



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

**Seattle Public Utilities -
Drainage and Wastewater Fund
(An Enterprise Fund of the City of Seattle)**

December 31, 2013 and 2012

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Director of Seattle Public Utilities
Drainage and Wastewater Fund
Seattle, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Seattle Public Utilities - Drainage and Wastewater Fund (the "Fund"), which comprise the statements of net position as of December 31, 2013 and 2012, 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 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 - Drainage and Wastewater Fund as of December 31, 2013 and 2012, 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 13 to the financial statements, the Fund adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the restatement of previously reported amounts for the year ended December 31, 2012. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying management discussion and analysis is not part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The supplemental information following the financial statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information following the financial statements has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Moss Adams LLP

Seattle, Washington
April 29, 2014

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

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 Drainage and Wastewater Fund (the “Fund”) for the fiscal years ended December 31, 2013 and 2012. The revenues, expenses, assets, deferred outflows of resources, and liabilities of the City of Seattle’s drainage and wastewater system are recorded in the Drainage and Wastewater 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 14 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, 2013 and 2012, on all of the Fund’s assets, deferred outflows of resources, and liabilities. The difference between assets combined with deferred outflows of resources and liabilities 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 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, 2013 and 2012. 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, 2013 and 2012. 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 -
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MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Fund adopted GASB Statement No. 65 during fiscal year 2013. With the implementation of this statement, the Fund's 2012 financial statements have been restated to conform with the new reporting and accounting requirements. The statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 19 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, 2013 and 2012, the Fund's assets and deferred outflows of resources exceeded liabilities, resulting in a surplus of total assets of \$295.6 million and \$271.0 million, respectively. In 2013, the Fund's overall position improved, with an increase in net position of \$24.6 million (9.1%) as compared to an increase in net position of \$0.8 million (0.3%) in 2012. The following summary statements of net position present the assets of the Fund and show the mix of liabilities and net position used to acquire these assets:

STATEMENTS OF NET POSITION

	<u>2013</u>	<u>2012</u> (As Restated)	<u>2011</u> (As Restated)
ASSETS			
Current assets	\$ 118,469,314	\$ 100,945,852	\$ 71,511,695
Capital assets, net	765,496,217	699,131,240	663,434,318
Other	111,118,802	179,031,335	107,312,039
Total assets	<u>995,084,333</u>	<u>979,108,427</u>	<u>842,258,052</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,054,354</u>	<u>6,428,342</u>	<u>4,151,939</u>
Total assets and deferred outflows of resources	<u>\$ 1,001,138,687</u>	<u>\$ 985,536,769</u>	<u>\$ 846,409,991</u>

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

FINANCIAL ANALYSIS (CONTINUED)

	<u>2013</u>	<u>2012</u> (As Restated)	<u>2011</u> (As Restated)
LIABILITIES			
Current liabilities	\$ 63,638,332	\$ 59,447,182	\$ 55,753,517
Revenue bonds	547,321,148	564,542,092	481,470,708
Other	94,545,484	90,536,749	38,926,782
Total liabilities	<u>705,504,964</u>	<u>714,526,023</u>	<u>576,151,007</u>
NET POSITION			
Net investment in capital assets	271,755,951	242,182,374	233,514,676
Restricted	20,523,523	18,956,455	17,171,506
Unrestricted	3,354,249	9,871,917	19,572,802
Total net position	<u>295,633,723</u>	<u>271,010,746</u>	<u>270,258,984</u>
Total liabilities and net position	<u>\$ 1,001,138,687</u>	<u>\$ 985,536,769</u>	<u>\$ 846,409,991</u>

2013 Compared to 2012

Assets - Current assets increased \$17.5 million (17.4%) over the prior year primarily due to increases totaling \$20.1 million in operating cash and equity in pooled investments, accounts receivable, net from the Combined Customer Service System, interest and dividends, unbilled revenues, due from other funds, and materials and supplies inventory. These increases were offset by a decrease of \$2.6 million in due from other governments.

Other assets decreased \$67.9 million (37.9%) from 2012. This is mostly attributable to a decrease in restricted cash and equity in pooled investments of \$52.6 million for use toward construction projects and reduction in environmental costs and recoveries of \$18.3 million due to expensing deferred costs related to cleanup of contamination along the Duwamish River. External infrastructure costs and regulatory assets also decreased by \$0.8 million due to amortization. Other charges increased \$3.8 million mainly due to the Long Term Control Plan and Meadowbrook pond sediments. The projects identified in the Long Term Control Plan will ultimately enhance the water quality of Ballard, North Union Bay, Interbay, Fremont/Wallingford, Duwamish, West Seattle, Montlake, Leschi, Union Bay, East Waterway, and Lake Union/Portage Bay.

Liabilities - Current liabilities increased \$4.2 million (7.1%) from 2012. This is mostly attributable to increases in accounts payable, due to other funds, due to other governments, revenue bonds due within one year, and credits and other.

Other liabilities increased \$4.0 million (4.4%). This is due to increases totaling \$5.4 million in environmental liabilities, loans, vendor and other deposits payable, and unfunded other post employment benefits. These increases were offset by a decrease in claims payable of \$1.4 million.

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

FINANCIAL ANALYSIS (CONTINUED)

Net Position - The largest portion of the Fund's net position (\$271.8 million or 91.9%) 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 2013, net investment in capital assets increased \$29.6 million from 2012 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position (\$20.5 million or 6.9%) represent resources that are subject to restrictions on how they may be used. This portion of net position increased \$1.6 million from 2012. This change was primarily due to the increase in other charges.

The remaining portion of the Fund's net position (\$3.4 million or 1.1%) represent resources that are unrestricted and may be used to meet the Fund's obligations to creditors. Unrestricted net position decreased \$6.5 million from 2012 in part due to a higher percentage of capital projects funded with operating cash as compared to the prior year.

2012 Compared to 2011

Assets - Current assets increased \$29.4 million (41.2%) over the prior year primarily due to increases totaling \$34.7 million in operating cash and equity in pooled investments, unbilled revenue, due from other governments, and materials and supplies inventory. These increases were offset by decreases totaling \$5.3 million in restricted cash and equity in pooled investments, due from other funds, and accounts receivable, net from the Combined Customer Service System.

Other assets increased \$71.7 million (66.8%) from 2011. This is mostly attributable to an increase in restricted cash and equity in pooled investments of \$50.1 million resulting from new debt issued in 2012 and spending on construction projects. The environmental costs and recoveries increased \$15.8 million as a result of deferring costs related to cleanup of contamination along the Duwamish River. Regulatory assets increased \$1.4 million due to issuing 2012 bond and establishing regulatory asset for unamortized debt issuance costs, offset by a decrease of \$0.4 million in external infrastructure costs. In addition, other charges increased \$4.8 million mainly due to the Long Term Control Plan. The projects identified in the plan will ultimately enhance the water quality of Ballard, North Union Bay, Interbay, Fremont/Wallingford, Duwamish, West Seattle, Montlake, Leschi, Union Bay, East Waterway, and Lake Union/Portage Bay.

Liabilities - Current liabilities increased \$3.7 million (6.6%) from 2011. This is mostly attributable to increases in accounts payable, interest payable, and revenue bonds due within one year, totaling \$4.7 million, offset by a decrease of \$1.0 million in claims payable.

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

FINANCIAL ANALYSIS (CONTINUED)

Other liabilities increased \$51.6 million (132.6%). This is due to an increase in environmental liabilities (see Note 9), offset by a decrease in loans (see Note 10) and a decrease in claims payable.

Net Position - The largest portion of the Fund's net position (\$242.2 million or 89.4%) 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 2012, net investment in capital assets increased \$8.7 million from 2011 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position (\$19.0 million or 7.0%) represent resources that are subject to restrictions on how they may be used. This portion of net position increased \$1.8 million from 2011. This change was primarily due to an increase in other charges.

The remaining portion of the Fund's net position (\$9.9 million or 3.6%) represent resources that are unrestricted and may be used to meet the Fund's obligations to creditors. Unrestricted net position decreased \$9.7 million from 2011 in part due to a higher percentage of capital projects funded with operating cash as compared to the prior year.

