

CLARK REGIONAL WASTEWATER DISTRICT

Vancouver, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

**PREPARED BY THE
CLARK REGIONAL WASTEWATER DISTRICT FINANCE DEPARTMENT**

DISTRICT STAFF

Ken Andrews, CPA
John M. Peterson, P.E.

Finance Director
General Manager

BOARD OF COMMISSIONERS

L. Neil Kimsey
John "Denny" Kiggins
Norm Harker

President
Vice President
Secretary



www.crwwd.com

**CLARK REGIONAL WASTEWATER DISTRICT
VANCOUVER, WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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May 1, 2013

President Harker and Members
of the Board of Commissioners

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Clark Regional Wastewater District (District) for the fiscal year ended December 31, 2012. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by independent auditors, represented by the Washington State Auditor's Office.

This report has been prepared to conform to the principles of accounting and reporting established by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants (AICPA). Specific accounting treatments are detailed in the Notes to the Financial Statements and found in the Financial Section of this report (see pages 27-56).

The CAFR is developed to provide meaningful financial information to legislative bodies, creditors, investors, community partners and others with interest in the District's financial position. The Finance department prepares the report and the District is responsible for the accuracy, completeness and fairness of all data presented and representations made. We believe the data presented is accurate in all material aspects and that the manner in which it is presented fairly discloses the financial position of the District at December 31, 2012, and the results of operations and cash flows for the year ending December 31, 2012.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Pursuant to Chapter 43.09.310 Revised Code of Washington (RCW), an independent audit is performed annually. The Washington State Auditor's Office performs the audit which, in addition to meeting the requirements of state statutes, is also designed (if applicable) to meet the requirements of the Single

Audit Act of 1984 and related Circular A-133. The auditor's report on our financial statements and related notes are included in the Financial Section of this report.

Although the District is not required by state statute or administrative rule to formally adopt a budget, the Board of Commissioners (Board) formally adopts the annual budget as a financial plan and to use as a budgetary control for District expenses. The budget process starts with the submission of budget decision packages, which are reviewed by management and brought to the Board for consideration at a budget workshop. Finance staff prepares a preliminary detailed budget based upon the goals, decision packages and policies adopted by the Board at the budget workshop. Budget proceedings occur at the regular commission meetings, which are open to the public for questions and comments. At the final meeting, the Board approves and adopts the budget.

The information presented in the financial statements is perhaps best understood when it is considered within the context of the accompanying Management's Discussion and Analysis (pages 15-20) and Notes (pages 27-56).

DISTRICT PROFILE

This report includes all activities for the Clark Regional Wastewater District. The District is an independent local (Clark County) government and not a segment or component unit of any other local government. Clark Regional Wastewater District is a Special Purpose District organized under the laws of the State of Washington, RCW Title 57, to provide sanitary sewer service to specific areas in Clark County, Washington. The District provides sewer service to approximately 82,000 people who live in unincorporated Clark County. The District is a public agency, formed by public election on May 22, 1958, by a group of businessmen who realized that septic systems would be inadequate to meet the sanitary sewer needs of the area's growing population.

Oversight of the District is provided by three elected officials forming the Board of Commissioners who reside within District boundaries and are elected at-large by voters from the District service area. The Board is responsible for the management, control, direction and operation of the District and its policies and business procedures.

The District is located three miles north of the Vancouver, Washington downtown area. Access to the District is provided by two major highway systems: Interstates 5 and 205. The District employs forty-seven (47) people who work at the District office. Four operating departments within the District include Administration, Finance, Engineering and Maintenance. Below is a definition and scope for each of these departments.

The Administration department (staff of nine) provides oversight and support to all District departments, essential administrative support for the governing body and initiates contracting for professional support as needed. Department staff also provided oversight for the Clark County Regional Sewer Program agency coordination process. The District coordinated partner meeting times and dates and prepared packets as needed. Consultant work for the project was funded by \$4 million from the Washington Department of Ecology Centennial Clean Water Fund. These efforts resulted in the formal incorporation of Discovery Clean Water Alliance in early 2013. Two new administrative assistants were added to effectively deliver additional scope of services to all District departments.

Human Resources are an integral part of the Administration department, providing risk management oversight and administering all aspects of the Human Resources program including: employment, compensation/classification, employee relations, training and employee development, personnel record management, personnel policies, procedure development, legal compliance and internal consulting.

The Finance department (staff of ten) provides accounting functions such as payroll, accounts payable and financial reporting, treasury management, budget oversight and forecasting, financial application systems development, and customer service to approximately 26,000 District utility customers. The Finance department continued to streamline and upgrade its internal processes to promote greater efficiencies and provide excellent customer service. The SelfPay system, used by customers to inquire by phone about their utility account and make payments, was implemented in June 2011. In July 2011, the department upgraded the Springbrook utility billing software to a newer version. The Springbrook software is now compatible with all versions of Microsoft Windows and Microsoft Office, allowing the District to upgrade to newer Microsoft versions. The department answered over 27,000 phone calls from customers, mailed over 150,000 customer bills, e-mailed approximately 14,000 e-bills and assisted about 1,900 walk-in customers. A Customer Service supervisor was added to oversee the delivery of customer service to our utility customers, and a Finance senior accountant was added to help deliver additional scope of services to all District departments.

The Engineering department (staff of eleven) provides engineering services to the District and District customers under the direction of a licensed professional engineer. The services include: development review, facility planning, geographic information services (GIS), design, construction management, inspection services and the operation of a pretreatment program.

A Capital Projects engineer provides professional insight into necessary capital construction projects and replacement and restoration projects. Long-range planning precedes sub-basin planning and provides valuable information about the infrastructure needed to support urban incorporation by Clark County. This insight remains crucial for the successful planning of future infrastructure needs for current and future District customers.

The Maintenance department (staff of seventeen) manages 534 miles of sewer mainlines and laterals and 50 pump stations, which are encompassed in the approximate 37 square mile service area. The department also operates and maintains three satellite sewer systems in the areas of Van Ridge, Meadow Glade and Hockinson. These satellite systems include over 692 individual STEP (Septic Tank Effluent Pumping) tanks and their associated force mains. In addition to mainline maintenance, the department is responsible for maintaining the grounds and buildings on the District campus, as well as performs minor repairs and maintenance to District vehicles. The department continues to use technology to assist with pump station monitoring using the SCADA (Supervisory Control and Data Acquisition) system and the Master Series Asset Management System to assist with the scheduling of line maintenance.

ECONOMIC CONDITIONS AND OUTLOOK

The District is located in southwest Washington and its boundaries reside within Clark County, Washington. Clark County borders northwest Oregon, including Multnomah County and the greater Portland metropolitan area.

At the end of 2012, unemployment rates in Clark County were 8.4%, significantly lower than the 12.1% and 13.7% rates at the end of 2011 and 2010, respectively. At the end of 2012, the state and national average unemployment rates were both 7.6%. Construction and the information and financial services employment sectors in Clark County remained relatively flat, while larger gains occurred in manufacturing, professional business services and health services. Government, public schools and the leisure and hospitality sectors all lost jobs. Economic recovery is occurring in Clark County, however at a slower pace than the rest of the state and many parts of the nation.

During a weakened economic period, the most vulnerable sectors of unemployment tend to be in construction, manufacturing, finance, insurance and retail trade. District sewer permits have reflected this weakness in new construction the last few years; however, the District has experienced increases in sewer permits for 2012. The connection of new construction to the sewer system, have trended from 292 permits in 2010 to 245 permits in 2011 and increased to a total of 334 permits in 2012.

Economic development and residential home construction lagged as a result of the local economy in Clark County starting in 2008. In 2012, economic development started to pick back up. Construction projects in the Clark Regional Wastewater District service area that required new sewer services from 2010 to 2012 include:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
New subdivisions	15	6	5
New single family lots	235	43	52
Commercial developments	4	9	7
Commercial equivalent residential units	7	93	17
Apartment units	131	-	-

The District will continue to monitor construction projects for trends to assess potential impacts on its operations and current customers. The District's steady growth of its customer base, as well as its ability to strategically plan adequate resources for future capital needs for its customers, will reduce the chance of over-commitment of District resources in recessionary periods within the region.

Preserving the financial condition of the District and building upon its financial health are primary goals. The District continues to seek better economies of scale and eliminate redundancies in its operations.

Some significant elements in maintaining a healthy financial condition include:

1. Instituting and maintaining fiscal and debt policies which adequately cover the management and planning of system improvements, replacements and other capital disbursements.
2. Optimizing operating costs to meet customer needs (use of Supervisory Control and Data Acquisition (SCADA) for electronic monitoring of pump stations, instituting building permits module for use by all departments, Geographic Information System (GIS) mapping, etc.).
3. Maintaining adequate but favorable rates through low-cost financing of capital projects to meet the District's objectives and facilitate customer growth.
4. Assessing financial input from advisors, the public and other interested parties.

5. Closely monitoring and making necessary improvements to the existing system of pump stations, collection and transmission lines.

The District is on track to update its twenty (20) year Comprehensive General Sewer Plan in 2016, an action it performs every six years, in conjunction with Clark County's update of the Growth Management Act (GMA). The plan provides a summary of the capital improvement projects (CIP) and the associated costs for the period. The plan is reviewed annually for changes in population and demographic conditions. With the addition of nine square miles to the District's future service territory through the 2007 updated GMA plan adoption as well as the anticipation of an additional five square miles of City of Ridgefield service territory in 2014, the District is developing plans for the construction and financing of infrastructure needs to service new areas, as well as maintain current infrastructure in the existing thirty-seven square miles of service territory.

Since the District has no taxing authority, it must rely solely on revenues from monthly sewer service and connection charges. Monthly sewer service charges fund operations and the costs for collection, transportation and treatment of wastewater. The District increased rates by \$1.00 per month in 2013 after seven years without an increase. A portion of the monthly service charge is held in reserve for the restoration and/or replacement of existing infrastructure and future vehicle and equipment needs. In addition, a portion is held in reserve to meet debt service requirements relating to the Phase IV expansion at the County's Salmon Creek Treatment Plant which was completed and fully placed into service as of 2010. The connection charge is paid on new connections whose wastewater flows to the Salmon Creek or Vancouver treatment plants. State statute authorizes entities providing sewer service to assess this charge representing the owner's equitable share of the system as a condition to granting the right to connect.

The District participated in a study with the City of Vancouver to explore the potential for improved efficiencies in providing wastewater services to Clark County residents inside the City of Vancouver's urban growth area. The study initially resulted in two agreements with the City of Vancouver in 2010 that outline a set of guiding principles that provide for coordination of services and a responsible approach to future annexations. The principles provide for the City to annex parts of the District's service area within the City of Vancouver Urban Growth Boundary over time, but maintain the cost-effective District services for sewer collection for the foreseeable future. The District plans to adopt these agreed upon service levels by resolution in 2013.

In 2009, an initial "Sewer Coalition Planning Study" was completed with participation from twelve Clark County public agencies, including all that provide sewer service within the county. Five contracts resulted from this initial study (a Regional Business Plan, Partner Agency Planning Updates, Yacolt Wastewater Facilities Plan, an Engineering Report and 5% Design for Discovery Corridor Wastewater Management System). These contracts were all funded from a \$4 million Washington Department of Ecology Centennial Clean Water Fund. The District is the coordinating agency/administrative agent for the coalition, with the work of these five professional services contracts continuing to take place through 2013. In addition to the five contracts noted above a county-wide comprehensive sewer plan resulted, detailing transmission and treatment facilities necessary to provide sewer service within the county for the next 50 years.

Another result of the 2009 study was a "Memorandum of Understanding to Develop the Structure for a Regional Wastewater Entity". The Memorandum of Understanding was drafted and signed by four

partner agencies and eight coordinating agencies, to explore the creation of a regional sewer entity. In 2012 the four partner agencies signed another Memorandum of Understanding providing an agreement-in-principle for the framework of the new partnership. The regional sewer entity, Discovery Clean Water Alliance, was formally incorporated in early 2013 by the four partner agencies. The entity would eventually own and operate transmission lines, pump stations and treatment plants to provide sewer treatment service to the mid-Clark County region (Cities of Ridgefield and Battle Ground and the District's service area). Transition activities are scheduled to occur throughout 2013 and 2014, with Discovery Clean Water Alliance anticipated to become fully operational in 2015.

In 2012, the District and the City of Ridgefield (Ridgefield) signed a Memorandum of Understanding (MOU) for transfer of ownership of all of Ridgefield's sewer utility collection system physical assets and all its sewer utility customers to the District. A final asset transfer of ownership agreement and franchise agreement are now being finalized and are expected to be signed by the District and Ridgefield in 2013. Currently scheduled to take place effective January 1, 2014, Ridgefield's approximately 2,000 sewer utility customers would become customers of the District.

The District continues to support the needs of multiple local cities while leveraging District equipment and expertise by contracting for services to provide line cleaning, closed-circuit television (CCTV) camera evaluation of these entities' collection and transmission lines and emergency response support. The costs associated with these services are reimbursed by these government entities when the work is completed.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clark Regional Wastewater District for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. This was the twenty-fifth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We anticipate that our current Comprehensive Annual Financial Report will continue to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In 2003, the District received a certificate of award from the State of Washington Auditor's Office for achieving twenty-one consecutive years of audits without a finding. The District was one of only a few local governmental entities in the State of Washington to not have an audit finding through year-end 2002. As of December 31, 2012, it has been thirty-one consecutive years without an audit finding.

The *American Public Works Association* (APWA) compiles best practices and recommended management practices from across the U.S. and Canada. It then provides that information and a guidance manual for other public works entities to assess the adequacy of their management practices. Public works organizations can then seek accreditation by the APWA through a multi-day on-site evaluation of their practices outlined by the APWA. In August 2005, the District was awarded the

prestigious APWA Certificate of Accreditation for having fully complied with 270 of their practices and having substantially complied with the remaining 4 practices. In 2009, the District went through the process of APWA re-accreditation, and fully complied with all 289 practices. Out of the 289 practices reviewed, the APWA certification team identified and designated five as model practices to be used as a standard for other entities across the country. This included a new Strategic Plan that the District developed in 2009. The District remains the first and only special-purpose district in North America to receive such an award, with our re-certification effective through 2013.

Acknowledgments

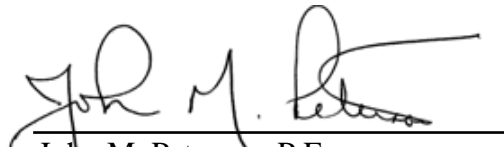
This report was made possible by the staff of the Finance department, the (Washington) Water and Sewer Risk Management Pool, the Washington Department of Retirement Systems and all other departments of the District. Each member of the District, the President, Commissioners, General Manager and the related agencies above, have our sincere appreciation for the contributions made in the preparation of this report.

This report is intended to provide complete and reliable information that can be used to make management decisions, determine compliance with legal provisions and evaluate responsible stewardship of District assets.

