



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

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

December 31, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

Report on Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of Seattle Public Utilities’ proportionate share of the net pension liability and schedule of Seattle Public Utilities’ contributions, listed in the table of contents, be presented to supplement the financial statements. This information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 financial statements taken as a whole. The other information on pages 47 – 50 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or provide any assurance on it.

Mess Adams LLP

Seattle, Washington
April 28, 2016

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements – The basic financial statements of the Fund report information similar to the presentation used by private sector companies. These statements offer short-term and long-term financial information about its activities. The basic financial statements begin on page 14 of this report and are comprised of three components: (1) Statements of Net Position, (2) Statements of Revenues, Expenses, and Changes in Net Position, and (3) Statements of Cash Flows.

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements – The notes are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the data provided in the financial statements, such as for certain estimates and financing details. The notes to the financial statements begin on page 19 of this report.

FINANCIAL ANALYSIS

Increases or decreases in net position may serve over time as a useful indicator of whether the Fund's financial position is improving or deteriorating. At December 31, 2015 and 2014, the Fund's assets and deferred outflows of resources exceeded liabilities, resulting in a net position of \$329.9 million and \$344.1 million, respectively. In 2015, the Fund's overall position changed, with a decrease in net position of \$14.2 million (4.1%) as compared to an increase in net position of \$48.5 million (16.4%) in 2014. The following summary statements of net position present the assets and deferred outflows of resources of the Fund and show the mix of liabilities and net position used to acquire these assets and deferred outflows of resources:

STATEMENTS OF NET POSITION

	2015	2014	2013
ASSETS			
Current assets	\$ 149,034,252	\$ 142,586,093	\$ 118,469,314
Capital assets, net	947,910,106	843,837,995	765,496,217
Other	90,597,273	163,283,878	111,118,802
Total assets	<u>1,187,541,631</u>	<u>1,149,707,966</u>	<u>995,084,333</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>15,269,200</u>	<u>6,478,895</u>	<u>6,054,354</u>
Total assets and deferred outflows of resources	<u>\$ 1,202,810,831</u>	<u>\$ 1,156,186,861</u>	<u>\$ 1,001,138,687</u>
LIABILITIES			
Current liabilities	\$ 72,687,751	\$ 67,827,554	\$ 63,638,332
Revenue bonds	625,904,638	646,693,450	547,321,148
Other	174,316,453	97,568,020	94,545,484
Total liabilities	<u>872,908,842</u>	<u>812,089,024</u>	<u>705,504,964</u>
NET POSITION			
Net investment in capital assets	353,149,704	301,792,748	271,755,951
Restricted	21,666,747	21,201,195	20,523,523
Unrestricted	(44,914,462)	21,103,894	3,354,249
Total net position	<u>329,901,989</u>	<u>344,097,837</u>	<u>295,633,723</u>
Total liabilities and net position	<u>\$ 1,202,810,831</u>	<u>\$ 1,156,186,861</u>	<u>\$ 1,001,138,687</u>

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

FINANCIAL ANALYSIS (CONTINUED)

2015 Compared to 2014

Assets – Current assets increased \$6.4 million (4.5%) over the prior year primarily due to increases of \$4.0 million in due from other governments, \$1.8 million in accounts receivable, net of allowance for doubtful accounts, \$0.5 million in notes and other contracts, \$0.4 million in unbilled revenues and \$0.2 million in materials and supplies inventory. These increases were offset by decreases of \$0.4 million in operating cash and \$0.1 million in due from other funds.

Other assets decreased \$72.7 million (-44.5%) from 2014. This is mostly attributable to decreases of \$71.9 million in restricted cash and equity in pooled investments, \$0.4 million in other charges, \$0.3 million for external infrastructure costs and \$0.2 million in regulatory assets. The decreases were offset by an increase of \$0.1 million in environmental costs and recoveries.

Deferred Outflows of Resources – Deferred outflow of resources increased by \$8.8 million (135.7%) from 2014. This increase is attributed to a \$9.2 increase for pension contributions and changes in assumptions related to the implementation of GASB Statement No. 68 and 71, offset by \$0.4 million reduction in unamortized loss on refunded debt.

Liabilities – Current liabilities increased \$4.9 million (7.2%) from 2014. This is attributable to increase of \$2.6 million in salaries, benefits and payroll taxes payable, \$1.1 in due to other governments, \$0.9 million in revenue bonds due within one year, \$0.9 million in claims payable, \$0.5 million increase in accounts payable and a \$0.4 million increase in environmental liabilities. These increases were offset by decreases of \$1.0 million in due to other funds, \$0.3 million in credits and other payables and \$0.2 million for interest payable.

Other liabilities increased \$76.7 million (78.7%). The most significant factor affecting this change is the \$77.0 million increase to record the net pension liability (Note 9). Additional increases include \$3.0 million in environmental liabilities (Note 10), and \$0.7 million in vendor and other deposits. These increases were offset by decreases of \$2.8 million in claims payable and \$1.2 million in loans payable.

Net Position – The largest portion of the Fund's net position (\$353.1 million or 107.0%) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2015, net investment in capital assets increased \$51.4 million from 2014 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position (\$21.7 million or 6.6%) represent resources that are subject to restrictions on how they may be used. This portion of net position decreased \$0.5 million from 2014.

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FINANCIAL ANALYSIS (CONTINUED)

The remaining portion of the Fund's net position (a negative \$44.9 million) represents resources that are unrestricted. The unrestricted portion of net position decreased \$66.0 million from the prior year primarily due to the recording of the net pension liability as required by Governmental Accounting Standards Board Statement No. 68 for reporting pensions, which was adopted during the year (Note 9).

2014 Compared to 2013

Assets – Current assets increased \$24.1 million (20.4%) over the prior year primarily due to increases totaling \$27.2 million in operating cash and equity in pooled investments, unbilled revenues, due from other governments and materials and supplies inventory. These increases were offset by a decrease of \$3.1 million in accounts receivable, net.

Other assets increased \$52.2 million (46.9%) from 2013. This is mostly attributable to an increase in restricted cash and equity in pooled investments of \$51.6 million resulting from new debt issued in 2014 and spending on construction projects. Regulatory assets and other charges also increased \$1.9 million mainly due to capitalization of 2014 bond issue costs, Long Term Control Plan, and Rainwise program. The projects identified in the Long Term Control Plan will ultimately enhance the water quality of Ballard, North Union Bay, Interbay, Fremont/Wallingford, Duwamish, West Seattle, Montlake, Leschi, Union Bay, East Waterway, and Lake Union/Portage Bay. These increases were offset by a decrease of \$1.3 million in environmental costs and recoveries and external infrastructure costs.

Liabilities – Current liabilities increased \$4.2 million (6.6%) from 2013. This is mostly attributable to increases in due to other funds and revenue bonds due within one year, totaling \$6.0 million, offset by a decrease of \$1.8 million in accounts payable.

Other liabilities increased \$3.0 million (3.2%). This is due to increases totaling \$3.7 million in compensated absences payable, claims payable, environmental liabilities, vendor and other deposits payable, and unfunded other post employment benefits. These increases were offset by a decrease in loans of \$0.7 million.