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

	<u>2013</u>	<u>2012</u> (As Restated)	<u>2011</u> (As Restated)
Operating revenues	\$ 333,760,233	\$ 304,001,717	\$ 278,956,907
Operating expenses	<u>(275,112,916)</u>	<u>(258,684,757)</u>	<u>(253,209,880)</u>
Net operating income	58,647,317	45,316,960	25,747,027
Other income (expenses)	(16,401,438)	(15,751,552)	(15,790,809)
Fees, contributions, and grants and special items	<u>(17,622,902)</u>	<u>(28,813,646)</u>	<u>8,013,707</u>
Change in net position	<u>\$ 24,622,977</u>	<u>\$ 751,762</u>	<u>\$ 17,969,925</u>

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

FINANCIAL ANALYSIS (CONTINUED)

2013 Compared to 2012

Current year operating revenues increased approximately \$29.8 million (9.8%) from 2012. This is primarily due to a \$21.7 million increase in wastewater revenues resulting from an average increase in rates of 9.1%, offset by a decrease in consumption of 0.5%. Drainage revenues also increased \$8.8 million due to increase in rates while other operating revenues decreased by \$0.7 million due to decrease in engineering services.

Operating expenses increased \$16.4 million (6.4%) from 2012. This increase was mainly attributable to higher wastewater treatment cost of \$13.7 million due to an increase in King County's treatment rate by 10.2%. Another notable factor affecting the increase in operating expenses includes increases in city business and occupation and other taxes of \$3.6 million due to overall increase in revenues. Field operations increased \$7.6 million while utility systems management decreased \$6.8 million mainly due to the reorganization of work groups between the branches. Moreover, staff realignments from project delivery and customer services branches to the corporate asset management division in the general and administrative branch reduced costs by a net \$1.9 million.

Nonoperating revenues (expenses) increased by \$0.6 million as compared to 2012. Interest expense increased \$0.8 million, offset by \$1.6 million increase in premium amortization as a result of issuing a new 2012 bond. In addition, fair market value adjustment decreased by \$1.7 million as the value of bond investments decrease inversely while interest rates increase.

Capital contributions and grants decreased \$1.7 million mainly due to a decrease in grant billings of \$3.5 million as available grant funding diminished, offset by an increase of \$1.8 million in capital contributions. The Fund had a decrease in environmental remediation expenses of \$12.9 million.

2012 Compared to 2011

Current year operating revenues increased approximately \$25.0 million (9.0%) from 2011. This is primarily due to a \$16.5 million increase in wastewater revenues resulting from an average increase in rates of 3.9% and increase in consumption of 3.6%. Drainage revenue also increased \$7.9 million due to increase in rates.

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

FINANCIAL ANALYSIS (CONTINUED)

Operating expenses increased \$5.5 million (2.2%) from 2011. Notable factors affecting this change include increases in city business and occupation and other taxes of \$3.5 million related to the overall increase in revenues. Depreciation and other amortization also increased \$1.4 million due to an increase in depreciable assets. Additional increases to expenses include \$1.0 million in the project delivery branch related to the First Hill Streetcar project, \$0.8 million in customer services branch as a result of federal government drainage levy write-off, \$0.7 million in the utility systems management branch due to increase in mainline inspection and cleaning, and \$0.7 million in the field operations branch as general management and apprenticeship programs increased. These increases were offset by a decrease of \$2.7 million in general and administrative branch as risk financing liabilities decreased and other postemployment benefit liability increased.

Nonoperating revenues (expenses) remained stable at \$15.8 million as compared to 2011. Interest expense increased \$0.6 million, offset by \$0.5 million increase in premium amortization as a result of issuing a new 2012 bond.

Capital contributions and grants increased \$0.8 million mainly due to an increase in grant billings of \$2.7 million for Capital Hill Water Quality Improvements, Midvale Stormwater Facility, and King County Flood Control Meadowbrook projects, offset by a decrease of \$1.9 million in capital contributions. The Fund had an increase in environmental remediation expenses of \$37.6 million.

CAPITAL ASSETS

The following table summarizes capital assets, net of accumulated depreciation, by major asset category:

SUMMARY OF CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land and land rights	\$ 19,474,903	\$ 19,583,084	\$ 14,279,516
Buildings	7,181,503	7,436,540	7,745,381
Structures	117,454,430	117,155,245	114,758,607
Machinery and equipment	479,418,707	460,902,462	450,664,575
Computer systems	12,444,964	9,926,960	12,492,853
Construction in progress	128,551,817	83,224,105	62,822,427
Other property	<u>969,893</u>	<u>902,844</u>	<u>670,959</u>
Capital assets, net of accumulated depreciation	<u>\$ 765,496,217</u>	<u>\$ 699,131,240</u>	<u>\$ 663,434,318</u>

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

CAPITAL ASSETS (CONTINUED)

2013 Compared to 2012

The Fund's investment in capital assets, net of accumulated depreciation, for the year ended December 31, 2013 was \$765.5 million. This represented an increase of approximately \$66.4 million (9.5%) compared to 2012. Highlights of the Fund's major capital assets placed in service during 2013 included the following:

- \$8.3 million for construction of stormwater detention pond to reduce flooding near North 107th Street and Midvale.
- \$6.9 million for construction of swales in the Cascade Neighborhood to improve runoff from Capital Hill.
- \$5.6 million for the relocation and replacement of wastewater and drainage infrastructure as part of the SDOT Mercer East Transportation Improvements Project.
- \$5.0 million to replace sewer pipelines throughout several locations within the city.
- \$3.2 million to upgrade the Maximo system.
- \$1.6 million in emergency rehabilitation work on sewer mainlines.
- \$1.1 million for the completion of the Madison Valley stormwater flood control facilities.
- \$1.0 million for SCADA installations at various wastewater infrastructure monitoring sites.

Highlights of the Fund's major construction projects in progress at the end of 2013 include the following:

- \$45.3 million for construction of 2 million gallons of storage for the combined sewer system in the Windermere drainage basin.
- \$24.9 million for construction of two combined sewer overflow facilities in the South Genesee area.
- \$16.3 million for construction of combined sewer overflow storage facilities in Henderson North basins.
- \$4.3 million to build a pump station and a water quality facility near 7th and Riverside in South Park.
- \$3.7 million for improvements to the Delridge combined sewer overflow facilities.
- \$2.7 million to develop natural drainage system at Venema Creek.
- \$2.5 million for bored tunnel portion of the Alaskan Way Viaduct and Seawall Replacement projects.

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CAPITAL ASSETS (CONTINUED)

- \$2.0 million to replace damaged culvert at 35th Avenue Northeast and restore floodplain area at the confluence of Thornton Creek.
- \$1.9 million for major enhancements to the I-SCADA data management program and IMS web site portal application.
- \$1.6 million for construction of new pipeline in the 52nd Ave South.
- \$1.4 million for implementation of the Ballard Natural Drainage System.
- \$1.1 million to construct sewer and stormwater improvements in Broadview's 12th Ave NW basin.
- \$1.1 million to divert a portion of the creek flow to create a natural creek mouth of Mapes Creek in Beer Sheva Park.
- \$1.1 million to construct new side sewers, collector sewers and connections as a result of Seawall Replacement project.
- \$1.0 million to construct new stormwater drainage system in a small area of South Park.

2012 Compared to 2011

The Fund's investment in capital assets, net of accumulated depreciation, for the year ended December 31, 2012 was \$699.1 million. This represented an increase of approximately \$35.7 million (5.4%) compared to 2011. Highlights of the Fund's major capital assets placed in service during 2012 included the following:

- \$6.2 million for the completion of the Madison Valley Phase II project.
- \$5.3 million to replace sewer pipelines throughout several locations within the city.
- \$3.2 million to build a pump station and a water quality facility near 7th and Riverside in South Park.
- \$1.4 million in emergency rehabilitation work on sewer mainlines.
- \$1.2 million to improve surface water system field equipment.
- \$1.1 million to improve and replace a gate in the Windermere basin.