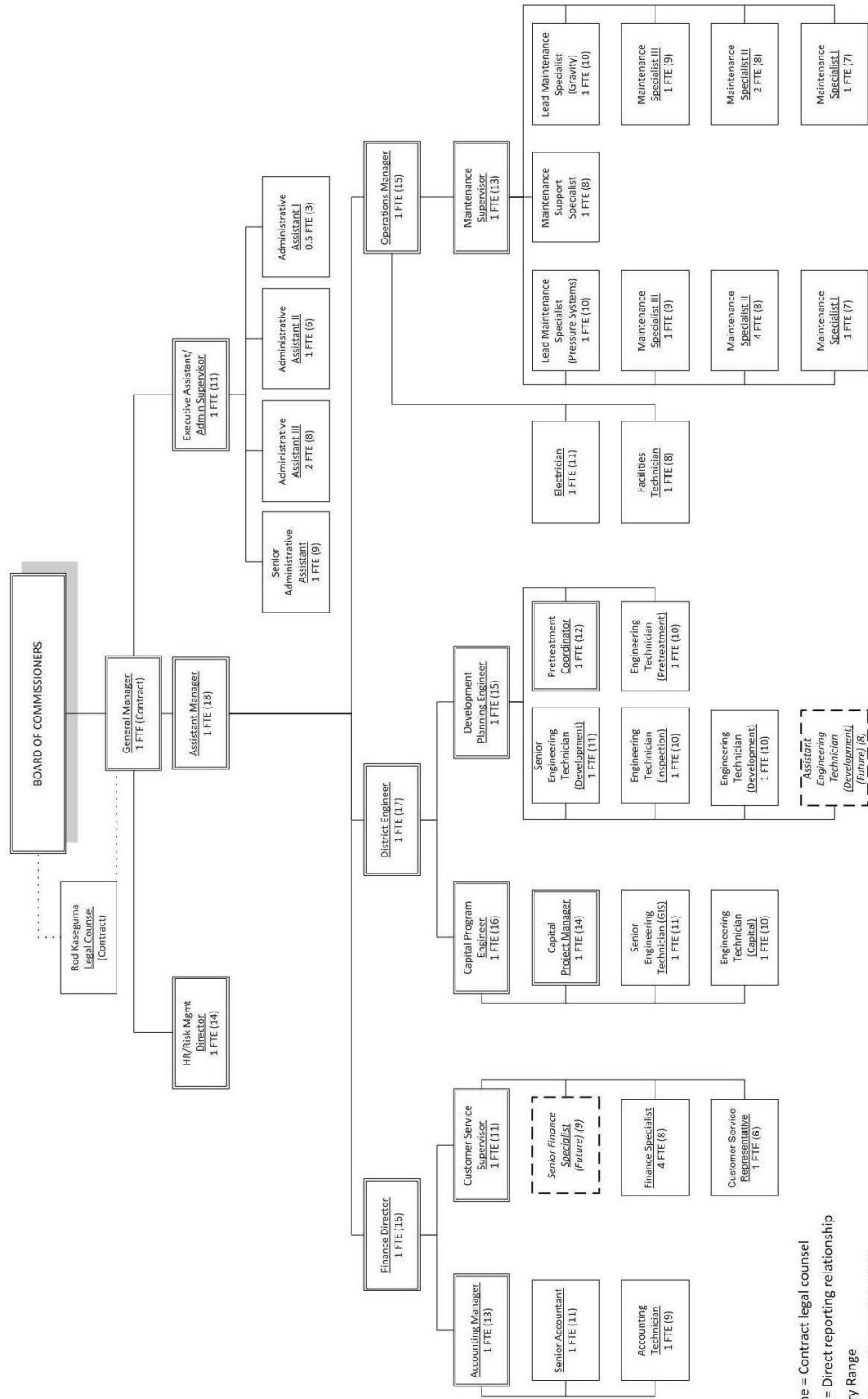
Respectfully submitted,



Ken Andrews, CPA
Finance Director


John M. Peterson, P.E.
General Manager

CLARK REGIONAL WASTEWATER DISTRICT ORGANIZATIONAL CHART



Dotted Line = Contract legal counsel
 Solid Line = Direct reporting relationship
 () = Salary Range
 Total Positions: 47; Total FTE: 46.5

CLARK REGIONAL WASTEWATER DISTRICT DIRECTORY OF OFFICIALS

RCW 57.12.010 provides for a Board of Commissioners consisting of three members to serve as governing body for the District. Each Commissioner serves a 6-year term with elections held every two years.

ELECTED COMMISSIONERS DURING 2012

		<u>Term Expiration</u>
President	L. Neil Kimsey	December 2013
Vice President	John “Denny” Kiggins	December 2017
Secretary	Norm Harker	December 2015

APPOINTIVE

General Manager	John M. Peterson, P.E.
Assistant Manager	Shawn Moore
Finance Director	Ken Andrews, CPA
Attorney	Rod Kaseguma

MAILING ADDRESSES

Office:	P.O. Box 8979 Vancouver, WA 98668-8979
Attorney:	Inslee, Best, Doezie & Ryder, P.S. P.O. Box C-90016 Bellevue, WA 98009-9016

CLARK REGIONAL WASTEWATER DISTRICT GFOA CERTIFICATE OF ACHIEVEMENT

**Certificate of
Achievement for
Excellence in
Financial Reporting**

Presented to
**Clark Regional
Wastewater District, Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is
presented by the Government Finance Officers Association of the United
States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial reports
(CAFRs) achieve the highest standards in government
accounting
and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



**Washington State Auditor
Troy Kelley**

INDEPENDENT AUDITOR'S REPORT

May 1, 2013

Board of Commissioners
Clark Regional Wastewater District
Vancouver, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the Clark Regional Wastewater District, Clark County, Washington, as of and for the years ended December 31, 2012 and 2011 as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 the Clark Regional Wastewater District, Clark County, Washington, as of December 31, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 10, during the year ended December 31, 2012, the District has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 and information on postemployment benefits other than pensions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information identified in the table of contents as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated May 1, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

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**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

INTRODUCTION

As management of the Clark Regional Wastewater District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report.

The following Management's Discussion and Analysis is intended to serve as an introduction to the Clark Regional Wastewater District's basic financial statements, the notes to the financial statements and, if applicable, any other supplementary information required as part of the basic financial statements. Please refer to the accompanying notes to the financial statements regarding capital asset and long-term liability activity, which can be found on pages 27-56.

The District is not legally required to adopt a budget; however, does so as a measure of monitoring revenues and controlling expenses. The Board of Commissioners adopts an annual maintenance and operation budget and uses it as a financial plan for the District. The District has not reported budgetary comparison schedules herein as required supplementary information.

The District's financial statements present a Special Purpose District organized under the laws of the State of Washington, Revised Code of Washington (RCW), Title 57, to provide sanitary sewer service to specific areas in Clark County, Washington. The District is not a segment of any other local (Clark County) government nor is it a component unit thereof. The financial statements are presented in a manner similar to a private-sector business.

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities (i.e. sewer service). Clark Regional Wastewater District reports its activities as an enterprise fund, which is a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities; as such, the District uses the enterprise fund to account for all its activities.

The *Comparative Statement of Net Position* presents information on all the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Clark Regional Wastewater District is improving or deteriorating.

The *Comparative Statement of Revenues, Expenses and Changes in Net Position* displays the change in the District's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of related cash flows.

The *Comparative Statement of Cash Flows* presents the cash flow from operations, non-capital financing and from capital and related financing, as well as from investing activities.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Financial Highlights

- The District issued a \$5,417,645 million sewer revenue bond on November 28, 2012. Proceeds from the issuance were used to reimburse the District for costs associated with Phase III of the Salmon Creek Treatment Plant (SCTP).
- For 2012, the assets of the District exceeded its liabilities by \$139,108,349. Of this amount, \$35,262,946 is classified as unrestricted and may be used to meet the District's ongoing obligations. The District does not have any restricted funds at December 31, 2012.
- The District's change in net position was \$3,897,913 and \$405,608 for 2012 and 2011, respectively. The increases are attributable to capital contributions from developers and connection charges amounting to \$8,339,875 and \$3,893,612 for 2012 and 2011, respectively.
- The change in total liabilities decreased by \$13,951,394 from 2011 to 2012 and decreased by \$5,003,843 from 2010 to 2011. During 2012, the District paid its contractual obligation to Clark County for the SCTP Phase III project which simultaneously decreased the District's deferred revenues by \$4,353,763 from 2011 to 2012. The District also made principal payments on its outstanding sewer revenue bonds of \$570,000, Public Works Trust Fund loans for Phase IV of \$1,207,311 and State Revolving Fund loan of \$45,014. Partially offsetting these decreases in liabilities was an increase of \$5,417,645 in liabilities for the newly issued 2012 revenue bonds.

Assets, Liabilities and Net Position

December 31	2012	Restated 2011	2012 to 2011		Restated 2010	2011 to 2010	
			Change	%		Change	%
<i>Assets</i>							
Current and other assets	\$ 39,221,023	\$ 45,191,335	\$ (5,970,312)	-13.2%	\$ 44,606,953	\$ 584,382	1.3%
Capital assets (net of depreciation) and construction work in progress	135,611,124	139,694,293	(4,083,169)	-2.9%	144,876,909	(5,182,616)	-3.6%
Total assets	174,832,147	184,885,628	(10,053,481)		189,483,862	(4,598,234)	
<i>Liabilities</i>							
Long-term liabilities	30,381,806	39,775,974	(9,394,168)	-23.6%	45,243,734	(5,467,760)	-12.1%
Other liabilities	5,341,992	9,899,218	(4,557,226)	-46.0%	9,435,300	463,918	4.9%
Total liabilities	35,723,798	49,675,192	(13,951,394)		54,679,034	(5,003,842)	
<i>Net position</i>							
Invested in capital assets, net related debt	103,845,403	97,647,088	6,198,315	6.3%	97,964,435	(317,347)	-0.3%
Restricted	-	2,122,351	(2,122,351)	-100.0%	2,127,929	(5,578)	-0.3%
Unrestricted	35,262,946	35,440,997	(178,051)	-0.5%	34,712,464	728,533	2.1%
Total net position	\$ 139,108,349	\$ 135,210,436	\$ 3,897,913		\$ 134,804,828	\$ 405,608	

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets includes land, buildings, pump stations, collection and transmission lines, machinery and equipment, construction in progress on collection and transmission systems and intangible assets. The District's total net investment in capital assets as of December 31, 2012 was \$135.6 million. This decrease of \$4.1 million or 2.9% from 2011 is due to depreciation and amortization exceeding capital additions in 2012. Major capital assets events during the fiscal year included the following:

- The District completed work on the second Septic Elimination Project (SEP), Diamond Willow, in 2012. In addition, planning and construction for two additional District-installed SEP projects, LaLonde and Erin Way, were completed in 2012.
- During 2012, the District replaced several pumps nearing their useful lives with newer technology pumps. The result was greater efficiency and effectiveness in pump station functionality and also a marked decrease in overtime due to the constant ragging issues plaguing older pumps in higher flow areas. Also, a new pump station located at NE 139th Street was completed and brought online. These additions along with some minor work done at the 119th Street Pump Station resulted in an increase in collection structure value of \$676,421.
- The District upgraded its accounting software to a newer version during 2012. The cost for the upgrade increased intangible assets, including future treatment capacity rights value by \$41,817. In addition, new equipment at a cost of \$48,921 was purchased for the inspection of sewer lines.
- The District also had some new exterior lights installed on the main campus and made some repairs to the roof of the main District building. In addition, pavement repairs were made at the main campus. These expenses increased the value of the buildings by \$172,312.
- For further explanations of the capital asset activity of the District, please refer to Note 3, Capital Assets, pages 35-36.

Long-Term Liabilities

- During 2012 the District prepaid its entire contractual obligation payable to Clark County in the amount of \$13,857,696.
- On November 28, 2012, the District issued a \$5,417,645 sewer revenue bond. The outstanding balance owed at year end 2012 is \$5,417,645. The first debt service payment is scheduled for June 2013 in the amount of \$299,404.
- On December 22, 2005, the District issued \$14,000,000 in sewer revenue bonds. The total proceeds, including the premium on the issuance, amounted to \$14,380,554. After the seventh

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

debt service payment was made in December 2012, the outstanding balance at year end 2012 on the bonds plus premium totals was \$10,676,803.

- Loans payable of \$15,671,273 at year end includes \$460,692 for PWTF loans granted for the construction of the District's Glenwood and Hockinson pump stations and \$14,440,660 for Phase IV construction of the SCWMS. The amount also includes \$769,921, the remaining balance on the State Revolving Fund (SRF) loan used for Phase IV construction of the SCWMS.
- Please refer to the Long-Term Liabilities, Note 2, pages 31-34, for more detailed information regarding long-term debt activity.

Revenues and Expenses

	2012	Restated 2011	2012 to 2011		Restated 2010	2011 to 2010	
			Change	%		Change	%
OPERATING REVENUES							
Charges for services	\$ 14,543,675	\$ 14,327,747	\$ 215,928	1.5%	\$ 14,079,658	\$ 248,089	1.8%
Permits	43,925	35,800	8,125	22.7%	38,630	(2,830)	-7.3%
Miscellaneous	372,531	339,839	32,692	9.6%	419,683	(79,844)	-19.0%
Interest and investment income	201,405	289,494	(88,089)	-30.4%	275,168	14,326	5.2%
Nonoperating	1,073,113	779,450	293,663	37.7%	946,186	(166,736)	-17.6%
Total revenues	<u>16,234,649</u>	<u>15,772,330</u>	<u>462,319</u>		<u>15,759,325</u>	<u>13,005</u>	
Operating expenses	17,043,278	16,695,257	348,019	2.1%	15,841,185	854,072	5.4%
Nonoperating expenses	1,062,235	746,648	315,587	42.3%	944,269	(197,621)	-20.9%
Interest expense	2,571,098	1,468,083	1,103,015	75.1%	1,598,864	(130,781)	-8.2%
Total expenses	<u>20,676,611</u>	<u>18,909,988</u>	<u>1,766,621</u>		<u>18,384,318</u>	<u>525,670</u>	
EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS	(4,441,962)	(3,137,658)	(1,304,302)	41.6%	(2,624,993)	(512,665)	19.5%
CAPITAL CONTRIBUTIONS	<u>8,339,875</u>	<u>3,893,612</u>	<u>4,446,263</u>	114.2%	<u>4,520,457</u>	<u>(626,845)</u>	-13.9%
CHANGE IN NET POSITION	3,897,913	755,954	3,141,959	415.6%	1,895,464	(1,139,510)	-60.1%
NET POSITION, January 1	135,210,436	134,804,828	405,608	0.3%	132,090,283	2,714,545	2.1%
PRIOR PERIOD ADJUSTMENTS		(350,346)			819,081		
NET POSITION, December 31	<u>\$ 139,108,349</u>	<u>\$ 135,210,436</u>	<u>\$ 3,547,567</u>		<u>\$ 134,804,828</u>	<u>\$ 1,575,035</u>	

- Service revenues increased in 2012 and 2011 by \$215,928 or 1.5% and \$248,089 or 1.8%, respectively. The increase for 2012 vs. 2011 was in large part due to an increase in single-family residential revenues. The increase for 2011 vs. 2010 was due primarily to several large commercial projects that were completed and connected in the first quarter of the year. Sewer service rates remained unchanged for both years at \$34.00/month per equivalent residential unit (ERU). Actual ERU growth in customers was 456 and 321 ERUs for 2012 and 2011, respectively. The District saw a revenue increase of 22.7% in permitting for 2012, compared to 2011. The District expects growth in 2013 to remain at a level relatively consistent with that seen in 2012. The RFC revenues collected for 2012 totaled \$1,957,784 compared to the \$1,373,818 of 2011 RFC revenues. The increase in RFC connection receipts in 2012 from 2011 was the result of more permits issued for connections in 2012 than in 2011, while the fee per connection remained constant at \$4,444. Interest and investment income decreased by (30.4%) from 2011. This was partially due to the fact that the total dollar amount of investments earning

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

interest throughout the year decreased in 2012 as more investments were liquidated and sold than were purchased and a portion of reserves were used to reduce overall debt.

- Operating expenses for 2012 increased over 2011 by \$348,019 or 2.1%. Depreciation and amortization costs remained relatively unchanged from the 2011 amount. Labor costs overall reflect an increase of \$44,499 for 2012 due to an increase in the number of FTE employees working. Personnel benefit costs increased \$141,069 in 2012 vs. 2011 due to increases in state-mandated employer PERS contribution rates, workers compensation rates, health insurance premiums, and OPEB liability. Interest expense totaled \$2,571,098 and \$1,468,083 for 2012 and 2011, respectively. No payments are due on the newly issued 2012 revenue bonds until 2013.

Cash Flows

With the adoption of an update to Clark County's Growth Management Act in 2007, Clark Regional Wastewater District saw an additional nine (9) square miles added to its service area. The District correspondingly completed an update to its Comprehensive Sewer Plan in 2007 to begin planning for infrastructure to service this additional area. Growth in sewer service customers and potential service charge increases will help fund the next phase of capital expansion to the County's SCWMS. Growth and scheduled increases in rates will provide the needed annual cash flow from operating activities to fund the District's capital needs in the future.

Economic Factors and 2013 Budget

The District experienced a negative operating income for 2012, spending down some cash reserves, while at the same time, servicing debt for Phase IV capital expansion of the SCWMS. The District increased rates in 2004, 2005 and 2006 by \$3.50/month per equivalent residential unit (ERU) each year. These rate increases are primarily used to fund the Phase IV capital expansion and provide the cash flow for the related debt service.

The District has been fortunate in qualifying for \$20 million in low cost (0.5%) financing from the State of Washington PWTF loan program and \$1 million in low cost (2.6%) financing from the State of Washington SRF loan program. This has allowed the District to keep its current rates steady for its ratepayers. The District will continue to work to stabilize future rate impacts, while at the same time pay for its ongoing operating, capital and replacement and restoration needs by providing a rate structure that will accommodate all three aspects of disbursements into the future. The District continues to experience healthy financial results, but future rate development and review remains a continued priority for District staff as we plan for the future with 20-year forecast modeling.

The District's 2013 approved budget is \$18.4 million. Sewer service charges are budgeted to increase \$0.4 million, the primary driver being a 2.9% increase in the monthly rate charged per ERU per month. The District repealed all resolutions to collect both a general facilities charge (GFC) and a regional facilities charge (RFC) at the end of 2012. The board adopted a tiered system development charge (SDC) for 2013.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Operation and maintenance expenses are budgeted at \$3.9 million, debt service at \$3.0 million and construction costs of \$3.9 million.

Requests for Information

This financial report is designed and intended to provide a general overview of the District's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clark Regional Wastewater District, Finance Director, PO Box 8979, Vancouver, WA 98668-8979 or www.crwwd.com.