Net Position – The largest portion of the Fund's net position (\$301.8 million or 87.7%) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2014, net investment in capital assets increased \$30.0 million from 2013 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

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

FINANCIAL ANALYSIS (CONTINUED)

The Fund's restricted net position (\$21.2 million or 6.2%) represent resources that are subject to restrictions on how they may be used. This portion of net position increased \$0.7 million from 2013. This change was primarily due to the increase in other charges.

The remaining portion of the Fund's net position (\$21.1 million or 6.1%) represent resources that are unrestricted and may be used to meet the Fund's obligations to creditors. Unrestricted net position increased \$17.7 million from 2013 in part due to a lower percentage of capital projects funded with operating cash as compared to the prior year and increase in revenues.

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 363,778,513	\$ 341,999,940	\$ 333,760,233
Operating expenses	<u>(302,120,829)</u>	<u>(284,220,570)</u>	<u>(275,112,916)</u>
Net operating income	61,657,684	57,779,370	58,647,317
Other income (expenses)	(14,938,228)	(15,118,084)	(16,401,438)
Fees, contributions, grants, special items and environmental remediation	<u>5,370,884</u>	<u>5,802,828</u>	<u>(17,622,902)</u>
Change in net position	<u>\$ 52,090,340</u>	<u>\$ 48,464,114</u>	<u>\$ 24,622,977</u>

2015 Compared to 2014

Current year operating revenues increased approximately \$21.8 million (6.4%) from 2014. This is due to a \$12.9 million increase in wastewater revenues from an average rate increase of 5.2% and an increase in consumption of 3.7%. Drainage revenues increased \$9.3 million due to an average rate increase of 10%. Other operating revenues decreased by \$0.4 million.

Operating expenses increased \$17.9 million (6.3%) from 2014. The largest operating expense increase was related to Wastewater treatment costs, which increased by \$10.0 million due to a 5.6% increase in King County's treatment rate and a 3.7% increase in consumption. The overall branch operations experienced a net increase in costs of \$3.8 million. The increases included \$3.2 million in field operations, \$2.1 million in customer service, and \$1.7 million in project delivery. These increases were offset by decreases, which included, \$3.0 in general and administrative and \$0.2 million in utility systems management, and planning and development. City and state business occupation tax increased by \$2.6 million as a result of the overall increase in taxable revenues. Depreciation and other amortization also increased \$1.3 million as a result of an increase in depreciable assets.

**SEATTLE PUBLIC UTILITIES -
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FINANCIAL ANALYSIS (CONTINUED)

Nonoperating revenues (expenses) decreased by \$0.2 million (1.2%) as compared to 2014. This is primarily due to increases in interest expense, operating grants, and insurance recoveries offset by decreases in gain on sale of assets and environmental recoveries.

Capital contributions and grants decreased \$0.4 million (3.8%) mainly due to an \$2.9 million increase in capital grant revenue, offset by decreases of \$2.7 million in donated assets and \$0.6 million in other contributions.

2014 Compared to 2013

Current year operating revenues increased approximately \$8.2 million (2.5%) from 2013. This is primarily due to an \$8.7 million increase in drainage revenues resulting from an average increase in rates of 10.3%. Wastewater revenues, however, remained steady as the increase in wastewater rates mostly offset a decrease in wastewater volume. Other operating revenues decreased by \$0.5 million due to a decrease in engineering services.

Operating expenses increased \$9.1 million (3.3%) from 2013. Notable factors affecting this change include a decrease of \$2.2 million in allocated fringe and benefit costs offset by an increase of \$4.2 million in allocated general and administrative overhead costs. In addition, the cost of living adjustment caused labor costs to increase by \$2.5 million. City business and occupation taxes increased \$1.4 million as a result of overall increase in revenues. Wastewater treatment costs increased \$0.9 million due to an increase in King Country's treatment rate by 5.6%. Depreciation and other amortization also increased \$0.9 million as a result of increase in depreciable assets. Additional increases to expenses include \$2.5 million in claims as actual payments incurred while risk financing liability remained steady, \$1.2 million in other operational expenses mainly impacted by an increase in drainage and wastewater conveyance expense, \$0.9 million in expensed projects primarily Thornton Confluence Improvement project, \$0.7 million in bad debt expense, \$0.4 million in compensated absences, and \$0.4 million for Consent Decree penalty. These expenses were offset by decrease in services for others of \$0.7 million.

Nonoperating revenues (expenses) decreased by \$1.3 million (7.8%) as compared to 2013. This is primarily due to an increase in investment and interest income, which is mostly due to the increase in the fair market value adjustment as value of the bond investments increase and investment of bond proceeds.

Capital contributions and grants increased \$4.2 million (64.2%) mainly due to increases of \$2.7 million in donated assets, \$1.1 million in capital grant revenue, and \$0.4 million in other contributions. The Fund had a decrease in environmental remediation expenses of \$19.2 million.

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

CAPITAL ASSETS

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

SUMMARY OF CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	2015	2014	2013
Land and land rights	\$ 22,490,142	\$ 19,766,808	\$ 19,474,903
Buildings	11,500,696	6,979,156	7,181,503
Structures	179,016,967	122,355,093	117,454,430
Machinery and equipment	584,855,750	502,706,765	479,418,707
Computer systems	10,096,112	12,106,000	12,444,964
Construction in progress	138,237,726	178,365,927	128,551,817
Other property	1,712,713	1,558,246	969,893
Capital assets, net of accumulated depreciation	<u>\$ 947,910,106</u>	<u>\$ 843,837,995</u>	<u>\$ 765,496,217</u>

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

2015 Compared to 2014

The Fund's investment in capital assets, net of accumulated depreciation, for the year ended December 31, 2015 was \$947.9 million. This represented an increase of approximately \$104.0 million (12.3%) compared to 2014. Highlights of the Fund's major capital assets placed in service during 2015 included the following:

- \$59.4 million for construction of 2 million gallons of storage for the combined sewer system in the Windermere drainage basin.
- \$45.2 million for construction of two combined sewer overflow ("CSO") facilities in the South Genesee area.
- \$9.0 million to replace sewer pipelines throughout several locations within the City.
- \$6.1 million to develop a natural drainage system at Venema Creek.
- \$2.6 million to implement a permanent solution to storm water flooding and side sewer backups in the Madison Valley area.

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

CAPITAL ASSETS (CONTINUED)

Highlights of the Fund's major construction projects in progress at the end of 2015 include the following:

- \$40.1 million for construction of combined sewer overflow storage facilities in Henderson North basins.
- \$23.2 million for construction of a CSO storage facility for the Ballard, Fremont, and Wallingford CSO basins as part of the Ship Canal Water Quality Project.
- \$11.2 million to construct new side sewers, collector sewers and connections as a result of the Seawall Replacement project.
- \$8.8 million to replace the customer service billing system.
- \$6.3 million to build a pump station and a water quality facility near 7th Street and Riverside in South Park.
- \$4.2 million for the bored tunnel portion of the Alaskan Way Viaduct and Seawall Replacement projects.
- \$3.2 million for implementation of the Ballard Natural Drainage System.
- \$3.1 million for improvements to the Delridge combined sewer overflow facilities.
- \$3.1 million to reduce combined sewer overflows in the Leschi basin.
- \$3.1 million to construct a permanent drainage system in the area of Dallas Avenue South and 17th Avenue South.
- \$2.8 million to upgrade the mains from Alder St. to Yesler then along 8th Avenue and connecting with the I-5 combined sewer crossing.
- \$2.5 million to construct improvements to the sewer and storm water systems in the 12th Avenue NW and Broadview neighborhood.
- \$2.5 million for 1% for art.
- \$2.1 million for construction of South Park sewer improvements.
- \$2.1 million to construct sewer and storm water system improvements in the Dayton Avenue area.

