REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

SEATTLE PUBLIC UTILITIES – WATER FUND (AN ENTERPRISE FUND OF THE CITY OF SEATTLE)

December 31, 2018 and 2017

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Seattle Public Utilities – Water Fund (the Fund), which comprise the statements of net position as of December 31, 2018 and 2017, 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 opinions 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seattle Public Utilities – Water Fund as of December 31, 2018 and 2017, and the changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of Seattle Public Utilities' proportionate share of the net pension liability, schedule of Seattle Public Utilities' contributions, and schedule of Seattle Public Utilities' proportionate share of the OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the financial statements. This information, although not a part of the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Moss Adams LLP

Seattle, Washington
May 28, 2019

As management of Seattle Public Utilities (SPU), a department of the City of Seattle (the City), we offer readers of SPU's financial statements this narrative overview and analysis of the financial activities of the Water Fund (the Fund) for the fiscal years ended December 31, 2018 and 2017. The revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of Seattle's water system are recorded in the 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 like 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 12 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, 2018 and 2017, on all the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources) and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund's net position for the years ended December 31, 2018 and 2017. 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, 2018 and 2017, and to provide answers to questions about sources, uses, and impacts to cash. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities for the reporting period.

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 17 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, 2018 and 2017, the Fund's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, resulting in surpluses in total net position of $536.4 million and $454.3 million, respectively. In 2018, the Fund's change in net position was an increase of $82.0 million (18.1%) as compared to 2017, which increased $51.0 million (12.6%). The following summary statement of net position presents the assets and deferred outflows of resources of the Fund and shows the mix of liabilities, deferred inflows of resources and net position used to acquire these assets:

Summary Statement of Net Position

	2018	2017	2016
ASSETS			
Current assets	$ 160,457,325	$ 93,650,376	$ 77,560,250
Capital assets, net	1,320,292,790	1,304,616,463	1,276,574,052
Other	184,626,654	205,025,295	118,596,788
Total assets	1,665,376,769	1,603,292,134	1,472,731,090
DEFERRED OUTFLOWS OF RESOURCES	23,263,682	36,620,229	46,224,058
Total assets and deferred outflows of resources	$ 1,688,640,451	$ 1,639,912,363	$ 1,518,955,148
LIABILITIES			
Current liabilities	$ 103,182,391	$ 82,783,767	$ 80,507,282
Revenue bonds	868,016,942	915,683,095	856,408,050
Other	116,652,644	133,593,435	135,491,770
Total liabilities	1,087,851,977	1,132,060,297	1,072,407,102
DEFERRED INFLOWS OF RESOURCES			
Revenue stabilization fund	55,004,886	46,511,311	40,957,140
Deferred inflows - other	9,404,210	6,997,750	2,225,903
Total deferred inflows of resources	64,409,096	53,509,061	43,183,043
NET POSITION			
Net investment in capital assets	506,386,096	473,343,322	435,253,916
Restricted	12,985,756	13,045,244	12,787,668
Unrestricted	17,007,526	(32,045,561)	(44,676,581)
TOTAL NET POSITION	536,379,378	454,343,005	403,365,003
Total liabilities, deferred inflows of resources and net position	$ 1,688,640,451	$ 1,639,912,363	$ 1,518,955,148

Financial Analysis (continued)

2018 Compared to 2017

Assets – Current assets increased $66.8 million (71.3%) from 2017. This is primarily due to increases in operating cash of $39.3 million, due from other funds of $17.1 million and due from other governments of $8.3 million. The increase in operating cash is primarily due to receipt of $16 million from a litigation settlement with another government agency for damages caused by the SR 99 Bored Tunnel Project, $12.0 million from the Cascade Water Alliance (CWA) for a scheduled payment per an existing agreement and $6 million reimbursement for reservoir seismic upgrades. The increase in due from other funds primarily includes $6.3 million from Seattle City Light (SCL) for services related to the utility customer call center, $5.8 million from the City for hydrant jurisdiction and other receivables, $2.7 million overpayment and other reimbursement from Seattle Department of Transportation (SDOT) and other miscellaneous receivables.

Capital assets increased $15.7 million (1.2%) from 2017. The increase is mostly due to investments in infrastructure improvements, facility and technology improvements of $73.3 million. This change was offset by $46.1 million increase in accumulated depreciation (Note 3) and a decrease in construction work in progress of $11.6 million.

Other assets decreased $20.4 million (9.9%) from 2017. The largest portion of the change was due to a decrease in restricted cash and equity in pooled investments of $19.0 million for spending on capital projects.

Deferred outflows of resources – Deferred outflows of resources decreased by $13.4 million (a negative 36.5%) from 2017. This change resulted from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits (OPEB).

Liabilities – Current liabilities increased $20.4 million (24.6%) from 2017. This change mostly resulted from increases of $15.8 million in due to other funds, $5.2 million of accounts payable and $2.1 million of revenue bonds due within one year. The due to other funds includes $4.2 million due to Drainage and Waste Water Fund (DWW) and Solid Waste Fund for call center reimbursement from SCL, $2.6 million due to DWW Fund for its share of the settlement of the tunnel project and $2.9 million due to SDOT. These increases were offset by a decrease of $1.0 million in salaries and benefits payable.

Other liabilities decreased $16.9 million (negative 12.7%) over 2017. The largest portion of this decrease, $14.4 million, resulted from the decrease in the Fund's net pension liability as calculated per GASB 68 guidance, $2.0 million decrease in loans as a result of scheduled payments and $1.0 million decrease in claims payable. These decreases were offset by an increase of $1.3 million in the HCP liability.

Deferred inflows of resources – Deferred inflow of resources increased by $11.0 million (20.6%) from 2017. This increase is due to a deposit of $7.7 million to the revenue stabilization account, and $0.8 million interest earned on the account. The other $2.4 million is change in difference between employer contribution and proportionate share of employer contributions for pension and changes in assumptions for OPEB.

Financial Analysis (continued)

Net position – Net investment in capital assets was the largest portion of the Fund's net position ($506.4 million or 94.4%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and 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 2018, net investment in capital assets increased $33.0 million from 2017 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt and debt related accounts of $44.5 million, offset by a decrease in construction cash of $25.8 million.

The Fund's restricted net position ($13.0 million or 2.4%) represents resources that are subject to restrictions on how they may be used. Restricted net position decreased slightly by $0.06 million.

The Fund's unrestricted net position ($17.0 million or 3.2%) represents resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion increased $49.1 million in 2018 as compared to 2017 primarily as a result of $39.4 million increase in operating cash.

2017 Compared to 2016

Assets – Current assets increased $16.1 million (20.7%) from 2016. This is primarily due to increases in operating cash of $15.5 million, unbilled revenue of $1.2 million, due from other governments of $1.3 million and $0.1 million in materials and supplies inventory. The increase was offset by decreases in accounts receivable, net of allowance for doubtful accounts of $1.7 million, interest and dividends of $0.1 million and due from other funds of $0.2 million.

Capital assets increased $28.0 million (2.2%) from 2016. Construction in progress and other plant assets increased $48.3 million; increase is mostly due to infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings. This change was offset by $20.3 million increase in accumulated depreciation (Note 3).

Other assets increased $86.4 million (72.9%) from 2016. The largest portion of the change was due to an increase in restricted cash and equity in pooled investments of $91.2 million, due to the issuance of the 2017 Water System Improvement and Refunding Revenue Bonds (Note 4). This increase was offset by decreases of $3.5 million in conservation costs, $0.5 million in regulatory assets, $0.4 million in notes and contracts receivable and $0.4 million in other charges and long-term prepayments.

Deferred outflows of resources – Deferred outflows of resources decreased by $9.6 million (a negative 20.8%) from 2016. This change resulted from a $5.4 million decrease in amortization of deferred loss on advanced refunding of older bonds, offset by a gain on the 2017 refunding. Pension contributions and changes in assumptions related to pension accounting also decreased $4.3 million.

Financial Analysis (continued)

Liabilities – Current liabilities increased $2.3 million (2.8%) from 2016. This change mostly resulted from increases of $1.0 million in interest payable, $1.7 million in current portion of bonds payable, $0.5 million in salaries, benefits and payroll taxes payable and $0.9 million in loans payable. These increases were offset by decreases of $1.0 million in accounts payable and $0.8 million in due to other funds.

