(An Enterprise Fund of the City of Seattle)

December 31, 2015 and 2014

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

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## REPORT OF INDEPENDENT AUDITORS

To the Director of Seattle Public Utilities  
Water Fund  
Seattle, Washington

### **Report on Financial Statements**

We have audited the accompanying financial statements of Seattle Public Utilities – Water Fund (the “Fund”), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Public Utilities – Water Fund as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 14 of the financial statements, the Fund adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Seattle Public Utilities' proportionate share of the net pension liability and schedule of Seattle Public Utilities' contributions, listed in the table of contents, be presented to supplement the basic financial statements. This information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other information presented on pages 44 – 47 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or provide any assurance on it.

*Mess Adamo LLP*

Seattle, Washington  
April 28, 2016

# SEATTLE PUBLIC UTILITIES - WATER FUND

## (An Enterprise Fund of the City of Seattle)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of Seattle Public Utilities ("SPU"), a department of the City of Seattle (the "City"), we offer readers of SPU's financial statements this narrative overview and analysis of the financial activities of the Water Fund (the "Fund") for the fiscal years ended December 31, 2015 and 2014. The revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of Seattle's water system are recorded in the Water Fund, the functions of which are primarily supported by user fees and charges to customers. The financial situation of other aspects of Seattle City government, including other utility services and general government operations, are reported elsewhere.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements include Management's Discussion and Analysis and basic financial statements with accompanying notes.

**Basic Financial Statements** – The basic financial statements of the Fund report information similar to the presentation used by private sector companies. These statements offer short-term and long-term financial information about its activities. The basic financial statements begin on page 13 of this report and are comprised of three components: (1) Statements of Net Position, (2) Statements of Revenues, Expenses, and Changes in Net Position, and (3) Statements of Cash Flows.

The Statements of Net Position present information, as of December 31, 2015 and 2014, on all of the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources), and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The Statements of Revenues, Expenses, and Changes in Net Position present changes in the Fund's net position for the years ended December 31, 2015 and 2014. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. These statements reflect the results of the Fund's operations for the years identified to provide information about the Fund's credit worthiness and its ability to successfully recover all its costs through service fees and other charges.

The Statements of Cash Flows are required to provide information about the Fund's cash receipts and cash payments during the years ended December 31, 2015 and 2014, and to provide answers to questions about sources, uses, and impacts to cash, these statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities for the reporting period.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Notes to the Financial Statements** – The notes are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the data provided in the financial statements, such as for certain estimates and financing details. The notes to the financial statements begin on page 18 of this report.

**FINANCIAL ANALYSIS**

Increases or decreases in net position may serve over time as a useful indicator of whether the Fund's financial position is improving or deteriorating. At December 31, 2015 and 2014, the Fund's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, resulting in surpluses in total net position of \$360.1 million and \$393.0 million, respectively. In 2015, the Fund's overall position decreased by \$32.9 million (8.4%) as compared to 2014 with an increase of \$31.5 million (8.7%). The following summary statement of net position present the assets and deferred outflows of resources of the Fund and show the mix of liabilities, deferred inflows of resources and net position used to acquire these assets:

**SUMMARY STATEMENT OF NET POSITION**

	December 31,		
	2015	2014	2013
<b>ASSETS</b>			
Current assets	\$ 78,167,413	\$ 78,293,752	\$ 65,148,012
Capital assets, net	1,241,010,581	1,205,241,887	1,196,848,221
Other	142,883,299	104,355,153	116,079,264
Total assets	<u>1,462,061,293</u>	<u>1,387,890,792</u>	<u>1,378,075,497</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>39,308,608</u>	<u>18,914,284</u>	<u>20,164,950</u>
Total assets and deferred outflows of resources	<u>\$ 1,501,369,901</u>	<u>\$ 1,406,805,076</u>	<u>\$ 1,398,240,447</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 84,602,668	\$ 75,570,277	\$ 69,099,335
Revenue bonds	899,911,354	877,255,855	915,557,268
Other	121,553,555	33,062,990	32,630,286
Total liabilities	<u>1,106,067,577</u>	<u>985,889,122</u>	<u>1,017,286,889</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Revenue stabilization fund	<u>35,193,116</u>	<u>27,875,563</u>	<u>19,418,011</u>
<b>NET POSITION</b>			
Net investment in capital assets	388,808,815	351,175,275	327,186,569
Restricted	12,526,734	11,790,073	12,174,403
Unrestricted	<u>(41,226,341)</u>	<u>30,075,043</u>	<u>22,174,575</u>
<b>TOTAL NET POSITION</b>	<u>360,109,208</u>	<u>393,040,391</u>	<u>361,535,547</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,501,369,901</u>	<u>\$ 1,406,805,076</u>	<u>\$ 1,398,240,447</u>

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS (Continued)**

**2015 Compared to 2014**

**Assets** – Current assets decreased \$0.1 million (a negative 0.2%) from 2014. This is primarily due to a decrease in operating cash of \$1.2 million. The decrease was offset by increases in accounts receivable, net of allowance for doubtful accounts of \$0.8 million and unbilled revenues of \$0.2 million.

Capital assets increased \$35.8 million (3.0%) from 2014. Construction in progress and other plant assets increased \$79.2 million; increase is mostly due to infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings. This increase was offset by \$43.5 million increase in accumulated depreciation (Note 3).

Other assets increased \$38.5 million (36.9%) from 2014. The largest portion of the change was due to increase in restricted cash and equity in pooled investments of \$38.6 million mainly as a result of the issuance of 2015 bonds and an increase in regulatory assets of \$0.8 million. This increase was offset by decreases of \$0.8 million in other charges and \$0.1 million for long term prepayments and notes and contracts receivable.

**Deferred Outflows of Resources** – Deferred outflow of resources increased by \$20.4 million (107.8%) from 2014. This increase is related to \$10.5 million in deferred loss on advanced refunding from the 2015 issuance of revenue and refunding bonds and \$9.9 million related to the implementation of GASB Statements No. 68 and 71 and the recognition of deferred outflows of resources for pension contributions and changes in assumptions.

**Liabilities** – Current liabilities increased \$9.0 million (12.0%) from 2014. This change resulted from increases of \$6.6 million in current portion of bonds payable, \$2.1 million in salaries, benefits and payroll taxes payable, \$1.5 million in accounts payable, \$1.3 million in other current liabilities, \$1.0 million in claims payable and \$0.5 million in due to other funds. These increases were offset by decreases of \$3.8 million in interest payable and \$0.2 million in Habitat Conservation Plan (“HCP”) liability.

Other liabilities increased \$88.5 million (267.6%) over 2014. The largest portion of this increase, \$82.7 million, resulted from the implementation GASB Statement No. 68 and the recognition of the Fund’s net pension liability. Additional increases included \$6.2 million in loans, \$0.7 million in the long term portion of the HCP liability, and \$0.1 million in the unfunded and other post-employment benefits liability. These increases were offset by a decrease of \$1.2 million in claims liability.

**Deferred Inflows of Resources** – Rate stabilization account increased by \$7.3 million (26.3%) from 2014 due to a cash transfer from the operating fund and interest earned in 2015.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS (CONTINUED)**

**Net Position** – Net investment in capital assets was the largest portion of the Fund's net position (\$388.8 million or 108%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2015, net investment in capital assets increased \$37.6 million from 2014 primarily from an increase in construction in progress.

The Fund's restricted net position (\$12.5 million or 3.5%) represent resources that are subject to restrictions on how they may be used. Restricted net position increased \$0.7 million primarily due to the increases in restrictions in conservation and other costs.

The Fund's unrestricted net position (a negative \$41.2 million or 11.5%) represent resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion decreased \$71.3 million in 2015 as compared to 2014. The two main components for this change include an increase in investment in capital assets, and a decrease for the recognition of the pension liability as required by GASB Statement No. 68 for reporting pensions (Note 9).

**2014 Compared to 2013**

**Assets** – Current assets increased \$13.1 million (20.2%) from 2013. This is primarily due to an increase in operating cash of \$14.7 million as a result of construction fund transfer. This increase was offset by decreases in accounts receivable, net of allowance for doubtful accounts of \$0.4 million, unbilled revenues of \$0.3 million and due from other governments of \$0.9 million.

Other assets decreased \$11.7 million (10.1%) from 2013. The largest portion of the change was due to reductions in restricted cash and equity in pooled investments of \$9.1 million as a result of construction fund transfer, regulatory assets of \$1.2 million, other charges of \$0.9 million and conservation cost of \$0.5 million.

**Deferred Outflows of Resources** – Deferred loss on advanced refunding of bonds decreased by \$1.3 million due to scheduled amortization.



**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS (CONTINUED)**

**Liabilities** – Current liabilities increased \$6.5 million (9.4%) from 2013. This is mainly attributable to increases in accounts payable of \$2.1 million and other current liabilities of \$1.7 million as a result of deposits received for services to be delivered in the future. Other increases include \$1.5 million in current portion of bonds payable, \$1.1 million in due to other funds, \$0.3 million in HCP liability and \$0.4 million in salaries, benefits, and payroll taxes payable. These increases were offset by a \$0.6 million decrease in interest payable.

Other liabilities increased \$0.4 million (1.3%) over 2013 mainly due to the increase in compensated absences payable.

**Deferred Inflows of Resources** – The rate stabilization account increased by \$8.5 million (43.6%) due to a cash transfer from the operating fund and interest earned in 2014.

**Net Position** – Net investment in capital assets was the largest portion of the Fund's net position (\$351.2 million or 89.3%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2014, net investment in capital assets increased \$24.0 million from 2013 primarily from a reduction in debt allocated to capital assets.