**SEATTLE PUBLIC UTILITIES -
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CAPITAL ASSETS (CONTINUED)

2014 Compared to 2013

The Fund's investment in capital assets, net of accumulated depreciation, for the year ended December 31, 2014 was \$843.8 million. This represented an increase of approximately \$78.3 million (10.2%) compared to 2013. Highlights of the Fund's major capital assets placed in service during 2014 included the following:

- \$8.3 million to replace sewer pipelines throughout several locations within the city.
- \$6.5 million to replace damaged culvert at 35th Avenue Northeast and restore floodplain area at the confluence of Thornton Creek.
- \$3.6 million for construction of new pipeline in the 52nd Avenue South.
- \$2.9 million to relocate several hundred feet of the Thornton Creek and create a 1.5 acre vegetated Knickerbocker floodplain to increase storage capacity.
- \$2.7 million to divert a portion of the creek flow to create a natural creek mouth for Mapes Creek in Beer Sheva Park.
- \$2.5 million of drainage improvement at Portland Avenue South constructed in coordination with Duwamish Bike Trail project.
- \$2.2 million in emergency rehabilitation work on sewer mainlines.

Highlights of the Fund's major construction projects in progress at the end of 2014 include the following:

- \$58.0 million for construction of 2 million gallons of storage for the combined sewer system in the Windermere drainage basin.
- \$39.5 million for construction of two combined sewer overflow facilities in the South Genesee area.
- \$20.4 million for construction of combined sewer overflow storage facilities in Henderson North basins.
- \$5.7 million to construct new side sewers, collector sewers and connections as a result of Seawall Replacement project.
- \$5.3 million to build a pump station and a water quality facility near 7th and Riverside in South Park.
- \$4.6 million for improvements to the Delridge combined sewer overflow facilities.

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CAPITAL ASSETS (CONTINUED)

- \$4.1 million to develop natural drainage system at Venema Creek.
- \$3.8 million to replace the customer service billing system.
- \$3.4 million for the bored tunnel portion of the Alaskan Way Viaduct and Seawall Replacement projects.
- \$2.7 million for construction of a CSO storage facility for the Ballard, Fremont, and Wallingford CSO Basins.
- \$2.4 million for implementation of the Ballard Natural Drainage System.

DEBT ADMINISTRATION

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

2015 Compared to 2014

At the end of 2015, the Fund had \$600.7 million in bonded debt, as compared to \$618.9 million in 2014, all of which was secured solely by drainage and wastewater system revenues. This decrease of \$18.2 million was the payment of debt principal.

At the end of 2015, the Fund had an outstanding loan balance of \$16.6 million compared to \$17.8 million in 2014. This decrease of \$1.2 million was the payment of loan principal.

2014 Compared to 2013

At the end of 2014, the Fund had \$618.9 million in bonded debt, as compared to \$525.3 million in 2013, all of which was secured solely by drainage and wastewater system revenues. The key factor in this increase of \$93.6 million was the issuance of \$133.2 million new debt, offset by refunding \$23.8 million of 2004 bonds, and partially refunding the 2006 bonds and payments of \$15.8 million of debt principal.

At the end of 2014, the Fund had an outstanding loan balance of \$17.8 million compared to \$18.4 million in 2013. During 2014, the Fund borrowed an additional \$0.5 million from the Washington State Department of Ecology for the Capitol Hill Water Quality project.

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

REQUESTS FOR INFORMATION

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

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

	December 31,	
	2015	2014
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	\$ 100,900,821	\$ 101,300,976
Receivables		
Accounts, net of allowance	19,878,760	18,042,262
Interest and dividends	426,619	460,223
Unbilled revenues	18,712,213	18,272,010
Notes, and other contracts	579,287	76,378
Due from other funds	864,687	983,559
Due from other governments	6,430,582	2,373,576
Materials and supplies inventory	1,206,768	1,042,594
Prepayments and other current assets	34,515	34,515
Total current assets	<u>149,034,252</u>	<u>142,586,093</u>
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	27,579,338	99,431,825
Prepayments long-term	656,591	691,106
Notes and contracts receivable	1,105,262	1,159,089
Environmental costs and recoveries	4,115,437	3,969,706
External infrastructure costs	19,035,204	19,328,054
Regulatory assets - bond issue costs	4,048,259	4,236,099
Other charges	34,057,182	34,467,999
Capital assets		
Land and land rights	22,490,142	19,766,808
Plant in service, excluding land	1,102,623,792	941,062,422
Less accumulated depreciation	(317,154,267)	(296,915,408)
Construction in progress	138,237,726	178,365,927
Other property, net	1,712,713	1,558,246
Total noncurrent assets	<u>1,038,507,379</u>	<u>1,007,121,873</u>
Total assets	<u>1,187,541,631</u>	<u>1,149,707,966</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	6,085,257	6,478,895
Pension contributions and changes in assumptions	9,183,943	-
Total deferred outflows of resources	<u>15,269,200</u>	<u>6,478,895</u>
Total assets and deferred outflow of resources	<u>\$ 1,202,810,831</u>	<u>\$ 1,156,186,861</u>

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

	December 31,	
	2015	2014
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 10,696,478	\$ 10,178,298
Salaries, benefits, and payroll taxes payable	5,009,848	2,417,105
Compensated absences payable	431,606	446,114
Due to other funds	8,249,919	9,220,920
Due to other governments	12,732,412	11,588,823
Interest payable	6,993,881	7,226,127
Taxes payable	309,586	298,726
Revenue bonds due within one year	19,080,000	18,215,000
Claims payable	2,811,856	1,928,051
Environmental liabilities	2,000,688	1,637,670
Loans payable, due within one year	1,212,401	1,201,646
Other	3,159,076	3,469,074
Total current liabilities	<u>72,687,751</u>	<u>67,827,554</u>
NONCURRENT LIABILITIES		
Compensated absences payable	4,566,723	4,625,243
Claims payable	3,908,906	6,752,164
Environmental liabilities	69,009,873	66,042,731
Loans	15,353,386	16,565,787
Vendor and other deposits payable	1,748,670	1,017,751
Unfunded other post employment benefits	2,580,253	2,505,202
Net pension liability	77,047,177	-
Other noncurrent liabilities	101,465	59,142
Revenue bonds	600,680,000	618,895,000
Less bonds due within one year	(19,080,000)	(18,215,000)
Bond discount and premium, net	44,304,638	46,013,450
Total noncurrent liabilities	<u>800,221,091</u>	<u>744,261,470</u>
Total liabilities	<u>872,908,842</u>	<u>812,089,024</u>
NET POSITION		
Net investment in capital assets	353,149,704	301,792,748
Restricted for		
External infrastructure costs	7,217,821	7,061,221
Other charges	14,448,926	14,139,974
Unrestricted	(44,914,462)	21,103,894
Total net position	<u>329,901,989</u>	<u>344,097,837</u>
Total liabilities and net position	<u>\$ 1,202,810,831</u>	<u>\$ 1,156,186,861</u>

