
CLARK REGIONAL WASTEWATER DISTRICT

VANCOUVER, WASHINGTON



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

CLARK REGIONAL WASTEWATER DISTRICT

Vancouver, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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

DISTRICT STAFF

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

Finance Director/Treasurer
General Manager

BOARD OF COMMISSIONERS

John “Denny” Kiggins
Norm Harker
L. Neil Kimsey

President
Vice President
Secretary



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**CLARK REGIONAL WASTEWATER DISTRICT
VANCOUVER, WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

For the fiscal year ended December 31, 2014

	PAGES
INTRODUCTION	
Letter of Transmittal	1-6
Organizational Chart	7
Directory of Officials	8
GFOA Certificate of Achievement	9
 FINANCIAL SECTION	
State Auditor's Office opinion	11-13
Management's discussion and analysis	15-20
Basic financial statements	
Statement of net position	22-23
Statement of revenues, expenses and changes in fund net position	24
Statement of cash flows	25-26
Notes to financial statements	27-55
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of funding progress – retiree medical benefits	57
 STATISTICAL SECTION	
Description of statistical section	59
Schedule 1 - Net position - last ten fiscal years	60
Schedule 2 - Changes in net position - last ten fiscal years	61
Schedule 3 - Revenues by source - last ten fiscal years	62
Schedule 4 - Expenses by use - last ten fiscal years	63
Schedule 5 - Non-operating revenues and expenses - last ten fiscal years	64
Schedule 6 - Capital contributions by source - last ten fiscal years	65
Schedule 7 - Outstanding debt by type - last ten fiscal years	66
Schedule 8 - Bond coverage ratio - last ten fiscal years	67
Schedule 9 - Operating expense and debt principle coverage - last ten fiscal years	68
Schedule 10 - Demographic statistics - last ten fiscal years	69
Schedule 11 - Employees for ten principal employers - last nine fiscal years	70
Schedule 12 – Customer accounts by type - last ten fiscal years	71
Schedule 13 - Ten largest customers - current and nine fiscal years ago	72
Schedule 14 - Equivalent residential units - last ten fiscal years	73
Schedule 15 - Wastewater treated - last ten fiscal years	74
Schedule 16 - Operating and capital indicators - last ten fiscal years	75
Schedule 17 - Construction sewer permits - last ten fiscal years	76
Schedule 18 - Service and connection charges - last ten fiscal years	77
Schedule 19 - District employees by function - last ten fiscal years	78



May 18, 2015

President Kimsey 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, 2014. The financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) 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 27-55).

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, 2014, and the results of operations and cash flows for the year ending December 31, 2014.

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 GAAP. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and 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 (WSAO) 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, strategies, decision packages, prior year budget to actual performance and policies adopted by the Board at the budget workshops. Budget proceedings occur at the regular commissioner meetings, which are open to the public for questions and comments. After a formal public hearing is conducted for ratepayer input on the proposed budget, the Board approves and adopts the final budget in December.

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 27-55).

DISTRICT PROFILE

This report includes all activities for the Clark Regional Wastewater District. The District is an independent local utility and not a segment or component unit of any other local government. The 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 services to over 28,000 accounts in unincorporated Clark County and the City of Ridgefield. The District's customer base is comprised of both residential and commercial customers. 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 office is located three miles north of the Vancouver, Washington downtown area. Access to the District office is provided by two major highway systems: Interstates 5 and 205. The District employs fifty (50) people who work at the District office and in the field. Four operating departments within the District include Administration, Finance, Engineering and Operations. 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. Discovery Clean Water Alliance (Alliance) was incorporated on January 4, 2013. The District's Administration department, via an Administrative Lead Contract, has provided executive and administrative services for the Alliance since incorporation in 2013.

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, forecasting and budget oversight, financial application systems development, and customer service to approximately 28,000 District utility accounts in 2014. The Finance department continues to streamline and upgrade its internal processes to promote greater efficiencies and provide excellent customer service. The department answered approximately 28,000 phone calls from customers, mailed over 164,000 customer bills, e-mailed over 13,000 e-bills and assisted about 1,400 walk-in customers. The District's Finance department, via an Administrative Lead Contract, has provided accounting and treasury services for the Alliance since incorporation in 2013.

The Engineering department (staff of twelve) 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. The District's Engineering department, via an Administrative Lead Contract, will begin providing capital program management and capital project delivery services for the Alliance starting in 2015.

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 nineteen) manages 605 miles of sewer mainlines and laterals and 61 pump stations, which are encompassed throughout the approximate 46 square-miles of 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 up to 750 individual Septic Tank Effluent Pumping (STEP) 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 Supervisory Control and Data Acquisition (SCADA) 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.

The District has realized benefits related to the continued economic recovery throughout 2014 and anticipates these benefits to continue in 2015. At the end of 2014, unemployment rates in Clark County were 7.2%, slightly lower than the 7.4% rate at the end of 2013. In addition, the state and national average unemployment rates were 6.2% and 5.4%, respectively, as of December 2014, both less than the 6.5% rates reported in December 2013.