The Fund's restricted net position (\$11.8 million or 3.0%) represent resources that are subject to restrictions on how they may be used. Restricted net position decreased \$0.4 million primarily due to the decreases in restrictions in conservation and other costs.

The Fund's unrestricted net position (\$30.1 million or 7.7%) represent resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion increased \$7.9 million in 2014.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS (CONTINUED)**

The following summary statements of revenues, expenses, and changes in net position present the annual surplus of revenues over expenses (the change in net position):

**SUMMARY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	December 31,		
	2015	2014	2013
Operating revenues	\$ 251,977,342	\$ 242,946,509	\$ 235,593,735
Operating expenses	<u>(193,606,066)</u>	<u>(184,445,459)</u>	<u>(176,531,527)</u>
Net operating income	58,371,276	58,501,050	59,062,208
Other expenses, net of other revenues	(30,559,620)	(35,928,293)	(38,388,558)
Fees, contributions, and grants	<u>10,393,558</u>	<u>8,932,087</u>	<u>7,517,598</u>
Change in net position	<u>\$ 38,205,214</u>	<u>\$ 31,504,844</u>	<u>\$ 28,191,248</u>

**2015 Compared to 2014**

Operating revenues increased approximately \$9.0 million (3.7%) over 2014. This change was driven by an increase in direct service revenue of \$7.1 million resulting from an increase in consumption and \$2.2 million increase in other revenues. These increases were offset by decreases of \$1.4 million in wholesale revenue and \$1.2 million in rate stabilization revenue. 2015 was not a typical year for water consumption. The area experienced very dry conditions a month earlier than expected. As a result, the Fund implemented the Water Shortage Contingency Plan in coordination with other large cities in the area. This voluntary reduction plan along with cooler temperatures later in the summer pushed consumption down. However, the early summer spike was large enough to provide increased revenues.

Operating expenses increased \$9.2 million (5.0%) from 2014. Notable factors affecting this change include increases of \$4.1 million in field operations, \$2.3 million in project delivery, \$1.8 million in customer service, and \$0.1 million in pre-capital planning and development. Additional increases include city taxes of \$1.5 million related to the overall increase in revenues, along with a \$0.7 million in other taxes. The increase was offset by a reduction in depreciation and amortization of \$1.4 million.

Other expenses, net of other revenues decreased by \$5.4 million (a negative 14.9%) over 2014. The change was primarily due to decreases in interest expense of \$2.1 million, gain on sale of capital assets of \$3.2 million and bond related amortization of \$0.3 million. These increases were offset by a reduction in investment income of \$0.2 million.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**FINANCIAL ANALYSIS (CONTINUED)**

Capital fees, contributions and grants increased by \$1.5 million (16.4%) over 2014 primarily due to increases in capital contributions for other meters and services of \$3.6 million, connection charges of \$1.2 million and hydrants of \$0.1 million. These increases were offset by decreases in donated plant of \$3.1 million and \$0.3 million in agency and interlocal services.

**2014 Compared to 2013**

Operating revenues increased approximately \$7.4 million (3.1%) over 2013. This change was driven by an increase in direct service revenue of \$11.8 million resulting from an increase in rates. The increase was offset by decreases of \$2.4 million in wholesale revenue, \$0.9 million for other ancillary services and \$1.1 million in the revenue stabilization account.

Operating expenses increased \$7.9 million (4.5%) from 2013. Notable factors affecting this change include increases in city taxes of \$1.9 million related to the overall increase in revenues. Depreciation and amortization also increased by \$1.6 million due to an increase in depreciable assets. Additional increases to expenses include \$7.3 million in the general and administrative branch, \$0.7 million in the utility systems management and \$0.5 million in other taxes. The increase was offset by decreases in field operations of \$2.7 million and customer service cost of \$1.4 million.

Other expenses, net of other revenues decreased by \$2.5 million (6.4%) over 2013. The change was primarily due to an increase in investment income of \$1.5 million and other income of \$0.1 million. These increases were offset by decreases in interest payments of \$1.9 million, contributions and grants of \$0.6 million, and loss on sale of capital assets of \$0.4 million.

Capital fees, contributions and grants increased by \$1.4 million (18.8%) over 2013 primarily due to increases in donated assets of \$2.8 million, \$0.4 million in connection charges and \$0.1 million in hydrants. These increases were offset by decreases in capital grants of \$0.8 million, agencies and interlocal services of \$0.5 million, capital contributions from private contract watermain of \$0.4 million, and capital contributions for other meters and services of \$0.2 million.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CAPITAL ASSETS**

The following table summarizes capital assets, net of accumulated depreciation, by major asset category as of December 31, 2015, 2014, and 2013:

**SUMMARY OF CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	December 31,		
	2015	2014	2013
Land and land rights	\$ 44,453,438	\$ 44,261,296	\$ 43,269,483
Buildings	137,638,742	129,734,770	132,995,939
Structures	246,598,683	237,889,257	239,710,769
Machinery and equipment	722,853,338	725,008,774	731,463,161
Computer systems	12,865,870	17,872,911	22,880,796
Construction in progress	75,006,536	48,906,371	25,343,136
Other property	1,593,974	1,568,508	1,184,937
Capital assets, net of accumulated depreciation	<u>\$ 1,241,010,581</u>	<u>\$ 1,205,241,887</u>	<u>\$ 1,196,848,221</u>

Additional information about the Fund's capital assets can be found in Note 3 of this report.

**2015 Compared to 2014**

The Fund's investment in capital assets for the year ended December 31, 2015 was \$1.24 billion, net of accumulated depreciation. This represents an increase of \$35.8 million (3.0%) compared to 2014. Highlights of the Fund's major capital assets placed in service during 2015 include the following:

- Water infrastructure improvements and rehabilitation totaling \$14.7 million.
- Facility improvements to Landsburg site totaling \$14.7 million.
- Reservoir covering and improvement totaling \$10.9 million.
- Distribution infrastructure system improvements totaling \$3.2 million.
- Heavy equipment purchases totaling \$2.4 million.
- Technology infrastructure improvements totaling \$2.3 million.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CAPITAL ASSETS (CONTINUED)**

The Fund had \$75 million in construction work in progress as of December 31, 2015. Major projects under construction are the following:

- Morse Lake Pump Plant Project totaling \$21.9 million.
- Alaskan Way Viaduct and Sea Wall totaling \$19.5 million.
- Business and technology infrastructure upgrades totaling \$9.5 million.
- Reservoir covering and improvement totaling \$6.2 million.
- Water system improvements and rehabilitation totaling \$3.9 million.

**2014 Compared to 2013**

The Fund's investment in capital assets for the year ended December 31, 2014 was \$1.21 billion, net of accumulated depreciation. This represents an increase of \$8.4 million (0.7%) compared to 2013. Highlights of the Fund's major capital assets placed in service during 2014 include the following:

- Water infrastructure improvements and rehabilitation totaling \$14.6 million.
- Technology infrastructure improvements totaling \$1.9 million.
- Water Conservation projects totaling \$1.9 million.
- Bridges, water distribution system, water main, and water transmission pipelines improvements totaling \$3.9 million.
- Watershed Road Improvements and Stream Restoration totaling \$1.1 million.

The Fund had \$48.9 million in construction work in progress as of December 31, 2014. Projects under construction are the following:

- Reservoir covering and improvement projects totaling \$18.2 million.
- Operational, regional, and other facilities totaling \$11.0 million.

# **SEATTLE PUBLIC UTILITIES - WATER FUND**

## **(An Enterprise Fund of the City of Seattle)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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#### **CAPITAL ASSETS (CONTINUED)**

- Alaskan Way Viaduct and Sea Wall \$7.2 million.
- Business and technology infrastructure upgrades totaling \$5.5 million.
- Water system improvements and rehabilitation totaling \$2.7 million.

#### **DEBT ADMINISTRATION**

The Fund's debt primarily consists of bonded debt and loans. Bonded debt is secured solely by water system revenues and provides financing for capital improvements. Loans issued by the Washington State Agencies for certain capital improvements are unsecured. The Fund's credit ratings on its bonds were Aa1 and AA+ by Moody's Investors Service, Inc. and Standard & Poor's Rating Services, respectively. Additional detail about the Fund's revenue bonds and loans are located in Notes 4 and 10 of this report.

#### **2015 Compared to 2014**

At December 31, 2015 the Fund had \$851.6 million in bonded debt and \$22.3 million in loans, as compared to \$853.5 million and \$16.1 million, respectively, at December 31, 2014. Bonded debt decreased \$1.9 million, attributed to scheduled payments of debt principal on existing bonds and refunding of older bonds with the issuance of 2015 bonds. However, loans increased \$6.2 million due to a new loan for the Morse Lake Pump Plant Project offset by scheduled principal payments on existing loans.

#### **2014 Compared to 2013**

At December 31, 2014 the Fund had \$853.5 million in bonded debt and \$16.1 million in loans, as compared to \$887 million and \$17.2 million, respectively, at December 31, 2013. Bonded debt decreased \$33.5 million, attributed to scheduled payments of debt principal on existing bonds. Loans also decreased \$1.1 million due to scheduled principal payments on existing loans.

#### **REQUESTS FOR INFORMATION**

The Fund's financial statements are designed to provide a general overview of the Fund's finances, as well as to demonstrate the Fund'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 Seattle Public Utilities, Finance and Administration Branch, Finance Division, PO Box 34018, Seattle, WA 98124-4018, telephone (206) 684-3000.