Other liabilities decreased $1.9 million (negative 1.4%) over 2016. The largest portion of this decrease, $6.4 million, resulted from the decrease in the Fund's net pension liability and $3.0 million decrease in the noncurrent portion of the HCP liability. These decreases were offset by increases of $5.2 million in loans, $1.8 million in claims payable, $0.1 million in unfunded other post-retirement benefits and $0.1 million in compensated absences payable.

Deferred inflows of resources – Deferred inflow of resources increased by $10.3 million (23.9%) from 2016. This increase is due to a net deposit of $5.2 million to the revenue stabilization account, and $0.3 million interest earned on the account, and $4.8 million change in difference between employer contribution and proportionate share of employer contributions.

Net position – Net investment in capital assets was the largest portion of the Fund's net position ($473.3 million or 104.1%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and 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 2017, net investment in capital assets increased $38.0 million from 2016 primarily from an increase in utility plant and construction in progress.

The Fund's restricted net position ($13.0 million or 2.9%) represents resources that are subject to restrictions on how they may be used. Restricted net position increased $0.3 million.

The Fund's unrestricted net position (a negative $32.0 million or 7.0%) represent resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion decreased $13.0 million in 2017 as compared to 2016. The main component of this change is the increase in investment in capital assets.

Financial Analysis (continued)

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

Summary Statements of Revenues, Expenses, and Changes in Net Position

	2018	2017	2016
Operating revenues	$ 282,286,898	$ 262,896,454	$ 251,363,807
Operating expenses	(210,559,204)	(201,886,191)	(196,640,704)
Net operating income	71,727,694	61,010,263	54,723,103
Other expenses, net of other revenues	(20,417,977)	(31,879,002)	(29,860,684)
Fees, contributions, and grants	30,726,656	22,064,215	18,393,376
Change in net position	$ 82,036,373	$ 51,195,476	$ 43,255,795

2018 Compared to 2017

Operating revenues increased approximately $19.4 million (7.4%) over 2017. This change was driven by increases in direct service revenue of $1.2 million, wholesale revenue of $14.4 million mainly resulting from $12.0 million contract transition payment received from CWA, a rate increase for 2018 and other operating revenues of $3.8 million.

Operating expenses increased $8.7 million (4.3%) from 2017. Notable factors affecting this change include increases of $1.0 million in supplies, $3.7 million in services, $4.7 million in inter-governmental payments for taxes, as a result of increased sales and litigation settlements, and $3.8 million in depreciation and amortization expenses. These increases were offset by decrease of $5.4 million in other operating expenses.

Other expenses, net of other revenues decreased by $11.5 million (-36.0%) over 2017. The change was primarily due to increases in other non-operating revenue of $9.9 million of which $7.7 million increase is in other judgements and settlements and investment income of $0.9 million. These increases were offset by a decrease in interest and debt service expenses of $1.4 million.

Capital fees, contributions and grants increased by $8.7 million (39.3%) over 2017 primarily due to increases in capital contributions of $13.4 million mainly as a result of $16 million from the bored tunnel litigation settlement discussed previously. This increase was offset by decrease of $7.5 million in federal grants and $1.6 million in interlocal grants.

Financial Analysis (continued)

2017 Compared to 2016

Operating revenues increased approximately $11.5 million (4.6%) over 2016. This change was driven by increases in direct service revenue of $10.4 million and wholesale revenue of $3.1 million resulting from increased consumption. These increases were offset by a decrease of $2.0 million in other revenues.

Operating expenses increased $5.2 million (2.7%) from 2016. Notable factors affecting this change include increases of $2.2 million in general and administrative services, $2.2 million in taxes, $1.0 million in project delivery services, $0.7 million in field operation services, $0.3 million in customer services, and $0.3 million in utility systems management. These increases were offset by decreases of $0.7 million in planning and development services and $0.8 million in depreciation and amortization expenses.

Other expenses, net of other revenues increased by $2.0 million (6.8%) over 2016. The change was primarily due to increases in interest expense of $2.7 million, investment income of $1.4 million and amortization of bond premiums, discounts and refunding loss of $0.7 million. These increases were offset by a decrease in gain on sale of capital assets of $1.4 million.

Capital fees, contributions and grants increased by $3.7 million (20%) over 2016 primarily due to increases in donated plant of $1.4 million, capital contributions for other meters and services of $1.3 million, $0.8 million in capital grants, $0.3 million in private contract water main and $0.1 million in hydrants. These increases were offset by a decrease in agencies/inter-local of $0.1 million.

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation, by major asset category as of December 31, 2018, 2017, and 2016:

Summary of Capital Assets, Net of Accumulated Depreciation

	December 31,		
	2018	2017	2016
Land and land rights	$ 48,319,324	$ 48,319,324	$ 45,137,867
Buildings	140,470,420	131,055,440	134,193,137
Structures	774,497,498	751,620,921	693,357,190
Machinery and equipment	304,030,908	314,558,566	299,621,619
Computer systems	25,807,660	20,428,194	22,990,354
Construction in progress	25,411,285	36,970,991	79,610,858
Artwork	1,481,184	1,388,515	1,388,515
Property held for future use	274,512	274,512	274,512
Capital assets, net of accumulated depreciation	$ 1,320,292,791	$ 1,304,616,463	$ 1,276,574,052

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

Capital Assets (continued)

2018 Compared to 2017

The Fund's investment in capital assets for the year ended December 31, 2018, was $1.3 billion, net of accumulated depreciation. This represents an increase of $15.7 million (1.2%) compared to 2017. Highlights of the Fund's major capital assets placed in service during 2018 include the following:

- Water infrastructure improvements and rehabilitation totaling $18.1 million.
- Cedar Watershed Administration Building at Cedar Falls of $14.6 million.
- Infrastructure work for Center-City Streetcar of $14.1 million.
- Funds share of new citywide financial system of $9.1 million.
- Infrastructure work for Alaskan Way Viaduct and Seawall totaling $3.9 million.

As of December 31, 2018, the Fund had $25.4 million in construction work in progress. Major projects under construction are the following:

- Water system improvements and rehabilitation totaling $11.4 million
- Additional costs for the Cedar Watershed Administration Building at Cedar Falls, totaling $3.6 million

2017 Compared to 2016

The Fund's investment in capital assets for the year ended December 31, 2017 was $1.3 billion, net of accumulated depreciation. This represents an increase of $28.0 million (2.2%) compared to 2016. Highlights of the Fund's major capital assets placed in service during 2017 include the following:

- Morse Lake Pump Plant totaling $37.9 million
- Water infrastructure improvements and rehabilitation totaling $25.2 million.
- Alaskan Way Viaduct and Seawall totaling $19.9 million.
- Reservoir covering and improvement totaling $11.5 million

Capital Assets (continued)

As of December 31, 2017, the Fund had $37.0 million in construction work in progress. Major projects under construction are the following:

- Cedar Watershed Administration Building at Cedar Falls, totaling $7.4 million
- Technology infrastructure improvements totaling $6.7 million
- Water system improvements and rehabilitation totaling $6.0 million
- Alaskan Way Viaduct and Seawall totaling $3.5 million.
- Dam Safety totaling $2.2 million
- First Hill Streetcar project totaling $2.1 million

Debt Administration

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

2018 Compared to 2017

At December 31, 2018, the Fund had $817.2 million in bonded debt and $28.9 million in loans, as compared to $858.2 million and $30.9 million, respectively, at December 31, 2017. Bonded debt decreased a net $41.0 million, attributed to scheduled payments of debt principal on existing bonds. Loans also decreased $2.0 million due to scheduled principal payments on existing loans.

2017 Compared to 2016

At December 31, 2017, the Fund had $858.2 million in bonded debt and $30.9 million in loans, as compared to $810.0 million and $24.8 million, respectively, at December 31, 2016. Bonded debt decreased $48.2 million, attributed to the issuance of the 2017 water system improvement and refunding revenue bonds and scheduled payments of debt principal on existing bonds. Loans also increased $6.1 million due to additional loan proceeds for the Morse Lake Pump Project, offset by scheduled principal payments on existing loans.