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

	Years Ended December 31,	
	2015	2014
OPERATING REVENUES		
Charges for services and other revenues	\$ 363,778,513	\$ 341,999,940
OPERATING EXPENSES		
Planning and development	1,749,701	1,786,810
Utility systems management	11,249,162	11,373,723
Field operations	29,592,633	26,430,927
Project delivery	9,789,617	8,099,883
Customer services	6,472,109	4,402,663
Wastewater treatment	150,325,985	140,307,103
General and administrative	22,064,168	25,034,314
City business and occupation taxes	42,876,271	40,265,835
Other taxes	4,548,906	4,329,268
Depreciation and other amortization	23,452,277	22,190,044
Total operating expenses	<u>302,120,829</u>	<u>284,220,570</u>
OPERATING INCOME	<u>61,657,684</u>	<u>57,779,370</u>
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	3,646,385	4,008,812
Interest expense	(22,156,241)	(20,616,518)
Amortization of bonds premiums and discounts, net	1,708,812	1,542,213
Amortization of refunding loss	(393,638)	(383,813)
Loss on sale of capital assets	(228,647)	(817,345)
Contributions and grants	1,481,900	978,178
Other, net	1,003,201	170,389
Total nonoperating revenues (expenses)	<u>(14,938,228)</u>	<u>(15,118,084)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS, AND SPECIAL ITEMS	46,719,456	42,661,286
CAPITAL CONTRIBUTIONS AND GRANTS	10,346,199	10,751,537
ENVIRONMENTAL REMEDIATION	<u>(4,975,315)</u>	<u>(4,948,709)</u>
CHANGE IN NET POSITION	52,090,340	48,464,114
NET POSITION		
Beginning of year	344,097,837	295,633,723
Cumulative effect of change in accounting principle	<u>(66,286,188)</u>	<u>-</u>
Net position	<u>277,811,649</u>	<u>295,633,723</u>
End of year	<u>\$ 329,901,989</u>	<u>\$ 344,097,837</u>

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

	Years Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 358,745,844	\$ 346,022,044
Cash paid to suppliers	(169,893,579)	(155,800,652)
Cash paid to employees	(57,018,604)	(57,034,170)
Cash paid for taxes	(47,181,031)	(44,634,545)
Net cash provided by operating activities	<u>84,652,630</u>	<u>88,552,677</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	799,214	1,028,715
Payments for environmental liabilities	(1,790,886)	(1,849,607)
Net cash used in noncapital financing activities	<u>(991,672)</u>	<u>(820,892)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds and other long-term debt	-	144,425,158
Principal payments on long-term debt and refunding	(19,228,806)	(42,524,376)
Capital expenditures and other charges paid	(117,457,492)	(89,352,766)
Interest paid on long-term debt	(29,367,055)	(27,163,850)
Build America Bonds federal interest subsidy	1,752,707	1,734,794
Capital fees and grants received	5,772,780	1,887,187
Debt issuance costs	-	(865,214)
Proceeds from sale of capital assets	686,984	222,371
Net cash used in capital and related financing activities	<u>(157,840,882)</u>	<u>(11,636,696)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Gain on investments	<u>1,927,282</u>	<u>2,261,772</u>
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	<u>(72,252,642)</u>	<u>78,356,861</u>
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	<u>200,732,801</u>	<u>122,375,940</u>
End of year	<u>\$ 128,480,159</u>	<u>\$ 200,732,801</u>
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	\$ 100,900,821	\$ 101,300,976
Noncurrent restricted cash and equity in pooled investments	<u>27,579,338</u>	<u>99,431,825</u>
Total cash at the end of the year	<u>\$ 128,480,159</u>	<u>\$ 200,732,801</u>

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

	Years Ended December 31,	
	2015	2014
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 61,657,684	\$ 57,779,370
Adjustments to reconcile net operating income to net cash from operating activities		
Amortization of pension assumptions	1,577,046	-
Depreciation and amortization	23,452,277	22,190,044
Other receipts and payments	2,285,554	1,384,355
Changes in operating assets and liabilities		
Accounts receivable	(1,836,498)	3,129,017
Unbilled revenues	(440,203)	(228,531)
Due from other funds	118,872	31,763
Due from other governments	(3,855,793)	268,250
Materials and supplies inventory	(164,174)	(104,040)
Other assets	(414,567)	24,042
Accounts payable	518,180	(1,766,511)
Salaries, benefits, and payroll taxes payable	2,592,743	229,139
Compensated absences payable	(73,028)	547,791
Due to other funds	(971,001)	3,684,481
Due to other governments	1,143,590	(35,523)
Claims payable	(1,959,453)	255,510
Taxes payable	10,860	(35,312)
Other liabilities	1,010,541	1,198,832
Total adjustments	<u>22,994,946</u>	<u>30,773,307</u>
Net cash from operating activities	<u>\$ 84,652,630</u>	<u>\$ 88,552,677</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributed infrastructure	<u>\$ 4,582,644</u>	<u>\$ 7,262,611</u>

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

Note 1 – Operations and Summary of Significant Accounting Policies

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

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

SPU receives certain services from other departments and agencies of the City, including some that are normally considered to be general and administrative. The Fund is charged a share of these costs and additionally pays a business and occupation tax to the City’s General Fund. During 2015 and 2014, the Fund paid \$11,890,086 and \$10,428,019, respectively, to the City for its share of general and administrative services. Additionally, the Fund paid \$42,876,271 and \$40,265,835 to the City for business and occupation utility taxes in 2015 and 2014, respectively.

Wastewater disposal and drainage services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$3,158,159 in 2015 and \$3,153,242 in 2014 from the City for wastewater services provided. The Fund also collected \$6,359,998 in 2015 and \$5,662,105 in 2014 from the City for drainage services.

The utility billing function is co-managed by both SPU and Seattle City Light (“SCL”). SPU provides customer service through the call center and walk-in center. SCL operates and manages the billing system, Combined Customer Services System (“CCSS”). SPU and SCL bills and reimburses each other for these services. Within SPU, the costs and reimbursements were shared among its three utility funds (Water, Drainage and Wastewater, and Solid Waste). The Fund received reimbursements related to the call center and walk-in center of \$1,950,713 and \$1,742,130 in 2015 and 2014, respectively. The Fund paid \$151,918 and \$158,550 for CCSS services in 2015 and 2014, respectively, which does not include reimbursements to SCL for the Fund’s share of capital costs to upgrade the CCSS system.

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

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

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

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

Cash and Equity in Pooled Investments – Cash resources of the Fund are combined with cash resources of the City to form a pool of cash that is managed by the City’s Finance and Administration Services Department. Under the City’s investment policy, the Finance and Administration Services Department invests all temporary cash surpluses either directly or through a “sweep account.” Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned. The Fund’s share of the pool is included in the accompanying Statements of Net Position under the caption “cash and equity in pooled investments.” The pool operates like a demand deposit account in that all City departments may deposit cash at any time and can also withdraw cash out of the pool without prior notice or penalty. Accordingly, the Statements of Cash Flows reconcile to cash and equity in pooled investments. Cash and equity in pooled investments are reported at fair value. The restricted cash and equity in pooled investments are comprised of unexpended bond proceeds, the balance of which is scheduled to be spent in 2015, bond reserve funds and vendor’s escrow deposits.