CLARK REGIONAL WASTEWATER DISTRICT
2012
Financial Statements

CLARK REGIONAL WASTEWATER DISTRICT COMPARATIVE STATEMENT OF NET POSITION

ASSETS

	DECEMBER 31,	
	2012	Restated 2011
CURRENT ASSETS		
Unrestricted current assets		
Cash and cash equivalents	\$ 28,901,612	\$ 27,626,554
Investments (at fair value)	500,072	-
Receivables		
Customer accounts	1,540,394	1,710,326
Contracts (current and delinquent)	909,721	483,180
Special assessment receivable	5,679	10,373
Interest	26,347	31,672
Prepaid expenses	180,144	175,777
Total unrestricted current assets	<u>32,063,969</u>	<u>30,037,882</u>
Restricted current assets		
Restricted cash and cash equivalents	-	2,569,130
Total restricted current assets	<u>-</u>	<u>2,569,130</u>
Total current assets	<u>32,063,969</u>	<u>32,607,012</u>
NONCURRENT ASSETS		
Investments (at fair value)	6,496,228	8,018,427
Contracts receivable	421,674	415,411
Deferred engineering and unamortized bond issuance, net	239,152	243,500
Restricted long-term assets		
Restricted cash and cash equivalents	-	787,985
Due from other governments	-	3,119,000
Total long-term assets	<u>7,157,054</u>	<u>12,584,323</u>
Capital assets not being depreciated:		
Land and land rights	578,745	578,745
Construction work in progress	1,666,168	1,914,061
	<u>2,244,913</u>	<u>2,492,806</u>
Capital assets being depreciated:		
Buildings	3,702,346	3,530,034
Improvements other than buildings	112,311,323	108,950,713
Equipment	3,112,929	3,055,749
Less: accumulated depreciation	<u>(35,035,790)</u>	<u>(32,604,755)</u>
	<u>84,090,808</u>	<u>82,931,741</u>
Capital assets being amortized:		
Intangible assets, including future treatment capacity rights	85,642,754	85,600,937
Less: accumulated amortization	<u>(36,367,351)</u>	<u>(31,331,191)</u>
	<u>49,275,403</u>	<u>54,269,746</u>
Total noncurrent assets	<u>142,768,178</u>	<u>152,278,616</u>
Total assets	<u>\$ 174,832,147</u>	<u>\$ 184,885,628</u>

The notes to the financial statements are an integral part of this statement.

CLARK REGIONAL WASTEWATER DISTRICT COMPARATIVE STATEMENT OF NET POSITION

LIABILITIES AND NET POSITION

	DECEMBER 31,	
	2012	Restated 2011
CURRENT LIABILITIES		
Warrants payable	\$ 1,697,920	\$ 1,154,652
Accounts payable	639,852	687,104
Loans payable	1,253,510	1,252,325
Interest payable	88,465	145,167
Revenue collected in advance	405,755	395,097
Construction deposits	113,738	126,789
Compensated absences	29,980	23,073
Contract obligation payable to Clark County	-	2,723,216
Sewer revenue bonds, net of unamortized bond premium	1,112,772	589,107
Current liabilities payable from restricted assets -		
Deferred revenues - regional and general facilities	-	2,802,687
Total current liabilities	<u>5,341,992</u>	<u>9,899,218</u>
NONCURRENT LIABILITIES		
Compensated absences	303,129	233,294
Other postemployment benefits (OPEB)	679,238	509,047
Loans payable	14,417,763	15,671,274
Deferred revenues - regional and general facilities	-	1,551,076
Contract obligation payable to Clark County	-	11,134,480
Sewer revenue bonds, net of unamortized bond premium	14,981,676	10,676,803
Total noncurrent liabilities	<u>30,381,806</u>	<u>39,775,974</u>
Total liabilities	<u>35,723,798</u>	<u>49,675,192</u>
NET POSITION		
Net investment in capital assets	103,845,403	97,647,088
Restricted for regional facilities and PWTF	-	2,122,351
Unrestricted	<u>35,262,946</u>	<u>35,440,997</u>
Total net position	<u>\$ 139,108,349</u>	<u>\$ 135,210,436</u>

The notes to the financial statements are an integral part of this statement.

**CLARK REGIONAL WASTEWATER DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	YEAR ENDED DECEMBER 31,	
	2012	Restated 2011
OPERATING REVENUES		
Charges for services	\$ 14,543,675	\$ 14,327,747
Permits	43,925	35,800
Other operating revenue	372,531	339,839
Total utility operating revenues	14,960,131	14,703,386
OPERATING EXPENSES		
Salaries and wages	2,586,476	2,541,977
Personnel benefits	1,291,415	1,150,346
Supplies	490,097	389,578
Professional services	253,808	127,792
Insurance	110,877	105,051
Treatment contract services	3,899,600	3,967,274
Taxes	296,849	285,938
Other operating expense	623,040	579,644
Depreciation and amortization	7,491,116	7,547,657
Total operating expenses	17,043,278	16,695,257
OPERATING INCOME (LOSS)	(2,083,147)	(1,991,871)
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	201,405	289,494
Other non-operating revenue	1,073,113	779,450
Other nonoperating expense	(1,062,235)	(746,648)
Interest expense	(2,571,098)	(1,468,083)
Total non-operating revenue (expenses)	(2,358,815)	(1,145,787)
INCOME BEFORE CONTRIBUTIONS	(4,441,962)	(3,137,658)
CAPITAL CONTRIBUTIONS	8,339,875	3,893,612
CHANGE IN NET POSITION	3,897,913	755,954
TOTAL NET POSITION, January 1	135,210,436	134,804,828
PRIOR PERIOD ADJUSTMENT	-	(350,346)
TOTAL NET POSITION, December 31	\$ 139,108,349	\$ 135,210,436

The notes to the financial statements are an integral part of this statement.

**CLARK REGIONAL WASTEWATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2012	Restated 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 15,104,161	\$ 14,655,928
Payments to suppliers	(5,562,121)	(5,349,402)
Payments to employees	(3,629,949)	(3,474,940)
Other revenues and reimbursements	10,878	32,802
Net cash from operating activities	5,922,969	5,864,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Reimbursements collected from other agencies	665,990	774,229
Receipts collected (payments) for other agencies	(1,098,542)	(809,125)
Net cash from noncapital financing activities	(432,552)	(34,896)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributed by assessments	4,694	8,738
Receipts for future system improvements	2,924,356	1,278,047
Proceeds from bond issuance	5,379,466	-
Principal paid on long-term debt	(12,580,128)	(4,448,288)
Interest paid on long-term debt	(2,627,800)	(653,536)
Acquisition and construction of capital assets	(1,900,414)	(1,764,608)
Net cash from capital and related financing	(8,799,826)	(5,579,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,984,626)	(7,985,350)
Proceeds from maturing or called investments	10,000,000	7,218,928
Interest on investments	188,656	255,216
Interest on assessments	512	2,512
Interest on contracts	22,810	20,789
Net cash from investing activities	1,227,352	(487,905)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,082,057)	(238,060)
CASH AND CASH EQUIVALENTS, January 1	30,983,669	31,221,728
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 28,901,612</u>	<u>\$ 30,983,669</u>

The notes to the financial statements are an integral part of this statement.

CLARK REGIONAL WASTEWATER DISTRICT

COMPARATIVE STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2012	Restated 2011
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM		
OPERATING ACTIVITIES		
Utility operating income (loss)	\$ (2,083,147)	\$ (1,991,871)
Adjustments to reconcile operating income to net from operating activities		
Depreciation and amortization expense	7,491,116	7,547,657
(Increase) decrease in accounts receivable	169,932	88,697
(Increase) decrease in contracts receivable	(36,560)	(142,899)
(Increase) decrease in prepaid expenses	(4,367)	(37,499)
Increase (decrease) in warrants payable	210,618	271,052
Increase (decrease) in accounts payable	(5,472)	(30,365)
Increase (decrease) in accrued employee benefits	170,191	156,962
Increase (decrease) in revenue collected in advance	10,658	2,653
Total adjustments	<u>8,006,116</u>	<u>7,856,258</u>
Net cash from operating activities	<u>\$ 5,922,969</u>	<u>\$ 5,864,387</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers or governments	\$ 1,048,701	\$ 394,050
Increase (decrease) in fair value of investments	\$ 13,879	\$ 19,127

The notes to the financial statements are an integral part of this statement.

Note 1 - General Description of the District and Summary of Significant Accounting Policies

The Hazel Dell Sewer District (District) was formed May 22, 1958, as a Special Purpose District to provide sanitary sewers in the collection, transport and treatment of wastewater within its legal boundaries. The District operates under an independent, three-member elected Board of Commissioners as provided by Revised Code of Washington (RCW) Title 57, with the General Manager responsible for the daily management of operational and administrative activities of the District. The District changed its legal name to Clark Regional Wastewater District effective January 1, 2006.

Reporting entity - The District is a political subdivision of the State of Washington. The Governmental Accounting Standards Board (GASB) has established the generally accepted accounting principles, which qualifies a Special Purpose District to be the primary government. The District meets all three criteria:

1. An independent, elected governing body that is directly accountable to its citizens within the District;
2. A separate legal entity having legal autonomy to act within its statutory purpose; and
3. Financial accountability is focused on the independent elected governing body and such governing body has the autonomy, authority to approve and modify its budget or to set rates or charges to maintain its fiscal independence.

In evaluating the criteria set forth by GASB for component units, the District has looked at all potential legal entities that would qualify as a component unit and be included in the financial statements of the District and concludes that no component units should be included in the financial statements of the District. The District's financial statements include the financial position and results of operation of a single enterprise that the District manages and has custodial responsibility over the assets and liabilities therein.

Basis of accounting and presentation - The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP).

The District uses the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. Assets are capitalized based upon the District's capitalization policy and long-term liabilities are accounted for in the appropriate accounts.

Of the eleven fund types established by GAAP, two are classified as proprietary funds. These are the enterprise funds and the internal service funds.

The District accounts for its operations within an enterprise fund, which is similar to a private business enterprise. The District provides for the collection, transport and treatment of sewer services to the public on a continuing basis and this activity is funded through a variety of user, connection and capital construction charges and is recorded within the enterprise fund. Debt may be used at various times to fund capital construction costs and the financing costs are secured through these same charges. The District uses the enterprise fund to capture the cost of providing its services and its capital improvements by using the economic resources measurement focus. This means the District's assets and liabilities are segregated between current and non-current, with its equity reported as capital contributions and

Note 1 - General Description of the District and Summary of Significant Accounting Policies (Continued)

changes in net position. The operating statement of the District presents the revenues, expenses and the change in net position.

The District distinguishes between operating revenues and expenses from nonoperating items. Operating revenues are derived from the sewer services provided to the ratepayers of the District. Operating expenses include the cost of providing sewer services (i.e. maintenance, engineering, treatment and administration), as well as depreciation and amortization of capital assets. All revenues and expenses not meeting the above criteria are reported as nonoperating revenues and expenses, such as interest income and expense.

Cash and cash equivalents - For the purposes of the Comparative Statements of Net Position and Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All amounts in pooled accounts are considered to be cash equivalents. Investments purchased with an original maturity of more than three months are classified as investments.

Investments - Investments are reported at fair value on quoted market prices for securities purchased by the District and as reported by the state's local government investment pool in which the District participates. All investments held have readily available market prices. The change in fair value is reported in the Comparative Statement of Revenues, Expenses and Changes in Net Position as investment earnings. Realized gains or losses on the maturity or disposition of securities are not separately disclosed.

Receivables - Accounts receivables represent user charges for sewer services, which are recognized as earned. All accounts receivables are due from users within the service area of the District. Since the District is allowed to record a lien on the property served and, ultimately, may foreclose on such property, payment on delinquent accounts are eventually received.

Contracts and special assessment receivables are related to construction costs, as well as any applicable financing costs corresponding to such sanitary sewer construction for a particular property or group of properties. Contracts and special assessments are provided under state statutes and direct the process in which the District extends sanitary sewer and services to properties. Contracts and special assessments are recorded as an enforceable lien on the property when they are levied. These receivables consist of current, delinquent and deferred billed principal with related interest and penalties. As of December 31, 2012 and 2011, contract and special assessment receivables that were delinquent were \$52,563 and \$32,142, respectively.

Restricted assets - All restricted assets were used during 2012 to pay the Clark County Contract Obligation associated with the Phase III capital expansion project.

The District collected a connection fee through December 2012 called the Regional Facility Charge (RFC) which paid for about 82% of the debt service related to the Phase III capital expansion at the County's Salmon Creek Treatment Plant. This percentage was derived by the amount of capital expansion related to growth and not to environmental or regulatory concerns. These funds were restricted within an account called the Regional Facility Charge account. The Joint Interlocal Agreement, as well as the bond covenants, required that connection fees be collected and restricted for

Note 1 - General Description of the District and Summary of Significant Accounting Policies (Continued)

payment of the Contract Obligation Payable to Clark County. Clark County and the District rescinded the collection of the RFC and utilized the remaining funds in the Regional Facility account to pay the Clark County Contract Obligation.

The District had no restricted assets as of December 31, 2012. Restricted assets as of December 31, 2011 were:

Regional facilities account	
Cash and cash equivalents	\$ 3,357,114
Due from other governments	3,119,000
Total restricted assets	<u>\$ 6,476,114</u>

Capital assets - Capital assets are stated at historical cost. Whenever historical cost is not known, assets are recorded based upon engineering study estimates. Projects constructed or donated by developers, local governments or customers are stated at estimated fair value at the time contributed.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. The District does not reflect any capitalized interest for 2012 or 2011.

Major additions, improvements and replacements are capitalized if the District's capitalization threshold is met – a purchase or construction cost greater than \$5,000 and with a useful life of two or more years. Normal maintenance and repairs are charged to operations as incurred. Gains or losses realized from the sale or disposition of capital assets are reflected in the Comparative Statement of Revenues, Expenses and Changes in Net Position.

Estimating the useful lives of capital assets requires the exercise of management judgment and actual lives may differ from these estimates. Changes to these initial estimates are made when appropriate.

Depreciation is computed on capital assets when the assets are placed into service using the straight-line method over their estimated useful life as follows:

Buildings	50 years
Improvements other than buildings	50 years
Machinery, furniture and equipment	5 - 15 years

The District records the preliminary project costs, as well as construction disbursements, in a work in progress account until final completion is determined before transferring these costs to a utility plant in service account.

Compensated absences - Accumulated but unpaid compensated absences (vacation) are recorded as liabilities as earned. Vacation may accumulate up to a maximum of 240 hours or, for those restricted to contracts, the contract amount. Sick leave earned, vested and unused by District employees is compensable at 50% of its value upon voluntary termination, retirement or death and is recorded as a District liability. Sick leave may accumulate beyond 960 hours for an employee; however, 50% of 960

Note 1 - General Description of the District and Summary of Significant Accounting Policies (Continued)

hours is the maximum payout allowed. Total accrued unpaid compensated absences (vacation and sick leave) amounted to \$333,109 and \$256,367 at December 31, 2012 and 2011, respectively.

Prepaid expenses - The District uses the consumption method to account for prepaid expenses.

Intangible assets - The District currently recognizes its future treatment capacity rights in Clark County's Salmon Creek Treatment Plant as a component (intangible assets) of the District's net capital assets, in compliance with GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets."* Intangible assets, software and future treatment capacity rights, are amortized over periods of 5 years and 20 years respectfully, using the straight line method.

Note 2 - Long-Term Liabilities

Revenue bonds are authorized and adopted by the Board of Commissioners for construction of capital additions. Sewer revenues of the District provide the security for repayment of District debt.

Loans - The State of Washington has a low-cost financing program that allows public entities in the state to finance public works (i.e. roads, bridges, building and sewer treatment; collection transmission facilities). This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board, who has approved six loans to the District, all with twenty annual repayment periods.

The District funded construction of the Glenwood and Hockinson pump station projects with PWTF loans, issued notices of completion and a final draw has been executed. With regard to the four Salmon Creek Treatment Plant loans, notices of completion have been filed for each of the 2003, 2004, 2005 and 2008 PWTF loans, totaling \$20,000,000, and the funds are fully drawn down. The total loan amounts expended were for design (pre-construction) and construction activities of \$2,000,000 and \$18,000,000, respectively. Loans from the state PWTF will be repaid over a period not to exceed 20 years at the stated interest rates.