Requests for Information

The Fund's financial statements are designed to provide a general overview of the Fund's finances, as well as to demonstrate the Fund's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Seattle Public Utilities, Finance and Administration Branch, Accounting Division, PO Box 34018, Seattle, WA 98124-4018, telephone (206) 684-3000.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position

	December 31, 2018	December 31, 2017 (as restated)
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	$ 93,940,996	$ 54,637,435
Receivables		
Accounts, net of allowance	14,616,153	13,643,663
Interest and dividends	842,784	834,322
Unbilled revenues	16,029,071	15,679,001
Due from other funds	17,883,190	746,581
Due from other governments	10,581,455	2,296,306
Materials and supplies inventory	6,492,083	5,741,476
Prepayments and other current assets	71,593	71,592
Total current assets	160,457,325	93,650,376
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	144,245,464	163,252,748
Prepayments long-term	947,002	1,018,594
Conservation costs	28,975,679	28,731,758
Regulatory assets	8,633,064	9,943,884
Other charges	1,825,445	2,078,311
Capital assets		
Land and land rights	48,319,324	48,319,324
Plant in service, excluding land	2,082,376,529	2,009,173,197
Less accumulated depreciation	(837,570,044)	(791,510,076)
Construction in progress	25,411,285	36,970,991
Other property, net	1,755,696	1,663,027
Total noncurrent assets	1,504,919,444	1,509,641,758
Total assets	1,665,376,769	1,603,292,134
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advanced refunding	21,088,606	22,460,860
Pension and OPEB contributions and changes in assumptions	2,175,076	14,159,369
Total deferred outflow of resources	23,263,682	36,620,229
Total assets and deferred outflows of resources	$ 1,688,640,451	$ 1,639,912,363

See accompanying notes.

	December 31, 2018	December 31, 2017 (as restated)
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 11,723,466	$ 6,485,953
Salaries, benefits, and payroll taxes payable	2,935,307	3,970,605
Compensated absences payable	212,399	418,239
Due to other funds	23,559,027	7,769,803
Due to other governments	114,864	124,831
Interest payable	11,955,416	12,942,096
Taxes payable	1,656,612	755,267
Revenue bonds due within one year	43,080,000	41,020,000
Claims payable	1,358,033	2,028,452
Habitat conservation program liability	604,475	710,410
Loans payable, due within one year	2,049,935	2,049,935
Other	3,932,857	4,508,176
Total current liabilities	103,182,391	82,783,767
NONCURRENT LIABILITIES		
Compensated absences payable	4,035,570	4,411,236
Claims payable	4,209,312	5,251,274
Habitat conservation program liability	6,120,953	4,823,148
Loans	26,826,623	28,876,558
Unfunded other post employment benefits	2,887,448	3,149,757
Net pension liability	72,254,583	86,689,301
Other noncurrent liabilities	318,155	392,161
Revenue bonds	774,115,000	817,195,000
Bond premiums	93,901,942	98,488,095
Total noncurrent liabilities	984,669,586	1,049,276,530
Total liabilities	1,087,851,977	1,132,060,297
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization fund	55,004,886	46,511,311
Deferred inflows-pension and OPEB	9,404,210	6,997,750
Total deferred inflows of resources	64,409,096	53,509,061
NET POSITION		
Net investment in capital assets	506,386,096	473,343,322
Restricted for		
Other charges	4,613,122	4,770,363
Conservation costs	3,947,599	4,082,777
Habitat conservation program	4,425,035	4,192,104
Unrestricted	17,007,526	(32,045,561)
Total net position	536,379,378	454,343,005
Total liabilities, deferred inflows of resources and net position	$ 1,688,640,451	$ 1,639,912,363

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31, 2018	2017 (as restated)
OPERATING REVENUES		
Charges for services and other revenues	$ 282,286,898	$ 262,896,454
OPERATING EXPENSES		
Salaries, wages and personnel benefits	56,838,813	56,093,895
Supplies	4,820,848	3,798,576
Services	46,962,988	43,222,980
Intergovernmental payments	46,845,001	42,132,432
Depreciation	51,314,262	47,706,082
Amortization	4,794,966	4,578,683
Other operating expenses	(1,017,674)	4,353,543
Total operating expenses	210,559,204	201,886,191
OPERATING INCOME	71,727,694	61,010,263
NON OPERATING REVENUES		
Other non operating revenue	9,528,322	521,164
Investment revenue	4,988,303	4,090,237
Total nonoperating revenues	14,516,625	4,611,401
NON OPERATING EXPENSES		
Interest/debt service expenses	34,983,492	36,398,522
Other non operating expenses	(48,890)	91,881
Total nonoperating expenses	34,934,602	36,490,403
Income before capital contributions and grants	51,309,717	29,131,261
Capital contributions and grants	30,726,656	22,064,215
CHANGE IN NET POSITION	82,036,373	51,195,476
NET POSITION		
Beginning of year	454,343,005	403,365,003
Cumulative effect of change in accounting principle	-	(217,474)
End of year	$ 536,379,378	$ 454,343,005

See accompanying notes.

	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 267,476,068	$ 270,798,927
Cash paid to suppliers	(36,446,382)	(40,174,131)
Cash paid to employees	(50,549,057)	(63,102,936)
Cash paid for taxes	(44,160,672)	(43,406,266)
Net cash provided by operating activities	136,319,957	124,115,594
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	5,533,297	22,463
Payment for environmental liabilities	48,890	-
Net cash flows from noncapital financing activities	5,582,187	22,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sales of bonds and other long-term debt	-	223,548,639
Principal payments on long-term debt	(43,330,896)	(40,507,002)
Bond refunding	-	(107,055,166)
Capital expenditures and other charges paid	(67,717,105)	(70,111,922)
Interest paid on long-term debt	(41,047,099)	(40,699,960)
Build America Bonds Federal Interest Subsidy	1,997,961	1,987,997
Capital fees and grants received	25,193,359	12,440,324
Debt issuance costs	-	(718,125)
Proceeds from sale of capital assets	315,473	1,415,278
Net cash used in capital and related financing activities	(124,588,307)	(19,699,937)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	2,981,880	2,252,205
NET INCREASE IN CASH AND EQUITY IN POOLED INVESTMENTS	20,295,717	106,690,325
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	217,890,743	111,200,418
End of year	$ 238,186,460	$ 217,890,743
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	$ 93,940,996	$ 54,637,435
Noncurrent restricted cash and equity in pooled investments	144,245,464	163,253,308
Total cash at the end of the year	$ 238,186,460	$ 217,890,743

	Years Ended December 31, 2018	2017
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 71,727,694	$ 61,010,263
Adjustments to reconcile net operating income to net cash provided by operating activities		
Adjustment for net pension liability	(6,638,408)	2,697,981
Depreciation and amortization	56,109,227	51,003,408
Nonoperating revenues and expenses	9,212,849	2,530,555
Changes in operating assets and liabilities		
Accounts receivable	(972,490)	1,672,947
Unbilled revenues	(350,070)	(1,145,453)
Due from other funds	(17,136,609)	161,507
Due from other governments	(8,285,149)	(594,969)
Materials and supplies inventory	(750,607)	(74,002)
Other assets	14,122,550	466,163
Accounts payable	5,237,513	(999,753)
Salaries, benefits, and payroll taxes payable	(1,035,298)	508,812
Compensated absences payable	(581,506)	84,363
Due to other funds	15,789,224	(838,747)
Due to other governments	(9,967)	124,831
Claims payable	(1,712,381)	1,639,689
Taxes payable	901,344	61,058
Regulatory liability - revenue stabilization fund	8,493,575	5,554,171
Credits and other	(7,801,534)	252,770
Total adjustments	64,592,263	63,105,331
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 136,319,957	$ 124,115,594
NONCASH TRANSACTIONS		
Contributed infrastructure	$ 4,387,657	$ 8,978,246

See accompanying notes.

Note 1 – Operations and Summary of Significant Accounting Policies

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

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

SPU receives certain services from other departments and agencies of the City, including information technologies and some that are normally considered to be general and administrative. The Fund is charged a share of these costs and during 2018 and 2017, paid $22,532,791 and $21,637,823, respectively, to the City for its share of these services. Additionally, the Fund pays a business and occupation utility tax to the City's General Fund. The Fund paid $33,783,996 and $32,924,420 for these taxes in 2018 and 2017, respectively.

The utility billing function is co-managed by SPU, Seattle City Light (SCL), and the Seattle Information Technology Department (ITD). SPU provides customer service through the call center and walk-in center. ITD maintains the Customer Information System (CIS). SPU and SCL bill and reimburse each other for these services. SPU reimburses ITD for the information technologies services mentioned above. Within SPU, the costs and reimbursements were shared among its three utility funds (Water, Drainage and Wastewater, and Solid Waste). The Fund received reimbursements related to the call center and walk-in center of $2,335,964 and $2,056,243 in 2018 and 2017, respectively. The Fund paid $27,432 and $25,968 for the utility billing services in 2018 and 2017, respectively.