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

CAPITAL ASSETS (CONTINUED)

Highlights of the Fund's major construction projects in progress at the end of 2012 include the following:

- \$23.6 million for improvements to the Windermere combined sewer overflow storage.
- \$11.6 million for improvements to the South Henderson combined sewer overflow storage.
- \$9.8 million for improvements to the South Genesee combined sewer overflow facilities.
- \$7.8 million for a detention project to reduce flooding near North 107th Street and Midvale.
- \$4.9 million for the relocation and replacement of wastewater related facilities in the Mercer Corridor.
- \$4.3 million in Capital Hill water quality improvements.
- \$3.7 million to build a pump station and a water quality facility near 7th and Riverside in South Park.
- \$2.3 million to upgrade the Maximo system.
- \$1.7 million for improvements to the Delridge combined sewer overflow facilities.
- \$1.7 million to develop natural drainage system at Venema Creek.
- \$1.5 million to review conceptual designs, business case development, negotiation of agreements, and project management related to the Alaskan Way Viaduct bored tunnel project.
- \$1.4 million to replace damaged culvert at 35th Avenue Northeast and restore floodplain area at the confluence of Thornton Creek.
- \$1.0 million for major enhancements to the I-SCADA data management program and IMS web site portal application.

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

DEBT ADMINISTRATION

The Fund's debt primarily consists of bonded debt and loans. Bonded debt is secured solely by drainage and wastewater system revenues and provides financing for capital improvements. Loans issued by various Washington State agencies for certain capital improvements are unsecured. The Fund's credit ratings on its bonds were AA+ by Standard and Poor's Rating Service and Aa1 by Moody's Investor Service.

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

DEBT ADMINISTRATION (CONTINUED)

2013 Compared to 2012

At the end of 2013, the Fund had \$525.3 million in bonded debt, as compared to \$540.5 million in 2012, all of which was secured solely by drainage and wastewater system revenues. There were no new bonds issued in 2013.

At the end of 2013, the Fund had an outstanding loan balance of \$18.4 million compared to \$17.7 million in 2012. During 2013, the Fund borrowed an additional \$0.4 million from the Washington State Department of Commerce for the Midvale project and \$1.3 million from the Washington State Department of Ecology for the Capital Hill Water Quality project.

Additional information about the Fund's long-term debt can be found in Notes 4 and 10.

2012 Compared to 2011

At the end of 2012, the Fund had \$540.5 million in bonded debt, as compared to \$486.6 million in 2011, all of which was secured solely by drainage and wastewater system revenues. The key factor in this increase of \$53.9 million was the issuance of \$222.1 million new debt, offset by refunding \$151.9 million of 2001 bond, 2002 bond, and partially 2004 bond and payments of \$16.3 million of debt principal.

In 2012, the Fund was approved for a water pollution control revolving fund loan of \$1,857,150 from the Washington State Department of Ecology for design and construction of a stormwater facility in the Capital Hill area of Seattle from which no funds have been drawn. The Fund did not make any additional draws on existing loans in 2012 (see Note 10).

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, Washington 98124-4018, telephone: (206) 684-3000.

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF NET POSITION**

	December 31,	
	2013	2012 (As Restated)
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	\$ 74,502,511	\$ 60,207,512
Receivables		
Accounts, net of allowance	21,171,279	17,434,638
Interest and dividends	447,978	121,609
Unbilled revenues	18,043,479	16,728,475
Notes, and other contracts	49,042	46,815
Due from other funds	1,015,322	680,374
Due from other governments	2,266,634	4,853,465
Materials and supplies inventory	938,554	827,973
Prepayments and other current assets	34,515	44,991
Total current assets	<u>118,469,314</u>	<u>100,945,852</u>
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	47,873,429	100,442,808
Prepayments long-term	725,621	760,136
Notes and contracts receivable	1,210,467	1,259,509
Environmental costs and recoveries	4,849,507	23,189,224
External infrastructure costs	19,616,799	20,223,378
Regulatory assets - bond issue costs	3,542,883	3,701,676
Other charges	33,300,096	29,454,604
Capital assets		
Land and land rights	19,474,903	19,583,084
Plant in service, excluding land	902,671,203	861,228,220
Less accumulated depreciation	(286,171,599)	(265,807,013)
Construction in progress	128,551,817	83,224,105
Other property, net	969,893	902,844
Total noncurrent assets	<u>876,615,019</u>	<u>878,162,575</u>
Total assets	995,084,333	979,108,427
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	6,054,354	6,428,342
Total assets and deferred outflows of resources	<u>\$ 1,001,138,687</u>	<u>\$ 985,536,769</u>

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF NET POSITION (CONTINUED)**

	December 31,	
	2013	2012 (As Restated)
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 11,944,809	\$ 11,124,890
Salaries, benefits, and payroll taxes payable	2,187,966	1,703,025
Compensated absences payable	397,926	377,496
Due to other funds	5,536,439	4,858,162
Due to other governments	11,624,345	10,443,300
Interest payable	6,934,251	7,113,121
Taxes payable	334,038	288,932
Revenue bonds due within one year	15,825,000	15,215,000
Claims payable	1,922,207	2,458,707
Environmental liabilities	1,805,212	1,679,343
Loans payable, due within one year	1,116,399	1,085,194
Other	4,009,740	3,100,012
Total current liabilities	<u>63,638,332</u>	<u>59,447,182</u>
NONCURRENT LIABILITIES		
Compensated absences payable	4,125,640	4,022,592
Claims payable	6,502,498	7,863,341
Environmental liabilities	63,655,889	59,855,766
Loans	17,242,849	16,608,794
Vendor and other deposits payable	536,488	33,484
Unfunded other post employment benefits	2,378,401	1,943,931
Other noncurrent liabilities	103,719	208,841
Revenue bonds	525,280,000	540,495,000
Less bonds due within one year	(15,825,000)	(15,215,000)
Bond discount and premium, net	37,866,148	39,262,092
Total noncurrent liabilities	<u>641,866,632</u>	<u>655,078,841</u>
Total liabilities	<u>705,504,964</u>	<u>714,526,023</u>
NET POSITION		
Net investment in capital assets	271,755,951	242,182,374
Restricted for		
External infrastructure costs	7,130,843	7,181,829
Other charges	13,392,680	11,774,626
Unrestricted	3,354,249	9,871,917
Total net position	<u>295,633,723</u>	<u>271,010,746</u>
Total liabilities and net position	<u>\$ 1,001,138,687</u>	<u>\$ 985,536,769</u>

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Years Ended December 31,	
	2013	2012
		(As Restated)
OPERATING REVENUES		
Charges for services and other revenues	\$ 333,760,233	\$ 304,001,717
OPERATING EXPENSES		
Planning and development	2,334,654	2,101,137
Utility systems management	10,545,768	17,304,177
Field operations	27,176,807	19,587,958
Project delivery	10,020,333	12,363,376
Customer services	4,108,949	6,055,771
Wastewater treatment	139,433,612	125,743,876
General and administrative	17,046,124	14,692,264
City business and occupation taxes	38,852,253	35,374,947
Other taxes	4,339,943	4,172,248
Depreciation and other amortization	21,254,473	21,289,003
Total operating expenses	275,112,916	258,684,757
OPERATING INCOME	58,647,317	45,316,960
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	2,009,540	3,269,810
Interest expense	(21,361,044)	(21,703,780)
Amortization of bonds premiums and discounts, net	1,395,944	897,638
Amortization of refunding loss	(373,988)	(323,896)
Gain (loss) on sale of capital assets	(167,451)	41,000
Contributions and grants	1,974,585	2,061,760
Others, net	120,976	5,916
Total nonoperating revenues (expenses)	(16,401,438)	(15,751,552)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS, TRANSFERS, AND SPECIAL ITEMS	42,245,879	29,565,408
CAPITAL CONTRIBUTIONS AND GRANTS	6,546,159	8,252,261
ENVIRONMENTAL REMEDIATION	(24,169,061)	(37,065,907)
CHANGE IN NET POSITION	24,622,977	751,762
NET POSITION		
Beginning of year	271,010,746	270,258,984
End of year	\$ 295,633,723	\$ 271,010,746