Below is a schedule of a description of each loan, its use, and outstanding balance as of December 31, 2012:

<u>Public Works Trust Fund Loans</u>	<u>Loan Number</u>	<u>Notice of Completion</u>	<u>Approved Loan Amount</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>
Glenwood pump station, force main and gravity sanitary sewer project	PW-5-95-791-010	September 1998	\$ 2,185,960	\$ 349,212	1.0%
Hockinson pump station and pressure sanitary sewer project	PW-5-96-791-018	September 1999	502,670	111,480	1.0%
Salmon Creek Treatment Plant - Preconstruction engineering and planning (Phase IV)	PW-03-691-PRE-107	October 2003	1,000,000	578,947	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PW-04-691-033	May 2004	10,000,000	6,440,660	0.5%
Salmon Creek Treatment Plant - Preconstruction engineering and planning (Phase IV)	PW-05-691-PRE-116	June 2005	1,000,000	684,210	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PC-08-951-009	March 2008	8,000,000	<u>6,736,842</u>	0.5%
				<u>\$ 14,901,351</u>	

Note 2 - Long-Term Liabilities (Continued)

For 2012, the District paid \$1,290,880 (\$1,207,311 principal and \$83,568 interest) on these PWTF loans. The annual debt service requirements for the PWTF loans payable are as follows:

State of Washington - Public Works Trust Fund Loans									
Year	Glenwood Pump Station		Hockinson Pump Station		SCWMS*		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Payments
2013	\$ 116,404	\$ 3,492	\$ 27,870	\$ 1,115	\$ 1,063,038	\$ 72,203	\$ 1,207,311	\$ 76,810	\$ 1,284,122
2014	116,404	2,328	27,870	836	1,063,038	66,888	1,207,311	70,052	1,277,364
2015	116,404	1,164	27,870	557	1,063,037	61,573	1,207,311	63,294	1,270,605
2016	-	-	27,870	279	1,063,038	56,258	1,090,908	56,537	1,147,445
2017	-	-	-	-	1,063,038	50,942	1,063,038	50,942	1,113,980
2018-2022	-	-	-	-	5,315,188	174,987	5,315,188	174,987	5,490,175
2023-2027	-	-	-	-	3,389,232	51,997	3,389,232	51,997	3,441,229
2028	-	-	-	-	421,052	2,105	421,052	2,105	423,157
Total	\$ 349,212	\$ 6,984	\$ 111,480	\$ 2,787	\$ 14,440,659	\$ 536,953	\$ 14,901,351	\$ 546,725	\$ 15,448,076

* Salmon Creek Wastewater Management System, Public Works Trust Fund Loans.

In 2006, the District was granted a \$1,000,000 Washington State Revolving Fund (SRF) loan which was fully drawn and expended in 2007. Below is a schedule with a description of the loan and its use.

State Revolving Fund	Loan Number	Notice of Completion	Approved Loan Amount	Balance	Interest Rate
Salmon Creek Treatment Plant - Construction (Phase IV)	L0700014	March 2007	\$ 1,000,000	\$ 769,921	2.6%

Debt service on this loan for 2012 totaled \$66,025 (\$45,014 principal and \$21,011 interest). The annual debt service requirements for this SRF loan payable are as follows:

State of Washington - State Revolving Fund Loan			
Year	Principal	Interest	Payments
2013	\$ 46,198	\$ 19,827	\$ 66,025
2014	47,414	18,611	66,025
2015	48,661	17,364	66,025
2016	49,942	16,083	66,025
2017	51,256	14,769	66,025
2018-2022	277,231	52,893	330,124
2023-2026	249,219	14,880	264,099
Total	\$ 769,921	\$ 154,427	\$ 924,347

Note 2 - Long-Term Liabilities (Continued)

Revenue Bonds - The District issued sewer revenue bonds totaling \$14,000,000 in 2005 to help finance Phase IV capital construction costs of the Salmon Creek Wastewater Management System. The bond proceeds were fully drawn and expended by 2007 to fund construction costs. Debt service on the loan for 2012 totaled \$1,094,440 (\$570,000 principal and \$524,440 interest). The annual debt service requirements for these sewer revenue bonds are as follows:

Year	2005 Sewer Revenue Bonds		Total Debt Service
	Principal	Interest	
2013	\$ 600,000	\$ 491,665	\$ 1,091,665
2014	625,000	467,665	1,092,665
2015	660,000	436,415	1,096,415
2016	685,000	406,715	1,091,715
2017	715,000	379,315	1,094,315
2018-2022	4,145,000	1,323,325	5,468,325
2023-2025	3,000,000	283,185	3,283,185
Total	\$ 10,430,000	\$ 3,788,285	\$ 14,218,285

The District issued sewer revenue bonds totaling \$5,417,645 in November 2012. Proceeds were used to reimburse the District for funds used to retire Clark County's 2001 sewer revenue bonds. The annual debt service requirements for these 2012 sewer revenue bonds are as follows:

Year	2012 Sewer Revenue Bonds		Total Debt Service
	Principal	Interest	
2013	\$ 493,665	\$ 105,739	\$ 599,404
2014	504,993	95,007	600,000
2015	515,041	84,959	600,000
2016	525,289	74,711	600,000
2017	535,741	64,259	600,000
2018-2022	2,842,916	157,084	3,000,000
Total	\$ 5,417,645	\$ 581,759	\$ 5,999,404

Note 2 - Long-Term Liabilities (Continued)

Changes in long-term liabilities as a summary for the year ended December 31, 2012:

	Balance Jan. 1, 2012	Additions	Reductions	Balance Dec. 31, 2012	Due Within One Year
Compensated absences	\$ 256,367	\$ 76,742	\$ -	\$ 333,109	\$ 29,980
Other post employment benefits	509,047	170,191	-	679,238	-
Loans payable	16,923,599	-	1,252,325	15,671,273	1,253,510
Deferred revenues - regional facilities	4,353,763	-	4,353,763	-	-
Sewer revenue bonds					
2005 sewer revenue bonds	11,000,000	-	570,000	10,430,000	600,000
For issuance and premium	265,910		19,107	246,803	19,107
2012 sewer revenue bonds	-	5,417,645	-	5,417,645	493,665
Contract obligation payable - Clark County	13,857,695	-	13,857,695	-	-
Total long-term liabilities	<u>\$ 47,166,381</u>	<u>\$ 5,664,578</u>	<u>\$ 20,052,890</u>	<u>\$ 32,778,068</u>	<u>\$2,396,262</u>

Changes in long-term liabilities as a summary for the year ended December 31, 2011:

	Balance Jan. 1, 2011	Additions	Reductions	Balance Dec. 31, 2011	Due Within One Year
Compensated absences	\$ 258,106	\$ -	\$ 1,739	\$ 256,367	\$ 23,073
Other post employment benefits	350,346	158,701	-	509,047	-
Loans payable	18,174,769	-	1,251,170	16,923,599	1,252,325
Deferred revenues - regional facilities	5,768,042	1,391,801	2,806,080	4,353,763	2,802,687
Sewer revenue bonds					
2005 sewer revenue bonds	11,545,000	-	545,000	11,000,000	570,000
For issuance and premium	285,017	-	19,107	265,910	19,107
Contract obligation payable - Clark County	16,475,911	-	2,618,216	13,857,695	2,723,216
Total long-term liabilities	<u>\$ 52,857,191</u>	<u>\$ 1,550,502</u>	<u>\$ 7,241,313</u>	<u>\$ 47,166,381</u>	<u>\$7,390,408</u>

Note 3 - Capital Assets

The following schedule of capital assets is recorded at historical costs with any related additions due to purchases or utility plant brought into service. The District, for 2012, incurred \$2,138,832 of construction work-in-process project costs (i.e. pump stations, pump station improvements, force mains and treatment plant expansion) and transferred \$2,386,725 from construction work-in-process into service. With construction of Phase IV now complete in the Salmon Creek Wastewater Management System, owned by Clark County, wastewater treatment capacity at the Salmon Creek Treatment Plant has increased to 14.95 million gallons per day (MGD) from 10.3 MGD previously. Although Clark Regional Wastewater District doesn't have ownership of the physical asset it does, via interlocal agreement between Clark County, City of Battle Ground and the District, own 77% of the increased treatment capacity of the plant constructed with this newest phase now complete. This intangible asset, per GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets,"* is recognized in our capital assets as "future treatment capacity rights," at a value at December 31, 2012 and 2011 of \$49,231,708 and \$54,260,657, respectively.

Capital assets activity for the year ended December 31, 2012, is as follows:

	Balance Jan. 1, 2012	Additions & Transfers	Retirements & Transfers	Balance Dec. 31, 2012
CAPITAL ASSETS - NONDEPRECIABLE:				
Land and land rights	\$ 578,745	\$ -	\$ -	\$ 578,745
Construction work in progress	1,914,061	2,138,832	2,386,725	1,666,168
Total capital assets - nondepreciable	2,492,806	2,138,832	2,386,725	2,244,913
CAPITAL ASSETS - DEPRECIABLE:				
Collection and transmission system	100,668,003	2,153,093	-	102,821,096
Buildings	3,530,034	172,312	-	3,702,346
Pumping stations	8,282,710	1,207,517	-	9,490,228
Machinery, furniture and equipment	3,055,749	57,180	-	3,112,929
Intangible assets, including future treatment capacity rights	85,600,937	41,817	-	85,642,754
Total capital assets - depreciable	201,137,433	3,631,920	-	204,769,353
LESS ACCUMULATED DEPRECIATION:				
Collection and transmission system	(27,541,021)	(2,048,480)	-	(29,589,501)
Buildings	(1,011,902)	(75,614)	-	(1,087,516)
Pumping stations	(1,623,580)	(183,930)	-	(1,807,510)
Machinery, furniture and equipment	(2,428,251)	(123,011)	-	(2,551,263)
Intangible assets, including future treatment capacity rights	(31,331,191)	(5,036,160)	-	(36,367,351)
Total accumulated depreciation	(63,935,946)	(7,467,195)	-	(71,403,141)
Total capital assets - depreciable, net	137,201,487	(3,835,276)	-	133,366,212
Total capital assets, net	\$ 139,694,293	\$ (1,696,444)	\$ 2,386,725	\$ 135,611,124

Note 3 - Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2011, is as follows:

	Balance Jan. 1, 2011	Additions & Transfers	Retirements & Transfers	Balance Dec. 31, 2011
CAPITAL ASSETS - NONDEPRECIABLE:				
Land and land rights	\$ 578,745	\$ -	\$ -	\$ 578,745
Construction work in progress	293,989	1,887,887	267,815	1,914,061
Total capital assets - nondepreciable	872,733	1,887,887	267,815	2,492,806
CAPITAL ASSETS - DEPRECIABLE:				
Collection and transmission system	100,085,666	582,337	-	100,668,003
Buildings	3,517,864	12,171	-	3,530,034
Pumping stations	8,178,686	104,024	-	8,282,710
Machinery, furniture and equipment	3,032,908	22,841	-	3,055,749
Intangible assets, including future treatment capacity rights	85,600,937	-	-	85,600,937
Total capital assets - depreciable	200,416,060	721,373	-	201,137,433
LESS ACCUMULATED DEPRECIATION:				
Collection and transmission system	(25,514,452)	(2,026,570)	-	(27,541,021)
Buildings	(937,117)	(74,785)	-	(1,011,902)
Pumping stations	(1,451,026)	(172,555)	-	(1,623,580)
Machinery, furniture and equipment	(2,240,247)	(188,004)	-	(2,428,251)
Intangible assets, including future treatment capacity rights	(26,269,044)	(5,062,147)	-	(31,331,191)
Total accumulated depreciation	(56,411,885)	(7,524,061)	-	(63,935,946)
Total capital assets - depreciable, net	144,004,175	(6,802,688)	-	137,201,487
Total capital assets, net	\$ 144,876,909	\$ (4,914,801)	\$ 267,815	\$ 139,694,293

Note 4 - Deposits and Investments

The District is legally authorized to invest in the types of investments included in the Revised Code of Washington (RCW) 36.29.020. All of the investments and deposits held at December 31, 2012, comply with the provisions of that code section and with District Code Chapter 3.20.

Deposits - The District's deposits are managed by the District Finance Director and are held in qualified bank depositories meeting the requirements specified by the Washington Public Deposit Protection Commission, as well as the District's investment policy. It is the District's policy to invest funds in a manner that: 1) provides maximum security that the investment proceeds will be returned upon maturity, 2) provides adequate liquidity to meet cash needs and, 3) provides the greatest return on investment. The level of custodial credit risk relates to the level of insurance a financial institution will provide if financial difficulties were to occur that would affect District deposits. The amount of collateral a financial institution will pledge as security for the deposits and the level of creditworthiness the financial institution has with regard to such security will determine the level of custodial credit risk that exists.

The District deposits are entirely insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in the Washington State Local Government Pool administered by the Washington Public Deposit Protection Commission (WPDP) or through the Securities Investor Protection Corporation (SIPC). The District Code 3.20.010 provides that whenever there are more than sufficient funds or cash balances to meet current expenses payable, a portion of such funds or balances as deemed expedient may be invested in securities authorized within its investment policy.

The Washington State Local Government Investment Pool (LGIP) is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission. Cash investments are not subject to interest rate risk or any market value reporting requirement as defined by GASB 31. The weighted average maturity of the investment pool is less than 90 days meaning the proceeds are defined as a cash equivalent liquid investment and not subject to interest rate risk. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee.

As of December 31, 2012 and 2011, the District's cash and cash equivalents are as follows:

	2012	2011
Cash and cash equivalents:		
Bank depository and checking accounts	\$ 536,203	\$ 868,528
Money market		3,750
Petty cash	1,000	2,500
Washington state local government investment pool	28,364,408	30,108,892
Total cash and cash equivalents and investments	<u>\$ 28,901,612</u>	<u>\$ 30,983,670</u>

Note 4 - Deposits and Investments (Continued)

Investments - District investments are managed by the Finance Director in accordance with guidelines outlined in RCW (36.29.020), as well as the District's investment policy. The District's investment policy limits to twenty-five percent (25%) any one type of issuer of security, but excludes this limitation in relation to obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, as well as the Washington State Local Government Investment Pool (LGIP). Investments in securities issued by U.S. government-sponsored enterprises, repurchase agreements, banker's acceptances, certificates of deposits and notes of designated public depositories are held to this limitation.

Interest rate risk relates to how the fair value of an investment may adversely be affected by changes in interest rates. With regard to interest rate risk, the District's investment policy requires that investments be matched to anticipated cash flow requirements to the extent possible. Unless matched to a specified time period with regard to cash flows, investments in securities shall be five (5) years or less from the date of purchase providing that the average maturity of the portfolio shall not exceed two and one-half (2-1/2) years. This policy assists the District in limiting its exposure to changes in the fair value of its investments.

As to credit risk, which is a risk that an issuer of an investment will not fulfill its obligations, the District's investment policy states the Finance Director is empowered to invest in the security instruments authorized in Washington RCW 36.29.020 (savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.59 RCW). The District invests in no more than twenty-five percent (25%) of any one type of issuer except as stated above. All investments held by the District at year-end 2012 and 2011 had a credit quality rating of AA+ by Standard and Poor's.

Custodial credit risk relates to the failure of the counterparty and whether the District will be able to recover the value of its investments or collateral that is held with counterparty or in the possession of an outside party. The District at year-end did not have any security lending or reverse repurchase agreements. District deposits and investments are either insured or held by an agent in the District's name.

In following GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the District has chosen to use the segmented time distribution format and include the credit ratings of the security issuers with regard to its investments as of December 31, 2012 and 2011.