Water services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected $4,861,501 and $4,589,174 in 2018 and 2017, respectively, from the City for water services provided.

The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances passed by the Seattle City Council (City Council). Financial reporting is reviewed by the Washington State Auditor's Office and conforms to accounting principles generally accepted in the United States of America (U.S. GAAP) 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, liabilities, and deferred inflows of resources associated with the Fund's operations are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

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

Cash and equity in pooled investments – Cash resources of the Fund are combined with cash resources of the City in a pooled investment portfolio that is managed by the City's Finance and Administration Services Department. The City's investment portfolio consists of fixed income securities authorized by the Revised Code of Washington and other applicable law. The pool operates like a demand deposit account in that all City departments may deposit cash at any time and withdraw cash out of the pool without prior notice or penalty. 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. Cash and equity in pooled investments are reported at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. The Fund's share of the pool is included in the accompanying Statement of Net Position under the caption "cash and equity in pooled investments." Accordingly, the Statements of Cash Flows reconcile to cash and equity in pooled investments. The restricted cash and equity in pooled investments are comprised of unexpended bond proceeds, bond reserve account and a revenue stabilization account.

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

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

Allowance for doubtful accounts – A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2018, and 2017, the Fund's allowance for doubtful accounts was $360,959 and $363,652, 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.

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

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

Revenue Stabilization Account – The Revenue Stabilization Account (RSA) was established by City Ordinance 122841 to reduce year-to-year variation in rates. Amounts deposited into the RSF are excluded from the statements of revenues, expenses, and changes in net position and treated as a credit in accordance with GASB Statement No. 62. The RSF is included in the “Revenue Stabilization Account” identified in the Fund’s bond covenants. These covenants provide that withdrawals and deposits from the “Revenue Stabilization Account” shall augment or reduce adjusted net revenue available for the payment of debt service. In 2018, there was a deposit of $7.7 million made to the RSA.

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

Other charges – Other charges include costs such as the Water System Plan, leasehold improvements, and the Tolt Levee modification. The Fund amortizes these charges over a 2- to 33-year period.

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

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

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

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

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

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

In 2018, SPU's depreciation policy was changed when the City implemented a new financial system. For most assets, depreciation begins in the month the asset is placed in service. This does not apply to assets related to the wholesale sale of water, in which depreciation continues to be in the year following acquisition.

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. The Fund has also recorded deferred outflows of resources for certain pension and OPEB activities including, the difference between projected and actual experience, the difference between projected and actual earnings on investments, and contributions made subsequent to the measurement date (Note 6 and 9).

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

BPA account – In 2003, the Bonneville Power Administration (BPA) purchased an easement in the amount of $6.0 million from the Fund to construct a power transmission line through the Cedar River Watershed. This $6.0 million, together with $657,149 in timber sales related to the easement, were deposited into the BPA account and classified as restricted assets. At December 31, 2018 and 2017, the cash balance in the BPA account was $476,047 and $465,836, respectively. Monies in the BPA account are considered a portion of the "Revenue Stabilization Account" described in bond covenants, and therefore shall augment or reduce adjusted net revenue available for the payment of debt service. The Fund will recognize the revenues deposited in the BPA account in the calculation of adjusted net revenues available for the payment of debt service as they are withdrawn to fund certain activities in the Cedar River Watershed.

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

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

Employees who submit the required documentation when 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.

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

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the benefit have been determined on the same basis as they are reported by the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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

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

Operating expenses – The Fund's operating expenses include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of deferred assets.

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 15.54% of Fund revenues, net of certain credits and certain revenues. In addition, the Fund paid a 5.029% public utility tax to the State on a certain portion of revenues identified as utility revenues. The Fund also paid business and occupation tax to the City at the rate of 0.222% and to the State at the rate of 1.5% for certain other non-utility revenues.

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

Net position – The Statements of Net Position report all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

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

Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The Fund's restricted net position as of December 31, 2018, are mainly related to conservation costs, HCP and certain other charges.

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

Arbitrage rebate requirement – The Fund is subject to the Internal Revenue Code (IRC), Section 148(f), related to its tax-exempt revenue bond. The IRC requires that earnings on gross proceeds of any revenue bonds that are more than the amount prescribed will be surrendered to the Internal Revenue Service. As such, the Fund would record such a rebate as a liability. The Fund has included this information within the required supplementary information.

Accounting standard changes – Effective January 1, 2018, the Fund adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting requirements for Other Post Employment Benefit Plans (OPEB). The statement provides guidance for accounting, including net OPEB liabilities, and the definition of balances to be included in deferred inflows and deferred outflows of resources. The implementation of Statement No. 75 resulted in a restatement of the 2017 financial statements.

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

	As Originally Reported	As Restated	Effect of Change
Statement of Net Position			
Unfunded other post retirement benefits	$ (2,824,163)	$ (3,149,757)	$ (325,594)
Deferred outflows - pension and OPEB	14,051,249	14,159,369	108,120
Unrestricted Net Position	31,828,087	32,045,561	217,474
	$ 43,055,173	$ 43,055,173	$ -
Statement of Revenues, Expenses and Changes in Net Position			
Ending net position	$ (454,560,479)	$ (454,343,005)	$ 217,474

GASB has issued Statement No. 87, *Standards of Accounting and Financial Reporting for Leases*. The new GASB Lease Rules were issued in June 2017 and will be effective for reporting periods beginning after December 15, 2019. Under this rule, leases are all assumed to be capital financings of the underlying asset with only a narrow range of short-term equipment and motor vehicle leases treated as an 'operating lease. GASB now assumes that all leases are 'capital leases' except for the specific exceptions noted. The Fund is evaluating the impact of this standard on the financial statement.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement was issued in June 2018 to be implemented effective for reporting periods beginning after December 15, 2019. The Fund has invoked GASB 62 and will continue to capitalize interest as an expense to projects.

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

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

Reclassifications – Certain reclassifications have been made to the prior year financial statement and footnote presentations to correspond to the current year presentation. These reclassifications had no effect on the operating results of the Fund.

Note 2 – Cash and Equity in Pooled Investments

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the City's Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of all City funds are combined into a common investment pool that is managed by FAS. Each fund's share of the pooled investments is included in the participating fund's balance sheet under the caption "Cash and Equity in Pooled Investments." The pool operates like a demand deposit account in that all City funds may deposit cash at any time and also withdraw cash up to their respective fund balance out of the pool without prior notice or penalty.

Custodial credit risk – deposits – The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2018, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Some of the City's Pooled investments have credit risk from holdings in commercial paper, corporate notes, and taxable municipal bonds. The City may not hold more than 50% of the Pool's total assets in these credit sensitive sectors. State statute defines the investments in commercial paper and corporate notes as a "credit portfolio". The credit portfolio may not exceed 25 percent of the Pool's market value. Credit investments must be diversified by sector and industry. No single issuer shall exceed 3 percent of the Pool's market value. Commercial Paper investments may not have maturities exceeding 270 days and must hold the highest short-term credit rating by all the major credit rating agencies that rate the issuer at the time of purchase. Corporate notes must mature within 5.5 years from the time of purchase and must be rated at least weak single-A or better by all the major rating agencies that rate the note at the time of purchase and may not have a negative outlook by any of the rating agencies. No single issuer rated AA or better may exceed 3 percent of the Pool's market value. No single issuer rated in the single-A category may exceed 2 percent of the Pool's market value. The maximum duration of aggregate corporate note investments shall not exceed 3 years. Municipal bonds must have a credit rating of weak single-A or better by all the major rating agencies that rate the issuer at the time of purchase. No single issuer may exceed 5 percent of the Pool's market value.

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, and Federal Home Loan Mortgage Corporation. As of December 31, 2018, these investments were rated Aaa by Moody's Investors Service, AA+ by Standard & Poor's, and AAA by Fitch Ratings.

Note 2 – Cash and Equity in Pooled 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.

To best accomplish the City's investment objectives, the City has divided the Pool into an Operating Portfolio and a Strategic Portfolio. The City's Cash and Investment Manager is responsible for determining the size of the Strategic Portfolio. A minimum of 60 percent of the Operating Portfolio and 30 percent of the Strategic Portfolio must be invested in sectors with high liquidity, specifically U.S. government and its agencies' obligations, LGIP, sweep, and commercial paper. At December 31, 2018, highly liquid investments comprised 96 percent of the Operating Portfolio and 63 percent of the Strategic Portfolio.