Receivables and Unbilled Revenues – Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed.

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

Allowance for Doubtful Accounts – A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2015 and 2014, the Fund’s allowance for doubtful accounts was \$472,402 and \$393,166, respectively.

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

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

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

Environmental Costs and Recoveries – The Fund is involved in several remediation efforts around the City (Note 10). When estimated remediation costs are approved to be recovered through rates, the costs, net of recoveries, associated with these efforts are deferred when accrued as a regulatory asset and are amortized over the rate recovery period. Certain environmental remediation costs that are infrequent in occurrence are treated as a special item in the Statements of Revenues, Expenses, and Changes in Net Position.

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

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

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

Capital Assets – Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct material, labor, and indirect costs such as engineering, supervision, payroll taxes, pension benefits, and interest relating to the financing of projects under construction. The cost of current repairs and maintenance is charged to expense, while the cost of additions and improvements is capitalized. SPU's policy is to generally capitalize assets with a cost of \$5,000 or more. The Fund received donated assets, such as sewer and drainage pipes, from developers and other government agencies. 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 use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

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

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

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

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

Buildings and fixtures	10 – 50 years
Laterals, mains, and outfalls	75 years
Detention structures	75 years
Pumping stations, equipment, and overflow structures	10 to 50 years
Machinery and equipment	3 to 20 years
Computer systems	3 to 11 years

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

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

In addition to liabilities, the Statement of Net Position, when applicable, will report a separate section for deferred inflows of resources. It represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Fund does not have any deferred inflows of resources as of December 31, 2015 and 2014.

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

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

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

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

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

Most pollution remediation outlays do not qualify for capitalization and the Fund does not anticipate significant capitalized costs in the future. See Note 10 for site descriptions.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Position – The Statement of Net Position reports all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred 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, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The Fund’s restricted net position as of December 31, 2015 and 2014 are related to external infrastructure costs and certain other charges.

Unrestricted net position is the portion that is not “net investment in capital assets” or “restricted.”

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

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

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

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

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

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

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

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

Note 2 – Cash and Investments

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

**SEATTLE PUBLIC UTILITIES -
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Note 2 – Cash and Investments (Continued)

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

Investments – As of December 31, the City’s pooled investments were as follows:

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

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

	2015	2014
Operating cash and equity in pooled investments	\$ 100,900,821	\$ 101,300,976
Restricted cash and equity in pooled investments	27,579,338	99,431,825
Total	\$ 128,480,159	\$ 200,732,801
Balance as a percentage of City pool cash and investments	7.3%	12.4%

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

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

Note 2 – Cash and Investments (Continued)

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

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

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

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

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

** Investment did not represent 5% or more of total investments at December 31, 2015

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Note 3 – Capital Assets

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

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 14,242,650	\$ 4,827,714	\$ -	\$ 19,070,364
Structures	170,434,617	61,586,536	-	232,021,153
Machinery and equipment	702,595,763	95,868,692	(2,334,160)	796,130,295
Computer systems	53,789,392	2,002,235	(389,647)	55,401,980
Total capital assets, excluding land	941,062,422	164,285,177	(2,723,807)	1,102,623,792
Less accumulated depreciation	(296,915,408)	(22,512,687)	2,273,828	(317,154,267)
	644,147,014	141,772,490	(449,979)	785,469,525
Construction in progress	178,365,927	119,092,417	(159,220,618)	138,237,726
Land and land rights	19,766,808	3,191,421	(468,087)	22,490,142
Other property	1,558,246	154,467	-	1,712,713
Capital assets, net	<u>\$ 843,837,995</u>	<u>\$ 264,210,795</u>	<u>\$ (160,138,684)</u>	<u>\$ 947,910,106</u>

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

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 14,139,381	\$ 103,269	\$ -	\$ 14,242,650
Structures	161,246,619	9,310,558	(122,560)	170,434,617
Machinery and equipment	671,159,243	37,149,911	(5,713,391)	702,595,763
Computer systems	56,125,960	3,336,000	(5,672,568)	53,789,392
Total capital assets, excluding land	902,671,203	49,899,738	(11,508,519)	941,062,422
Less accumulated depreciation	(286,171,599)	(21,193,248)	10,449,439	(296,915,408)
	616,499,604	28,706,490	(1,059,080)	644,147,014
Construction in progress	128,551,817	95,329,506	(45,515,396)	178,365,927
Land and land rights	19,474,903	291,905	-	19,766,808
Other property	969,893	588,353	-	1,558,246
Capital assets, net	<u>\$ 765,496,217</u>	<u>\$ 124,916,254</u>	<u>\$ (46,574,476)</u>	<u>\$ 843,837,995</u>

During 2015 and 2014, the Fund capitalized interest costs relating to construction of \$6,978,568 and \$6,842,037, respectively.

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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 \$18,637,643 in a debt service reserve fund and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2015 and 2014 were \$600,680,000 and \$618,895,000, respectively. Revenue bonds outstanding as of December 31, 2015 and 2014 consisted of the following Municipal Drainage and Wastewater bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding	
					2015	2014
2006 parity refunding bonds	11/1/06	2007-2037	4.0-5.0%	\$ 121,765,000	\$ 74,965,000	\$ 79,485,000
2008 parity bonds	4/16/08	2009-2038	4.0-5.0%	84,645,000	74,015,000	75,720,000
2009A parity bonds	12/17/09	2017-2039	4.2-5.5%	102,535,000	102,535,000	102,535,000
2009B parity refunding bonds	12/17/09	2010-2027	2.0-4.0%	36,680,000	16,145,000	19,745,000
2012 parity refunding bonds	6/27/12	2012-2042	2.0-5.0%	222,090,000	201,640,000	208,230,000
2014 parity refunding bonds	7/10/14	2015-2044	3.0-5.0%	133,180,000	131,380,000	133,180,000
				<u>\$ 700,895,000</u>	<u>\$ 600,680,000</u>	<u>\$ 618,895,000</u>

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

Years Ending December 31,	Principal	Interest	Total
2016	\$ 19,080,000	\$ 28,370,953	\$ 47,450,953
2017	20,000,000	27,529,553	47,529,553
2018	20,910,000	26,578,765	47,488,765
2019	21,905,000	25,550,146	47,455,146
2020	22,825,000	24,479,528	47,304,528
2021 - 2025	118,680,000	105,652,860	224,332,860
2026 - 2030	132,790,000	74,595,709	207,385,709
2031 - 2035	119,310,000	42,654,335	161,964,335
2036 - 2040	91,475,000	16,821,630	108,296,630
2041 - 2044	33,705,000	2,549,200	36,254,200
	<u>\$ 600,680,000</u>	<u>\$ 374,782,679</u>	<u>\$ 975,462,679</u>

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NOTES TO FINANCIAL STATEMENTS**