Private-sector and public-sector employment increased 2.9% and 1.7%, respectively, in 2014. The top five industry sectors with the largest employment gains in 2014 from 2013 are:

- Professional and Business Services
- Construction
- Retail Trade
- Education and Health Services
- Government

Employment levels in the mining and logging industry held steady. The most vulnerable sectors of employment tend to be in construction, manufacturing, finance, insurance and retail trade.

District sewer permits issued for new connections reflected the continued economic recovery, with significant increases in sewer permits issued since 2012. New construction connections to the public sewer system increased by 247 or 45% in 2014 from 2013, with a total of 795 permits issued in 2014, see Schedule 17 for details. Construction projects in the District service area that required new sewer services from 2012 through 2014 were as follows:

Construction Projects	<u>2014</u>	<u>2013</u>	<u>2012</u>
New subdivisions	22	8	6
New single family lots	770	355	43
Commercial developments	3	3	9
Commercial equivalent residential units	3	4	93
Apartment units	195	107	-

The District will continue to monitor construction projects for trends, to assess potential impacts on operations and customers. The District's ability to strategically plan adequate resources, for future capital needs for its customers, will ensure that appropriate and adequate investments are made in collection system assets throughout the service area. 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 (electronic monitoring of pump stations, instituting building permits module for use by all departments, 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 (GSP) 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 addition of five square miles of the City of Ridgefield service territory as of January 1, 2014, the District is developing plans for the construction and financing of infrastructure needs to provide new service, as well as maintain current infrastructure in the 46 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. Starting in 2013, the District Board approved rate increases of \$1.00 per month per year through 2016. 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. Connection charges are paid on new connections whose wastewater flows to the Salmon Creek, City of Vancouver or City of Ridgefield 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.

In May of 2013, the District adopted two agreements outlining guiding principles of agreed upon service levels providing for coordination of wastewater services with the City of Vancouver (Vancouver). The principles allow for Vancouver to annex parts of the District's service area within the Vancouver Urban Growth Boundary over time, but maintain the cost-effective District services for sewer collection for the foreseeable future.

In 2014, the City of Ridgefield (Ridgefield) transferred ownership of all its sewer utility collection system physical assets and all (approximately 2,000) sewer utility customers to the District.

In 2013, Discovery Clean Water Alliance (Alliance) was formally incorporated by the four partner agencies (the District, Clark County, City of Ridgefield and City of Battle Ground). The Alliance was formed to support a framework where all parties charged with owning, operating or using wastewater treatment services could collectively make decisions together on the delivery of those services to the public within Clark County. This opportunity to jointly own and jointly manage regional infrastructure relied on by vested parties was an underlying theme that future members came to support, to manage both long-term costs and long-term capacity needs. The Alliance will 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) effective January 1, 2015.

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 (CAFR) for the fiscal year ended December 31, 2013. This was the twenty-seventh 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 CAFR. 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 CAFR 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, 2014, it has been thirty-three 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 onsite evaluation of their practices outlined by the APWA. In August 2005, the District was awarded the prestigious APWA Accreditation plaque for having fully complied with 270 of their practices and having substantially complied with the remaining four (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 evaluation team identified and designated five as model practices to be used as a standard for other entities across the country. This included the District's Strategic Plan, which staff developed in 2009. The District remains the first and only special purpose district in North America to receive such an award. In October of 2015, the District will once again undergo the evaluation process associated with re-accreditation and anticipates becoming re-accredited for the third time by APWA.

Acknowledgments

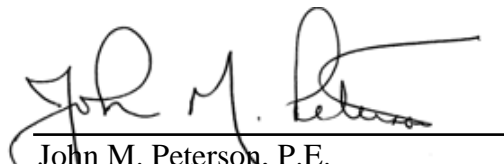
This report was made possible by the staff of the Finance department, the (Washington) Water and Sewer Risk Management Pool, the Washington Department of Retirement Systems (DRS) and all other departments of the District. Each member of the District, the President, Commissioners, General Manager and 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.