Operating Portfolio: The purpose of the Operating Portfolio is to invest excess City cash that is reasonably expected to meet short- or intermediate-term liquidity needs. This portfolio is intended to have low duration and high liquidity. Consistent with this profile and for comparing earnings yield, its benchmark will be the net earnings rate of the State of Washington's Local Government Investment Pool. At December 31, 2018, the Operating Portfolio totaled 31 percent of the City's total outstanding pooled investment portfolio.

Strategic Portfolio: The purpose of the Strategic Portfolio is to invest excess City cash that is not reasonably expected to meet the short- or intermediate-liquidity needs of the City. Accordingly, this portfolio is intended to be invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return. Consistent with this profile and for the purpose of comparing duration, yield and total return, its benchmark will be the Bloomberg Barclays Government 1-7 index. The Strategic Portfolio may drift between 75 percent and 125 percent of its benchmark. At December 31, 2018, the Strategic Portfolio totaled 69 percent of the City's total outstanding pooled investment portfolio.

Investments – The City reports its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction amongst market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The City uses a combination of the market and cost approach for the valuation of pooled investments.

Note 2 – Cash and Equity in Pooled Investments (continued)

The City's overnight repurchase agreement with Wells Fargo Bank, N.A. and investment in the State of Washington Local Government Investment Pool (LGIP) are accounted for at cost. The LGIP is an external investment pool and is measured at a net asset value (NAV) per share of $1. The remainder of the City's investments are purchased in the over-the-counter U.S. bond market and accounted for at market.

The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc. for securities pricing.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.

Level 2 – inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

As of December 31, 2018, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2018	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 986,081,743	$ 986,081,743	$ -	$ -	1,052
U.S. Treasury and U.S. Government-Backed Securities	449,668,993	449,668,993	-	-	840
Municipal Bonds	361,335,017	-	361,335,017	-	1,954
Commercial Paper	114,534,384	-	114,534,384	-	14
U.S. Government Agency Mortgage-Backed Securities	295,828,238	-	295,828,238	-	432
Repurchase Agreements	109,436,707	109,436,707	-	-	1
Local Government Investment Pool	143,657,503	-	143,657,503	-	1
Bank Note	8,098,219	8,098,219	-	-	22
	$ 2,468,640,804	$ 1,553,285,662	$ 915,355,142	$ -	
Weighted Average Maturity of the City's Pooled Investments					912

Note 2 – Cash and Equity in Pooled Investments (continued)

As of December 31, 2017, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2017	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 693,621,813	$ -	$ 693,621,813	$ -	887
U.S. Treasury and U.S. Government-Backed Securities	475,683,801	463,218,182	12,465,619	-	489
Municipal Bonds	366,132,818	-	366,132,818	-	1,858
Commercial Paper	251,665,039	-	251,665,039	-	32
U.S. Government Agency Mortgage-Backed Securities	243,661,069	-	243,661,069	-	450
Repurchase Agreements	138,385,200	138,385,200	-	-	1
Local Government Investment Pool	120,655,354	-	120,655,354	-	-
Bank Note	47,987,867	-	47,987,867	-	293
	$ 2,337,792,961	$ 601,603,382	$ 1,736,189,579	$ -	
Weighted Average Maturity of the City's Pooled Investments					936

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

	2018	2017
Cash and equity in pooled investments	$ 93,940,996	$ 54,637,435
Restricted cash and equity in pooled investments	144,245,464	163,252,748
Total	$ 238,186,460	$ 217,890,183
Balance as a percentage of City Pool cash and investments	9.6%	9.3%

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	2018 Fair Value	2018 Percent of Total Investments	2017 Fair Value	2017 Percent of Total Investments
United States Government	$ 449,668,993	18%	$ 475,683,801	20%
Federal Farm Credit Bank	328,716,755	13%	259,982,939	11%
Federal Home Loan Bank	328,232,508	13%	168,930,820	7%
Federal National Mortgage Association	324,783,135	13%	339,104,849	15%
Federal Home Loan Mortgage Corp	144,168,950	6%	**	**
Local Government Investment Pool	143,657,503	6%	120,655,354	5%
Wells Fargo	**	**	138,385,200	6%
Freddie Mac Multifamily Securities	**	**	**	**

** Investment did not represent 5% or more of investments as of December 31, 2018 or 2017.

Note 3 – Capital Assets

Capital asset activity consisted of the following for the year ended December 31, 2018:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 194,276,785	$ 14,089,283	$ (259,217)	$ 208,106,851
Structures	1,115,189,738	45,013,499	(1,509,523)	1,158,693,714
Machinery and equipment	587,926,628	12,279,316	(6,769,517)	593,436,427
Computer systems	111,780,045	10,950,640	(591,148)	122,139,537
Total capital assets - excluding land	2,009,173,196	82,332,738	(9,129,405)	2,082,376,529
Less accumulated depreciation	(791,510,075)	(51,314,261)	5,254,292	(837,570,044)
	1,217,663,121	31,018,477	(3,875,113)	1,244,806,485
Construction in progress	36,970,991	65,258,123	(76,817,829)	25,411,285
Land and land rights	48,319,324	-	-	48,319,324
Artwork	1,388,515	92,669	-	1,481,184
Property held for future use	274,512	-	-	274,512
Capital assets, net	$ 1,304,616,463	$ 96,369,269	$ (80,692,942)	$ 1,320,292,790

Capital asset activity consisted of the following for the year ended December 31, 2017:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 193,225,516	$ 1,930,582	$ (879,313)	$ 194,276,785
Structures	1,091,765,309	23,774,429	(350,000)	1,115,189,738
Machinery and equipment	515,917,020	91,335,097	(19,325,489)	587,926,628
Computer systems	120,472,487	2,544,083	(11,236,525)	111,780,045
Total capital assets - excluding land	1,921,380,332	119,584,191	(31,791,327)	2,009,173,196
Less accumulated depreciation	(771,218,033)	(47,706,082)	27,414,039	(791,510,076)
	1,150,162,299	71,878,109	(4,377,288)	1,217,663,120
Construction in progress	79,610,858	70,045,277	(112,685,144)	36,970,991
Land and land rights	45,137,867	3,206,657	(25,200)	48,319,324
Artwork	1,388,515	-	-	1,388,515
Property held for future use	274,512	-	-	274,512
Capital assets, net	$ 1,276,574,051	$ 145,130,043	$ (117,087,632)	$ 1,304,616,462

During 2018 and 2017, the Fund capitalized interest costs relating to construction of $1,869,029 and $2,082,637, respectively

Note 4 – Revenue Bonds

The Fund issues bonds to provide financing for capital improvements. Payment of debt service on the bonds is derived solely from the revenues generated by the Fund. The Fund has set aside $20,884,236 in a debt service reserve account and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2018 and 2017, were $817,195,000 and $858,215,000, respectively.

Revenue bonds outstanding as of December 31, 2018 and 2017, consisted of the following Municipal Water bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2018	Bonds Outstanding 2017
2008 parity, refunding bonds	12/15/08	2009-2038	4.0-5.25%	$ 205,080,000	$ -	$ 6,670,000
2010A parity, revenue bonds	1/21/10	2019-2040	4.67-5.89%	109,080,000	109,080,000	109,080,000
2010B parity, refunding revenue bonds	1/21/10	2010-2027	3.0-5.0%	81,760,000	34,665,000	40,885,000
2012 parity, refunding bonds	5/30/12	2012-2034	2.0-5.0%	238,770,000	180,160,000	192,560,000
2015 parity, refunding bonds	6/10/15	2015-2045	2.0-5.0%	340,840,000	303,485,000	314,335,000
2017 parity, refunding bonds	1/25/17	2017-2046	4.0-5.0%	194,685,000	189,805,000	194,685,000
				$ 1,170,215,000	$ 817,195,000	$ 858,215,000

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

Years Ending December 31,	Principal	Interest	Total
2019	$ 43,080,000	$ 38,260,356	$ 81,340,356
2020	45,625,000	36,100,194	81,725,194
2021	46,235,000	33,891,504	80,126,504
2022	48,725,000	31,594,414	80,319,414
2023	50,870,000	29,136,995	80,006,995
2024 - 2028	221,515,000	110,428,804	331,943,804
2029 - 2033	175,035,000	62,547,915	237,582,915
2034 - 2038	114,460,000	29,900,626	144,360,626
2039 - 2043	49,565,000	9,803,189	59,368,189
2044 - 2046	22,085,000	1,565,100	23,650,100
	$ 817,195,000	$ 383,229,097	$ 1,200,424,097

Note 4 – Revenue Bonds (continued)

The following table shows the revenue bond activity during the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 858,215,000	$ -	$ (41,020,000)	$ 817,195,000	$ 43,080,000
Add (deduct) deferred amounts					
Issuance premiums	98,488,095	-	(4,586,153)	93,901,942	-
Total bonds payable	$ 956,703,095	$ -	$ (45,606,153)	$ 911,096,942	$ 43,080,000

The following table shows the revenue bond activity during the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 809,950,000	$ 194,685,000	$ (146,420,000)	$ 858,215,000	$ 41,020,000
Add (deduct) deferred amounts					
Issuance premiums	85,803,050	21,591,640	(8,906,595)	98,488,095	-
Total bonds payable	$ 895,753,050	$ 216,276,640	$ (155,326,595)	$ 956,703,095	$ 41,020,000

In January 2017, the Fund issued $194,685,000 of Water System Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2018 and ending in 2046, at interest rates ranging from 4.0% to 5.0%. A portion of the proceeds were used to fully refund the 2006 bonds.