Note 4 – Revenue Bonds (Continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 618,895,000	\$ -	\$ (18,215,000)	\$ 600,680,000	\$ 19,080,000
Add (deduct) deferred amounts:					
Issuance premiums	46,583,701	-	(1,732,572)	44,851,129	-
Issuance discounts	(570,251)	-	23,760	(546,491)	-
Total bonds payable	<u>\$ 664,908,450</u>	<u>\$ -</u>	<u>\$ (19,923,812)</u>	<u>\$ 644,984,638</u>	<u>\$ 19,080,000</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 525,280,000	\$ 133,180,000	\$ (39,565,000)	\$ 618,895,000	\$ 18,215,000
Add (deduct) deferred amounts:					
Issuance premiums	38,460,159	10,702,403	(2,578,861)	46,583,701	-
Issuance discounts	(594,011)	-	23,760	(570,251)	-
Total bonds payable	<u>\$ 563,146,148</u>	<u>\$ 143,882,403</u>	<u>\$ (42,120,101)</u>	<u>\$ 664,908,450</u>	<u>\$ 18,215,000</u>

Defeasance of Debt – The Fund defeases certain obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the Statement of Net Position. In 2015, no bonds were defeased and none were redeemed as shown below:

Name of Issue	Amount Outstanding at December 31, 2014	Additions	Redemptions	Amount Outstanding at December 31, 2015
2006 Parity	<u>\$ 16,330,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,330,000</u>

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

Note 4 – Revenue Bonds (Continued)

In 2014, \$23,740,000 bonds were defeased and \$49,950,000 were redeemed as shown below:

<u>Name of Issue</u>	<u>Amount Outstanding at December 31, 2013</u>	<u>Additions</u>	<u>Redemptions</u>	<u>Amount Outstanding at December 31, 2014</u>
2004 Parity	\$ 42,540,000	\$ 7,410,000	\$ (49,950,000)	\$ -
2006 Parity	-	16,330,000	-	16,330,000
	<u>\$ 42,540,000</u>	<u>\$ 23,740,000</u>	<u>\$ (49,950,000)</u>	<u>\$ 16,330,000</u>

In July 2014, the Fund issued \$133,180,000 of Drainage and Wastewater Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2015 and ending in 2044, at interest rates ranging from 3.0 percent and 5.0 percent. A portion of the proceeds were used to fully refund 2004 bond and partially refund 2006 bonds. As a result of the refunding, the Fund reduced total debt service requirements by \$2.7 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$2.2 million.

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 of at least equal to 125% of annual debt service. For 2015, net revenue available for debt service, as defined by the bond covenants, 283% of annual debt service. Management believes the Fund was in compliance with all debt covenants as of December 31, 2015. For more information see Other Information (page 47).

Note 5 – Leases

The Fund has non-cancelable operating lease commitments for real and personal property, with payments of \$106,557 and \$100,237 in 2015 and 2014, respectively. Rents are paid as they become due and payable. Minimum lease payments under the leases for the years ending December 31, are as follows:

2016	\$ 96,491
2017	44,335
2018	44,735
2019	45,147
2020	13,564
	<u>\$ 244,272</u>

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Note 6 – Postemployment Benefit Plans

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

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

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

Other Postemployment Benefits – Health care plans for active and retired employees are administered by the City as single-employer defined benefit public employee health care plans.

Eligible retirees (younger than age 65) may contribute to the medical plan and any additional health care programs contemplated or amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020.

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

The table below summarizes the City’s annual cost, expected contributions to the plan, and changes in the net other post employment benefit obligation (“OPEB”) for fiscal years ended December 31, 2015 and 2014. These calculations are based on the most recent actuarial valuation data available, dated January 1, 2015.

**SEATTLE PUBLIC UTILITIES -
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Note 6 – Postemployment Benefit Plans (Continued)

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 4,605,000	\$ 4,392,000
Interest on net OPEB obligation	1,630,000	1,542,000
Adjustment to annual required contribution	<u>(2,540,000)</u>	<u>(2,403,000)</u>
Annual OPEB cost (expense)	3,695,000	3,531,000
Contribution (employer-paid benefits)	<u>(1,141,000)</u>	<u>(1,006,000)</u>
Increase in net OPEB obligation	2,554,000	2,525,000
Net OPEB obligation, beginning of year	<u>46,828,000</u>	<u>44,303,000</u>
Net OPEB obligation, end of year	<u>\$ 49,382,000</u>	<u>\$ 46,828,000</u>
Fund’s allocated share of city liability	<u>\$ 2,580,253</u>	<u>\$ 2,505,202</u>

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

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Note 6 – Postemployment Benefit Plans (Continued)

Significant methods and assumptions are as follows:

Actuarial data and assumptions

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

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Note 6 – Postemployment Benefit Plans (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age ¹ (b)	Unfunded AAL (UAAL) ² (b-a)	Funded Ratio (a/b)	Covered Payroll ³ (c)	UAAL as a % of Covered Payroll ((b-a)/c)
January 1, 2013	\$ -	\$ 78.9	\$ 78.9	0.0%	\$ 942.0	8.4%
January 1, 2014	\$ -	\$ 41.8	\$ 41.8	0.0%	\$ 1,003.5	4.2%
January 1, 2015	\$ -	\$ 44.4	\$ 44.4	0.0%	\$ 1,037.9	4.3%

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

Note 7 – Claims Payable

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

For 2015 and 2014, liabilities for workers’ compensation claims, as well as other claims, are discounted over a 15-year period at the City’s rate of return on investments, 1.135% and 0.931%, respectively. Claims expected to be paid within one year are \$2,811,856 and \$1,928,051 as of December 31, 2015 and 2014, respectively. The schedules below present the changes in the liability for workers’ compensation claims and other claims (risk financing liabilities) as of December 31:

	2015	2014
Beginning liability, discounted	\$ 8,680,215	\$ 8,424,705
Payments	(1,716,325)	(1,085,110)
Incurred claims and change in estimate	(243,128)	1,340,620
Ending liability, discounted	<u>\$ 6,720,762</u>	<u>\$ 8,680,215</u>

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

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Note 8 – Compensated Absences

The Fund has recorded a liability for earned but unused compensatory, merit, and vacation leave, as well as estimated sick leave payments calculated based on the termination payment method. The schedules below show the compensated absences activity during the years ended December 31, 2015 and 2014:

	2015	2014
Beginning liability	\$ 5,071,357	\$ 4,523,566
Additions	4,000,509	5,122,248
Reductions	(4,073,537)	(4,574,457)
Ending liability	\$ 4,998,329	\$ 5,071,357

Note 9 – Pension Benefit Plan

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

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

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

Member and Employer Contributions – Employees are required to contribute 10.03% of their annual base salaries to the System. The employer’s contribution rate for the years ended December 31, 2015 and 2014 was 15.73% and 14.31%, respectively. Employer rates are established by the City Council on a biannual basis. The Fund’s contributions to the System for the years ended December 31, 2015 and 2014 were \$6,783,980 and \$6,257,468, respectively.

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

Note 9 – Pension Benefit Plan (Continued)

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, 2015, the Fund reported a liability of \$77,047,177, its proportionate share of the Systems’ net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. The Fund’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating parties, actuarially determined. At December 31, 2015, the Fund’s proportion was 7.46%.