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2013	2012
		(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 329,789,633	\$ 308,772,630
Cash paid to suppliers	(156,949,272)	(148,169,113)
Cash paid to employees	(50,923,303)	(48,798,401)
Cash paid for taxes	(42,716,088)	(39,185,230)
Net cash provided by operating activities	<u>79,200,970</u>	<u>72,619,886</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	1,946,381	1,702,187
Payments for environmental liabilities	(1,903,351)	(1,001,459)
Net cash provided by noncapital financing activities	<u>43,030</u>	<u>700,728</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds and other long-term debt	1,739,977	255,886,458
Principal payments on long-term debt and refunding	(16,309,601)	(173,901,508)
Capital expenditures and other charges paid	(83,635,360)	(56,117,496)
Interest paid on long-term debt	(26,021,620)	(24,378,191)
Build America Bonds federal interest subsidy	1,817,762	1,885,646
Capital fees and grants received	4,381,277	3,106,511
Debt issuance costs	-	(1,573,320)
Proceeds from sale of capital assets	643,776	43,502
Net cash provided by (used in) capital and related financing activities	<u>(117,383,789)</u>	<u>4,951,602</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Loss) gain on investments	<u>(134,591)</u>	<u>1,329,363</u>
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS		
	(38,274,380)	79,601,579
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	<u>160,650,320</u>	<u>81,048,741</u>
End of year	<u>\$ 122,375,940</u>	<u>\$ 160,650,320</u>
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	\$ 74,502,511	\$ 60,207,512
Noncurrent restricted cash and equity in pooled investments	<u>47,873,429</u>	<u>100,442,808</u>
Total cash at the end of the year	<u>\$ 122,375,940</u>	<u>\$ 160,650,320</u>

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
STATEMENTS OF CASH FLOWS (CONTINUED)**

	Years Ended December 31,	
	2013	2012 (As Restated)
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 58,647,317	\$ 45,316,960
Adjustments to reconcile net operating income to net cash from operating activities		
Depreciation and amortization	21,254,473	21,289,003
Nonoperating revenues and expenses	1,268,530	2,428,678
Changes in operating assets and liabilities		
Accounts receivable	(3,736,641)	2,516,638
Unbilled revenues	(1,315,004)	(814,016)
Due from other funds	(334,947)	1,190,499
Due from other governments	1,079,987	(190,980)
Materials and supplies inventory	(110,580)	(257,808)
Other assets	91,807	89,478
Accounts payable	819,919	2,487,315
Salaries, benefits, and payroll taxes payable	484,941	301,769
Compensated absences payable	123,478	(24,866)
Due to other funds	678,277	161,244
Due to other governments	1,181,046	104,203
Claims payable	(1,897,343)	(1,967,761)
Taxes payable	45,107	42,587
Other liabilities	920,603	(53,057)
Total adjustments	<u>20,553,653</u>	<u>27,302,926</u>
Net cash from operating activities	<u>\$ 79,200,970</u>	<u>\$ 72,619,886</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributed infrastructure	<u>\$ 4,521,405</u>	<u>\$ 1,983,248</u>

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

Note 1 - Operations and Summary of Significant Accounting Policies

Operations - The City of Seattle, Seattle Public Utilities - Drainage and Wastewater Fund (the "Fund") is a public utility enterprise fund of the City of Seattle (the "City"). The Fund was established to account for the drainage and wastewater activities of Seattle Public Utilities ("SPU"). Drainage activities include regulating storm water runoff, alleviating flooding, mitigating water pollution caused by runoff, and responding to federal storm water regulations, in addition to managing drainage utility assets. Wastewater activities consist of managing the City's sewer system, including the operation of sewer utility facilities and pumping stations necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

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 a business and occupation tax to the City's General Fund. During 2013 and 2012, the Fund paid \$10,325,448 and \$8,910,471, respectively, to the City for its share of general and administrative services. Additionally, the Fund paid \$38,852,253 and \$35,374,947 to the City for business and occupation utility taxes in 2013 and 2012, respectively.

Wastewater disposal and drainage services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$2,062,980 in 2013 and \$1,778,216 in 2012 from the City for wastewater services provided. The Fund also collected \$5,150,236 in 2013 and \$4,936,578 in 2012 from the City for drainage services

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 bills and reimburses each other for these services. 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 \$1,604,865 and \$1,470,251 in 2013 and 2012, respectively. The Fund paid \$220,537 and \$301,990 for CCSS services in 2013 and 2012, respectively, which does not include reimbursements to SCL for the Fund's share of capital costs to upgrade the CCSS system.

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

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

The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances passed by the 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.

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, and liabilities 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, a portion of which is scheduled to be spent in 2014, bond reserve funds and vendor's escrow deposits.

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. Receivables are shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed.

Due From/To Other Funds and Governments - Activity between other funds and governments 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 and governments.

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

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

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, 2013 and 2012, the Fund's allowance for doubtful accounts was \$315,093 and \$877,428, 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.

Environmental Costs and Recoveries - The Fund is involved in several remediation efforts around the City (see Note 9). When estimated remediation costs are approved to be recovered through rates, the costs, net of recoveries, associated with these efforts are deferred when accrued as a regulatory asset and are amortized over the rate recovery period. Certain environmental remediation costs that are infrequent in occurrence are treated as a special item in the Statements of Revenues, Expenses, and Changes in Net Position. In 2012, \$16,612,500 of environmental costs were deferred as regulatory assets and fully amortized in 2013 as they were recovered through rates.

External Infrastructure Costs - The Fund has contributed \$21,963,686 to a joint project with King County to expand one of their transmission lines to help alleviate sewer overflows in the area. These costs represent the portion of the project that did not result in a capital asset for the Fund. The project was completed in 2005. The Fund has deferred these costs and began amortizing them in 2006 over a 75 year period.

Regulatory Assets - Bond Issue Costs - 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 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.

Other Charges - Other charges primarily include costs related to leasehold improvements and plans, such as the Combined Sewer Overflow Update plan and the Comprehensive Ditch and Culvert plan. The Fund amortizes these charges over a 5 to 30 year period.

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

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

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 generally capitalize assets with a cost of \$5,000 or more. The Fund received donated assets, such as sewer and drainage pipes, from developers and other government agencies.

Construction in Progress - Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. When the asset is ready for use, 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 - 50 years
Laterals, mains, and outfalls	75 years
Detention structures	75 years
Pumping stations, equipment, and overflow structures	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 laterals, mains, and outfalls asset group. 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.

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

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

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.

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 does not have any deferred inflows of resources as of December 31, 2013 and 2012.

Environmental Liabilities - The Fund has accrued a liability for pollution remediation activities in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 outlines five specific obligating events that give rise to estimating expected pollution remediation outlays. These outlays may be accrued as a liability and expensed, or if appropriate, capitalized.

The Fund will accrue a liability if any of the following obligating events occurs:

- The Fund is compelled to take pollution remediation action because of an imminent endangerment.
- The Fund violates a pollution prevention-related permit or license.
- The Fund is named, or evidence indicates it will be named, by a regulator as a potentially responsible party (“PRP”) for remediation.
- The Fund is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The Fund commences or legally obligates itself to commence pollution remediation.

Most pollution remediation outlays do not qualify for capitalization and the Fund does not anticipate significant capitalized costs in the future. See Note 9 for site descriptions.

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.

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

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

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. The Fund records a liability for estimated sick leave payments.

Operating Revenues - Wastewater service revenues are recorded through cycle billings rendered to customers monthly or bimonthly. The Fund accrues and records unbilled wastewater service revenues in the financial statements for services provided from the date of the last billing to year end.

Drainage service charges are billed to the City’s drainage residential and nonresidential customers twice a year through the service of King County’s property tax billing system. These charges fund operations and maintenance of, and improvements to, the City’s system of storm and drainage facilities.