As a result of the refunding, the fund reduced total debt service requirements by $20.1 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new bonds) of $16.4 million.

The Fund did not issue bonds in 2018.

Defeasance of debt – The Fund defeased certain obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Thus, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the Statement of Net Position. In 2018, $149,770,000 bonds were redeemed. There is no outstanding balance as of December 31, 2018.

	Amount Outstanding at December 31, 2017	Additions	Redemptions	Amount Outstanding at December 31, 2018
Bonds issued				
2008 Parity	$ 149,770,000	$ -	$ (149,770,000)	$ -

Note 4 – Revenue Bonds (continued)

In 2017, $107,075,000 bonds were defeased and $146,130,000 bonds were redeemed. The remaining balance of $149,770,000 is outstanding as of December 31, 2017.

	Amount Outstanding at December 31, 2016	Additions	Redemptions	Amount Outstanding at December 31, 2017
Bonds issued				
2006 Parity	$ 39,055,000	$ 107,075,000	$ (146,130,000)	$ -
2008 Parity	149,770,000	-	-	149,770,000
	$ 188,825,000	$ 107,075,000	$ (146,130,000)	$ 149,770,000

Financial covenants – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service at least equal to 125% of average annual debt service. For 2018, net revenue available for debt service, as defined by the bond covenants, was 227% of annual debt service. As of December 31, 2017, management believes the Fund complied with all debt covenants. For more information, see Other Information (page 50).

Note 5 – Leases

The Fund has noncancelable operating lease commitments for real and personal property with minimum payments of $134,219 in 2018 and $130,264 in 2017. Rents are paid as they become due and payable.

Minimum payments under the leases for the years ending December 31 are shown below:

	Minimum Payments
2019	$ 135,718
2020	42,186
2021	12,398
2022	12,398
2023	12,398
2024 - 2028	61,992
2029 - 2030	12,398
	$ 289,488

Note 6 – Postemployment Benefit Plans

Deferred compensation – The City offers all 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

Plan description – Health care plans for active and retired employees are administered by the City of Seattle as single-employer defined benefit public employee health care plans.

Employees retiring under the City may continue their health insurance coverage under the City's health insurance plans for active employees. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The postemployment benefit provisions are established and may be amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020. The City provides an implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The City of Seattle covers 11,823 active employee plan participants and 398 retirees, disabled, and survivor plan participants as of the January 1, 2018, measurement date.

In 2018, the Fund implemented GASB 75, which concerns the accounting for and disclosure of Other postemployment benefits (OPEB). The impact of the implementation was an increase of $325,594 to OPEB liability and an increase of $108,120 to deferred outflows at December 31, 2017, and a decrease of $217,474 to the beginning balance of net position at January 1, 2017.

Note 6 – Postemployment Benefit Plans (continued)

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. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. 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. Based on the latest biennial actuarial valuation date the significant methods and assumptions are as follows:

Actuarial data and assumptions – the demographic assumptions of mortality, termination, retirement, and disability are set equal to the assumptions used for City pension actuarial valuations based on a Seattle City Employees' Retirement System Experience Report for the period 2014-2017.

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	3.44%
Health care cost trend rates—medical:	7.00% in 2018, decreasing to 6.77% in 2019, and decreasing by varying amounts until 2030 thereafter.
Health care cost trend rates—Rx:	10.00% in 2018, decreasing to 9.50% in 2019, and decreasing by varying amounts until 2030 thereafter.
Participation	25% of Active Employees who retire participate

Mortality

General Service (Actives)
Males: RP-2014 Employees Table for Males, adjusted by 60%.
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)
Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

Marital status – 35% of members electing coverage: married or have a registered domestic partner. Male spouses two years older than their female spouses.

Health Care Claims Development – The sample per capita claim cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for the City of Seattle's sponsored postretirement benefits and costs.

Note 6 – Postemployment Benefit Plans (continued)

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	**Medical**	**Rx**	**Admin**	**Medical**	**Rx**	**Admin**
50	$9,368	$2,621	$465	$9,599	$2,731	$465
52	$10,191	$2,852	$465	$10,443	$2,970	$465
55	$11,563	$3,236	$465	$11,849	$3,370	$465
57	$12,603	$3,527	$465	$12,914	$3,673	$465
60	$14,341	$4,013	$465	$14,694	$4,180	$465
62	$15,452	$4,324	$465	$15,832	$4,504	$465

	Group Health Deductible			Group Health Standard		
Age	**Medical**	**Rx**	**Admin**	**Medical**	**Rx**	**Admin**
50	$4,534	$1,215	$734	$4,285	$1,097	$734
52	$4,932	$1,321	$734	$4,661	$1,193	$734
55	$5,596	$1,499	$734	$5,288	$1,353	$734
57	$6,099	$1,634	$734	$5,764	$1,475	$734
60	$6,939	$1,859	$734	$6,559	$1,679	$734
62	$7,476	$2,004	$734	$7,067	$1,810	$734

The average medical/Rx per capita claims costs were developed from calendar year 2019 fully insured premium rates for Aetna plans or self-funded premium-equivalent rates for Group Health (acquired by Kaiser Permanente in 2017) plans. Premium or premium-equivalent rates were provided by the City of Seattle's health pricing actuary. The average medical/Rx per capita claims costs were trended to the mid-point of the annual period following the valuation date. Average medical/ Rx per capita claims costs were then age-adjusted based on the demographics of the population, and the assumed health care aging factors shown in the morbidity factors table below.

For the Aetna plans only, the average medical/Rx per capita claims costs were blended with the 2017 medical/Rx per capital developed claims cost trended forward to the valuation date.

Morbidity factors – The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age	Medical	Rx	Composite
40-44	3.0%	4.8%	3.3%
45-49	3.7%	4.7%	3.8%
50-54	4.2%	4.7%	4.3%
55-59	4.4%	4.6%	4.4%
60-64	3.7%	4.6%	3.8%
65-69	2.7%	3.8%	3.1%
70-74	1.8%	2.5%	2.1%
75-79	2.2%	0.8%	1.4%
80-84	2.8%	0.2%	1.3%
85-89	1.4%	0.1%	0.6%
90+	0.0%	0.0%	0.0%

Note 6 – Postemployment Benefit Plans (continued)

Other considerations – Active employees with current spouse and/or dependent coverage elect same plan and coverage. After retirement, it is assumed that children will have aged off coverage and will have $0 liability.

OPEB Liability – The Fund reported an OPEB liability of $2,887,448 in 2018 and $3,149,757 in 2017. The Fund's proportionate share of the OPEB liability was 4.72% and 4.69% for the years ended December 31, 2018 and December 31, 2017. Based on the actuarial valuation date of January 1, 2018, details regarding the Fund's Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability as of December 31, 2018 are shown below.

($ in thousands)	**Total OPEB Liability**
Changes recognized for the fiscal year:	
Service cost	$ 180.5
Interest on the total OPEB liability	122.0
Differences between expected and actual experience	637.1
Changes of assumptions	(1,093.9)
Benefit payments	(108.1)
Net Changes	(262.4)
Balance recognized at 12/31/2017	3,149.8
Balance recognized at 12/31/2018	$ 2,887.4

The Fund recorded an expense for OPEB of $257,671 in 2018 and $327,234 in 2017. The Health Care Sub-fund of the General Fund is reported in The City of Seattle's Comprehensive Annual Financial Report.