For the year ended December 31, 2015, the Fund recognized pension expense of approximately \$8,361,000. As of December 31, 2015, the Fund’s deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ 2,399,963	\$ -
Contributions made subsequent to measurement date	6,783,980	-
Total	<u>\$ 9,183,943</u>	<u>\$ -</u>

The \$6,783,980 reported as deferred outflows of resources relate to the Fund’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

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

2015	\$ 599,991
2016	\$ 599,991
2017	\$ 599,991
2018	\$ 599,990

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DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
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Note 9 – Pension Benefit Plan (Continued)

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

Actuarial data and assumptions

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

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

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

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

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
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Note 9 – Pension Benefit Plan (Continued)

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

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

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

1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
\$ 106,324,264	\$ 77,047,177	\$ 52,426,760

Note 10 – Environmental Liabilities

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

Duwamish Sites – The U.S. Environmental Protection Agency (“EPA”) has indicated that it will require the clean-up and remediation of certain Duwamish sites under its Superfund authority. In order to manage the liability, the City has worked with the EPA and other PRPs on a Remedial Investigation (“RI”) and Feasibility Study (“FS”) to evaluate the risk to human health and the environment within the six mile superfund area, identify the possible early action clean-up sites, and generally evaluate the feasibility of clean-up options for use in the ultimate remedial actions that the EPA will require. The RI and FS are complete. On November 2, 2012, the EPA and Ecology approved the Lower Duwamish Waterway Group’s FS which provides sufficient information to support selection of a remedy for this Site. The EPA announced their proposed cleanup plan in February 2013 for public comment. The remaining scope of cleanup by potentially responsible parties (“PRPs”) has been decided by the EPA in the 2014 Record of Decision. The Fund recorded an estimate of its share of the estimated total cost.

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Note 10 – Environmental Liabilities (Continued)

Specific “early action sites” have been cleaned separately up under Administrative Orders on Consent (“AOC”). The Fund, together with other PRPs, has voluntarily agreed to clean-up two early action sites identified during the RI under EPA issued AOC: Slip 4 and T-117. Slip 4 cleanup is complete; T-117 will be completed by 2016.

East Waterway Site – In 2006 the EPA issued an AOC for a Supplemental RI and FS for the East Waterway, an operable unit of the Harbor Island Superfund Site. The Port of Seattle (the “Port”) alone signed the AOC. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the RI/FS work required by the EPA. No specific requirements for remediation by PRPs have been made by the EPA as of the date of this report. The RI is complete and the FS is anticipated to be completed by 2016 or early 2017.

Gas Works Park Sediment Site – In April 2002, the Department of Ecology (“DOE”) named the City and another party, Puget Sound Energy, as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two RIs and FSs for the sediment site – one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20% of the Shared Costs incurred by Puget Sound Energy for the cleanup work. The RI and FS include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the RI/FS is expected to be completed in late 2016 or early 2017. A Clean-up Action Plan is expected from the Department of Ecology in about 2017.

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

7th Avenue South Pump Station – The City acquired land in the South Park area of Seattle to construct the 7th Ave South Pump Station. The land was determined to be contaminated subsequent to the purchase. The Fund has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012; however, the Fund has ongoing monitoring activities it must perform.

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Note 10 – Environmental Liabilities (Continued)

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

The Fund is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted. The Fund’s estimate for not yet realized recoveries from other parties for their share of remediation work that offset the Fund’s estimated environmental liability was \$4.0 million as of December 31, 2015 and 2014. During 2014, the Fund received an environmental cost recovery of \$0.7 million from Seattle City Light related to the T117 “early action site” along the Lower Duwamish Waterway.

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

	<u>2015</u>	<u>2014</u>
Beginning environmental liability, net of recovery	\$ 67,680,401	\$ 65,461,101
Payments or amortization	(1,845,089)	(2,514,388)
Incurred environmental liability	<u>5,175,249</u>	<u>4,733,688</u>
Ending environmental liability, net of recovery	<u>\$ 71,010,561</u>	<u>\$ 67,680,401</u>

The following table represents the current and long term portions for the environmental liabilities:

	<u>2015</u>	<u>2014</u>
Environmental liability, current	\$ 2,000,688	\$ 1,637,670
Environmental liability, noncurrent	<u>69,009,873</u>	<u>66,042,731</u>
Ending liability	<u>\$ 71,010,561</u>	<u>\$ 67,680,401</u>

**SEATTLE PUBLIC UTILITIES -
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Note 11 - Loans

The Fund has various construction projects that are financed by low interest loans issued by the State of Washington. The loan agreements require that the Fund finance a portion of these projects from other sources. These loans have been used to enhance the drainage system. There were no new loan borrowings in 2015.

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

Description	Maturity Years	Interest Rate	Amount Borrowed	Loans Outstanding	
				2015	2014
Midvale	2013-2031	0.25%	\$ 4,000,000	\$ 3,388,332	\$ 3,600,102
Thornton Creek Natural Drainage Systems	2006-2024	0.5%	3,700,000	1,762,941	1,958,824
High Point Natural Drainage Systems	2010-2029	1.5%	2,679,413	1,922,529	2,050,056
South Park Flood Control and Local Drainage Program	2007-2025	0.5%	3,400,000	1,971,228	2,168,351
Ballard Green Streets ARRA Project	2011-2020	2.9%	603,209	336,400	398,029
Thornton Creek Water Quality Project	2011-2030	1.5%	6,983,021	5,402,159	5,733,208
Capital Hill Water Quality Project	2014-2033	2.6%	1,880,598	1,782,198	1,858,863
			<u>\$ 23,246,241</u>	<u>\$ 16,565,787</u>	<u>\$ 17,767,433</u>

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

Years Ending December 31,	Principal	Interest	Total
2016	\$ 1,212,401	\$ 191,045	\$ 1,403,446
2017	1,223,366	177,585	1,400,951
2018	1,234,547	163,909	1,398,456
2019	1,245,948	150,014	1,395,962
2020	1,257,574	135,894	1,393,468
2021-2025	5,885,768	484,294	6,370,062
2026-2030	3,936,676	181,544	4,118,220
2031-2033	569,507	17,072	586,579
	<u>\$ 16,565,787</u>	<u>\$ 1,501,357</u>	<u>\$ 18,067,144</u>

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

Note 11 - Loans (Continued)

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

	<u>2015</u>	<u>2014</u>
Net loans, beginning of year	\$ 17,767,433	\$ 18,359,248
Loan proceeds	-	546,319
Principal payments	<u>(1,201,646)</u>	<u>(1,138,134)</u>
Net loans, end of year	<u>\$ 16,565,787</u>	<u>\$ 17,767,433</u>
Loans due within one year	<u>\$ 1,212,401</u>	<u>\$ 1,201,646</u>
Loans, noncurrent	<u>\$ 15,353,386</u>	<u>\$ 16,565,787</u>

Note 12 - Notes and Contracts Receivable

The Fund has an agreement with the Seattle Housing Authority for the recovery of the remaining unreimbursed cost of the Fund's contributions of public infrastructure to the New Holly redevelopment project. As of December 31, 2015, the Seattle Housing Authority receivable was \$1,153,772.

In addition, the Fund has an agreement with private individuals for a sewer connection charge contract. The receivable was \$5,317 at December 31, 2015.

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

	<u>2015</u>	<u>2014</u>
Seattle Housing Authority receivable	\$ 1,153,772	\$ 1,204,147
Dalcerro receivable	5,317	6,320
Schneider Homes receivable	-	25,000
Total notes and contracts receivable	<u>1,159,089</u>	<u>1,235,467</u>
Due within one year	<u>(53,827)</u>	<u>(76,378)</u>
Total non-current notes and contracts receivable	<u>\$ 1,105,262</u>	<u>\$ 1,159,089</u>

Note 13 - Wastewater Disposal Agreement

The Fund has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the "Division"), which expires in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by the Fund were \$148,573,210 and \$139,728,735 for fiscal years 2015 and 2014, respectively.