**SEATTLE PUBLIC UTILITIES – WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**STATEMENTS OF NET POSITION**

	December 31,	
	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Operating cash and equity in pooled investments	\$ 42,330,385	\$ 43,553,317
Receivables		
Accounts, net of allowance	14,305,436	13,519,267
Interest and dividends	961,683	910,043
Unbilled revenues	13,834,345	13,650,679
Notes and other contracts	111,920	107,206
Due from other funds	893,464	759,960
Due from other governments	556,943	582,866
Materials and supplies inventory	5,101,645	5,138,821
Prepayments and other current assets	71,592	71,593
Total current assets	<u>78,167,413</u>	<u>78,293,752</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and equity in pooled investments	95,244,121	56,623,220
Prepayments long-term	1,161,780	1,233,372
Notes and contracts receivable	394,570	413,501
Conservation costs	31,557,939	31,552,189
Regulatory assets	11,756,158	10,987,699
Other charges	2,768,731	3,545,172
Capital assets		
Land and land rights	44,453,438	44,261,296
Plant in service, excluding land	1,844,526,840	1,791,608,517
Less accumulated depreciation	(724,570,207)	(681,102,805)
Construction in progress	75,006,536	48,906,371
Other property, net	1,593,974	1,568,508
Total noncurrent assets	<u>1,383,893,880</u>	<u>1,309,597,040</u>
Total assets	1,462,061,293	1,387,890,792
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advanced refunding	29,452,669	18,914,284
Pension contributions and changes in assumptions	9,855,939	-
Total deferred outflow of resources	<u>39,308,608</u>	<u>18,914,284</u>
Total assets and deferred outflows of resources	<u>\$ 1,501,369,901</u>	<u>\$ 1,406,805,076</u>

**SEATTLE PUBLIC UTILITIES – WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**STATEMENTS OF NET POSITION (CONTINUED)**

	December 31,	
	2015	2014
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,262,415	\$ 8,736,287
Salaries, benefits, and payroll taxes payable	4,649,470	2,542,577
Compensated absences payable	457,487	467,358
Due to other funds	5,645,855	5,146,325
Interest payable	12,363,623	16,207,331
Taxes payable	746,338	706,876
Revenue bonds due within one year	41,615,000	35,015,000
Claims payable	2,248,626	1,195,990
HCP liability	905,676	1,138,306
Loans payable, due within one year	1,124,987	1,124,987
Other	4,583,191	3,289,240
Total current liabilities	<u>84,602,668</u>	<u>75,570,277</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable	4,840,564	4,845,492
Claims payable	2,599,653	3,801,726
HCP liability	7,155,530	6,492,537
Loans	21,217,092	14,996,469
Vendor and other deposits payable	24,899	-
Unfunded other post retirement benefits	2,703,122	2,564,849
Net pension liability	82,684,775	-
Other noncurrent liabilities	327,920	361,917
Revenue bonds	851,565,000	853,465,000
Less bonds due within one year	(41,615,000)	(35,015,000)
Bond discount and premium, net	89,961,354	58,805,855
Total noncurrent liabilities	<u>1,021,464,909</u>	<u>910,318,845</u>
Total liabilities	<u>1,106,067,577</u>	<u>985,889,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Revenue stabilization fund	<u>35,193,116</u>	<u>27,875,563</u>
<b>NET POSITION</b>		
Net investment in capital assets	388,808,815	351,175,275
Restricted for:		
Other charges	5,030,243	4,725,537
Conservation costs	3,614,404	3,404,140
Habitat conservation program	3,882,087	3,660,396
Unrestricted	(41,226,341)	30,075,043
Total net position	<u>360,109,208</u>	<u>393,040,391</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,501,369,901</u>	<u>\$ 1,406,805,076</u>



**SEATTLE PUBLIC UTILITIES – WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Years Ended December 31,	
	2015	2014
<b>OPERATING REVENUES</b>		
Charges for services and other revenues	\$ 251,977,342	\$ 242,946,509
<b>OPERATING EXPENSES</b>		
Planning and development	1,581,944	1,446,621
Utility systems management	14,621,658	14,576,410
Field operations	31,367,569	27,314,986
Project delivery	6,664,203	4,331,978
Customer services	8,033,948	6,252,340
General and administrative	38,946,599	38,916,393
City business and occupation taxes	32,132,597	30,656,984
Other taxes	10,214,505	9,483,508
Depreciation and other amortization	50,043,043	51,466,239
Total operating expenses	<u>193,606,066</u>	<u>184,445,459</u>
<b>OPERATING INCOME</b>	<u>58,371,276</u>	<u>58,501,050</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	2,838,206	3,082,424
Interest expense	(39,392,454)	(41,524,740)
Amortization of bond premiums and discounts	3,940,353	3,286,413
Amortization of bond refunding loss	(1,648,961)	(1,250,666)
Gain (loss) on sale of capital assets	2,517,736	(720,309)
Contributions and grants	216,752	181,620
Other, net	968,748	1,016,965
Total nonoperating revenues (expenses)	<u>(30,559,620)</u>	<u>(35,928,293)</u>
Income before capital contributions and grants	27,811,656	22,572,757
Capital contributions and grants	<u>10,393,558</u>	<u>8,932,087</u>
<b>CHANGE IN NET POSITION</b>	38,205,214	31,504,844
<b>NET POSITION</b>		
Beginning of year	393,040,391	361,535,547
Cumulative effect of change in accounting principle	<u>(71,136,397)</u>	<u>-</u>
Net position	<u>321,903,994</u>	<u>361,535,547</u>
End of year	<u>\$ 360,109,208</u>	<u>\$ 393,040,391</u>

**SEATTLE PUBLIC UTILITIES – WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 261,206,406	\$ 256,195,188
Cash paid to suppliers	(32,734,476)	(25,846,287)
Cash paid to employees	(62,300,285)	(62,565,567)
Cash paid for taxes	(42,169,227)	(39,862,648)
Net cash provided by operating activities	<u>124,002,418</u>	<u>127,920,686</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital grants received	<u>234,822</u>	<u>201,721</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of bonds and other long-term debt	391,563,888	-
Principal payments on long-term debt and refunding	(364,181,697)	(34,669,988)
Capital expenditures and other charges paid	(84,404,214)	(51,926,099)
Interest paid on long-term debt	(45,560,136)	(43,601,148)
Build America Bonds Federal Interest Subsidy	1,979,455	1,981,591
Capital fees and grants received	8,876,445	4,388,114
Debt issuance costs	(1,906,949)	-
Proceeds from sale of capital assets	5,986,826	196,317
Net cash used in capital and related financing activities	<u>(87,646,382)</u>	<u>(123,631,213)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	<u>807,111</u>	<u>1,086,083</u>
<b>NET INCREASE IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	37,397,969	5,577,277
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of year	<u>100,176,537</u>	<u>94,599,260</u>
End of year	<u>\$ 137,574,506</u>	<u>\$ 100,176,537</u>
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating cash and equity in pooled investments	\$ 42,330,385	\$ 43,553,317
Noncurrent restricted cash and equity in pooled investments	<u>95,244,121</u>	<u>56,623,220</u>
Total cash at the end of the year	<u>\$ 137,574,506</u>	<u>\$ 100,176,537</u>

**SEATTLE PUBLIC UTILITIES – WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

	Years Ended December 31,	
	2015	2014
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 58,371,276	\$ 58,501,050
Adjustments to reconcile net operating income to net cash provided by operating activities		
Amortization of pension assumptions	1,692,440	-
Depreciation and amortization	50,043,043	51,466,239
Other receipts and payments	2,204,211	2,221,709
Changes in operating assets and liabilities		
Accounts receivable	(786,169)	379,987
Unbilled revenues	(183,666)	314,746
Due from other funds	(133,504)	(55,612)
Due from other governments	(76,654)	780,816
Materials and supplies inventory	37,176	(66,623)
Other assets	85,809	191,340
Accounts payable	1,526,128	2,055,100
Salaries, benefits, and payroll taxes payable	2,106,893	441,890
Compensated absences payable	(14,799)	458,291
Due to other funds	499,530	1,053,540
Due to other governments	-	(68,908)
Claims payable	(149,437)	122,115
Taxes payable	39,462	2,211
Regulatory liability - revenue stabilization fund	7,317,553	8,457,552
Credits and other	1,423,126	1,665,243
Total adjustments	<u>65,631,142</u>	<u>69,419,636</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 124,002,418</u>	<u>\$ 127,920,686</u>
NONCASH TRANSACTIONS		
Contributed infrastructure	<u>\$ 1,601,620</u>	<u>\$ 4,669,799</u>

# **SEATTLE PUBLIC UTILITIES - WATER FUND**

## **(An Enterprise Fund of the City of Seattle)**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1 – Operations and Summary of Significant Accounting Policies**

**Operations** – The City of Seattle, Seattle Public Utilities – Water Fund (the “Fund”) is a public utility enterprise fund of the City of Seattle (the “City”). The Fund was established to account for activities of the water system operated by Seattle Public Utilities (“SPU”). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through purveyors, such as suburban water districts and municipalities. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City’s water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.

On January 1, 1997, the City created SPU, which brought together under one administrative umbrella the water, solid waste, and drainage and wastewater functions of the City. The Fund (as well as SPU’s other funds) remains separate for accounting purposes.

SPU receives certain services from other departments and agencies of the City, including some that are normally considered to be general and administrative. The Fund is charged a share of these costs and additionally pays public utility tax to the City’s General Fund. During 2015 and 2014, the Fund paid \$11,715,381 and \$11,275,015, respectively, to the City for its share of general and administrative services. Additionally, the Fund paid \$32,132,597 and \$30,656,984 in 2015 and 2014, respectively, to the City for public utility taxes.

Water services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$4,416,410 and \$4,039,071 in 2015 and 2014, respectively, from the City for water services provided.