Discount Rate and Healthcare Cost Trend Rates – The discount rate used to measure the total OPEB liability is 3.44% for 2018 and 3.78% for 2017. The following tables present the sensitivity of net OPEB liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

Note 6 – Postemployment Benefit Plans (continued)

Discount Rate Sensitivity

(In millions)

		Net OPEB Liability at December 31,
		2018
Discount Rate		
1% decrease - 2.44%	$	3.2
Current discount Rate - 3.44%		2.9
1% increase - 4.44%		2.6

Discount Rate Sensitivity

(In millions)

		Net OPEB Liability at December 31,
		2017
Discount Rate		
1% decrease - 2.78%	$	3.4
Current discount Rate - 3.78%		3.1
1% increase - 4.78%		2.8

The following table presents the sensitivity of net Health Plan OPEB liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates used to measure the total Health Plan OPEB liability:

Healthcare Cost Trend Rate Sensitivity

(In millions)

	Net OPEB Liability at December 31,	
	2018	**2017**
Discount Rate		
1% decrease	$ 2.6	$ 2.7
Trend rate	2.9	3.1
1% increase	3.3	3.5

Note 6 – Postemployment Benefit Plans (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Fund at December 31, 2018:

($ in thousands)	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 567.2	$ -
Assumption changes	-	930.1
Contributions made in 2018 after measurement date	110.2	-
Total	$ 677.4	$ 930.1

The Fund's contributions made in 2018 in the amount of $110,227 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31 *($ in thousands)*	**Amortization**
2019	$ (44.9)
2020	(44.9)
2021	(44.9)
2022	(44.9)
2023	(44.9)
Total Thereafter	(138.4)
Total	$ (362.9)

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 2018 and 2017, liabilities for workers' compensation claims, as well as other claims, are discounted over a 15-year period at the City's rate of return on investments, 1.978% and 1.565%, respectively. Claims expected to be paid within one year are $1,358,033 and $2,028,452 at December 31, 2018 and 2017, respectively. The table below presents the changes in the liability for workers' compensation claims and other claims (risk-financing liabilities) as of December 31:

	2018	2017
Beginning liability, discounted	$ 7,279,726	$ 5,640,037
Payments	(1,363,063)	(1,041,970)
Incurred claims and changes in estimate	(349,319)	2,681,659
Ending liability, discounted	$ 5,567,345	$ 7,279,726

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

Note 8 – Compensated Absences

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

	2018	2017
Beginning liability	$ 4,829,475	$ 4,745,112
Additions	4,981,849	4,418,259
Reductions	(5,563,355)	(4,333,896)
Ending liability	$ 4,247,969	$ 4,829,475

Note 9 – Pension Benefit Plan

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

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

Beginning with employees with hire dates of January 1, 2017 or later, all new members are enrolled in SCERS Plan II, which has contribution and benefit calculation rates different than the original SCERS I Plan.

All permanent Fund employees are eligible to participate in the system.

System benefits –Service retirement benefits are calculated on the basis of age, salary, and service credit.

SCERS I - The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Members are eligible for retirement benefits after 30 years of service; at age 52 after 20 years of service; at age 57 after ten years of service; and at age 62 after five years of service. Annual retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Note 9 – Pension Benefit Plan (continued)

SCERS II – Members are eligible for retirement benefits at age 55 after 20 years of service, at age 57 after 10 years of service, and at age 60 after 5 years of service. Annual retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Member and employer contributions – member and employer contributions are:

	YEAR	SCERS I	SCERS II
Member Contribution	2018	10.03%	7.00%
	2017	10.03%	7.00%
Employer Contribution	2018	15.23%	14.42%
	2017	15.29%	14.42%

Member and employer rates are established by the Seattle Municipal Code Chapter 4.36. The Fund's contributions to the System for the years ended December 31, 2018 and 2017, were $7,038,104 and $6,942,219, respectively.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows related to pensions – At December 31, 2018 and 2017, the Fund reported a liability of $72,254,583 and $86,689,301, respectively, its proportionate share of the Systems' net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The Fund's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating parties, actuarially determined. At December 31, 2018 and 2017, the Fund's proportion was 6.19% and 6.35%, respectively.

For the year ended December 31, 2018 and 2017, the Fund recognized pension expense of approximately $8,557,000 and $11,216,000, respectively.

Note 9 – Pension Benefit Plan (continued)

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 55,764	$ 1,778,122
Net difference between projected and actual earnings	(5,927,121)	-
Contributions made subsequent to measurement date	7,369,030	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,695,942
Total	$ 1,497,673	$ 8,474,064

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 80,189	$ 397,935
Net difference between projected and actual earnings	7,028,841	-
Contributions made subsequent to measurement date	6,942,219	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,599,815
Total	$ 14,051,249	$ 6,997,750

Note 9 – Pension Benefit Plan (continued)

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

2019	$ (3,006,518)
2020	(4,829,128)
2021	(3,801,255)
2022	(350,130)
Total	$ (11,987,031)

Actuarial assumptions – The total pension liability as of December 31, 2018, was determined using the following actuarial assumptions:

Valuation date	January 1, 2017
Measurement date	December 31, 2017
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percent, Closed
Remaining amortization period	30 years as of January 1, 2013 valuation
Asset valuation method	5-Year Smoothing Method
Inflation	3.25%
Investment rate of return	7.5% compounded annually, net of expenses
Discount rate	7.5%
Projected general wage inflation	4.0%
Postretirement benefit increases	1.5%
Mortality	Various rates based on RP-2000 mortality tables and using generational projection of improvement using Projection Scale AA.

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

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

Note 9 – Pension Benefit Plan (continued)

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.94%
Equity: Private	6.25%
Fixed Income: Broad	0.42%
Fixed Income: Credit	3.30%
Real Assets: Real Estate	3.66%
Real Assets: Infrastructure	3.00%
Diversifying Strategies	3.09%

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 7.50%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
$ 103,557,923	$ 72,254,583	$ 45,922,862

Note 10 – Loans

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

Loans outstanding as of December 31, 2018 and 2017, are as follows:

Description	Maturity Years	Interest Rate	Loan Amount	Loans Outstanding 2018	Loans Outstanding 2017
Myrtle Reservoir	2008-2025	1.5%	$ 4,040,000	$ 1,571,111	$ 1,795,556
Beacon Reservoir	2008-2026	1.5%	4,040,000	1,701,053	1,913,684
West Seattle Reservoir	2009-2027	1.5%	3,030,000	1,435,263	1,594,737
Maple Leaf	2011-2029	1.5%	3,030,000	1,774,848	1,936,198
Maple Leaf ARRA	2013-2031	1.0%	7,341,758	5,139,231	5,506,318
Morse Lake Pump Plant #1	2014-2037	1.5%	12,120,000	11,514,000	12,120,000
Morse Lake Pump Plant #2	2017-2036	1.5%	6,060,000	5,741,052	6,060,000
			$ 39,661,758	$ 28,876,558	$ 30,926,493

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

Years Ending December 31,	Principal	Interest	Total
2019	$ 2,049,935	$ 407,452	$ 2,457,387
2020	2,049,935	378,539	2,428,474
2021	2,049,935	349,625	2,399,560
2022	2,049,935	320,711	2,370,646
2023	2,049,935	291,798	2,341,733
2024 - 2028	8,991,604	1,038,575	10,030,179
2029 - 2033	6,254,438	500,805	6,755,243
2034 - 2036	3,380,841	119,605	3,500,446
	$ 28,876,558	$ 3,407,110	$ 32,283,668

Note 10 – Loans (continued)

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

	2018	2017
Net loans, beginning of year	$ 30,926,493	$ 24,779,480
Loan proceeds	-	7,272,000
Principal payments	(2,049,935)	(1,124,987)
Net loans, end of year	$ 28,876,558	$ 30,926,493
Loans due within one year	$ 2,049,935	$ 2,049,935
Loans, noncurrent	$ 26,826,623	$ 28,876,558

Note 11 – Commitments

The Fund is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying six reservoirs is expected to be approximately $208.0 million through the year 2022; costs beyond 2022 are not estimable as of the date of this report. As of December 31, 2018, and 2017, total cumulative costs incurred were $168.0 million and $166.8 million, respectively.