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NOTES TO FINANCIAL STATEMENTS**

Note 14 – Cumulative Effect of Change in Accounting Principle

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

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as an adjustment to beginning net position for the year beginning January 1, 2015 in accordance with the Statements and totaled \$66,286,188.

REQUIRED SUPPLEMENTARY INFORMATION

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
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REQUIRED SUPPLEMENTARY INFORMATION**

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

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

Schedule of Seattle Public Utilities' Contributions

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

OTHER INFORMATION (UNAUDITED)

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
OTHER INFORMATION (UNAUDITED)**

Drainage Wastewater Debt Service Coverage Calculation 2015

Operating Revenues

Wastewater	\$ 257,092,493
Drainage	102,019,631
Other	4,666,390
Total Operating Revenue	<u>363,778,514</u>

Operating Expense

Wastewater Treatment Contract	150,325,985
Other Operations & Maintenance	80,917,390
City Taxes	42,876,271
Other Taxes	4,548,906
Total Operating Expenses Before Debt Service	<u>278,668,553</u>

Net Operating Income

85,109,961

Adjustments

Less: Claim Expense	243,128
Add: City Taxes	42,876,271
Add: Investment Interest	2,032,461
Less: DSRF Earnings	(209,107)
Add: BAB's Subsidy	1,754,279
Add (Less): Net Other Nonoperating Revenues/(Expenses)	994,847
Add: Proceeds from Sale of Assets	686,985
Total Adjustments	<u>48,378,863</u>

Net Revenue Available for Debt Service

\$ 133,488,824

Net Revenue Available for Debt Service (w/o City Taxes)

\$ 90,612,553

Annual Debt Service

Annual Debt Service	\$ 47,371,128
Less: DSRF Earnings	(209,107)

Adjusted Annual Debt Service

\$ 47,162,020

Coverage	2.83
Coverage without taxes	1.92

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
(An Enterprise Fund of the City of Seattle)
OTHER INFORMATION (UNAUDITED)**

Statistics Required for Revenue Bond Continuing Disclosure

Wastewater System Operating Statistics

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Population Served	612,100	616,500	626,600	640,500	662,400
Billed Wastewater Revenues	\$ 203,590	\$ 236,935	\$ 244,476	\$ 242,844	\$ 257,092
Billed Wastewater Volume (MG)					
Residential	7,400	7,707	7,594	7,408	7,546
Commercial	<u>12,803</u>	<u>13,217</u>	<u>13,218</u>	<u>13,243</u>	<u>13,872</u>
Total	<u>20,203</u>	<u>20,924</u>	<u>20,812</u>	<u>20,651</u>	<u>21,418</u>
Gallons Used per Day per Capita	90.4	93.0	91.0	88.3	88.6

Drainage and Wastewater – 2015 Accounts and Billed Revenues

Customer Accounts	<u>Drainage</u>	<u>Wastewater</u>
Residential	148,181	155,423
Commercial	<u>65,938</u>	<u>21,452</u>
Total	<u><u>214,119</u></u>	<u><u>176,875</u></u>
Billed Revenue	<u>Drainage</u>	<u>Wastewater</u>
Residential	\$ 50,588,630	\$ 90,498,394
Commercial	<u>51,431,001</u>	<u>166,594,099</u>
Total	<u><u>\$ 102,019,631</u></u>	<u><u>\$ 257,092,493</u></u>

**SEATTLE PUBLIC UTILITIES -
DRAINAGE AND WASTEWATER FUND
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OTHER INFORMATION (UNAUDITED)**

Major Wastewater Customers - 2015 Annual Billed Revenues and Percentage of Revenue

<u>Name</u>	<u>Revenue</u>	<u>% of Total Revenue</u>
University of Washington	\$ 7,798,728	3.1%
Seattle Housing Authority	\$ 4,712,239	1.9%
City of Seattle	\$ 3,158,159	1.3%
Seattle Tunnel Partners	\$ 2,327,875	0.9%
Equity Residential Property	\$ 1,673,147	0.7%
Starwood Hotel/Resort Group	\$ 1,589,437	0.6%
King County	\$ 1,433,434	0.6%
Port of Seattle	\$ 1,233,421	0.5%
Darigold	\$ 1,116,444	0.4%
Bellwether Housing	\$ 998,326	0.4%

Major Drainage Customers - 2015 Annual Billed Revenues and Percentage of Revenue

<u>Name</u>	<u>Revenue</u>	<u>% of Total Revenue</u>
City of Seattle	\$ 6,359,998	6.2%
King County	\$ 2,044,639	2.0%
Seattle Public Schools	\$ 2,026,646	2.0%
University of Washington	\$ 1,644,229	1.6%
BNSF Rwy Co.	\$ 1,545,224	1.5%
Seattle Housing Authority	\$ 902,184	0.9%
United States Government	\$ 869,156	0.8%
CCAS Property & Construction	\$ 754,603	0.7%
Union Pacific Railroad Co.	\$ 614,865	0.6%
Seattle Community College	\$ 406,468	0.2%

**SEATTLE PUBLIC UTILITIES -
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Wastewater Rates

Note: 1 CCF equals 748 gallons. Wastewater rate increased .8% and 0.9% in 2015 and 2014, respectively.

Drainage Rates

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Volume rate per ccf	\$ 10.28	\$ 10.68	\$ 11.65	\$ 11.75	\$ 11.84	\$ 12.27
Flat Rate per Parcel	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	% Impervious Space
Single Family Residential*						
0-1,999 sq. ft.					\$ 123.81	
2,000 - 2,999 sq. ft.	\$ 149.33	\$ 164.05	\$ 180.96	\$ 198.83	\$ 206.93	
3,000 - 4,999 sq. ft.	\$ 192.79	\$ 212.92	\$ 234.87	\$ 258.06	\$ 286.63	
5,000 - 6,999 sq. ft.	\$ 261.66	\$ 289.11	\$ 318.92	\$ 350.40	\$ 390.03	
7,000 - 9,999 sq. ft.	\$ 332.23	\$ 365.97	\$ 403.70	\$ 443.55	\$ 491.40	
Rate per 1,000 sq. ft.						
Undeveloped						0 - 15%
Regular	\$ 21.96	\$ 23.31	\$ 25.71	\$ 28.25	\$ 31.24	
Low Impact	\$ 13.76	\$ 13.65	\$ 15.06	\$ 16.54	\$ 18.57	
Light						16 - 35%
Regular	\$ 32.98	\$ 36.05	\$ 39.76	\$ 43.69	\$ 48.52	
Low Impact	\$ 24.14	\$ 28.35	\$ 31.27	\$ 34.36	\$ 38.31	
Medium						36 - 65%
Regular	\$ 47.76	\$ 52.35	\$ 57.75	\$ 63.45	\$ 70.67	
Low Impact	\$ 38.35	\$ 42.11	\$ 46.45	\$ 51.04	\$ 57.21	
High	\$ 63.01	\$ 70.23	\$ 77.48	\$ 85.12	\$ 93.56	66 - 85%
Very High	\$ 74.49	\$ 83.08	\$ 91.65	\$ 100.69	\$ 112.38	86 - 100%

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