The utility billing function is co-managed by both SPU and Seattle City Light (“SCL”). SPU provides customer service through the call center and walk-in center. SCL operates and manages the billing system, Combined Customer Services System (“CCSS”). SPU and SCL billed and reimbursed each other for these services in 2015 and 2014. Within SPU, the costs and reimbursements were shared among its three utility funds (Water, Drainage and Wastewater, and Solid Waste). The Fund received reimbursements related to the call center and walk-in center of \$2,009,825 and \$1,794,922 in 2015 and 2014, respectively. The Fund paid \$156,522 and \$163,355 for CCSS services in 2015 and 2014, respectively, which does not include reimbursements to SCL for the Fund’s share of capital costs to upgrade the CCSS system.

The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances passed by the Seattle City Council (“City Council”). Financial reporting is reviewed by the Washington State Auditor’s Office and conforms to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting** – The Fund is accounted for on a flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. With the flow of economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the Fund’s operations are included on the Statements of Net Position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

**Cash and Equity in Pooled Investments** – Cash resources of the Fund are combined with cash resources of the City to form a pool of cash that is managed by the City’s Finance and Administration Services Department. Under the City’s investment policy, the Finance and Administration Services Department invests all temporary cash surpluses either directly or through a “sweep account.” Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned. The Fund’s share of the pool is included in the accompanying Statements of Net Position under the caption “cash and equity in pooled investments.” The pool operates like a demand deposit account in that all City departments may deposit cash at any time and can also withdraw cash out of the pool without prior notice or penalty. Accordingly, the Statements of Cash Flows reconcile to cash and equity in pooled investments. Cash and equity in pooled investments are reported at fair value. The restricted cash and equity in pooled investments are comprised of unexpended bond proceeds, bond reserve funds, vendor’s escrow deposits, rate stabilization account, and growth infrastructure proceeds.

**Receivables and Unbilled Revenues** – Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Accounts receivable is shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed. Notes and contracts receivable arise from written agreements or contracts with public organizations and private individuals.

**Due from/to Other Funds and Governments** – Activity between funds that is outstanding at the end of the year not related to the provision of utility services is reported as due from or due to other funds.

**Allowance for Doubtful Accounts** – A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2015 and 2014, the Fund’s allowance for doubtful accounts was \$368,486 and \$314,932, respectively.

**Materials and Supplies Inventory** – The Fund values its inventory based on a moving average method. The most recent total cost of an inventory item is divided by the total units of the item that remain in inventory to determine the moving average cost of the item. The moving average cost is then applied to all the units of the inventory item.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

**Regulatory Assets** – GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, allows for certain costs to be capitalized as a regulatory asset instead of charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will be recovered through customer rates over some future period. The Fund uses regulatory accounting for debt issuance costs because these costs are included in the rate structure and, as such, will continue to be amortized over the life of the associated bond and loan issues. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, would have required these costs to be expensed in the period incurred if the Fund had not utilized regulatory accounting for these costs.

**Revenue Stabilization Fund** – The Revenue Stabilization Fund (“RSF”) was established by City Ordinance 122841 to reduce year-to-year variation in rates. Amounts deposited into the RSF are excluded from the Statement of Revenues, Expenses, and Changes in Net Position and treated as a credit in accordance with GASB Statement No. 62. There was a deposit to the RSF of \$7.0 million in 2015. The RSF is included in the “Revenue Stabilization Account” identified in the Fund’s bond covenants. These covenants provide that withdrawals and deposits from the “Revenue Stabilization Account” shall augment or reduce adjusted net revenue available for the payment of debt service. During 2015 and 2014, there were no withdrawals.

**Conservation Costs** – Conservation program costs that result in long-term benefits and reduce or postpone other capital expenditures or have a legal requirement are included in noncurrent assets and amortized over their expected useful lives, commencing when each program is in place. The conservation program costs are amortized over their expected useful lives of ten years. Certain costs related to the Habitat Conservation Plan (“HCP”) are included in the noncurrent assets and amortized through 2050, the year in which the plan expires. An incidental take permit was issued to the City by the federal government approving the HCP for 50 years. Costs of administering the conservation and HCP programs are expensed as incurred.

**Other Charges** – Other charges include costs such as the Water System Plan, leasehold improvements and payments to the Muckleshoot Indian Tribe. The Fund amortizes these charges over a 2 to 33 year period.

**Capital Assets** – Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct material, labor, and indirect costs such as engineering, supervision, payroll taxes, pension benefits, and interest relating to the financing of projects under construction. The cost of current repairs and maintenance is charged to expense, while the cost of additions and improvements is capitalized. SPU’s policy is to capitalize assets with a cost of \$5,000 or more. The Fund receives donated assets such as water mains from developers and other governmental agencies. These donated assets are treated as a special item under Capital Contributions and Grants in the Statements of Revenues, Expenses, and Changes in Net Position.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

**Construction in Progress** – Capitalizable costs incurred on projects which are not in service or ready for use are held in construction in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

**Other Property** – Other property is stated at cost, or if contributed, the fair value at the date of contribution. Other property includes artwork and property held for future use. The artwork is acquired through the City’s “One Percent for Art” program, which supports the City ordinance established to direct the inclusion of works of art in public spaces within the City.

**Depreciation** – Capital assets in service are depreciated on the straight-line method over estimated useful lives as follows:

Buildings and fixtures	10 to 50 years
Earthen source of supply developments	100 years
Transmission and distribution pipelines, reservoirs, and tanks	15 to 100 years
Water mains	33 to 57 years
Pumps, wells, and treatment equipment	10 to 50 years
Machinery and equipment	3 to 20 years
Computer systems	3 to 11 years

Composite rates based on year of addition are used for depreciating the transmission and distribution pipelines, water mains asset group, reservoirs, and tanks. For most assets, it is SPU’s policy to begin depreciation in the year following acquisition and to record a full year’s depreciation in the year of disposition. This does not apply to heavy equipment, for which depreciation begins in the month following the equipment’s in-service date to more accurately allocate equipment costs to various activities.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position, when applicable, will report a separate section for deferred outflows of resources. It represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The fund has deferred loss on refunding debt which qualifies for reporting in this category. A deferred loss on refunding bonds results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. As a result of implementing GASB Statement No. 68 and No. 71, the Fund has also recorded deferred outflows of resources for pension contributions made subsequent to the measurement date and for the difference between projected and actual earnings on investments (Note 9).

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the Statement of Net Position, when applicable, will report a separate section for deferred inflows of resources. It represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Fund has a revenue stabilization account which qualifies for reporting in this category.

**BPA Account** – In 2003, the Bonneville Power Administration (“BPA”) purchased an easement in the amount of \$6.0 million from the Fund to construct a power transmission line through the Cedar River Watershed. This \$6.0 million, together with \$657,149 in timber sales related to the easement, were deposited into the BPA account and classified as restricted assets. At December 31, 2015 and 2014, the cash balance in the BPA account was \$454,110 and \$449,561, respectively. Monies in the BPA account are considered a portion of the “Revenue Stabilization Account” described in bond covenants, and therefore shall augment or reduce adjusted net revenue available for the payment of debt service. The Fund will recognize the revenues deposited in the BPA account in the calculation of adjusted net revenues available for the payment of debt service as they are withdrawn to fund certain activities in the Cedar River Watershed.

**Compensated Absences** – Employees earn vacation based upon their date of hire and years of service, and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation at retirement or normal termination is considered vested and payable to the employee. Earned but unused vacation is accrued as a liability of the Fund. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. The Fund records a liability for estimated sick leave payments.

Employees who submit the required documentation to be represented by the Coalition of City Unions are paid 35% of the value of unused sick leave upon retirement as part of the Health Reimbursement Arrangement – Voluntary Employees’ Beneficiary Association (“HRA-VEBA”) program. If the employee fails to submit the required documentation by their last working day of employment, their sick leave balance is forfeited.

Retiring employees who are not eligible to participate in the HRA-VEBA program may elect to receive 25% of the value of unused sick leave upon retirement or defer receipt of 35% of the value of their sick leave balance to the City’s 457 Plan and Trust, subject to the year-to-date or life-to-date limitations on deferrals and contributions. If the 35% value of the sick leave balance exceeds the maximum amount deferred to the City’s 457 Plan and Trust, the employee shall receive a taxable cash payment equal to the amount by which the 25% value of the sick leave balance exceeds the 35% that was allowed to be deferred.



**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Seattle City Employees’ Retirement System (“SCERS”) are reported on the same basis as reported by SCERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Operating Revenues** – The Fund provides water service to wholesale and retail customers and recognizes revenue when such service is provided. Wholesale customers (“Purveyors”) are under contract with the Fund, and rates are set based on cost allocation criteria stipulated in the contracts.

Service rates for all customers are authorized by ordinances passed by the City Council. Service revenues are recorded through cycle billings rendered to customers monthly or bimonthly. The Fund accrues and records unbilled water service revenues in the financial statements for services provided from the date of the last billing to year end.

**Operating Expenses** – Certain expenses of the Fund are reported on the Statements of Revenues, Expenses, and Changes in Net Position by functional category. The types of work performed within each category are as follows:

- **Planning and development** – Provides planning services and other related costs prior to the start of capital projects.
- **Utility systems management** – Accounts for the overall management of the Fund’s infrastructure assets, assuring they are properly designed, constructed, operated, and protected.
- **Field operations** – Operates and maintains the Fund’s water system.
- **Project delivery** – Provides project management and engineering services to the Fund and executes the Fund’s capital projects from start to completion.
- **Customer services** – Invoices the Fund’s customers for services provided and is the primary point of contact for customers.