The City has wholesale contracts with Cascade Water Alliance (CWA) and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. Two wholesale customers (including CWA) have block contracts which obligate the City to provide water up to a combined maximum of 41.85 MGD per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA contract expires in 2063 while other wholesale contracts expire in 2062.

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

Note 12 – Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed, while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be $112.9 million (in 2018 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of the Fund's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2018 is $92.8 million. The remaining $20.1 million to complete the HCP is comprised of an $6.7 million liability and an estimate of $13.4 million for construction and operating commitments. The construction activities will add to the Fund's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

Required Supplementary Information

Schedule of Seattle Public Utilities’ Proportionate Share of the Net Pension Liability

	2018	2017	2016
Employer’s proportion of the net pension liability	14.73%	15.13%	16.37%
Employer’s proportionate share of the net pension liability	$ 163,086,154	$ 197,454,529	$ 212,671,200
Employer’s covered payroll	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer’s proportionate share of the net pension liability as a percentage of its covered payroll	151.40%	185.06%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	72.04%	65.60%	64.03%

Schedule of Seattle Public Utilities’ Contributions

	2018	2017	2016
Contractually required employer contribution	$ 16,466,270	$ 16,354,089	$ 16,487,154
Contributions in relation to the contractually required employer contribution	(16,466,270)	(16,354,089)	(16,487,154)
Employer contribution deficiency (excess)	$ -	$ -	$ -
Employer’s covered payroll	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer contributions as a percental of covered payroll	15.29%	15.33%	15.70%

Schedule of Seattle Public Utilities' Proportionate Share of the OPEB Liability and Related Ratios

	December 31, 2018
Total OPEB Liability	
Normal cost	$ 3,821,876
Interest	2,583,105
Differences between expected and actual experience	13,491,865
Changes in assumptions	(22,126,128)
Benefit payment	(2,289,000)
Total OPEB liability - beginning of year	65,648,115
Total OPEB liability - end of year	$ 61,129,833
Covered-employee payroll	$ 1,015,097,334
Net OPEB liability as percentage of covered-employee payrolls	6.02%

Other Information (Unaudited)

Water Fund Debt Service Coverage Calculation 2018

Operating Revenues	
Utility Service	$ 200,312,969
Wholesale/Commercial	70,048,004
Other	11,925,925
Total Operating Revenue	282,286,898
Operating Expense	
Salaries and Wages	37,100,172
Personnel Benefits	19,738,641
Supplies	4,820,848
Services	46,962,988
Intergovernmental Payments	46,845,001
Other Operating Expense	(1,017,673)
Total Operating Expenses	154,449,977
Net Operating Income	127,836,921
Adjustments	
Add: Capital Contributions Connection Charge	3,232,333
Add: City Taxes	33,783,996
Add: Investment Interest	3,180,224
Less: DSRF Earnings	(365,552)
Add: BAB's Subsidy	1,997,961
Add (Less): Net Other Nonoperating Revenues/(Expenses)	13,597,314
Add: Proceeds from Sale of Assets	563,369
Total Adjustments	55,989,645
Net Revenue Available for Debt Service	$ 183,826,566
w/o Credit for City Taxes	$ 150,042,570
Annual Debt Service	
Annual Debt Service	$ 81,292,656
Less: DSRF Earnings	(365,552)
Adjusted Annual Debt Service	$ 80,927,104
Coverage	2.27
Coverage without taxes	1.85

Water System Operating Statistics

	2014	2015	2016	2017	2018
Population Served					
Retail	682,000	720,200	743,800	770,800	788,000
Wholesale[1]	654,000	683,400	689,400	707,200	718,000
Total Population Served	1,336,000	1,403,600	1,433,200	1,478,000	1,506,000
Water Sales Revenues ($000)[2][3]					
Retail	$ 179,775	$ 187,114	$ 184,888	$ 195,291	$ 198,516
Wholesale	53,647	52,797	53,060	56,210	57,941
Total Water Sales Revenues	$ 233,422	$ 239,911	$ 237,948	$ 251,501	$ 256,457
Billed Water Consumption (MG)[3]					
Retail	19,575	20,309	19,856	20,312	20,233
Wholesale	21,986	23,106	22,282	22,905	22,987
Total Billed Water Use	41,561	43,415	42,138	43,217	43,220
Operating Costs ($ per MG)	$ 4,438	$ 4,414	$ 4,548	$ 4,675	$ 4,924
Gallons Used per Day per Capita	85	85	81	80	79
Retail Meters in Use	191,403	192,633	194,580	195,331	196,634
Number of New Retail Meters	1,114	1,230	1,947	751	1,303
Total Water Diversions (MGD)	121.5	125.6	121.7	124.0	125.0
Non-Revenue	7.6	6.7	6.3	5.6	6.5
% Non-Revenue	6.3	5.3	5.1	4.5	5.2

(1) This is the estimated total population served by SPU’s water supply

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

(3) Per capita billed water consumption has been generally decreasing for the past 25 years. Variations in billed water use are primarily associated with year-to-year variations in temperature and precipitation in the summer irrigation period. There has been no change in the geographic area service nor any appreciable change in the number or composition of retail customers.

Major Retail Water Customers – 2018 Annual Revenues and Volumes

The City of Seattle, University of Washington, Port of Seattle, Seattle Housing Authority, King County, Marriott International, Equity Residential Properties, Nucor Steel, Seattle Public Schools, and Certainteed Gypsum. In aggregate, charges to these customers represented roughly 11% of total billed direct service revenue for the year.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Other Information (Unaudited)

Water Rates – Effective January 1, 2019

Effective January 1, 2019

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
		Direct Service												
	RATE SCHEDULES	Inside City				Outside City				City of Shoreline / City of Lake Forest Park				
		Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	MMRD* w/PUT
1	Commodity Charge ($/100 Cubic Feet)													
2														
3	Offpeak Usage (Sept 16-May 15)	$5.27	$5.27	$5.27		$6.01	$6.01	$6.01		$6.39	$6.39	$6.39		$5.98
4	Peak Usage (May 16-Sept 15)													
5	Up to 5 ccf**	$5.41	$5.41	$6.69		$6.17	$6.17	$7.63		$6.56	$6.56	$8.11		$6.14
6	Next 13 ccf**	$6.69	$6.69	$6.69		$7.63	$7.63	$7.63		$8.11	$8.11	$8.11		$7.59
7	Over 18 ccf**	$11.80	$11.80	$6.69		$13.45	$13.45	$7.63		$14.31	$14.31	$8.11		$13.39
8														
9	Usage over base allowance				$20.00				$22.80				$24.30	
10														
11	Utility Credit ($/month)	$21.86		$12.38		$21.86		$12.38		$21.86		$12.38		
12														
13														
14	Base Service Charge ($/month/meter)													
15														
16	3/4 inch and less	$17.15		$17.15		$19.55		$19.55		$20.80		$20.80		
17	1 inch	$17.70		$17.70		$20.20		$20.20		$21.45		$21.45		
18	1-1/2 inch	$27.25	$27.25	$27.25		$31.05	$31.05	$31.05		$33.05	$33.05	$33.05		$30.95
19	2 inch	$30.20	$30.20	$30.20	$17.25	$34.45	$34.45	$34.45	$20.00	$36.65	$36.65	$36.65	$21.00	$34.30
20	3 inch	$111.80	$111.80	$111.80	$22.00	$127.45	$127.45	$127.45	$25.00	$135.60	$135.60	$135.60	$27.00	$126.90
21	4 inch	$160.20	$160.20	$160.20	$41.00	$182.65	$182.65	$182.65	$47.00	$194.30	$194.30	$194.30	$50.00	$181.85
22	6 inch		$197.10	$197.10	$71.00		$224.70	$224.70	$81.00		$239.05	$239.05	$86.00	$224.00
23	8 inch		$232.00	$232.00	$112.00		$264.00	$264.00	$128.00		$281.00	$281.00	$136.00	$263.00
24	10 inch		$297.00	$297.00	$161.00		$339.00	$339.00	$184.00		$360.00	$360.00	$195.00	$337.00
25	12 inch		$402.00	$402.00	$235.00		$458.00	$458.00	$268.00		$488.00	$488.00	$285.00	$457.00
26	16 inch		$477.00	$477.00			$544.00	$544.00			$579.00	$579.00		$542.00
27	20 inch		$614.00	$614.00			$700.00	$700.00			$745.00	$745.00		$697.00
28	24 inch		$771.00	$771.00			$879.00	$879.00			$935.00	$935.00		$875.00

* Master Metered Residential Development
** per residence

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