Other operating revenues include revenues generated from wastewater and sewer permits, and engineering services provided to other City funds.

Operating Expenses - Certain expenses of the Fund are reported on the Statement of Revenue, Expenses and Change 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 drainage and wastewater systems.
- **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.

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

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

Taxes - The Fund is charged a public utility tax by the City at a rate of 12.0% for Wastewater revenues and 11.5% for Drainage revenues, net of certain credits. In addition, the Fund paid a 3.85% public utility tax to the State on a certain portion of revenues identified as sewer collection revenues. The Fund also paid business and occupation tax to the State on certain other non-utility revenues at the rate of 1.8% from January through June 2013 and 1.5% thereafter.

Nonoperating 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 Fund and are of a recurring nature. Major items are investment and interest income, interest expense, amortization of debt expenses, and sale of capital assets.

Net Position - The Statement of Net Position reports all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred inflow 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, net of 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, 2013 and 2012 are related to external infrastructure costs and certain other charges.

Unrestricted net position is the portion that is 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 bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed 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, 2013 and 2012.

Accounting Changes - GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The financial statements reflect these changes for the periods presented, see Note 13 for additional information.

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

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

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014. The Fund is evaluating the impact of this standard on the financial statements, but anticipates recording amounts for the unfunded portion of the pension plan. At this time, those amounts are not yet known.

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, environmental liabilities, risk liabilities, 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, weather and natural disaster-related disruptions, collective bargaining labor disputes, Environmental Protection Agency regulations, and federal government regulations or orders concerning the operation, maintenance, and licensing of facilities.

Reclassifications - Certain reclassifications have been made to prior year balances to provide a presentation consistent with the current year.

Note 2 - Cash and Investments

Custodial Credit Risk - Deposits - As of December 31, 2013 and 2012, the City's pool contained cash on deposit with the City's custodial banks in the amounts of \$12,431,810 and \$18,082,491, respectively. The deposits in excess of \$250,000 in 2013 and 2012 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 -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
NOTES TO FINANCIAL STATEMENTS**

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 City's pooled investments were as follows:

	2013		2012	
	City Pool	Weighted Average Maturity (Days)	City Pool	Weighted Average Maturity (Days)
U.S. Government Agencies	\$ 853,631,386	1141	\$ 803,856,889	851
U.S. Government Obligations	227,659,850	902	67,448,440	482
State and Local Governments	156,812,737	818	182,163,719	549
Commercial Paper	154,962,668	47	176,955,311	40
Repurchase Agreements	44,756,478	2	162,390,595	2
Total	\$ 1,437,823,119		\$ 1,392,814,954	
Portfolio Weighted Average Maturity		914		592

As of December 31, the Fund's share of the City pool was as follows:

	2013	2012
Operating cash and equity in pooled investments	\$ 74,502,511	\$ 60,207,512
Restricted cash and equity in pooled investments	47,873,429	100,442,808
Total	\$ 122,375,940	\$ 160,650,320
Balance as a percentage of City pool cash and investments	8.5%	11.5%

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

Note 2 - Cash and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its 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, 2013 and 2012, the City's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 or 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, 2013, these investments were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's Rating Service. As of December 31, 2012, these investments were rated Aaa, and Aa1 by Moody's Investors Service and AAA and 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 five percent or more is invested in any single issuer, as of December 31, are as follows:

Issuer	2013		2012	
	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
Federal National Mortgage Association	\$ 329,389,682	23%	\$ 243,725,925	18%
Federal Home Loan Mortgage Corp	\$ 285,535,430	20%	\$ 126,065,840	9%
United States Government	\$ 227,659,850	16%	\$ 67,448,440	5%
Freddie Mac Multifamily Securities	\$ 107,594,143	7%	\$ 80,726,450	6%
Federal Home Loan Bank	\$ 86,497,845	6%	\$ 258,633,251	19%
Wells Fargo	\$ 44,756,478	3%	\$ 162,390,595	12%

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

Note 3 - Capital Assets

Capital asset activity consisted of the following for the year ended December 31, 2013:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 14,092,883	\$ 46,498	\$ -	\$ 14,139,381
Structures	156,718,161	4,528,458	-	161,246,619
Machinery and equipment	640,463,045	30,922,811	(226,613)	671,159,243
Computer systems	49,954,131	6,395,330	(223,501)	56,125,960
Total capital assets, excluding land	861,228,220	41,893,097	(450,114)	902,671,203
Less accumulated depreciation	(265,807,013)	(20,657,041)	292,455	(286,171,599)
	595,421,207	21,236,056	(157,659)	616,499,604
Construction in progress	83,224,105	87,254,552	(41,926,840)	128,551,817
Land and land rights	19,583,084	545,387	(653,568)	19,474,903
Other property	902,844	67,049	-	969,893
Capital assets, net	<u>\$ 699,131,240</u>	<u>\$ 109,103,044</u>	<u>\$ (42,738,067)</u>	<u>\$ 765,496,217</u>

Capital asset activity consisted of the following for the year ended December 31, 2012:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 14,099,729	\$ (6,846)	\$ -	\$ 14,092,883
Structures	150,321,057	6,397,104	-	156,718,161
Machinery and equipment	618,945,605	21,646,212	(128,772)	640,463,045
Computer systems	48,542,129	1,412,002	-	49,954,131
Total capital assets, excluding land	831,908,520	29,448,472	(128,772)	861,228,220
Less accumulated depreciation	(246,247,104)	(19,688,681)	128,772	(265,807,013)
	585,661,416	9,759,791	-	595,421,207
Construction in progress	62,822,427	61,887,286	(41,485,608)	83,224,105
Land and land rights	14,279,516	5,303,568	-	19,583,084
Other property	670,959	231,885	-	902,844
Capital assets, net	<u>\$ 663,434,318</u>	<u>\$ 77,182,530</u>	<u>\$ (41,485,608)</u>	<u>\$ 699,131,240</u>

During 2013 and 2012, the Fund capitalized interest costs relating to construction of \$4,501,589 and \$3,335,599, respectively.

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

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 \$14,606,063 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, 2013 and 2012 were \$525,280,000 and \$540,495,000, respectively.

Revenue bonds outstanding as of December 31, 2013 and 2012 consisted of the following Municipal Drainage and Wastewater bonds:

<u>Name of Issue</u>	<u>Issuance Date</u>	<u>Maturity Years</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Bonds Outstanding, 2013</u>	<u>Bonds Outstanding, 2012</u>
2004 parity bonds	10/28/04	2005-2034	2.25-5.125%	\$ 62,010,000	\$ 8,870,000	\$ 10,260,000
2006 parity refunding bonds	11/1/06	2007-2037	4.0-5.0%	121,765,000	100,115,000	104,205,000
2008 parity bonds	4/16/08	2009-2038	4.0-5.0%	84,645,000	77,360,000	78,935,000
2009A parity bonds	12/17/09	2017-2039	4.2-5.5%	102,535,000	102,535,000	102,535,000
2009B parity refunding bonds	12/17/09	2010-2027	2.0-4.0%	36,680,000	23,225,000	26,585,000
2012 parity refunding bonds	6/27/12	2012-2042	2.0-5.0%	222,090,000	213,175,000	217,975,000
				<u>\$ 629,725,000</u>	<u>\$ 525,280,000</u>	<u>\$ 540,495,000</u>

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

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 15,825,000	\$ 25,282,453	\$ 41,107,453
2015	16,415,000	24,619,803	41,034,803
2016	17,220,000	23,898,828	41,118,828
2017	18,070,000	23,123,578	41,193,578
2018	18,905,000	22,251,865	41,156,865
2019 - 2023	102,510,000	96,859,504	199,369,504
2024 - 2028	114,185,000	70,686,929	184,871,929
2029 - 2033	105,810,000	41,868,004	147,678,004
2034 - 2038	90,805,000	17,432,784	108,237,784
2039 - 2043	25,535,000	2,304,665	27,839,665
	<u>\$ 525,280,000</u>	<u>\$ 348,328,413</u>	<u>\$ 873,608,413</u>