**Taxes** – The Fund is charged a public utility tax by the City at a rate of 15.54% of Fund revenues, net of certain credits and certain revenues. In addition, the Fund paid a 5.029% public utility tax to the State on a certain portion of revenues identified as utility revenues. The Fund also paid business and occupation tax to the City at the rate of 0.215% and to the State at the rate of 1.5% for certain other non-utility revenues.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

**Other Revenues and Expenses** – This includes the non-operating revenues and expenses that arise from transactions not related directly to the major income-earning operations of the utility and are of a recurring nature. Major items are investment and interest income, interest expense, gains or losses on the sale of assets, and amortization of debt expenses.

**Net Position** – The Statement of Net Position reports all financial and capital resources. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets, consists of capital assets, less accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The Fund's restricted net position as of December 31, 2015 and 2014 are related to the BPA and RSF accounts and certain other charges.

Unrestricted net positions are those that are not “net investment in capital assets” or “restricted.”

**Arbitrage Rebate Requirement** – The Fund is subject to the Internal Revenue Code (“IRC”), Section 148(f), related to its tax-exempt revenue bond. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. As such, the Fund would record such a rebate as a liability. The Fund had no liability for arbitrage as of December 31, 2015 and 2014.

**Accounting Standard Changes** – GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement was required to be adopted for reported periods beginning after June 15, 2014. For employers such as SPU and the Fund who provide certain employees' pension benefits under a group pension plan such as SCERS, this Statement requires the individual employers contributing to such group plans to report a pro-rata share of the net plan liability. The Fund has adopted and recorded these changes in its financial statements for the year ended December 31, 2015. The cumulative effect of prior year amounts has been reflected as a cumulative adjustment to net position in the Statement of Revenues, Expenses and Changes in Net Position in 2015.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Operations and Summary of Significant Accounting Policies (Continued)**

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The effective date for this Statement was simultaneous with the required adoption of Statement No. 68. This Statement specifically addressed the recording and reporting of pension plan contributions made subsequent to the measurement date of plan liabilities and changed thereto in any given fiscal year. The fund adopted the provision of this Statement, as it did for Statement No. 68, in the year ended December 31, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, to provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The Fund will evaluate the impact of this standard and will include required disclosures beginning in its fiscal year ending December 31, 2016.

**Use of Estimates** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Estimates and assumptions are used to record unbilled revenues, allowance for doubtful accounts, accrued sick leave, capitalized interest, depreciation, risk liabilities, pension liability, and other contingencies. Changes in these estimates and assumptions may have a material impact on the financial statements.

**Significant Risks and Uncertainties** – The Fund is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, water conditions, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance, and licensing of facilities.

**Note 2 – Cash and Investments**

**Custodial Credit Risk – Deposits** – As of December 31, 2015 and 2014, the City’s pool contained cash on deposit with the City’s custodial banks in the amounts of \$20,023,332 and \$18,026,085, respectively. The deposits in excess of \$250,000 in 2015 were uninsured and uncollateralized. As such, these deposits were exposed to custodial credit risk, which is the risk that the deposits may not be returned to the City in the event of a bank failure. The City attempts to minimize exposure to custodial credit risk for deposits by requiring the depository bank to have sufficient capital to support the activity of the City. In addition, banks having a deposit relationship with the City are required to provide financial statements for the City’s use in reviewing the bank’s financial condition.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 2 – Cash and Investments (Continued)**

All deposits not covered by FDIC insurance are under the regulation of the Washington State Public Deposit Protection Commission (the “Commission”) established in RCW 39.58 for public depository financial institutions. The Commission requires a pledge agreement and a trustee for each public depository financial institution. The trustee ensures eligible collateral defined as securities and designated for the benefit of public depositors, as described in RCW 39.58.050 (5) and (6), are segregated from all other assets. Eligible collateral is utilized by the trustee when the Commission has determined a loss, net of deposit insurance, has been incurred by a public depository financial institution.

**Investments** – As of December 31, the Fund’s dedicated investments, the City’s pooled investments, and dedicated investments of other funds were as follows:

	2015		2014	
	City Pool	Weighted Average Maturity (Days)	City Pool	Weighted Average Maturity (Days)
U.S. Government Agencies	\$ 702,525,759	1427	\$ 721,680,286	1408
U.S. Government Obligations	455,757,612	487	252,188,265	800
State and Local Governments	277,612,818	1084	227,247,608	976
Commercial Paper	219,945,269	25	349,418,008	43
Repurchase Agreements	55,062,648	4	73,811,651	2
Bank Note	49,379,096	879	-	
Total	\$ 1,760,283,202		\$ 1,624,345,818	
Portfolio Weighted Average Maturity		895		896

The Fund’s share of the City Pool was as follows as of December 31:

	2015	2014
Cash and equity in pooled investments	\$ 42,330,385	\$ 43,553,317
Restricted cash and equity in pooled investments	95,244,121	56,623,220
Total	\$ 137,574,506	\$ 100,176,537
Balance as a percentage of City Pool cash and investments	7.8%	6.2%

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 2 – Cash and Investments (Continued)**

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of the investment’s fair value to changes in market interest rates. The City manages this risk by limiting the average maturity of investments to five years. However, the Fund’s investments are selected for greater liquidity in order to support the Fund’s cash flow needs and therefore typically have much shorter average maturities.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the City’s investment policy, investments in commercial paper purchased on the secondary market are limited to those with maturities not longer than 180 days from purchase and with the highest rating by at least two nationally recognized statistical rating organizations (“NRSROs”). As of December 31, 2015 and 2014, the City’s investments in commercial paper were rated P-1 or Aaa by Moody’s Investors Service and AA+, A-1or A-1+ by Standard & Poor’s Rating Service.

The City also purchases obligations of government-sponsored enterprises which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. These include, but are not limited to, debt securities of Federal Home Loan Bank, Federal National Mortgage Association, Wells Fargo, and Federal Home Loan Mortgage Corporation. As of December 31, 2015, these investments were rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s Rating Service. As of December 31, 2014, these investments were rated Aaa by Moody’s Investors Service and AAA or AA+ by Standard & Poor’s Rating Service.

**Concentration of Credit Risk** – The City’s investment policy limits concentration of credit risk for the City’s investments as a whole, inclusive of the Fund’s investments. These policy limits vary for each investment category.

The City’s investments in which 5% or more is invested in any single issuer as of December 31 are as follows:

Issuer	2015		2014	
	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
United States Government	\$ 455,757,612	26%	\$ 252,188,265	16%
Federal National Mortgage Association	243,748,956	14%	249,771,922	15%
Federal Home Loan Bank	133,886,466	8%	81,656,795	5%
Freddie Mac Multifamily Securities	126,196,052	7%	108,129,281	7%
Federal Farm Credit Bank	104,276,118	6%	121,677,087	7%
Federal Home Loan Mortgage Corp	94,418,168	5%	160,445,200	10%
Wells Fargo	**	**	73,811,651	5%

\*\* Investment did not represent 5% or more of investments as of December 31, 2015.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**Note 3 – Capital Assets**

Capital asset activity consisted of the following for the year ended December 31, 2015:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 180,312,524	\$ 11,755,646	\$ -	\$ 192,068,170
Structures	302,695,868	14,536,619	(4,741,107)	312,491,380
Machinery and equipment	1,206,083,618	31,689,765	(1,937,030)	1,235,836,353
Computer systems	102,516,507	2,159,231	(544,800)	104,130,938
Total capital assets - excluding land	1,791,608,517	60,141,261	(7,222,937)	1,844,526,841
Less accumulated depreciation	(681,102,805)	(46,592,363)	3,124,960	(724,570,208)
	1,110,505,712	13,548,898	(4,097,977)	1,119,956,633
Construction in progress	48,906,371	83,718,973	(57,618,808)	75,006,536
Land and land rights	44,261,296	192,142	-	44,453,438
Other property	1,568,508	25,466	-	1,593,974
Capital assets, net	<u>\$ 1,205,241,887</u>	<u>\$ 97,485,479</u>	<u>\$ (61,716,785)</u>	<u>\$ 1,241,010,581</u>

Capital asset activity consisted of the following for the year ended December 31, 2014:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 179,809,619	\$ 599,543	\$ (96,638)	\$ 180,312,524
Structures	298,785,630	3,991,105	(80,867)	302,695,868
Machinery and equipment	1,189,449,329	26,693,237	(10,058,948)	1,206,083,618
Computer systems	105,747,247	1,797,265	(5,028,005)	102,516,507
Total capital assets - excluding land	1,773,791,825	33,081,150	(15,264,458)	1,791,608,517
Less accumulated depreciation	(646,741,160)	(46,445,074)	12,083,429	(681,102,805)
	1,127,050,665	(13,363,924)	(3,181,029)	1,110,505,712
Construction in progress	25,343,136	52,218,518	(28,655,283)	48,906,371
Land and land rights	43,269,483	991,813	-	44,261,296
Other property	1,184,937	383,571	-	1,568,508
Capital assets, net	<u>\$ 1,196,848,221</u>	<u>\$ 40,229,978</u>	<u>\$ (31,836,312)</u>	<u>\$ 1,205,241,887</u>

During 2015 and 2014, the Fund capitalized interest costs relating to construction of \$2,323,975 and \$1,504,324, respectively.