Note 4 - Deposits and Investments (Continued)

December 31, 2012

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Washington State Local Government					
Investment pool	\$ 28,364,408	\$ 28,364,408	\$ -	\$ -	\$ -
Federal National Mortgage Association	4,493,288	-	4,493,288	-	-
Federal Farm Credit Bank	499,697	-	499,697	-	-
Freddie Mac	503,062		503,062		
Federal Home Loan Bank	1,500,253	500,072	1,000,181		
	<u>\$ 35,360,708</u>	<u>\$ 28,864,480</u>	<u>\$ 6,496,228</u>	<u>\$ -</u>	<u>\$ -</u>
Maximum investment by maturity		82%	18%	0%	0%

December 31, 2011

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Washington State Local Government					
Investment pool	\$ 30,108,891	\$ 30,108,891	\$ -	\$ -	\$ -
Federal National Mortgage Association	4,513,876	-	4,513,876	-	-
Federal Farm Credit Bank	500,031	-	500,031	-	-
Federal Home Loan Bank	2,005,430		2,005,430		
Federal Home Loan Mortgage Corporation	999,465	-	999,465	-	-
	<u>\$ 38,127,693</u>	<u>\$ 30,108,891</u>	<u>\$ 8,018,802</u>	<u>\$ -</u>	<u>\$ -</u>
Maximum investment by maturity		79%	21%	0%	0%

Note 4 - Deposits and Investments (Continued)

Investments by investment type, issuer and carrying costs as of December 31, 2012 and 2011:

December 31, 2012

<u>Investment Type</u>	<u>Credit Quality</u>	<u>Percent</u>	<u>Carrying Cost</u>
Washington State Local Government			
Investment pool	Not Rated	80%	\$ 28,364,408
Federal National Mortgage Association	AAA	13%	4,493,288
Federal Farm Credit Bank	AAA	1%	499,697
Freddie Mac	AAA	1%	503,062
Federal Home Loan Bank	AAA	4%	1,500,253
		<u>100%</u>	<u>\$ 35,360,708</u>

December 31, 2011

<u>Investment Type</u>	<u>Credit Quality</u>	<u>Percent</u>	<u>Carrying Cost</u>
Washington State Local Government			
Investment pool	Not Rated	79%	\$ 30,108,891
Federal National Mortgage Association	AAA	12%	4,513,876
Federal Farm Credit Bank	AAA	1%	500,031
Federal Home Loan Bank	AAA	5%	2,005,430
Federal Home Loan Mortgage Corporation	AAA	3%	999,465
		<u>100%</u>	<u>\$ 38,127,693</u>

A reconciliation of cash and cash equivalents and investments (as stated at fair value) as reported in the Comparative Statement of Net Position at December 31 is as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 28,901,612	\$ 30,983,670
Investments (at fair value)	<u>6,996,300</u>	<u>8,018,427</u>
	<u>\$ 35,897,912</u>	<u>\$ 39,002,097</u>

Note 5 - Risk Management

The District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 67 members as of FY ending October 31, 2012. The Pool's fiscal year is November 1 through October 31.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability; Crime; Public Officials Liability; Identity Fraud Reimbursement Program; and bonds of various types. All coverage's are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters which are subject to a per occurrence deductible or self-insured retention as follows: General Liability of \$200,000 (including General Liability, Public Officials Liability and Automobile Liability); Property Insurance of \$25,000 (except earthquake and flood. Earthquake is subject to a deductible of 5% of the values at risk at the time of the loss subject to a minimum of \$100,000. For flood, those properties that are NOT located in National Flood Insurance Program (NFIP) Flood Zones A and V are subject to a \$100,000 deductible while those properties located in NFIP Flood Zones A and V are subject to a \$250,000 deductible); Boiler & Machinery which is \$25,000; and Crime which is \$15,000 per occurrence. Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims).

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2013, written notice must be in the Pool possession by April 30, 2013). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Service. In FY 2011-12 the Pool engaged AssetWorks who performed appraisal services valued at \$15,607, for approximately one third of all member structures valued at \$250,000 or more.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is

Note 5 - Risk Management (Continued)

responsible for conducting the business affairs of the Pool and providing direction to the Pool's Executive Director.

The following schedule depicts the property claims filed by the District with the Pool for the years 2012, 2011 and 2010 and the amounts covered by insurance.

Years	Claims Settlements	Insurance Coverage	Excess of Claim Cost Over Coverage
2012	\$ 50,423	\$ 47,473	\$ 3,000
2011	9,380	6,850	2,530
2010	62,327	60,327	2,000

There are no outstanding claims filed with the Pool against the District at the end of 2012. The District recognizes no potential liability for any additional settlements for outstanding future claims. The amount of settlements did not exceed insurance coverage in each of the past three years.

The District is self-insured for employee unemployment claims and has set aside funds to cover the actual cost of unemployment insurance. This unemployment reserve was established as required by Washington State Law for a reimbursable employer.

WATER AND SEWER RISK MANAGEMENT POOL
Summary of Insurance - November 1, 2012 to October 31, 2013
Insurance Coverage, Policy Limits and Pool/Member Deductibles**

Coverage	Insurance Co. and Limits	Pool/Member Deductibles
Liability:	<i>Water and Sewer Risk Management Pool Effective 11/1/12 to 11/1/12</i> <i>Reinsured by Munich Reinsurance America, Inc.</i>	\$200,000 per Occurrence Self-Insured Retention
Primary Layer	<i>\$10M per occ for all members/\$10M annual aggregate per member for General Liability</i> <i>\$10M per occ for all members/\$10M annual agg per member for Products Completed Liability</i> <i>\$10M per occ for all members/\$10M annual agg per member for Public Officials Liability</i> <i>\$10M per occ for all members/\$10M ann agg per member for Employment Practices Liability</i> <i>\$10M per occ for all members/\$10M ann agg per member for Employee Benefits Liability</i> <i>\$10M per occ for all members for auto liability</i>	Member Deductible: BI or PD - \$250, \$1,000, \$5,000 or \$10,000 per Occurrence
Property:	<i>Public Entity Property Insurance Program (PEPIP) Effective 7/1/12 to 11/1/13</i>	\$25,000 per occurrence, which applies in the event that a more specific deductible is not applicable to a loss
Incl. Autos	<i>Insurance Carriers (Various)</i> \$1,000,000,000 per occurrence "All Risk" \$ 50,000,000 Flood limit per occurrence and annual aggregate \$ 50,000,000 Earthquake limit per occurrence and annual aggregate shared by all members. \$25,000,000 Dedicated to Alderwood. \$ 100,000,000 Combined Business Interruption, Rental Income \$ 50,000,000 Per Occurrence for Extra Expense \$ 1,000,000 Unscheduled Landscaping (\$25,000/25 gallon max per tree) \$ 5,000,000 Scheduled landscaping (\$25,000/25 gallon max per tree) \$ 10,000,000 Miscellaneous Unnamed Locations excl. EQ and Zone A&V flood \$ 25,000,000 Automatic Acquisition for new locations excl. EQ and Zone A&V flood \$ 50,000,000 Errors & Omissions \$ 25,000,000 Course of Construction including New Projects \$ 2,500,000 Money & Securities \$ 2,500,000 Unscheduled Fine Arts \$ 250,000 Accidental Contamination per occurrence and annual aggregate per member with \$500,000 annual aggregate for all insureds per member declaration \$ 500,000 Unscheduled Tunnels, bridges, dams, catwalks, roadways, etc. (except EQ) \$100,000,000 Terrorism per occurrence \$200,000,000 Ann. Aggregate (all PEPIP Members) \$250,000,000 XS Terrorism per occ./all PEPIP members \$550,000,000 XS Terrorism annual aggregate/all PEPIP members \$850,000,000 Annual Aggregate shared by all Members/Entities combined \$ 5,000,000 Per Occurrence Per Declaration Upgrade to Green Coverage	Member Deductible: Damage to District Property and Automobile - \$250, \$1,000, \$5,000, or \$10,000 per occurrence Flood - \$100,000 All Flood Zones per Occurrence excl. Flood Zones A & V Flood Zones A & V - \$250,000 Per Occurrence Flood Zones A & V Earthquake - 5% Per Occurrence for Earthquake Shock per unit of insurance subject to \$100,000 minimum except 10% with \$100,000 minimum for buildings constructed prior to 1940 where Earthquake coverage is purchased. \$500,000 per occurrence for Unscheduled tunnels, bridges, roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless a specific value has been declared (excluding coverage for the peril of Earthquake Shock, and excluding Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters or proclamations of emergency).
Cyber Liability	\$2,000,000 Annual Aggregate for all members of WSRMP \$2,000,000 Third Party Liability for Information Security & Privacy Liability, Penalties for Regulatory Defense and Penalties, Website Media Content Liability \$500,000 Privacy Notification Costs \$2,000,000 First Party Computer Security for Cyber Extortion Loss, Sata Protection Loss and Business Interruption Loss \$20,000,000 Cyber Liability Annual Aggregate for all members of PEPIP <i>Property, Contents, EDP, and Contractor's Equipment limits based on property values at beginning of policy subject to additions/deletions of property.</i> <i>Water and Sewer Risk Management Pool Effective 11/1/12 to 11/1/12</i>	Cyber Liability Retention: \$50,000 Per Occurrence for each Insured/Member with TIV up to \$500,000 at the time of loss \$100,000 Per Occurrence for each Insured/Member with TIV greater than \$500,000 at the time of loss 8 Hour waiting period for first party claims Coinsurance for Specific Coverage: 20% For Public Relations Consultancy 20% For Credit File Monitoring
Commercial Automobile:	\$10,000,000 Owned Automobile \$10,000,000 Hired/Nonowned Automobile <i>Public Entity Property Insurance Program (PEPIP) Effective 7/1/12 to 11/1/13</i> <i>Insurance Carriers (Various)</i> \$100,000,000 Limits of Liability per occurrence Included Inspection Services \$10,000,000 Expediting Expenses per occurrence \$10,000,000 Errors & Omissions per occurrence \$10,000,000 Utility Interruption for Utilities Owned by Others \$10,000,000 Ammonia Contamination \$10,000,000 Water Damage \$10,000,000 Consequential Damage \$10,000,000 Electronic Data Processing Media \$10,000,000 Demolition and Increased Cost of Construction \$1,000,000 Hazardous Substance \$1,000,000 Building Ordinance Coverages \$2,000,000 Earthquake Result & Damage	Member Deductible: \$250, \$1,000, \$5,000 or \$10,000 per occurrence \$25,000 for Specific Objects or Perils \$25,000 for Electronic Data Processing Media \$25,000 for Consequential Damage \$25,000 for objects over 200 hp \$50,000 for objects over 350 hp \$100,000 for objects over 500 hp \$250,000 for objects over 750 hp \$350,000 for objects over 25,000 hp \$10 per foot/\$2,500 min. for Deep Water Wells 24 hr waiting period for Utility Interruption 24 hr waiting period for BI except 30 day for Revenue Bond Member Deductible: \$250, \$1,000, \$5,000, or \$10,000 per occurrence
Boiler & Machinery	<i>National Union Fire Insurance Company Effective 11/1/12 to 11/1/12</i> \$2,000,000 Employee Theft - Per Loss Coverage \$2,000,000 Forgery or Alteration \$250,000 Inside the Premises - Robbery, Safe Burglary - Other Property \$250,000 Outside the Premises \$250,000 Computer Fraud \$250,000 Money Orders and Counterfeit Paper Currency \$250,000 Funds Transfer Fraud \$2,000,000 Credit Card Forgery	\$25,000 Employee Theft - Per Loss, Forgery or Alteration \$5,000 Inside the Premises - Theft of Money & Securities, Inside the Premises - Robbery, Safe Burglary - Other Property, Outside the Premises, Computer Fraud, Money Orders and Counterfeit Paper currency Member Deductible: \$250, \$1,000, \$5,000 or \$10,000 per occurrence
Identify Fraud Reimbursement Program	<i>St. Paul Travelers Bond Effective 11/1/11 to 11/1/13</i> \$25,000 Per Person Lost Wages up to \$1,000 per week - maximum of 5 weeks Costs for notarizing fraud affidavits or similar documents Costs for certified mail Loan re-application fees Charges for long distance telephone calls Reasonable attorney fees incurred (with St. Paul Travelers' prior consent)	Member Deductible: \$0

Note 6 – Pension Plans

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 Plan Descriptions - The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012,

Note 6 – Pension Plans (Continued)

the rate was 5½% compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

Note 6 – Pension Plans (Continued)

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65; or.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

Note 6 – Pension Plans (Continued)

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3% annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	79,363
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	46,839
Total	261,705

Funding Policy - Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5% for state government elected officials. The

Note 6 – Pension Plans (Continued)

employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%, based on member choice. Two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both District and the employees made the required contributions. The District's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	\$0	\$185,384	\$1,170
2011	0	155,946	3,406
2010	0	139,492	2,800

Note 7 - Deferred Compensation Plan

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The International City Managers Association (ICMA) and the Washington Department of Retirement Services (DRS) each administer one of the two plans. The plans are available to all District employees, which allow a deferral of a portion of their taxable wages until future years. A distribution from the deferred compensation plans to an employee is allowed at termination of employment, retirement, death, or under certain emergencies. The District does not administer or manage the deferred compensation plans but instead all amounts are the property of the employee.

Note 8 – Commitments

Construction in Progress - The District has construction commitments resulting from active consultant and construction projects as of December 31, 2012. These construction projects include several restoration and replacement projects and three septic elimination program projects.

Project	Spent to Date	Total Awarded Contract Commitment
Salmon Creek Interchange Force Main	\$ 3,644	\$ 47,799
Meadows Terrace Pump Station	189,845	399,191
NE 88th St West	624,081	760,412
District Roof Safety Improvements	3,722	25,077
NE 119th at 50th Ave	1,643	15,000
Condition Assessment	82,213	109,639
Lalonde	221,363	284,490
NW 11th/16th Ave	18,480	59,596
Erin Way	19,898	28,250
Environmental Mitigation Monitoring	3,617	10,000
	<u>\$ 1,168,504</u>	<u>\$ 1,739,453</u>

Long-term Interlocal Agreement - In 1995, Clark Regional Wastewater District entered into a Joint Interlocal (three-way) agreement with Clark County, Washington and the City of Battle Ground regarding costs associated with sanitary sewer treatment services at the Salmon Creek Treatment Plant and its related facilities called the SCWMS. The SCWMS is owned and operated by Clark County. However, pursuant to the three-way agreement, the District is obligated as guarantor to pay all the associated costs, which include the operations, maintenance, repair, replacement and debt service costs thereof. The District is the County's sole wholesale customer and provides the security needed for the issuance and payment of the debt (i.e. sewer revenue bonds). Through a (two-way) agreement with the City of Battle Ground, the District recovers its costs from the City of Battle Ground as to their flow into the SCWMS. The City of Battle Ground is the District's sole wholesale customer. The operations, maintenance and funding for equipment and facility replacement is allocated to each party within the two-way agreement based upon wastewater flow. The three-way and two-way agreements address capital improvement obligations issued in Clark County's name for the benefit of both parties (i.e. the District and the City of Battle Ground). Under each phase of capital improvements for the SCWMS, the District and the City of Battle Ground determine their future capacity (measured in million gallons per day) needs. Their share of the future capacity in turn determines their share of the debt service costs that are ultimately paid by their respective ratepayers.

In the Phase III capital expansion of the Salmon Creek Treatment Plant, the identified capacity needs for the District and the City of Battle Ground were 82% and 18%, respectively. The Phase III capital expansion was brought on line (in service) in 1998. Clark County defeased outstanding 2001A and 2001B sewer revenue bonds in 2012. In addition, the District collects from the City of Battle Ground their share of the operation, maintenance and repair and replacement costs incurred by Clark County and allocated based upon their wastewater flow being sent through the Salmon Creek Wastewater Management System (SCWMS).

Note 8 – Commitments (Continued)

For the next phase (Phase IV) of capital improvements for the Salmon Creek Wastewater Management System (which includes the treatment plant, interceptors and main pump stations), the City of Battle Ground funded their share of the capital expansion on their own. The District, too, self-funded its portion of Phase IV capital expansion costs through low-cost loans, sewer revenue bonds and District reserves. Final construction costs related to the Phase IV expansion project were completed in 2010 from District reserves.

Note 9 - Other Post Employee Benefits (OPEB)

Plan Description - The District participates in a cost sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

As of year-end 2012 and 2011, there were no District employees that had retired and were receiving these benefits.

This OPEB plan does not issue a stand-alone financial report but it is included in the report of the State of Washington, Office of Financial Management. This report can be obtained from the following website: <http://www.ofm.wa.gov/cafr/>.

Funding Policy - This plan is not currently funded. The District was required to contribute \$170,191 and \$158,701 at December 31, 2012 and 2011, respectively. No funds have been contributed. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of \$679,238 and \$509,047 is the actuarial accrued liability recognized on the statement of net assets at December 31, 2012 and 2011, respectively.

The total unfunded actuarial accrued liability (UAAL) is \$1,094,651 at December 31, 2012. The covered payroll (annual payroll of active employees covered by the plan) was \$2,595,506 and the ratio of the UAAL to the covered payroll was 42.2%.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2012	\$ 170,191	0%	\$ 679,238
2011	158,701	0%	509,047
2010	127,954	0%	350,346

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment benefit (OPEB) cost (expense) is determined based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the alternative measurement method permitted under GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis,

Note 9 - Other Post Employee Benefits (OPEB) (Continued)

is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

	2012	2011
Actuarial Required Contribution (ARC)	\$ 178,535	\$ 164,444
Interest on Net OPEB Obligation (NOO)	22,907	15,766
Adjustment to NOO	(31,251)	(21,509)
Annual OPEB Cost	170,191	158,701
Employer Contributions	-	-
Increase (Decrease) in NOO	170,191	158,701
Net OPEB Obligation January 1	509,047	350,346
Net OPEB Obligation December 31	<u>\$ 679,238</u>	<u>\$ 509,047</u>

Actuarial Methods and Assumptions - The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	1/1/2012
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	3.0%
Projected Payroll Growth	1.25%
Investment Return	3.5%
Healthcare Cost Trend Rate - Initial	7.0%
Healthcare Cost Trend Rate - Ultimate	5.0%
Amortization Period - Open	20

A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2

Note 9 - Other Post Employee Benefits (OPEB) (Continued)

rates used in the June 30, 2010 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-side PEBB study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groups. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 10 – Other Disclosures

Capital contributions - Capital contributions recognized annually included in changes in net position include assets constructed by developers then donated to the District, connections fees charged for capital improvements and reimbursement for local facility improvements previously funded by the District.