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

Note 4 - Revenue Bonds (Continued)

The following table shows the revenue bond activity during the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 540,495,000	\$ -	\$ (15,215,000)	\$ 525,280,000	\$ 15,825,000
Add (deduct) deferred amounts:					
Issuance premiums	39,879,863	-	(1,419,704)	38,460,159	-
Issuance discounts	(617,771)	-	23,760	(594,011)	-
Total bonds payable	<u>\$ 579,757,092</u>	<u>\$ -</u>	<u>\$ (16,610,944)</u>	<u>\$ 563,146,148</u>	<u>\$ 15,825,000</u>

The following table shows the revenue bond activity during the year ended December 31, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 486,610,000	\$ 222,090,000	\$ (168,205,000)	\$ 540,495,000	\$ 15,215,000
Add (deduct) deferred amounts:					
Issuance premiums	9,633,210	33,796,457	(3,549,804)	39,879,863	-
Issuance discounts	(1,077,502)	-	459,731	(617,771)	-
Total bonds payable	<u>\$ 495,165,708</u>	<u>\$ 255,886,457</u>	<u>\$ (171,295,073)</u>	<u>\$ 579,757,092</u>	<u>\$ 15,215,000</u>

Defeasance of Debt - The Fund defeases 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. As of December 31, 2013, \$42,540,000 of defeased bonds were not redeemed yet, as shown below:

Name of Issue	Amount Outstanding at December 31, 2012	Additions	Redemptions	Amount Outstanding at December 31, 2013
2004 Parity	<u>\$ 42,540,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,540,000</u>

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
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NOTES TO FINANCIAL STATEMENTS**

Note 4 - Revenue Bonds (Continued)

In 2012, \$151,860,000 bonds were defeased of which \$109,320,000 were redeemed, as shown below:

Name of Issue	Amount Outstanding at December 31, 2011	Additions	Redemptions	Amount Outstanding at December 31, 2012
2001 Parity	\$ -	\$ 48,880,000	\$ (48,880,000)	\$ -
2002 Parity Refunding	-	60,440,000	(60,440,000)	-
2004 Parity	-	42,540,000	-	42,540,000
	\$ -	\$ 151,860,000	\$ (109,320,000)	\$ 42,540,000

In June 2012, the Fund issued \$222,090,000 of Drainage and Wastewater Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2012 and ending in 2042, at interest rates ranging from 2.0 percent and 5.0 percent. A portion of the proceeds were used to fully refund 2001 and 2002 bonds and partially refund 2004 bonds. As a result of the refunding, the Fund reduced total debt service requirements by \$32.3 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$24.3 million.

Debt Service Coverage - The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service of at least equal to 125% of average annual debt service. For 2013, net revenue available for debt service, as defined by the bond covenants, was 398% of average annual debt service.

Net revenue available for debt service for the year ended December 31, 2013 is determined as follows:

Net operating income	\$ 58,647,317
Add:	
City taxes	38,852,253
Depreciation and amortization	21,254,473
Investment income	2,009,540
Claims expense	(921,606)
Adjusted net revenue available for debt service	\$ 119,841,977
Debt service requirement	\$ 30,124,428
Coverage	398%

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

Note 5 - Leases

The Fund has non-cancelable operating lease commitments for real and personal property, with payments of \$100,325 and \$110,248 in 2013 and 2012, respectively. Rents are paid as they become due and payable. Minimum lease payments under the leases for the years ended December 31, are as follows:

2014	\$ 100,237
2015	97,489
2016	83,754
2017	30,994
2018	30,994
2019-2020	<u>61,988</u>
	<u>\$ 405,456</u>

Note 6 - Retirement and Other Postemployment Benefit Plans

Pension Costs - All permanent Fund employees are eligible to participate in the Seattle City Employees' Retirement System (the "System"), a cost-sharing public employee retirement system operated by the City. The System is a single-employer defined benefit plan in which benefits vest after five years of covered service. City employees may retire after 30 years of service regardless of age; after age 52, with 20 or more years of service; after age 57, with 10 or more years of service, and after age 62, with five or more years of service. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by City ordinances.

City employees are required to contribute 10.03% of their annual base salaries to the System. The City's contribution rate increased to 12.89% for 2013 from 11.01% for 2012. 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, 2013, 2012 and 2011, were \$5,401,854, \$4,323,607, and \$3,465,961, 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, telephone: (206) 386-1293, or www.seattle.gov/retirement/annual_report.htm.

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

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

Employer contributions for the City are as follows (dollars in millions):

Year Ended December 31,	City Required Contribution	City Actual Contribution	Percentage Contributed
2011	\$ 50.2	\$ 50.2	100%
2012	\$ 62.4	\$ 62.4	100%
2013	\$ 76.9	\$ 76.9	100%

Actuarial data and assumptions

Valuation date	January 1, 2013
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	30 years, open
Asset valuation method	5-Year Smoothing Method
Investment rate of return	7.75%
Projected general wage inflation	4.0%
Postretirement benefit increases	1.5%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age ¹ (b)	Unfunded AAL (UAAL) ² (b-a)	Funded Ratio (a/b)	Covered Payroll ³ (c)	UAAL as a % of Covered Payroll ((b-a)/c)
January 1, 2011	\$ 2,013.7	\$ 2,709.0	\$ 695.4	74.3%	\$ 563.2	123.5%
January 1, 2012	\$ 1,954.3	\$ 2,859.3	\$ 905.0	68.3%	\$ 557.0	162.5%
January 1, 2013	\$ 1,920.1	\$ 3,025.3	\$ 1,105.2	63.5%	\$ 567.8	194.6%

¹ Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.

² Actuarial accrued liabilities less actuarial value of assets.

³ Covered payroll includes compensation paid to all active employees on which contributions are calculated.

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

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

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 Seattle 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 \$2.4 million in 2012 and \$3.9 million in 2011.

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

Note 6 - Retirement and Other 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, 2012 and 2011. These calculations are based on the most recent actuarial valuation data available, dated January 1, 2012. The Fund has accrued \$2,378,401 to the plan as of December 31, 2013, as a reasonable estimate of expected contributions.

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 8,064,000	\$ 11,286,000
Interest on net OPEB obligation	1,340,000	1,212,000
Adjustment to annual required contribution	<u>(1,969,000)</u>	<u>(1,673,000)</u>
Annual OPEB cost (expense)	7,435,000	10,825,000
Expected contribution (employer-paid benefits)	<u>(2,441,000)</u>	<u>(3,889,000)</u>
Increase in net OPEB obligation	4,994,000	6,936,000
Net OPEB obligation, beginning of year	<u>34,548,000</u>	<u>27,612,000</u>
Net OPEB obligation, end of year	<u>\$ 39,542,000</u>	<u>\$ 34,548,000</u>
Fund's allocated share of city liability	<u>\$ 1,943,931</u>	<u>\$ 1,894,828</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 -
DRAINAGE AND WASTEWATER FUND
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NOTES TO FINANCIAL STATEMENTS**

Note 6 - Retirement and Other Postemployment Benefit Plans (Continued)

Significant methods and assumptions are as follows:

Actuarial data and assumptions

Valuation date	January 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years, open
Discount rate	3.88%
Health care cost trend rates - medical	Traditional and Preventive Plans: 9.0%, decreasing by 0.5% for each year for 4 years Group Health Standard and Deductible Plans: 8.5%, decreasing by 0.5% for each year for 7 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 three years and General Service Retirees based on the RP-2000 Combined Healthy Males and Females, with ages set back one year.
Marital status	60% of members electing coverage are assumed to be married or to have a registered domestic partner. Male spouses two years older than their female spouses.
Morbidity factors	Morbidity rate ranges for ages 50 through 64: 87.09% to 172.99% for retirees, and 101.19% to 172.99% for spouses. Retirees' spouses pay a lower premium than retirees.
Other considerations	Active employees with current spousal and/or dependent coverage are assumed to elect same plan and coverage after retirement.