**Note 4 – Revenue Bonds**

The Fund issues bonds to provide financing for capital improvements. Payment of debt service on the bonds is derived solely from the revenues generated by the Fund. The Fund has set aside \$16,696,386 in a debt service reserve fund and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2015 and 2014 were \$851,565,000 and \$853,465,000, respectively.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

**Note 4 – Revenue Bonds (Continued)**

Revenue bonds outstanding as of December 31, 2015 and 2014 consisted of the following Municipal Water bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding	
					2015	2014
2003 parity, refunding bonds	5/12/03	2003-2033	4.0-6.0%	\$ 271,320,000	\$ -	\$ 14,280,000
2005 parity, refunding bonds	12/28/05	2006-2029	4.0-5.0%	138,040,000	-	107,845,000
2006 parity, refunding bonds	10/23/06	2008-2037	4.0-5.0%	189,970,000	118,620,000	163,040,000
2008 parity, refunding bonds	12/15/08	2009-2038	4.0-5.25%	205,080,000	19,045,000	174,555,000
2010A parity, revenue bonds	1/21/10	2019-2040	4.67-5.89%	109,080,000	109,080,000	109,080,000
2010B parity, refunding revenue bonds	1/21/10	2010-2027	3.0-5.0%	81,760,000	52,590,000	58,100,000
2012 parity, refunding bonds	5/30/12	2012-2034	2.0-5.0%	238,770,000	215,740,000	226,565,000
2015 parity, refunding bonds	6/10/15	2015-2045	2.0-5.0%	340,840,000	336,490,000	-
				<u>\$ 1,659,610,000</u>	<u>\$ 851,565,000</u>	<u>\$ 853,465,000</u>

Minimum debt service requirements to maturity on revenue bonds are as follows:

Years Ending December 31,	Principal	Interest	Total
2016	\$ 41,615,000	\$ 40,348,256	\$ 81,963,256
2017	39,345,000	38,593,431	77,938,431
2018	39,625,000	36,699,006	76,324,006
2019	41,620,000	34,752,081	76,372,081
2020	44,095,000	32,660,044	76,755,044
2021 - 2025	227,475,000	129,448,421	356,923,421
2026 - 2030	196,920,000	75,482,396	272,402,396
2031 - 2035	133,275,000	36,283,868	169,558,868
2036 - 2040	74,545,000	11,361,651	85,906,651
2041 - 2045	13,050,000	1,346,800	14,396,800
	<u>\$ 851,565,000</u>	<u>\$ 436,975,954</u>	<u>\$ 1,288,540,954</u>

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 4 – Revenue Bonds (Continued)**

The following table shows the revenue bond activity during the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 853,465,000	\$ 340,840,000	\$ (342,740,000)	\$ 851,565,000	\$ 41,615,000
Add (deduct) deferred amounts:					
Issuance premiums	<u>58,805,855</u>	<u>43,378,278</u>	<u>(12,222,779)</u>	<u>89,961,354</u>	<u>-</u>
Total bonds payable	<u>\$ 912,270,855</u>	<u>\$ 384,218,278</u>	<u>\$ (354,962,779)</u>	<u>\$ 941,526,354</u>	<u>\$ 41,615,000</u>

The following table shows the revenue bond activity during the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 887,010,000	\$ -	\$ (33,545,000)	\$ 853,465,000	\$ 35,015,000
Add (deduct) deferred amounts:					
Issuance premiums	<u>62,092,268</u>	<u>-</u>	<u>(3,286,413)</u>	<u>58,805,855</u>	<u>-</u>
Total bonds payable	<u>\$ 949,102,268</u>	<u>\$ -</u>	<u>\$ (36,831,413)</u>	<u>\$ 912,270,855</u>	<u>\$ 35,015,000</u>

**Defeasance of Debt** – The Fund defeased certain obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the Statement of Net Position. In 2015, \$305,410,000 bonds were defeased and \$116,585,000 bonds were redeemed as shown below.

	Amount Outstanding at December 31, 2014	Additions	Redemptions	Amount Outstanding at December 31, 2015
Bonds issued				
2003 Parity	\$ -	\$ 14,280,000	\$ (14,280,000)	\$ -
2005 Parity	-	102,305,000	(102,305,000)	-
2006 Parity	-	39,055,000	-	39,055,000
2008 Parity	-	149,770,000	-	149,770,000
	<u>\$ -</u>	<u>\$ 305,410,000</u>	<u>\$ (116,585,000)</u>	<u>\$ 188,825,000</u>



**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 4 – Revenue Bonds (Continued)**

In June 2015, the Fund issued \$340,840,000 of Water System Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2015 and ending in 2045, at interest rates ranging from 2.0% to 5.0%. A portion of the proceeds were used to fully refund 2003 bonds and partially refund 2005, 2006 and 2008 bonds. As a result of the refunding, the fund reduced total debt service requirements by \$40.2 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new bonds) of \$30.8 million.

As of December 31, 2014, the balance of \$68,125,000 defeased bonds was redeemed as shown below:

	Amount Outstanding at December 31, 2013	Additions	Redemptions	Amount Outstanding at December 31, 2014
Bonds issued				
2004 Parity	\$ 68,125,000	\$ -	\$ (68,125,000)	\$ -

**Financial Covenants** – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service at least equal to 125% of average annual debt service. For 2015, net revenue available for debt service, as defined by the bond covenants, was 187% of annual debt service. Management believes the Fund was in compliance with all debt covenants as of December 31, 2015. For more information see Other Information (page 44).

**Note 5 – Leases**

The Fund has non-cancelable operating lease commitments for real and personal property with minimum payments of \$367,731 in 2015 and \$367,701 in 2014. Rents are paid as they become due and payable. Minimum payments under the leases for the years ending December 31, are shown below:

	Minimum Payments
2016	\$ 330,802
2017	119,082
2018	119,511
2019	119,953
2020	36,292
2021 - 2025	58,912
2026 - 2029	47,129
	<u>\$ 831,681</u>

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 6 – Postemployment Benefit Plans**

**Deferred Compensation** – The City offers all of its employees a deferred compensation plan (the “Plan”) created in accordance with Internal Revenue Code (“IRC”) Section 457. The Plan permits employees to defer a portion of their salaries until future years. The deferred compensation is paid to employees upon termination, retirement, death, or unforeseen emergency.

The Plan is an eligible deferred compensation plan under Section 457 of the IRC of 1986, as amended, and a trust exempt from tax under IRC Sections 457(g) and 501(a). The Plan is operated for the exclusive benefit of participants and their beneficiaries. No part of the corpus or income of the Plan shall revert to the City or be used for, or diverted to, purposes other than the exclusive benefit of participants and their beneficiaries. The Plan is not reported in the financial statements of the City or the Fund.

It is the opinion of the City’s legal counsel that the City has no liability for investment losses under the Plan. Under the Plan, participants select investments from alternatives offered by the Plan Administrator, who is under contract with the City to manage the Plan. Investment selection by a participant may be changed from time to time. The City does not manage any of the investment selections. By making the selection, participants accept and assume all risks inherent in the Plan and its administration.

**Other Postemployment Benefits** – Health care plans for active and retired employees are administered by the City as single-employer defined benefit public employee health care plans. Eligible retirees (younger than age 65) may contribute to the medical plan and any additional health care programs contemplated or amended by ordinance of the City Council and as provided in Seattle Municipal Code 4.50.020.

The Seattle City Council authorizes the obligations of the plan members and the City as employer by passing ordinances and amendments regarding contributions to the plans. Eligible retirees self-pay 100% of the premiums based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The plan is financed on a pay-as-you-go basis, and the City was required to contribute \$1.1 million in 2015 and \$1.0 million in 2014.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 6 – Postemployment Benefit Plans (Continued)**

The table below summarizes the City’s annual cost, expected contributions to the plan, and changes in the net OPEB obligation for fiscal years ended December 31, 2015 and 2014. These calculations are based on the most recent actuarial valuation data available, dated January 1, 2014. The Fund has accrued \$2,703,122 to the plan as of December 31, 2015, as a reasonable estimate of expected contributions.

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 4,605,000	\$ 4,392,000
Interest on net OPEB obligation	1,630,000	1,542,000
Adjustment to annual required contribution	<u>(2,540,000)</u>	<u>(2,403,000)</u>
Annual OPEB cost (expense)	3,695,000	3,531,000
Contribution (employer-paid benefits)	<u>(1,141,000)</u>	<u>(1,006,000)</u>
Increase in net OPEB obligation	2,554,000	2,525,000
Net OPEB obligation, beginning of year	<u>46,828,000</u>	<u>44,303,000</u>
Net OPEB obligation, end of year	<u>\$ 49,382,000</u>	<u>\$ 46,828,000</u>
Fund’s allocated share of city liability	<u>\$ 2,703,122</u>	<u>\$ 2,564,849</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially-determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the types of benefits provided under the terms of the plan and on the pattern of shared costs between the employer and plan members, at the time of each valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 6 – Postemployment Benefit Plans (Continued)**

Significant methods and assumptions are as follows:

Actuarial data and assumptions

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years, open
Discount rate	3.48%
Health care cost trend rates - medical	Traditional and Preventive Plans: 8%, decreasing by 0.5% for each year for two years; 16% in year 2017 and decreasing to 7.2% in 2018  Group Health Standard and Deductible Plans: 7.5%, decreasing by 0.5% for the next three years
Participation	40% of Active Employees who retire participate.
Mortality	General Service Actives based on the RP-2000 Employees Tables for Males and Females, with ages set back six years and General Service Retirees based on the RP-2000 Combined Healthy Males with ages set back two years and Females, with ages set back one year.
Marital status	45% of members electing coverage are assumed to be married or to have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses.
Other considerations	Active employees with current spousal and/or dependent coverage and are under Group Health Standard or Group Health Deductible are assumed to elect same plan and coverage after retirement. Of those under City of Seattle Traditional or City of Seattle Preventative 50% are assumed to switch to the Group Health Standard Plan, the other 50% will continue coverage under the same plan.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

**Note 6 –Postemployment Benefit Plans (Continued)**

Schedules of funding progress are as follows (dollars in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL Entry Age (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
January 1, 2013	\$ -	\$ 78.9	\$ 78.9	0.0%	\$ 942.0	8.4%
January 1, 2014	\$ -	\$ 41.8	\$ 41.8	0.0%	\$ 1,003.5	4.2%
January 1, 2015	\$ -	\$ 44.4	\$ 44.4	0.0%	\$ 1,037.9	4.3%

The Health Care Sub-fund of the General Fund is reported in the City’s Comprehensive Annual Financial Report which can be obtained by writing the Department of Finance, City of Seattle, PO Box 94747, Seattle, WA 98124-4747 or [www.seattle.gov/cafrs](http://www.seattle.gov/cafrs).