	2012	2011	2010
Capital contributions from developers, governments and other sources	\$ 1,048,701	\$ 394,050	\$ 971,956
Capital contributions from general facility charges	866,814	609,524	657,707
Capital contributions from regional facility charges	6,311,547	2,788,098	2,772,522
Capital contributions from local facility reimbursements	112,808	101,939	118,271
Total	<u>\$ 8,339,870</u>	<u>\$ 3,893,611</u>	<u>\$ 4,520,456</u>

Accounting and reporting changes – The District implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This renamed the “Statement of Net Assets” to the “Statement of Net Position.” Likewise, the “Statement of Revenues, Expenses and Changes in Net Assets” was renamed “Statement of Revenues, Expenses and Changes in Net Position.” All references to net asset were changed to net position.

Prior period adjustment – The District re-evaluated its reporting of postemployment benefits (OPEB) for the current and prior years. Accordingly, the 2011 financial statements have been restated to reflect the provisions of GASB 45 for the years 2008 through 2011. The effect of the District’s prior period adjustment for the OPEB obligation and liability calculation is a decrease of the beginning net position on the *Statement of Revenues, Expenses and Changes in Net Position* by \$350,346, and a decrease of \$509,047 in total net assets on the *Statement of Net Position*.

Subsequent Events

Discovery Clean Water Alliance (the Alliance) – In 2012, Clark County, Clark Regional Wastewater District (the District) and the Cities of Battle Ground and Ridgefield reached agreement on the optimum form of a regional wastewater transmission and treatment partnership to meet the needs of the agencies and community for the next generation. The Interlocal Formation Agreement (IFA), signed on September 27, 2012, represents the culmination of five years of study and provides the foundation to create a new regional utility entity, the Discovery Clean Water Alliance (the Alliance) under the empowerment of RCW 39.106 – the Joint Municipal Utility Services Act.

As the managing partner or “Administrative Lead” for the Alliance, the task of implementing the vision of the partner agencies falls largely to the District. A two year transition work program is planned for 2013 and 2014. Significant accomplishments have already been made in early 2013. The Alliance was

Note 10 – Other Disclosures (Continued)

incorporated with the Washington Secretary of State on January 4, 2013. A series of initial resolutions and agreements were approved by the Alliance Board at its first official meeting on January 18, 2013, to establish the legal framework for the Alliance. District staff has registered the Alliance with a series of state and federal regulatory agencies and has registered the new Alliance logo. A checking account has been established, regional services charges are being billed to the partners and invoices are being paid for Administrative Lead and legal counsel services.

The District will continue to develop and implement the transition work program. Activities planned for the future include development of operator, franchise and asset transfer agreements; transfer of operating and access permits; adoption of a capital planning framework; and development of administrative code. These activities will be completed prior to and in support of the January 1, 2015, full operational date for the Alliance.

Ridgefield Collection System Transfer Agreement (CSTA) – The regional study efforts over the last several years also identified an opportunity for optimizing the local collection system services for the public. In particular, the District and the City of Ridgefield wastewater collection systems were found to have mutually beneficial characteristics that resulted in the highest services levels at the lowest cost over the long term, if the two systems could be integrated in to a single operating unit. This finding resulted in a Memorandum of Understanding between the parties in May 2012, indicating elected level support for the merger of the City system into the District utility.

Work has been ongoing over the last year to develop a comprehensive interlocal agreement that would allow for the transfer of Ridgefield's wastewater collection system to the District. The District hired a Special Project Manager position to facilitate this work. The agreement has been substantially developed in the January to April period in 2013. This work will support a public engagement process and public hearings/readings of the agreement and related ordinances during the months of May and June 2013. It is anticipated that the agreement will be signed by mid-year, allowing for a multi-month period to plan and schedule the detailed activities required to complete the transfer. Additional public engagement processes are planned for the fall of 2013 ahead of the official collection system transfer date of January 1, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll
12/31/08	12/31/08	\$ -	\$ 726,741	\$ 726,741	0.0%	\$ 2,318,547
12/31/08	12/31/09	\$ -	\$ 726,741	\$ 726,741	0.0%	\$ 2,561,772
12/31/08	12/31/10	\$ -	\$ 726,741	\$ 726,741	0.0%	\$ 2,629,587
01/01/12	12/31/11	\$ -	\$ 1,033,018	\$ 1,033,018	0.0%	\$ 2,541,977
01/01/12	12/31/12	\$ -	\$ 1,094,651	\$ 1,094,651	0.0%	\$ 2,586,476

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STATISTICAL SECTION

This portion of Clark Regional Wastewater District’s Comprehensive Annual Financial Report presents detailed information to provide a context for understanding the information in the financial statements, notes, disclosures and required supplementary information about the District’s overall financial health.

Contents	Page
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the District’s financial performance and well-being changed over time.	60
<i>Revenue Capacity</i> These schedules contain information to help the reader understand the District’s most significant source of revenue, sewer utility charges.	62
<i>Debt Capacity</i> These schedules present information to help the reader evaluate the affordability of the District’s current levels of outstanding debt and the ability to issue additional debt in the future.	66
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.	69
<i>Operating Information</i> These schedules contain service statistics and personnel data to help the reader understand how the information in the District’s financial report relates to the services provided and activities performed.	71

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CLARK REGIONAL WASTEWATER DISTRICT
NET POSITION
LAST TEN FISCAL YEARS**

Schedule 1

Fiscal Year	Invested In Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
2003	\$ 63,275,741	\$ 1,293,882	\$ 13,922,440	\$ 78,492,063
2004	68,973,593	2,634,702	15,582,805	87,191,100
2005	64,716,721	15,299,108	17,243,893	97,259,722
2006	74,397,129	6,830,457	29,545,163	110,772,749
2007	80,887,984	1,680,276	37,222,055	119,790,315
2008	94,862,642	2,724,083	30,436,535	128,023,260
2009	102,076,651	2,090,078	28,741,935	132,908,664
2010	97,964,435	2,127,929	34,712,464	134,804,828
2011	97,647,088	2,122,351	35,440,997	135,210,436
2012	103,845,403	-	35,262,946	139,108,349

**CLARK REGIONAL WASTEWATER DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

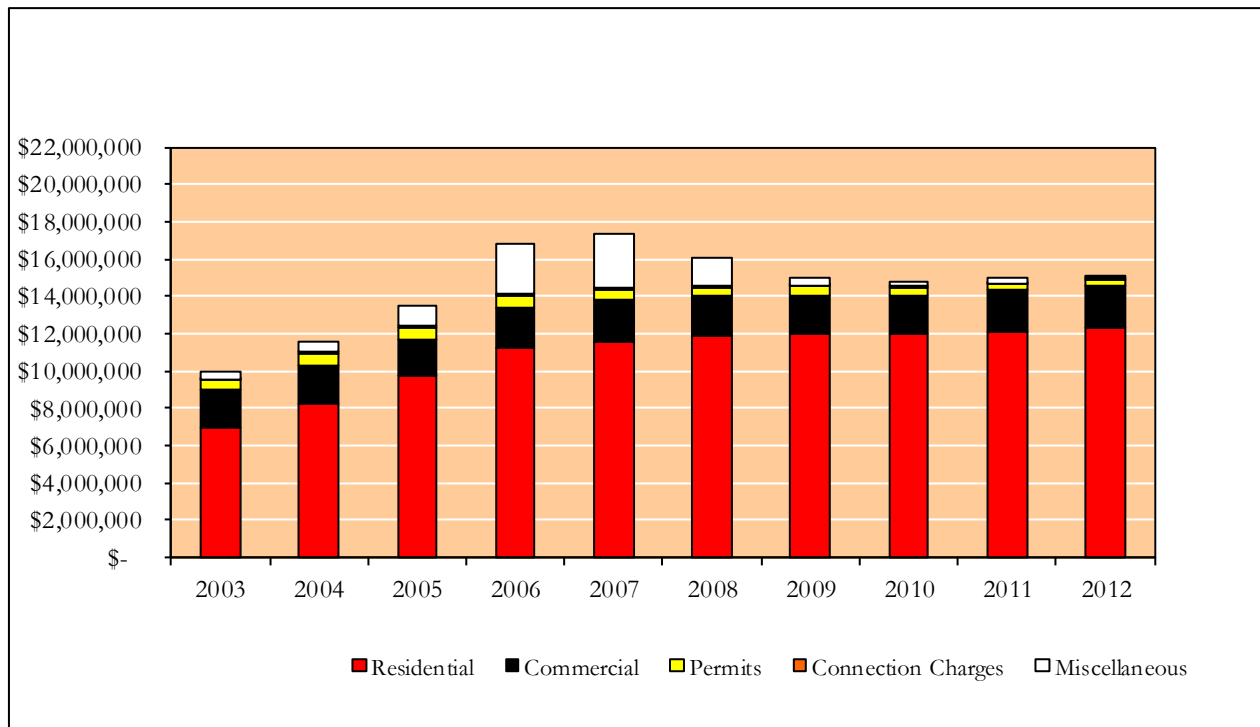
Schedule 2

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues/ (Expenses)	Income/Loss Before Capital Contributions	Capital Contributions	Change In Net Assets
2003	\$ 9,596,480	\$ 10,238,730	\$ (642,250)	\$ (1,667,369)	\$ (2,309,619)	\$ 7,263,659	\$4,954,040
2004	11,033,565	10,347,484	686,081	(1,331,257)	(645,176)	9,344,213	8,699,037
2005	12,422,469	11,439,522	982,947	(426,366)	556,581	9,512,041	10,068,622
2006	14,105,727	11,898,735	2,206,992	736,632	2,943,624	10,569,403	13,513,027
2007	14,497,959	14,343,661	154,298	892,716	1,047,014	7,970,552	9,017,566
2008	14,557,839	15,369,442	(811,603)	(290,099)	(1,101,702)	8,480,363	7,378,661
2009	14,612,478	15,042,717	(430,238)	(576,947)	(1,007,185)	5,893,290	4,886,105
2010	14,537,971	15,841,185	(1,303,214)	(1,321,779)	(2,624,993)	4,520,457	1,895,464
2011	14,703,386	16,695,257	(1,991,871)	(1,145,787)	(3,137,658)	3,893,612	755,954
2012	14,960,131	17,043,278	(2,083,147)	(2,358,815)	(4,441,962)	8,339,875	3,897,913

**CLARK REGIONAL WASTEWATER DISTRICT
REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Schedule 3

Fiscal Year	Charges for Service		Permits	Miscellaneous	Interest	Total
	Residential	Commercial				
2003	\$ 6,940,989	\$ 2,107,526	\$ 68,600	\$479,364	\$ 361,635	\$ 9,958,114
2004	8,233,302	2,042,907	93,184	664,172	598,781	11,632,346
2005	9,707,094	1,956,288	138,056	621,031	1,129,716	13,552,185
2006	11,276,601	2,103,069	98,590	627,467	2,734,759	16,840,487
2007	11,600,666	2,253,817	80,356	563,120	2,824,249	17,322,207
2008	11,878,535	2,148,626	44,955	485,723	1,507,678	16,065,517
2009	11,985,671	2,082,332	30,250	514,225	428,139	15,040,617
2010	12,009,830	2,069,828	38,630	419,683	275,168	14,813,139
2011	12,155,949	2,171,798	35,800	339,839	289,494	14,992,880
2012	12,288,652	2,255,023	43,925	372,531	201,405	15,161,536



**CLARK REGIONAL WASTEWATER DISTRICT
EXPENSES BY USE
LAST TEN FISCAL YEARS**

Schedule 4

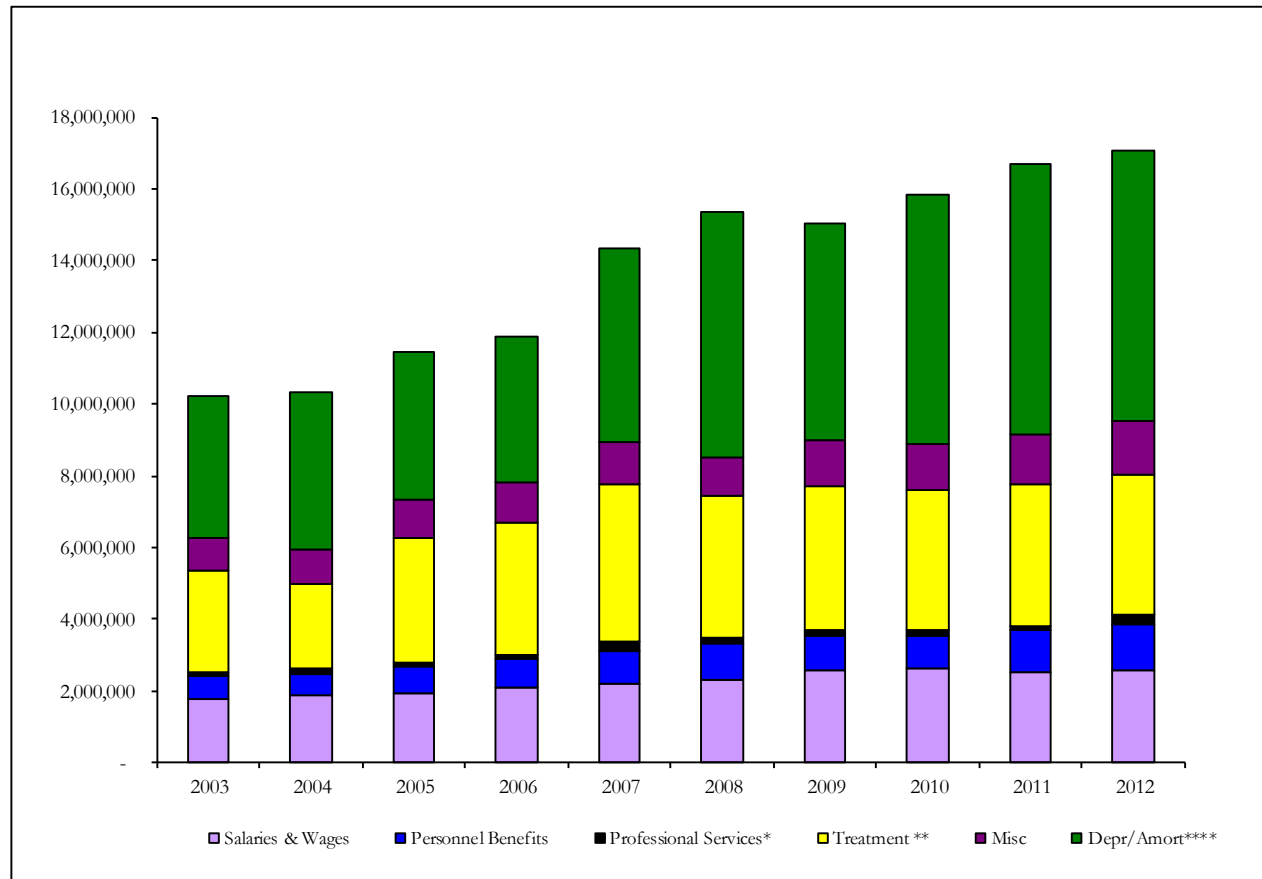
Fiscal Year	Salaries & Wages	Personnel Benefits	Professional Services*	Treatment **	Misc***	Depr/Amort****	Total
2003	1,803,918	608,976	94,251	2,869,942	887,425	3,974,218	10,238,730
2004	1,861,318	628,144	126,435	2,355,714	975,320	4,400,552	10,347,483
2005	1,957,725	709,291	124,222	3,497,413	1,063,096	4,087,776	11,439,523
2006	2,083,046	802,763	123,185	3,693,025	1,139,378	4,057,339	11,898,734
2007	2,207,525	889,110	263,140	4,395,611	1,173,872	5,414,405	14,343,663
2008	2,318,547	1,012,088	150,459	3,944,788	1,105,189	6,826,915	15,357,986
2009	2,561,772	994,178	156,611	4,005,466	1,254,548	6,061,020	15,033,595
2010	2,629,587	931,706	145,931	3,904,777	1,295,660	6,933,524	15,841,185
2011	2,541,977	1,150,346	127,792	3,967,274	1,360,211	7,547,657	16,695,257
2012	2,586,476	1,291,415	253,808	3,899,600	1,520,863	7,491,116	17,043,278

* Professional services increased in 2007 due to legal/engineering costs related to annexation discussions and increased foreclosure activity.

** Clark County's wholesale sewer costs in 2005 that are billed to Clark Regional Wastewater District increased due to the inclusion of replacement costs.