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

Note 6 - Retirement and Other 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, 2010	\$ -	\$ 93.5	\$ 93.5	0.0%	\$ 869.1	10.8%
January 1, 2011	\$ -	\$ 99.4	\$ 99.4	0.0%	\$ 866.2	11.5%
January 1, 2012	\$ -	\$ 74.7	\$ 74.7	0.0%	\$ 891.6	8.4%

The Health Care Subfund 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/.

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 2013 and 2012, 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, 0.675% and 0.784%, respectively. Claims expected to be paid within one year were \$1,922,207 and \$2,458,707 as of December 31, 2013 and 2012, respectively. The schedules below present the changes in the liability for workers' compensation claims and other claims (risk financing liabilities) as of December 31:

	2013	2012
Beginning liability, undiscounted	\$ 10,634,695	\$ 12,605,951
Payments	(975,738)	(1,092,510)
Incurred claims and change in estimate	(1,008,004)	(878,746)
Ending liability, undiscounted	<u>\$ 8,650,953</u>	<u>\$ 10,634,695</u>
Ending liability, discounted (recorded balance at December 31)	<u>\$ 8,424,705</u>	<u>\$ 10,322,048</u>

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

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

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 schedules below show the compensated absences activity during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Beginning liability	\$ 4,400,088	\$ 4,424,954
Additions	4,623,070	4,514,910
Reductions	<u>(4,499,592)</u>	<u>(4,539,776)</u>
Ending liability	<u>\$ 4,523,566</u>	<u>\$ 4,400,088</u>

Note 9 - Environmental Liabilities

Following is a brief description of the significant sites that require environmental remediation:

Duwamish Sites - The U.S. Environmental Protection Agency (“EPA”) has indicated that it will require the clean-up and remediation of certain Duwamish sites under its Superfund authority. No specific requirements for remediation by potentially responsible parties (“PRPs”) have been decided by the EPA as of the date of this report, except related to specific “early action sites” which are or have been under Administrative Orders on Consent (“AOC”). In order to manage the liability, the City has worked with the EPA and other PRPs on a Remedial Investigation (“RI”) and Feasibility Study (“FS”) to evaluate the risk to human health and the environment within the six mile superfund area, identify the possible early action clean-up sites, and generally evaluate the feasibility of clean-up options for use in the ultimate remedial actions that the EPA will require. The RI and FS are complete. On November 2, 2012, the EPA and Ecology approved the Lower Duwamish Waterway Group’s FS which provides sufficient information to support selection of a remedy for this Site. The regulators recommended an option and the fund recorded an estimate of its share of the estimated total cost. The EPA announced their proposed cleanup plan in February 2013 for public comment. EPA is expected to issue a Record of Decision in 2014.

The Fund, together with other PRPs, has voluntarily agreed to initiate clean-up of two early action sites identified during the RI under EPA issued AOC: Slip 4 and T-117.

East Waterway Site - In 2006 the EPA issued an AOC for a Supplemental RI and FS for the East Waterway, an operable unit of the Harbor Island Superfund Site. Subsequent to an agreement between the EPA, the Port of Seattle (“Port”), King County and the City, the Port alone signed the order. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the work required by the EPA. No specific requirements for remediation by PRPs have been made by the EPA as of the date of this report. The RI and FS are anticipated to be completed by 2014.

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Note 9 - Environmental Liabilities (Continued)

Gas Works Park Sediment Site - In April 2002, the Department of Ecology (“DOE”) named the City and another party, Puget Sound Energy, as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two RIs and FSs for the sediment site - one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20% of the Shared Costs incurred by Puget Sound Energy for the cleanup work. The RI and FS include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the RI is expected to be completed in 2014 followed by the FS in 2015. A Clean-up Action Plan is expected from the Department of Ecology in about 2016.

North Boeing Field/Georgetown Steam Plant - The City, King County and Boeing have signed an Administrative Order with the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport.

7th Avenue South Pump Station - The City acquired land in the South Park area of Seattle to construct the 7th Ave South Pump Station. The land was determined to be contaminated subsequent to the purchase. The Fund has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012.

The Fund has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB 49. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to price fluctuations, technological advances, or applicable laws or regulations.

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Note 9 - Environmental Liabilities (Continued)

The Fund is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted. The Fund's estimate for not yet realized recoveries from other parties for their share of remediation work that offset the Fund's estimated environmental liability was \$4.8 million and \$4.9 million as of December 31, 2013 and 2012, respectively. During 2012, the Fund received an environmental cost recovery of \$1.6 million from Seattle City Light related to the Duwamish and East Waterway Sites.

The following changes in the provision for environmental liabilities at December 31 are:

	<u>2013</u>	<u>2012</u>
Beginning environmental liability, net of recovery	\$ 61,535,109	\$ 8,555,825
Payments or amortization	(1,903,351)	(2,617,893)
Incurred environmental liability	5,829,343	55,597,177
Ending environmental liability, net of recovery	<u>\$ 65,461,101</u>	<u>\$ 61,535,109</u>

The provision for environmental liabilities included in current and non-current liabilities at December 31 are:

	<u>2013</u>	<u>2012</u>
Environmental liability, current	\$ 1,805,212	\$ 1,679,343
Environmental liability, noncurrent	63,655,889	59,855,766
Ending liability	<u>\$ 65,461,101</u>	<u>\$ 61,535,109</u>

Note 10 - Loans

The Fund has various construction projects that are financed by low interest loans issued by the State of Washington. The loan agreements require that the Fund finance a portion of these projects from other sources. These loans have been used to enhance the drainage system. The fund also financed the purchase of land with a small loan in the amount of \$161,000 from a private party.

In 2013, the Fund made an additional draw of \$425,582 on a public works trust fund loan from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5% per annum and are to be repaid by June 2031.

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Note 10 - Loans (Continued)

In addition, the Fund was approved for a water pollution control revolving fund loan in 2012 in the amount of \$1,857,150 from the Washington State Department of Ecology for design and construction of a stormwater facility in the Capital Hill area of Seattle. In 2013, the Fund borrowed \$1,334,279 which included capitalized interest.

Loans outstanding as of December 31, 2013 and 2012 are as follows:

Description	Maturity Years	Interest Rate	Amount Borrowed	Loans Outstanding 2013	Loans Outstanding 2012
Private Loan	1999-2013	7.0%	\$ 161,100	\$ -	\$ 10,276
Midvale	2013-2031	0.25%	4,000,000	3,811,873	3,574,418
Thornton Creek Natural Drainage Systems	2006-2024	0.5%	3,700,000	2,154,706	2,350,588
High Point Natural Drainage Systems	2010-2029	1.5%	2,679,413	2,175,685	2,299,445
South Park Flood Control and Local Drainage Program	2007-2025	0.5%	3,400,000	2,365,473	2,562,596
Ballard Green Streets ARRA Project	2011-2020	2.9%	603,209	457,898	516,059
Thornton Creek Water Quality Project	2011-2030	1.5%	6,983,021	6,059,334	6,380,606
Capital Hill Water Quality Project	2015-2034	2.6%	1,334,279	1,334,279	-
			<u>\$ 22,861,022</u>	<u>\$ 18,359,248</u>	<u>\$ 17,693,988</u>

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

Years Ending December 31,	Principal	Interest	Total
2014	\$ 1,116,399	\$167,205	\$ 1,283,604
2015	1,161,480	208,624	1,370,104
2016	1,189,077	178,533	1,367,610
2017	1,199,428	165,687	1,365,115
2018	1,209,979	152,641	1,362,620
2019-2023	5,988,933	568,367	6,557,300
2024-2028	4,712,639	270,645	4,983,284
2029-2033	1,737,425	48,747	1,786,172
2034-2038	43,888	574	44,462
	<u>\$ 18,359,248</u>	<u>\$ 1,761,023</u>	<u>\$ 20,120,271</u>

**SEATTLE PUBLIC UTILITIES -
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Note 10 - Loans (Continued)

The following table shows the loan activity during the years ended December 31:

	<u>2013</u>	<u>2012</u>
Net loans, beginning of year	\$ 17,693,988	\$ 18,597,762
Loan proceeds	1,759,861	-
Principal payments	<u>(1,094,601)</u>	<u>(903,774)</u>
Net loans, end of year	<u>\$ 18,359,248</u>	<u>\$ 17,693,988</u>
Loans due within one year	<u>\$ 1,116,399</u>	<u>\$ 1,085,194</u>
Loans, noncurrent	<u>\$ 17,242,849</u>	<u>\$ 16,608,794</u>

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, 2013, the Seattle Housing Authority receivable was \$1,252,189.