**Note 7 – Claims Payable**

The City and the Fund are self-insured for certain losses arising from personal and property damage claims by third parties and for casualty losses to the Fund’s property. Liabilities for identified claims and claims incurred but not reported have been recorded by the Fund.

For 2015 and 2014, liabilities for workers’ compensation claims, as well as other claims, are discounted over a 15-year period at the City’s rate of return on investments, 1.135% and 0.931%, respectively. Claims expected to be paid within one year are \$2,248,626 and \$1,195,990 at December 31, 2015 and 2014, respectively. The table below presents the changes in the liability for workers’ compensation claims and other claims (risk-financing liabilities) as of December 31:

	2015	2014
Beginning liability, discounted	\$ 4,997,716	\$ 4,875,601
Payments	(1,423,121)	(901,683)
Incurred claims and changes in estimate	1,273,684	1,023,798
Ending liability, discounted	<u>\$ 4,848,279</u>	<u>\$ 4,997,716</u>

The Fund is involved in litigation from time to time as a result of operations.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 8 – Compensated Absences**

The Fund has recorded a liability for earned but unused compensatory, merit, and vacation leave, as well as estimated sick leave payments calculated based on the termination payment method. The schedule below presents the compensated absences activity during the years ended December 31:

	<u>2015</u>	<u>2014</u>
Beginning liability	\$ 5,312,850	\$ 4,854,559
Additions	4,506,843	4,963,270
Reductions	<u>(4,521,642)</u>	<u>(4,504,979)</u>
Ending liability	<u>\$ 5,298,051</u>	<u>\$ 5,312,850</u>

**Note 9 – Pension Benefit Plan**

**Plan Description** – The Seattle City Employees’ Retirement System (the “System”) is a cost-sharing multiple employer pension plan covering employees of the City of Seattle and is administered in accordance with Chapter 4.36 of the Seattle Municipal Code.

The System is governed by the Retirement System Board of Administration (the “Board”). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other System members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

**System Benefits** – The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. All permanent Fund employees are eligible to participate in the System. Members are eligible for retirement benefits after 30 years of service; at age 52 after 20 years of service; at age 57 after ten years of service; and at age 62 after five years of service.

**Member and Employer Contributions** – Employees are required to contribute 10.03% of their annual base salaries to the System. The employer’s contribution rate for the years ended December 31, 2015 and 2014 was 15.73% and 14.31%, respectively. Employer rates are established by the City Council on a biannual basis. The Fund’s contributions to the System for the years ended December 31, 2015 and 2014 were \$7,280,369 and \$6,664,614, respectively.

The System issues stand-alone financial statements, which may be obtained by writing to the Seattle City Employees’ Retirement System, 720 Third Avenue, Suite 900, Seattle, Washington, 98104, and telephone: (206) 386-1293, or [www.seattle.gov/retirement/annual\\_report.htm](http://www.seattle.gov/retirement/annual_report.htm).

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 9 – Pension Benefit Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows Related to Pensions** – At December 31, 2015, the Fund reported a liability of \$82,684,775, its proportionate share of the Systems’ net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The Fund’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating parties, actuarially determined. At December 31, 2015, the Fund’s proportion was 7.46%.

For the year ended December 31, 2015, the Fund recognized pension expense of approximately \$8,973,000. As of December 31, 2015, the Fund’s deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ 2,575,570	\$ -
Contributions made subsequent to measurement date	7,280,369	-
Total	\$ 9,855,939	\$ -

The \$7,280,369 reported as deferred outflows of resources relate to the Fund’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts currently reported as deferred outflows of resources relate to difference in actual earnings on pension investments from projected earnings and will be recognized in pension expense as follows for years ending December 31:

2015	\$ 643,892
2016	\$ 643,892
2017	\$ 643,892
2018	\$ 643,894

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 9 – Pension Benefit Plan (Continued)**

**Actuarial Assumptions** – The total pension liability as of December 31, 2015 was determined using the following actuarial assumptions:

Valuation date	January 1, 2014
Measurement date	December 31, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percent, Closed
Remaining amortization period	30 years as of January 1, 2013 valuation
Asset valuation method	5-Year Smoothing Method
Inflation	3.25%
Investment rate of return	7.5% compounded annually, net of expenses
Discount rate	7.5%
Projected general wage inflation	4.0%
Postretirement benefit increases	1.5%
Mortality	Various rates based on RP-2000 mortality tables and using generational projection of improvement using Projection Scale AA.

The actuarial assumptions that determined the total pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2013.

The discount rate used to measure the pension liability is based on a projection of cash flows assuming that plan member contributions will be made at the current contribution rate and that participating employers' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine total pension liability.

The long-term expected rate of return assumption was based on the System's investments using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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**Note 9 – Pension Benefit Plan (Continued)**

Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.93%
Equity: Private	6.50%
Fixed Income: Broad	1.35%
Fixed Income: Inflation Linked	1.25%
Real Assets: Real Estate	3.25%
Diversifying Strategies	3.75%

**Sensitivity Analysis** – The following presents the Fund’s proportionate share of the net pension liability calculated using the discounted rate of 7.5%, as well as what the employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
\$ 114,104,088	\$ 82,684,775	\$ 56,262,864

**Note 10 – Loans**

The Fund has various construction projects that are financed by low interest loans issued by the State. The loan agreements require that the Fund finance a portion of these projects from other sources. These loans have been used to enhance and protect the water system.

Loans outstanding as of December 31, 2015 and 2014 are as follows:

Description	Maturity Years	Interest Rate	Loan Amount	Loans Outstanding	
				2015	2014
Myrtle Reservoir	2008-2025	1.5%	\$ 4,040,000	\$ 2,244,445	\$ 2,468,889
Beacon Reservoir	2008-2026	1.5%	4,040,000	2,338,947	2,551,579
West Seattle Reservoir	2009-2027	1.5%	3,030,000	1,913,684	2,073,158
Maple Leaf	2011-2029	1.5%	3,030,000	2,258,898	2,420,248
Maple Leaf ARRA	2013-2031	1.0%	7,341,758	6,240,494	6,607,582
Morse Lake Pump Plant	2014-2037	1.5%	7,345,611	7,345,611	-
			\$ 28,827,369	\$ 22,342,079	\$ 16,121,456

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 10 - Loans (Continued)**

Minimum debt service requirements to maturity on the loans are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,124,987	\$ 193,745	\$ 1,318,732
2017	1,124,987	178,705	1,303,692
2018	1,492,268	537,987	2,030,255
2019	1,492,268	253,301	1,745,569
2020	1,492,268	232,753	1,725,021
2021 - 2025	7,461,340	855,535	8,316,875
2026 - 2030	4,848,821	401,800	5,250,621
2031 - 2035	2,570,579	148,743	2,719,322
2036 - 2037	734,561	16,527	751,088
	<u>\$ 22,342,079</u>	<u>\$ 2,819,096</u>	<u>\$ 25,161,175</u>

The table below summarizes the activity for the loans for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Net loans, beginning of year	\$ 16,121,456	\$ 17,246,443
Loan proceeds	7,345,611	-
Principal payments	<u>(1,124,988)</u>	<u>(1,124,987)</u>
Net loans, end of year	<u>\$ 22,342,079</u>	<u>\$ 16,121,456</u>
Loans due within one year	<u>\$ 1,124,987</u>	<u>\$ 1,124,987</u>
Loans, noncurrent	<u>\$ 21,217,092</u>	<u>\$ 14,996,469</u>

In 2014 the Fund received approval for a loan of \$12.1 million from the State of Washington for the Morse Lake Pump Plant Project. Accordingly the Fund invoices the State for expenditures incurred related to the project and receives reimbursement. As of December 31, 2015, the Fund has made three drawdowns totaling \$7.3 million on the loan.

**Note 11 - Notes and Contracts Receivable**

The Fund has an agreement with the Seattle Housing Authority for the recovery of the remaining unreimbursed cost of the Fund's contributions of public infrastructure to the New Holly redevelopment project. As of December 31, 2015 the Seattle Housing Authority receivable was \$413,501.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 11 – Notes and Contracts Receivable (Continued)**

In addition, the Fund had a receivable with King County Water District #49 for amounts due from a prior water contract. In 2015, this receivable was paid in full.

Notes and contracts receivable are composed of the following as of December 31:

	2015	2014
Seattle Housing Authority receivable	\$ 413,501	\$ 431,555
King County Water District #49	-	89,152
Total notes and contracts receivable	413,501	520,707
Due within one year	(18,931)	(107,206)
Total non-current notes and contracts receivable	\$ 394,570	\$ 413,501

**Note 12 – Commitments**

The Fund is required by the Washington State Department of Health (“DOH”) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying four reservoirs is expected to be approximately \$164.5 million through the year 2018; costs beyond 2018 are not estimable as of the date of this report. As of December 31, 2015 and 2014, total cumulative costs incurred were \$156.5 million and \$146.8 million, respectively.

The City has wholesale contracts with Cascade Water Alliance (“CWA”) and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers’ demand that is not already met by their independent sources of supply. Two wholesale customers (including CWA) have block contracts which obligate the City to provide water up to a combined maximum of 41.85 MGD per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA contract expires in 2063 while other wholesale contracts run through 2061.