*** Miscellaneous includes supplies, insurance, taxes and other expenses.

**** Depreciation/amortization includes amortization of future treatment capacity rights (intangible asset).



**CLARK REGIONAL WASTEWATER DISTRICT
NON-OPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS**

Schedule 5

<u>Fiscal Year</u>	<u>Interest and Fiscal Charges*</u>	<u>Interest Revenue</u>	<u>Disposal of Capital Assets</u>	<u>Other Revenues/ (Expenses)</u>	<u>Total Nonoperating Revenues/ (Expenses)</u>
2003	\$ (2,061,641)	\$ 361,635	\$ 2,950	\$ 29,687	\$ (1,667,369)
2004	(1,943,449)	598,782	-	13,410	(1,331,257)
2005	(1,558,290)	1,129,716	-	2,208	(426,366)
2006	(2,033,556)	2,734,759	-	35,429	736,632
2007	(1,944,969)	2,824,249	8,250	5,186	892,716
2008	(1,837,075)	1,507,678	5,251	22,590	(301,556)
2009	(1,763,519)	428,139	4,541	744,771	(586,068)
2010	(1,598,864)	275,168	-	1,917	(1,321,779)
2011	(1,468,083)	289,494	-	32,802	(1,145,787)
2012	(2,571,098)	201,405	-	10,878	(2,358,815)

* Net of capitalized amounts.

**CLARK REGIONAL WASTEWATER DISTRICT
CAPITAL CONTRIBUTIONS BY SOURCE
LAST TEN FISCAL YEARS**

Schedule 6

Fiscal Year	Connection Fees	Local Facility Charges	Developer Lines/ Infrastructure	Total
2003	\$ 4,958,577	\$ 312,901	\$ 1,992,181	\$ 7,263,659
2004	5,448,917	189,388	3,705,908	9,344,213
2005	5,872,047	170,210	3,469,784	9,512,041
2006	4,968,323	271,989	5,329,091	10,569,403
2007	4,394,856	275,772	3,299,924	7,970,552
2008	3,815,455	145,346	4,519,562	8,480,363
2009	3,486,427	92,092	2,314,771	5,893,290
2010	3,430,229	118,271	971,956	4,520,456
2011	3,397,622	101,939	394,050	3,893,611
2012	7,178,367	112,808	1,048,701	8,339,875

**CLARK REGIONAL WASTEWATER DISTRICT
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Schedule 7

Year	2005 Revenue Bonds	2012 Revenue Bonds	PWTF/SRF Loans	Contract Obligation Payable to Clark County		G.O. Bond	Total		
				Revenue Bonds	PWTF Loans		Amount	Per ERU	As a Share of Personal Income
2003	-	-	2,509,158	37,600,000	2,163,609	287,479	42,560,246	1,497	4.96%
2004	-	-	4,364,884	28,975,000	1,876,723	146,850	35,363,457	1,190	3.92%
2005	14,000,000	-	7,667,978	27,020,000	1,589,838	-	50,277,816	1,616	5.03%
2006	13,515,000	-	12,352,652	24,950,000	1,302,951	-	52,120,603	1,617	4.80%
2007	13,050,000	-	13,079,546	22,900,000	1,016,068	-	50,045,614	1,516	4.29%
2008	12,570,000	-	19,852,714	20,750,000	729,185	-	53,901,899	1,609	4.40%
2009	12,070,000	-	19,424,816	18,500,000	489,126	-	50,483,942	1,491	4.26%
2010	11,545,000	-	18,174,770	16,140,000	335,910	-	46,195,680	1,350	3.76%
2011	11,000,000	-	16,923,599	13,675,000	182,694	-	41,781,293	1,210	3.27%
2012	10,430,000	5,417,645	15,671,272	-	-	-	31,518,917	901	2.38%

Note: Equivalent residential units (ERUs) were used instead of population per capita information based upon the District not having a defined base from which to derive population numbers. Personal income for years 2010, 2011 and 2012 were not available for Clark County, Washington from the Bureau of Economic Analysis. The District used the average percentage increase in personal income over the prior six years, 2006 to 2011.

CLARK REGIONAL WASTEWATER DISTRICT BOND COVERAGE RATIO LAST TEN FISCAL YEARS

Schedule 8

	COVERAGE TABLE									
REVENUES	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Monthly Sewer Rate	\$ 23.50	\$ 27.00	\$ 30.50	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
Charges for services	\$ 9,048,516	\$ 10,276,209	\$ 11,663,382	\$ 13,379,670	\$ 13,854,483	\$ 14,027,161	\$ 14,068,003	\$ 14,079,658	\$ 14,327,747	\$ 14,543,675
Miscellaneous operating revenue	547,964	757,356	759,087	726,057	643,476	530,678	544,475	458,313	375,639	416,456
Interest on investments	361,635	598,782	1,129,716	2,734,759	2,824,249	1,507,678	428,139	275,168	289,494	201,405
Miscellaneous non-operating revenue	32,637	13,410	2,208	35,429	13,436	27,841	749,312	1,917	32,802	10,878
General Facilities Charge	1,911,980	2,403,286	2,840,592	1,943,448	1,449,007	900,544	668,476	657,707	609,524	866,814
Deposits to Rate Stabilization Account	-	-	-	-	-	-	-	-	-	-
Withdrawals from Rate Stabilization Account	-	-	-	-	-	-	-	-	-	-
Total Gross Revenues	\$ 11,902,732	\$ 14,049,043	\$ 16,394,985	\$ 18,819,363	\$ 18,784,651	\$ 16,993,902	\$ 16,458,405	\$ 15,472,763	\$ 15,635,206	\$ 16,039,228
MAINTENANCE AND OPERATION EXPENSE										
Salaries, wages and benefits	\$ 2,412,894	\$ 2,489,462	2,667,016	\$ 2,885,809	3,096,635	3,330,635	\$ 3,555,950	\$ 3,561,293	\$ 3,692,323	\$ 3,877,891
Treatment contract: Cities of Vancouver, Battle Ground	673,502	706,155	695,543	719,683	832,781	812,612	798,598	723,072	627,744	550,472
Treatment contract: Clark County	2,196,440	1,649,559	2,801,870	2,973,342	3,562,830	3,132,176	3,206,868	3,181,705	3,339,528	3,349,128
Other operating expenses	981,676	1,101,755	1,187,318	1,262,562	1,437,012	1,255,648	1,411,161	1,441,591	1,488,003	1,774,669
Total Maintenance and Operating Expense	\$ 6,264,512	\$ 5,946,931	\$ 7,351,747	\$ 7,841,396	\$ 8,929,257	\$ 8,531,071	\$ 8,972,577	\$ 8,907,661	\$ 9,147,598	\$ 9,552,160
1.10 COVERAGE TEST										
Net Revenue less: General Facilities Charge	\$ 5,638,220	\$ 8,102,112	\$ 9,043,238	\$ 10,977,967	\$ 9,855,394	\$ 8,462,831	\$ 7,485,828	\$ 6,565,102	\$ 6,487,608	\$ 6,487,068
	(1,911,980)	(2,403,286)	(2,840,592)	(1,943,448)	(1,449,007)	(900,544)	(668,476)	(657,707)	(609,524)	(866,814)
Total Revenues	3,726,240	5,698,826	6,202,646	9,034,519	8,406,387	7,562,287	6,817,352	5,907,395	5,878,084	5,620,254
Debt Service	4,157,023	4,159,423	3,406,484	4,503,105	4,366,815	4,366,790	4,366,390	4,363,728	4,367,428	4,369,633
Coverage	0.90	1.37	1.82	2.01	1.93	1.73	1.56	1.35	1.35	1.29
1.25 COVERAGE TEST										
Net Revenue plus: Regional Facilities Charge	\$ 5,638,220	\$ 8,102,112	\$ 9,043,238	\$ 10,977,967	\$ 9,855,394	\$ 8,462,831	\$ 7,485,828	\$ 6,565,102	\$ 6,487,608	\$ 6,487,068
	3,046,597	3,045,631	3,031,455	3,024,875	2,945,849	2,914,911	2,817,951	2,772,522	2,788,098	6,311,547
Total Revenues	8,684,817	11,147,743	12,074,693	14,002,842	12,801,243	11,377,742	10,303,779	9,337,624	9,275,706	12,798,616
Debt Service	4,157,023	4,159,423	3,406,484	4,503,105	4,366,815	4,366,790	4,366,390	4,363,728	4,367,428	4,369,633
Coverage	2.09	2.68	3.54	3.11	2.93	2.61	2.36	2.14	2.12	2.93

**CLARK REGIONAL WASTEWATER DISTRICT
OPERATING EXPENSE AND DEBT PRINCIPLE COVERAGE
LAST TEN FISCAL YEARS**

Schedule 9

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross Revenues										
Charges for services	\$ 14,543,675	\$ 14,327,747	\$ 14,079,658	\$ 14,068,003	\$ 14,027,161	\$ 13,854,483	\$ 13,379,670	\$ 11,663,382	\$ 10,276,209	\$ 9,048,516
Other operating revenues	416,456	375,639	458,313	544,475	530,678	643,476	726,057	759,087	757,356	547,964
Interest income	201,405	289,494	275,168	428,139	1,507,678	2,824,249	2,734,759	1,129,716	598,782	361,635
Other non-operating revenues	10,878	32,802	1,917	749,312	27,841	13,436	35,429	2,208	13,410	32,637
Subtotal Gross Revenues	15,172,414	15,025,682	14,815,056	15,789,929	16,093,358	17,335,644	16,875,915	13,554,393	11,645,757	9,990,752
Connection charges - Regional Facilities	6,311,552	2,788,098	2,772,522	2,817,951	2,914,911	2,945,849	3,024,875	3,031,455	3,045,631	3,046,597
Connection charges - General Facilities	866,814	609,524	657,707	668,476	900,544	1,449,007	1,943,448	2,840,592	2,403,286	1,911,980
Total Gross Revenues	22,350,781	18,423,304	18,245,284	19,276,356	19,908,813	21,730,501	21,844,238	19,426,440	17,094,674	14,949,329
Operating Expenses										
Salaries, wages and benefits	3,877,891	3,692,323	3,561,293	3,555,950	3,330,634	3,096,635	2,885,809	2,667,016	2,489,462	2,412,894
Sewerage treatment - Clark County	3,349,128	3,339,528	3,181,705	3,206,868	3,132,176	3,562,829	2,973,342	2,801,870	1,649,559	2,196,440
Sewerage treatment - City of Vancouver, other	550,472	627,744	723,072	798,598	812,612	832,781	719,683	695,543	706,155	673,502
Other operating expenses, including interest	4,345,767	2,956,086	3,040,455	3,174,680	3,092,723	3,381,981	3,296,118	2,745,608	3,045,205	3,043,317
Operating expenses excluding depreciation	12,123,258	10,615,681	10,506,525	10,736,096	10,368,145	10,874,225	9,874,952	8,910,037	7,890,381	8,326,153
Net Revenues Available for Debt Service	10,227,523	7,807,623	7,738,760	8,540,260	9,540,668	10,856,275	11,969,286	10,516,403	9,204,293	6,623,176
Debt service - District (Principal only)										
Sewer Revenue Bonds - Phase 3 Capital Expansion	2,570,000	2,465,000	2,360,000	2,250,000	2,150,000	2,050,000	2,070,000	1,955,000	2,265,000	2,145,000
PWTF Loans - Phase 3 Capital Expansion	153,216	153,216	153,216	240,058	286,885	286,885	286,885	286,885	286,885	286,885
PWTF Loans - Pumping Stations	144,274	144,274	144,274	144,274	144,274	144,274	144,274	144,274	144,274	144,274
St John's GO Bond	-	-	-	-	-	-	-	146,850	140,629	133,162
PWTF Loans - Phase 4 Capital Expansion	1,063,037	1,063,039	1,063,037	641,985	641,985	641,985	421,053	52,632	-	-
Sewer Revenue Bonds - Phase 4 Capital Expansion	570,000	545,000	525,000	500,000	480,000	465,000	485,000	-	-	-
SRF Loan - Phase 4 Capital Expansion	45,014	43,860	42,735	41,640	40,572	40,049	-	-	-	-
Net Revenue After Payment of Debt Service	\$ 5,681,982	\$ 3,393,234	\$ 3,450,498	\$ 4,722,303	\$ 5,796,952	\$ 7,228,082	\$ 8,562,074	\$ 7,930,762	\$ 6,367,505	\$ 3,913,855
Operating expenses covered (not covered) by rates	\$ 3,049,156	\$ 4,410,001	\$ 4,308,531	\$ 5,053,833	\$ 5,725,213	\$ 6,461,419	\$ 7,000,963	\$ 4,644,356	\$ 3,755,376	\$ 1,664,599

**CLARK REGIONAL WASTEWATER DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Schedule 10

Fiscal Year	Clark County			Unemployment ***
	Unincorporated Population*	Per Capita Income **	Total Personal Income	
2003	181,702	\$ 30,157	\$ 5,479,587,214	9.6%
2004	186,887	30,383	5,678,187,721	7.4%
2005	192,450	32,118	6,181,109,100	6.4%
2006	197,822	33,691	6,664,821,002	5.7%
2007	199,532	35,360	7,055,451,520	5.6%
2008	202,251	36,547	7,391,667,297	7.1%
2009	203,361	35,027	7,123,125,747	13.2%
2010	203,339	35,932	7,306,457,640	13.7%
2011	204,610	36,971	7,564,660,170	12.1%
2012	205,885	37,895	7,802,012,075	8.2%

Note: Demographic information is from the following sources:

* Washington State Office of Financial Management

** Bureau of Economic Analysis

*** Washington State Employment Security Department

District demographics would be expected to closely follow overall Clark County

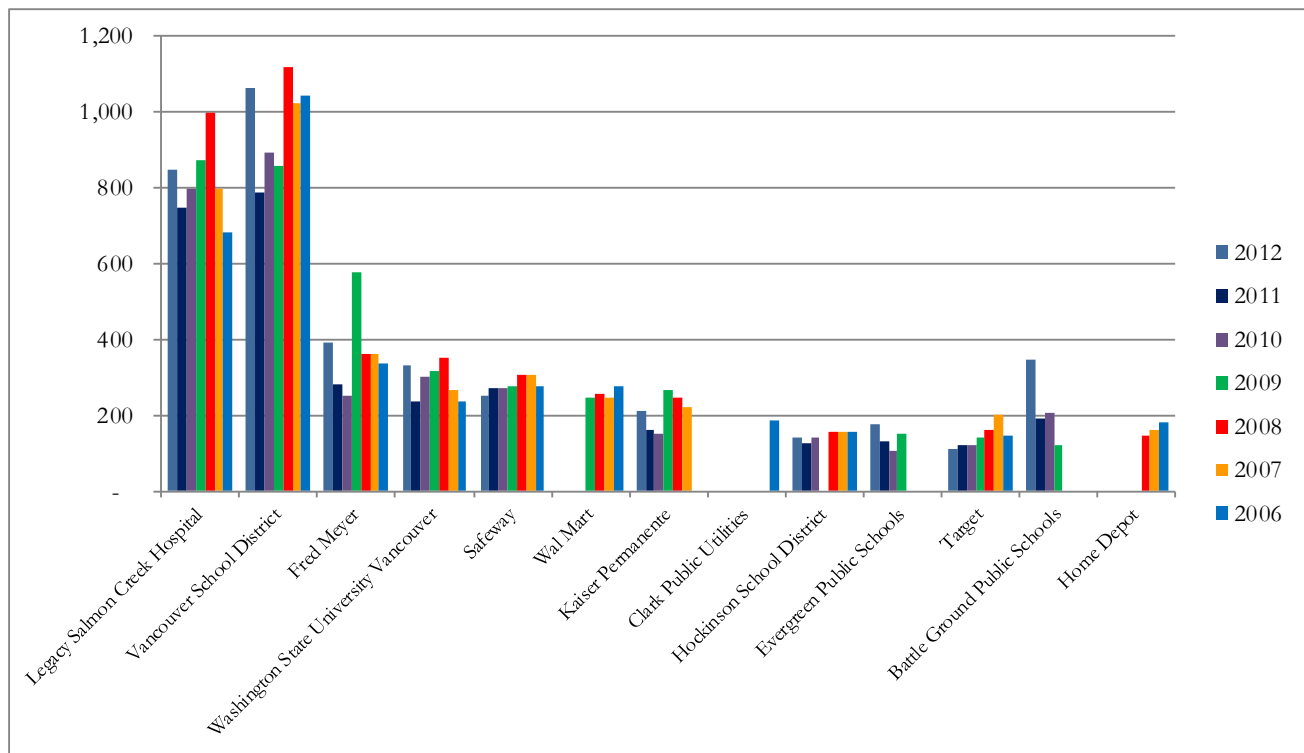
**CLARK REGIONAL WASTEWATER DISTRICT
EMPLOYEES FOR TEN PRINCIPAL EMPLOYERS
LAST SEVEN FISCAL YEARS**

Schedule 11

Customer	Number of Employees						
	2012	2011	2010	2009	2008	2007	2006
Legacy Salmon Creek Hospital	850	749	800	874	1,000	800	681
Vancouver School District	1,065	790	894	857	1,117	1,023	1,042
Fred Meyer	394	283	251	579	365	365	340
Washington State University Vancouver	333	238	304	318	355	268	238
Safeway	255	271	272	278	308	308	280
Wal Mart	-	-	-	249	258	250	280
Kaiser Permanente	210	160	150	270	250	220	-
Clark Public Utilities	-	-	-	-	-	-	186
Hockinson School District	142	126	140	-	159	155	155
Evergreen Public Schools	178	133	105	152	-	-	-
Target	112	122	122	140	160	200	145
Battle Ground Public Schools	348	191	205	122	-	-	-
Home Depot	-	-	-	-	148	160	181
Total	3,887	3,063	3,243	3,839	4,120	3,749	3,528

Notes: 2003 through 2005 data not available. Oldest data available is 2006.