In addition, the Fund has an agreement with private individuals for a sewer connection charge contract. The receivable was \$7,320 at December 31, 2013. Notes and contracts receivable are composed of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Seattle Housing Authority receivable	\$ 1,252,189	\$ 1,298,008
Dalcerro receivable	<u>7,320</u>	<u>8,316</u>
Total notes and contracts receivable	<u>1,259,509</u>	<u>1,306,324</u>
Due within one year	<u>(49,042)</u>	<u>(46,815)</u>
Total non-current notes and contracts receivable	<u>\$ 1,210,467</u>	<u>\$ 1,259,509</u>

Note 12 - Wastewater Disposal Agreement

The Fund has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the "Division"), which expires in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by the Fund were \$137,656,267 and \$124,513,897 for fiscal years 2013 and 2012, respectively.

**SEATTLE PUBLIC UTILITIES -
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Note 13 - Adoption of New Accounting Pronouncement

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statement periods beginning after December 15, 2012, with the effects of the accounting change to be applied retroactively by restating the financial statements. The Fund adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of December 31, 2012. The amounts related to bond issue costs of \$3,701,676 have been included in our rate-setting structure and were reclassified into the regulatory asset account; as such, there is no impact to net position for 2012.

	2012 As Previously Reported	2012 As Restated	Effect of Restatement
Statement of Net Position			
<i>Assets</i>			
Prepayments and other current assets	\$ 10,475	\$ 44,991	\$ 34,516
Prepayments long-term	-	760,136	760,136
Unamortized bond issue costs	3,450,269	-	(3,450,269)
Regulatory assets - bond issue costs	-	3,701,676	3,701,676
<i>Deferred Outflows of Resources</i>			
Unamortized loss on refunded debt	-	6,428,342	6,428,342
<i>Liabilities</i>			
Loss on advanced refunding	(7,474,401)	-	7,474,401
<i>Net Position</i>			
Net investment in capital assets	230,457,310	242,182,374	11,725,064
External infrastructure costs	6,834,126	7,181,829	347,703
Other charges	9,953,654	11,774,626	1,820,972
Unrestricted	9,077,264	9,871,917	794,653
Statement of Revenues, Expenses and Changes in Net Position			
General and administrative	14,658,027	14,692,264	34,237
Depreciation and other amortization	21,156,763	21,289,003	132,240
Amortization of refunding loss	(351,384)	(323,896)	27,488
Amortization of debt costs	(138,989)	-	138,989
Statement of Cash Flows			
Operating income	45,483,437	45,316,960	(166,477)
Depreciation and amortization	21,156,763	21,289,003	132,240
Other assets	-	89,478	89,478

SUPPLEMENTAL INFORMATION

**SEATTLE PUBLIC UTILITIES -
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SUPPLEMENTAL INFORMATION**

Statistics Required for Revenue Bond Continuing Disclosure

Wastewater System Operating Statistics

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Population Served	602,000	612,000	612,100	616,500	626,600
Billed Wastewater Revenues	\$ 183,841	\$ 184,107	\$ 203,590	\$ 236,935	\$ 244,476
Billed Wastewater Volume (MG)					
Residential	7,995	7,824	7,400	7,707	7,594
Commercial	13,246	13,049	12,803	13,217	13,218
Total	<u>21,241</u>	<u>20,873</u>	<u>20,203</u>	<u>20,924</u>	<u>20,812</u>
Gallons Used per Day per Capita	96.7	93.4	90.4	93.0	91.0

Drainage and Wastewater - 2013 Accounts and Billed Revenues

	<u>Drainage</u>	<u>Wastewater</u>
Customer Accounts		
Residential	147,934	152,872
Commercial	<u>65,038</u>	<u>19,660</u>
Total	<u><u>212,972</u></u>	<u><u>172,532</u></u>
Billed Revenue		
Residential	\$ 41,709,795	\$ 89,478,069
Commercial	<u>42,447,353</u>	<u>154,997,529</u>
Total	<u><u>\$ 84,157,148</u></u>	<u><u>\$ 244,475,598</u></u>

**SEATTLE PUBLIC UTILITIES -
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Major Wastewater Customers - 2013 Annual Billed Revenues and Volumes

<u>Name</u>	<u>Revenue</u>	<u>Volume</u>
University of Washington	\$ 6,359,038	672,821
Seattle Housing Authority	\$ 3,198,645	279,014
City of Seattle	\$ 2,062,980	211,492
King County	\$ 1,340,774	115,627
Port of Seattle	\$ 1,255,439	157,052
Darigold	\$ 1,080,912	78,422
Swedish Medical Center	\$ 953,752	89,460
Harborview Medical Center	\$ 820,284	77,483
Virginia Mason	\$ 900,897	77,723
Seattle Public Schools	\$ 750,306	73,143

Major Drainage Customers - 2013 Annual Billed Revenues and Acreage

<u>Name</u>	<u>Revenue</u>	<u>Acres</u>
City of Seattle	\$ 5,150,236	5,957
Port of Seattle	\$ 3,533,031	997
Seattle Public Schools	\$ 1,648,544	685
King County	\$ 1,568,699	597
BNSF Rwy Co.	\$ 1,226,006	417
University of Washington	\$ 1,354,178	571
United States Government	\$ 730,582	301
Seattle Housing Authority	\$ 738,458	331
Union Pacific Railroad Co.	\$ 508,832	154
Seattle Community Colleges	\$ 282,392	158

**SEATTLE PUBLIC UTILITIES -
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Wastewater Rates

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Volume rate per ccf	\$ 8.89	\$ 8.98	\$ 10.28	\$ 10.68	\$ 11.65	\$ 11.75

Note: 1 CCF equals 748 gallons. Wastewater rate increased 9.1% and 3.9% in 2013 and 2012, respectively.

Drainage Rates

Flat Rate per Parcel	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>% Impervious Space</u>
Single Family Residential*						
< 3,000 sq. ft.	\$ 104.90	\$ 134.06	\$ 149.33	\$ 164.05	\$ 180.96	
3,000 - 4,999 sq. ft.	\$ 152.46	\$ 173.10	\$ 192.79	\$ 212.92	\$ 234.87	
5,000 - 6,999 sq. ft.	\$ 206.09	\$ 234.94	\$ 261.66	\$ 289.11	\$ 318.92	
7,000 - 9,999 sq. ft.	\$ 261.35	\$ 298.32	\$ 332.23	\$ 365.97	\$ 403.70	
Rate per 1,000 sq. ft.						
Undeveloped						0 - 15%
Regular	\$ 17.18	\$ 19.72	\$ 21.96	\$ 23.31	\$ 25.71	
Low Impact	\$ 10.39	\$ 12.35	\$ 13.76	\$ 13.65	\$ 15.06	
Light						16 - 35%
Regular	\$ 25.69	\$ 29.62	\$ 32.98	\$ 36.05	\$ 39.76	
Low Impact	\$ 19.35	\$ 23.47	\$ 24.14	\$ 28.35	\$ 31.27	
Medium						36 - 65%
Regular	\$ 37.32	\$ 42.89	\$ 47.76	\$ 52.35	\$ 57.75	
Low Impact	\$ 30.28	\$ 34.43	\$ 38.35	\$ 42.11	\$ 46.45	
High	\$ 48.26	\$ 56.57	\$ 63.01	\$ 70.23	\$ 77.48	66 - 85%
Very High	\$ 57.32	\$ 66.90	\$ 74.49	\$ 83.08	\$ 91.65	86 - 100%

* SFR parcels more than 10,000 sq. ft. are billed under the commercial rate structure.