The City also has a contract with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 13 - Habitat Conservation Program Liability**

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan ("HCP") is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed, while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$108.9 million (in 2015 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of the Fund's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2015 is \$82.0 million. The remaining \$26.9 million to complete the HCP is comprised of an \$8.0 million liability and an estimate of \$18.9 million for construction and operating commitments. The construction activities will add to the Fund's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

**Note 14 - Cumulative Effect of Change in Accounting Principle**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for financial statement periods beginning after June 15, 2014 with the effects of accounting changes to be applied retroactively by restating the financial statements. The Statement requires the Fund to record its proportionate share of the defined benefit pension obligation for active, inactive, and retired employees receiving retirement benefits under SCERS.

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as an adjustment to beginning net position for the year beginning January 1, 2015 in accordance with the Statements and totaled \$71,136,397.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Schedule of Seattle Public Utilities' Proportionate Share of the Net Pension Liability**

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	16.96%
Employer's proportionate share of the net pension liability (asset)	\$ 187,919,945
Employer's covered-employee payroll	\$ 102,783,473
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.83%
Plan fiduciary net position as a percentage of the total pension liability	67.70%

**Schedule of Seattle Public Utilities' Contributions**

	<u>2015</u>
Contractually required employer contribution	\$ 15,170,276
Contributions in relation to the contractually required employer contribution	<u>15,170,276</u>
Employer contribution deficiency (excess)	<u>\$ -</u>
Employer's covered-employee payroll	\$ 102,783,473
Employer contributions as a percental of covered-employee payroll	14.76%

**OTHER INFORMATION (UNAUDITED)**

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**OTHER INFORMATION (UNAUDITED)**

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**Water Fund Debt Service Calculation 2015**

<b>Operating Revenue</b>	
Residential/Commercial Services	\$ 187,059,286
Wholesale Services	52,215,254
Other	19,702,802
Rate Stabilization Account	<u>(7,000,000)</u>
<b>Total Operating Revenue</b>	<u><u>251,977,342</u></u>
 <b>Operating Expense</b>	
Other Operations and Maintenance	101,215,920
City Taxes	32,132,597
Other Taxes	<u>10,214,505</u>
<b>Total Operating Expense</b>	<u><u>143,563,022</u></u>
 <b>Net Operating Income</b>	 <u><u>108,414,320</u></u>
 <b>Adjustments</b>	
Add: Capital Contributions Connection Charge	3,740,320
Add: City Taxes	32,132,597
Add: Investment Interest	1,009,102
Less: DSRF Earnings	(187,315)
Add: BAB's Subsidy	1,983,904
Add: Net Other Nonoperating Revenues (Expenses)	1,208,937
Add: Net Proceeds from Sale on Assets	<u>5,738,187</u>
<b>Total Adjustments</b>	<u><u>45,625,732</u></u>
 <b>Net Revenue Available for Debt Service</b>	 <u><u>\$ 154,040,052</u></u>
 <b>Net Revenue Available for Debt Service (w/o City Taxes)</b>	 <u><u>\$ 121,907,455</u></u>
 <b>Annual Debt Service</b>	
Annual Debt Service	\$ 82,672,902
Less: DSRF Earnings	<u>(187,315)</u>
 <b>Adjusted Annual Debt Service</b>	 <u><u>\$ 82,485,587</u></u>
Coverage	1.87
Coverage without taxes	1.48



**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**OTHER INFORMATION (UNAUDITED)**

**Water System Operating Statistics**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Population Served					
Retail	669,654	672,674	678,000	682,000	720,200
Wholesale <sup>(1)</sup>	<u>634,193</u>	<u>642,257</u>	<u>648,000</u>	<u>654,000</u>	<u>683,400</u>
Total Population Served	1,303,847	1,314,931	1,326,000	1,336,000	1,403,600
Water Sales Revenues (\$000) <sup>(2)(3)</sup>					
Retail	\$137,382	\$152,606	\$168,126	\$179,775	\$187,114
Wholesale	<u>\$44,050</u>	<u>\$49,975</u>	<u>\$56,026</u>	<u>\$53,647</u>	<u>\$52,797</u>
Total Water Sales Revenues	\$181,432	\$202,581	\$224,152	\$233,422	\$239,911
Billed Water Consumption (MG) <sup>(3)</sup>					
Retail	19,305	19,657	19,769	19,575	20,309
Wholesale	<u>20,922</u>	<u>21,236</u>	<u>21,405</u>	<u>21,986</u>	<u>23,106</u>
Total Billed Water Use	40,227	40,893	41,174	41,561	43,415
Operating Costs (\$ per MG) <sup>(4)</sup>	\$3,841	\$3,996	\$4,287	\$4,438	\$4,414
Gallons Used per Day per Capita	85	85	85	85	85
Retail Meters in Use	188,754	189,204	190,289	191,403	192,633
Number of New Retail Meters	422	450	1,085	1,114	1,230
Total Water Diversions (MGD)	117.9	120.5	120.9	121.5	125.6
Non-Revenue	7.7	8.5	8.1	7.6	6.7
% Non-Revenue	6.5	7.0	6.7	6.3	5.3

<sup>(1)</sup> This is the estimated total population served by SPU's water supply

<sup>(2)</sup> Revenues represent payments from customers for service provided at published rates in each year. Revenues shown are not net of transfers to the Rate Stabilization Account or other credits or deferrals of income.

<sup>(3)</sup> Revenue increases have been a result of increases in rates, as retail consumption has steadily decreased due largely to conservation efforts. Variations in billed water use are primarily associated with year-to-year variations in temperature and precipitation in the summer irrigation period. There has been no change in the geographic area served nor any appreciable change in the number or composition of retail customers.

<sup>(4)</sup> Per unit operating costs in 2009 and 2010 include a temporary increase in the City's utility tax rate and increased amortization expense, both due to Lane v. City of Seattle.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
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**OTHER INFORMATION (UNAUDITED)**

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Major Retail Water Customers – 2015 Annual Revenues and Volumes

The City of Seattle, The University of Washington, The Port of Seattle, Seattle Housing Authority, King County, Equity Residential Properties, Nucor Steel, Starwood Hotels & Resorts Group, Seattle Public Schools, and Essex Property Trust. In aggregate, charges to these customers represented roughly 9% of total billed direct service revenue for the year.

**SEATTLE PUBLIC UTILITIES - WATER FUND**  
**(An Enterprise Fund of the City of Seattle)**  
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Water Rates – Effective January 1, 2016

**Effective January 1, 2016**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Direct Service													
RATE SCHEDULES	Inside City				Outside City				City of Shoreline / City of Lake Forest Park				
	Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	Highlands
Commodity Charge (\$/100 Cubic Feet)													
Offpeak Usage (Sept 16-May 15)	\$5.06	\$5.06	\$5.06		\$5.77	\$5.77	\$5.77		\$6.14	\$6.14	\$6.14		\$5.75
Peak Usage (May 16-Sept 15)													
Up to 5 ccf**	\$5.20	\$5.20	\$6.43		\$5.93	\$5.93	\$7.33		\$6.31	\$6.31	\$7.80		\$5.91
Next 13 ccf**	\$6.43	\$6.43	\$6.43		\$7.33	\$7.33	\$7.33		\$7.80	\$7.80	\$7.80		\$7.30
Over 18 ccf**	\$11.80	\$11.80	\$6.43		\$13.45	\$13.45	\$7.33		\$14.31	\$14.31	\$7.80		\$13.39
Usage over base allowance													
Utility Credit (\$/month)	\$19.84		\$12.38		\$19.84		\$12.38		\$19.84		\$12.38		
Demand Charge (\$/1000 gallons of deficient storage)				\$20.00				\$22.80					\$24.30
Base Service Charge (\$/month/meter)													
3/4 inch and less	\$14.15		\$14.15		\$16.15		\$16.15		\$17.15		\$17.15		
1 inch	\$14.60		\$14.60		\$16.65		\$16.65		\$17.70		\$17.70		
1-1/2 inch	\$22.50	\$22.50	\$22.50		\$25.65	\$25.65	\$25.65		\$27.30	\$27.30	\$27.30		\$25.55
2 inch	\$24.90	\$24.90	\$24.90	\$16.00	\$28.40	\$28.40	\$28.40	\$18.00	\$30.20	\$30.20	\$30.20	\$19.00	\$28.25
3 inch	\$92.25	\$92.25	\$92.25	\$21.00	\$105.15	\$105.15	\$105.15	\$24.00	\$111.90	\$111.90	\$111.90	\$25.00	\$104.75
4 inch	\$132.15	\$132.15	\$132.15	\$38.00	\$150.65	\$150.65	\$150.65	\$43.00	\$160.25	\$160.25	\$160.25	\$46.00	\$150.00
6 inch		\$162.65	\$162.65	\$65.00		\$185.40	\$185.40	\$74.00		\$197.25	\$197.25	\$79.00	\$184.60
8 inch		\$199.00	\$199.00	\$104.00		\$227.00	\$227.00	\$119.00		\$241.00	\$241.00	\$126.00	\$225.55
10 inch		\$297.00	\$297.00	\$150.00		\$339.00	\$339.00	\$171.00		\$360.00	\$360.00	\$182.00	\$336.90
12 inch		\$402.00	\$402.00	\$218.00		\$458.00	\$458.00	\$249.00		\$488.00	\$488.00	\$264.00	\$456.70
16 inch		\$477.00	\$477.00			\$544.00	\$544.00			\$579.00	\$579.00		\$541.90
20 inch		\$614.00	\$614.00			\$700.00	\$700.00			\$745.00	\$745.00		\$697.25
24 inch		\$771.00	\$771.00			\$879.00	\$879.00			\$935.00	\$935.00		\$875.05

\* Master Metered Residential Development

\*\* per residence