Total employment for CRWWD's service area alone is not collected in US census data nor is calculable as only a portion of unincorporated Clark County; therefore, a calculation of each employer's percentage of total employment is excluded.



**CLARK REGIONAL WASTEWATER DISTRICT
CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS**

Schedule 12

<u>Fiscal Year</u>	<u>Residential</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Schools</u>	<u>Total</u>
2003	18,870	181	918	28	19,997
2004	19,991	186	951	29	21,157
2005	21,106	207	1,005	29	22,347
2006	22,031	215	1,049	32	23,327
2007	22,768	244	1,124	32	24,168
2008	22,931	247	1,134	32	24,344
2009	23,202	216	1,106	35	24,559
2010	23,539	216	1,083	36	24,874
2011	23,732	215	1,072	36	25,055
2012	24,044	219	1,136	37	25,436

**CLARK REGIONAL WASTEWATER DISTRICT
TEN LARGEST CUSTOMERS
CURRENT AND TEN FISCAL YEARS AGO**

Schedule 13

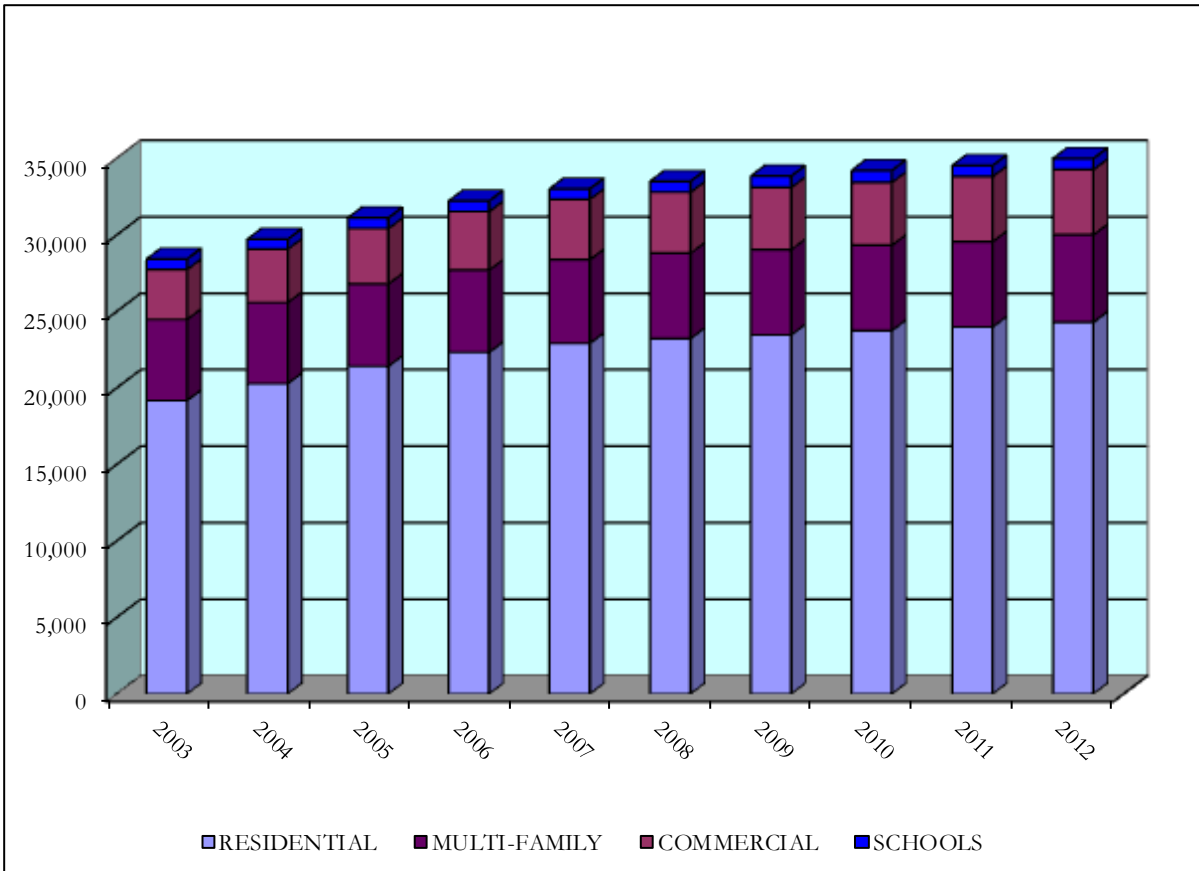
Customer	2012			2002		
	Sewer Revenues	Rank	Percentage of Total Sewer Revenues	Sewer Revenues	Rank	Percentage of Total Sewer Revenues
Vancouver Public Schools	\$ 124,324	1	0.85%	\$ 101,826	1	1.27%
Salmon Creek Estate Condominiums	115,056	2	0.78%	71,910	2	0.90%
Highland Hills Apartments	105,223	3	0.72%	58,019	3	-
Prairie View Association	92,616	4	0.63%	57,885	4	0.72%
Solarworld USA	-		0.00%	53,292	6	0.67%
Parklane Apartments	85,272	5	0.58%	53,295	5	0.67%
Discovery Park Apartments	68,952	6	0.47%	43,095	7	0.54%
Crystal Creek Apartments	67,728	7	0.46%	42,330	8	0.53%
Reflections at the Park*	80,172	8	0.55%	-		0.00%
Willow Pointe Apartments	63,240	9	0.43%	39,525	9	0.49%
Legacy Salmon Creek Hospital	58,058	10	0.40%	-		-
Edgetree Homeowners Association	-		-	35,190	10	0.44%
Subtotal (ten largest)	860,642		5.87%	556,367		6.22%
Balance from other customers	13,807,848		94.13%	7,454,962		93.06%
Total	<u>\$ 14,668,490</u>		<u>100.00%</u>	<u>\$ 8,011,329</u>		<u>99.28%</u>

* Formerly Prairie Park Apartments

**CLARK REGIONAL WASTEWATER DISTRICT
EQUIVALENT RESIDENTIAL UNITS
LAST TEN FISCAL YEARS**

Schedule 14

Fiscal Year	Residential	Multi-Family	Commercial	Schools *	Total
2003	19,182	5,298	3,268	680	28,428
2004	20,288	5,301	3,487	642	29,718
2005	21,425	5,379	3,625	692	31,121
2006	22,330	5,379	3,826	691	32,226
2007	22,925	5,472	3,938	677	33,012
2008	23,238	5,576	3,988	707	33,509
2009	23,473	5,578	4,062	736	33,848
2010	23,757	5,578	4,106	781	34,222
2011	23,996	5,578	4,255	714	34,543
2012	24,307	5,709	4,265	717	34,998



Note: The District tracks its customer base by equivalent residential unit (ERU). An ERU is 290 gallons per day per single-family dwelling. Local census data provides that about 2.9 people live in a single family dwelling. Engineering studies have depicted that a person uses approximately 100 gallons per day.

* In November 2010 the District modified how ERUs were calculated for schools--all schools use 32 students per ERU.

**CLARK REGIONAL WASTEWATER DISTRICT
WASTEWATER TREATED
LAST TEN FISCAL YEARS**

Schedule 15

Fiscal Year	Millions of Gallons of Wastewater Treated			
	Salmon Creek Treatment Plant*	SCTP Rate \$/MG	City of Vancouver**	COV Rate \$/MG
2003	2,679	2,528	277	2,078
2004	2,887	2,346	271	2,124
2005	2,811	2,409	275	2,093
2006	3,475	1,949	283	2,031
2007	3,117	2,173	277	2,079
2008	3,078	2,200	265	2,172
2009	3,048	2,222	266	2,169
2010	3,325	2,037	269	2,144
2011	3,307	2,048	266	2,163
2012	3,420	1,980	269	2,139

* The Salmon Creek Treatment Plant is owned and operated by Clark County. The District through the Joint Interlocal Agreement is obligated as guarantor to the sewer revenue bonds and other costs at the treatment plant and other parts of the Salmon Creek Wastewater Management System.

** The District has a contract with the City of Vancouver to treat up to 1 million gallons average monthly flow.

**CLARK REGIONAL WASTEWATER DISTRICT
OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS**

Schedule 16

	Fiscal Years									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
WASTEWATER TREATMENT										
Miles of sewer lines	534	527	522	522	513	499	494	489	486	469
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)*	14.95	14.95	14.95	14.95	10.3	10.3	10.3	10.3	10.3	10.3
Annual engineering maximum plant capacity (millions of gallons)**	5,457	5,457	5,457	5,457	3,760	3,760	3,760	3,760	3,760	3,760
Amount treated annually (millions of gallons)	3,420	3,307	3,325	3,048	3,078	3,117	3,475	2,811	2,887	2,679
Unused capacity (millions of gallons)	2,037	2,150	2,132	2,409	682	643	285	949	873	1,081
Percentage of capacity utilized	62.7%	60.6%	60.9%	55.9%	81.9%	82.9%	92.4%	74.8%	76.8%	71.3%

* MGD = millions of gallons per day.

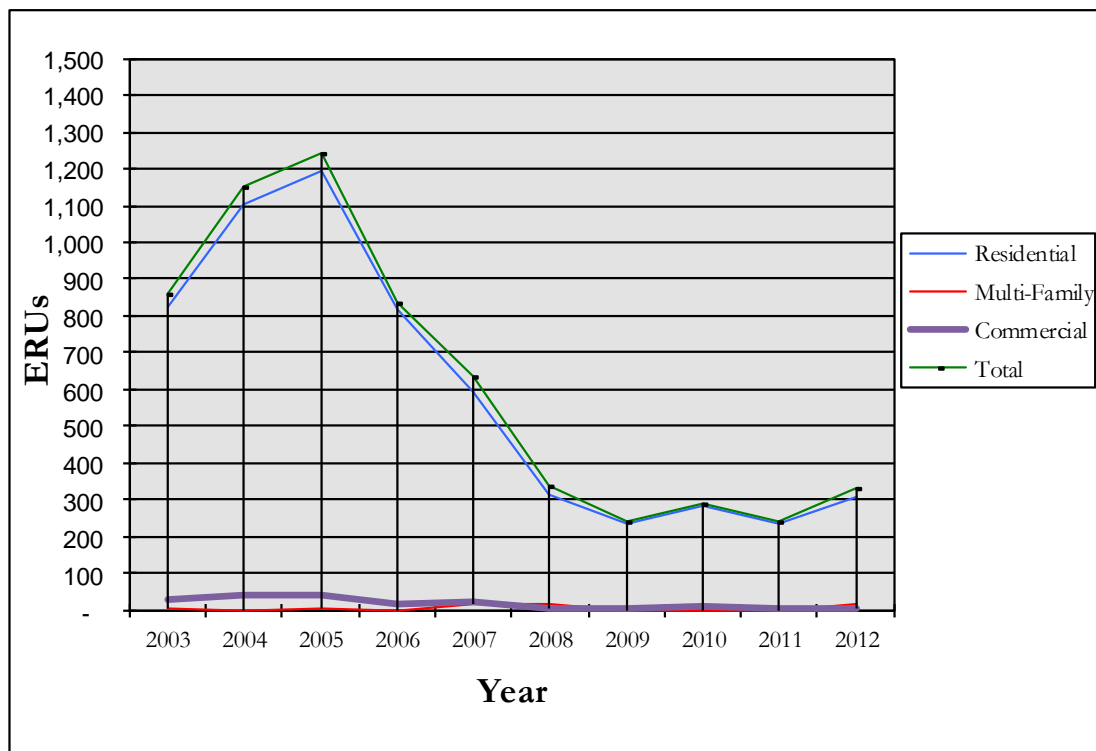
** Maximum monthly flow per discharge permit per Department of Ecology and included in the Joint Interlocal Agreement. The District is only committed through the Joint Interlocal Agreement as guarantor and provides oversight to the Salmon Creek treatment approximately 10% of its flows to the City of Vancouver, but is billed based upon flow and has no other liability.

**CLARK REGIONAL WASTEWATER DISTRICT
CONSTRUCTION SEWER PERMITS
LAST TEN FISCAL YEARS**

Schedule 17

Year	Residential	Multi-Family	Commercial	Total
2003	825	4	31	860
2004	1,106	2	42	1,150
2005	1,195	3	44	1,242
2006	819	-	20	839
2007	595	18	25	638
2008	316	16	6	338
2009	236	-	6	242
2010	283	-	9	292
2011	239	-	6	245
2012	310	21	3	334

Note: The District does not have available construction cost or value for the sewer permits provided its customers.



**CLARK REGIONAL WASTEWATER DISTRICT
SERVICE AND CONNECTION CHARGES
LAST TEN FISCAL YEARS**

Schedule 18

<u>Year</u>	<u>Monthly Service</u>	<u>Regional Facility Charge</u>	<u>General Facility Charge</u>
2003	\$ 23.50	\$ 3,871	\$ 1,898
2004	27.00	4,077	1,898
2005	30.50	4,256	1,898
2006	34.00	4,444	1,898
2007	34.00	4,444	1,898
2008	34.00	4,444	1,898
2009	34.00	4,444	1,898
2010	34.00	4,444	1,898
2011	34.00	4,444	1,898
2012	34.00	4,444	1,898

Notes: Monthly rates are based upon 290 gallons per day per single-family dwelling.

Increases in monthly rates must be approved by the Board of Commissioners. The above rates and connection charges are the primary sources of revenues for the District. The District does not receive any general purpose tax revenues. The monthly service charge will increase in 2013 for the first time in seven years. This rate increase is necessary to adjust to inflationary costs for goods, services, fuel and labor. With the evaluation and prioritization of needed repairs to the system to take place over the next 10 years, the current rate of \$34/mo. will increase \$1 per year annually for four years, beginning in 2013.

The Regional Facility Charge, instituted by Clark County to pay for a portion of the debt service related to the Phase III capital expansion of the Salmon Creek Wastewater Management System, has been repealed by the Clark County Board of Commissioners in 2012. The 2001 Sewer Revenue Bonds were defeased at the end of 2012.

General Facility Charges, instituted to pay for future capital improvement projects, were replaced by the District Board of Commissioners with a tiered System Development charge, in an effort to support economic development. The revenue from this charge will be used for new infrastructure and capital projects. this charge will be used for new infrastructure and capital projects.

**CLARK REGIONAL WASTEWATER DISTRICT
DISTRICT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Schedule 19

Fiscal Year		Maintenance	Engineering	Capital Programs	Administration	Finance	Total
2003	**	15	14	0	10	0	39
2004		15	11	2	3	7	38
2005		15	11	2	3	7	38
2006	*	15	11	2	3	8	39
2007	**	15	11.4	2.5	3	8	39.9
2008	***	17	13.4	0	4.5	8	42.9
2009		17	13.4	0	4.5	8	42.9
2010		17	13.4	0	4.5	8	42.9
2011	****	17	11	0	7	8	43.0
2012	*****	17	11	0	8.5	10	46.5

Notes: Maintenance staff handles all collection, transmission and pump station operations and repairs.

Engineering staff provides permitting, developer extension agreements, development review and local facilities.

Capital Programs was rolled into Engineering and Administration in 2008.

Administration consists of executive management, risk management, human resources and the IT network support.

Finance provides customer service, billing, accounting, cash, investments and debt management services.

* In 2006, Finance added an additional position to assist with UB billing, collections, and permitting.

** In 2007, Engineering added a part-time employee (0.4 FTE) to assist with filing and Capital Programs added a part-time employee (0.5 FTE) to assist with capital construction administration.

*** In 2008, Maintenance added two Maintenance Specialists to support and enhance line-cleaning program. Engineering added a new Capital Programs Engineer. Finally, departmental reorganization resulted in staff reallocations by department.

**** In 2011, the Administrative Assistant I position was transferred from Engineering to Administration and increased from 0.4 FTE to 0.5 FTE. In addition, an Administrative Assistant III position was transferred from Engineering to Administration.

***** In 2012, Administrative Assistant II was added to Administration. In addition, an Administrative Assistant III position was increased from .5 FTE to 1 FTE. Finance added a Senior Accountant and a Customer Service Supervisor.