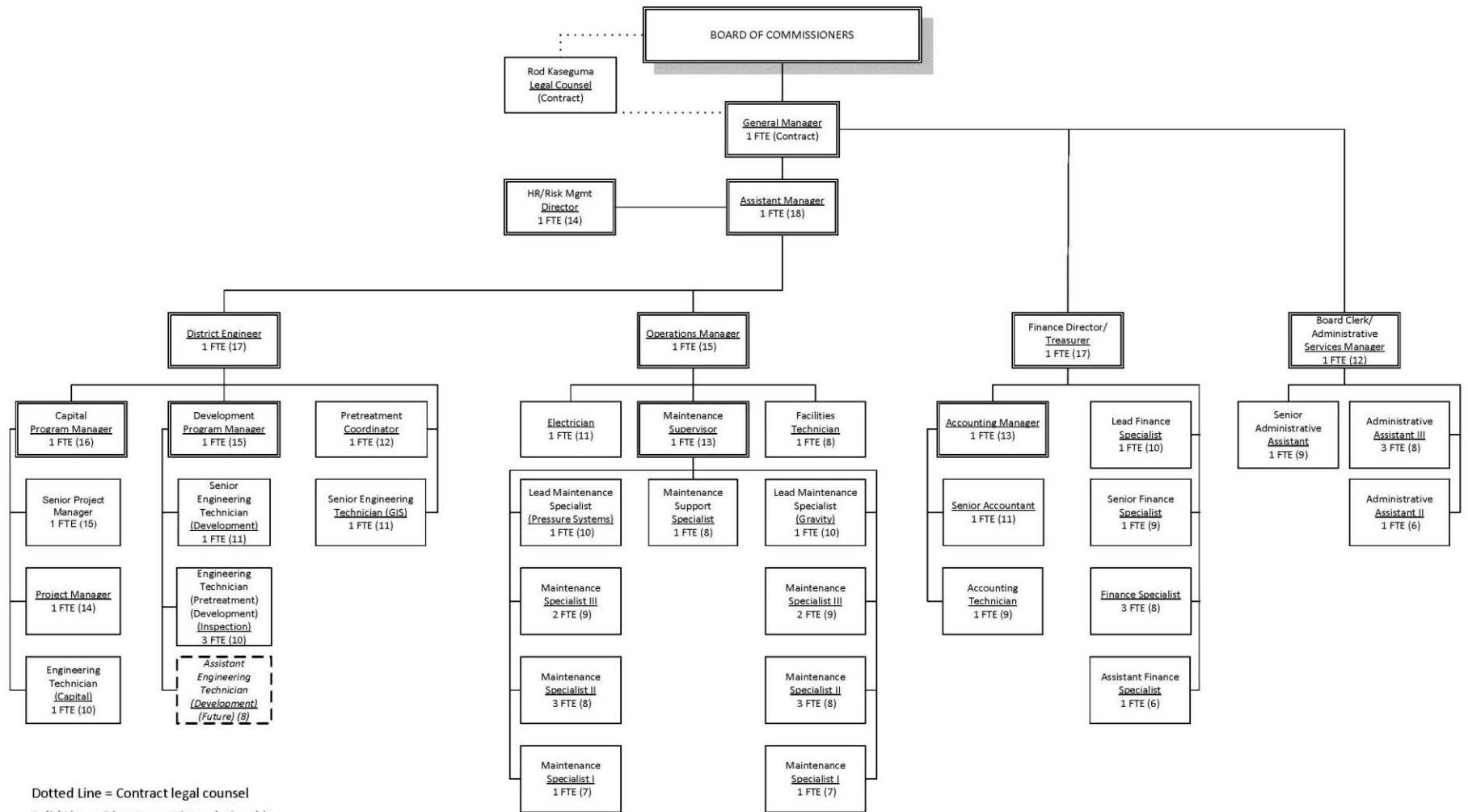
Respectfully submitted,



Ken Andrews, CPA
Finance Director


John M. Peterson, P.E.
General Manager

CLARK REGIONAL WASTEWATER DISTRICT ORGANIZATIONAL CHART



**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 2014

<u>Position</u>	<u>Elected Official</u>	<u>Term Expiration</u>
President	John "Denny" Kiggins	December 2017
Vice President	Norm Harker	December 2015
Secretary	L. Neil Kimsey	December 2019

APPOINTIVE

<u>Position</u>	<u>Appointed Employee</u>
General Manager	John M. Peterson, P.E.
Assistant Manager	Shawn Moore
Finance Director/Treasurer	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



Government Finance Officers Association

**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, 2013

A handwritten signature in black ink, reading "Jeffrey R. Enen". The signature is written in a cursive, flowing style.

Executive Director/CEO

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Washington State Auditor

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

May 15, 2015

Board of Commissioners
Clark Regional Wastewater District
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Clark Regional Wastewater District, Clark County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 audit. We conducted our audit 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, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 2, during the year ended December 31, 2014, the District has implemented the Governmental Accounting Standards Board *Statement No. 69, Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 and schedule of funding progress - retiree medical benefits 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.

Supplementary and Other Information

The information identified in the table of contents as the introduction and statistical sections is presented for purposes of additional analysis and is 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 15, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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 1-6 of this report.

The following Management's Discussion and Analysis is intended to serve as an introduction to the 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 27-55.

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 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 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). The 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 *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 the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* display 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 *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, 2014**

Financial Highlights

- The District requested \$9,871,562 in Public Works Trust Fund (PWTF) loan draws in 2014. Draw proceeds were used to fund design and construction activities of the Discovery Corridor Wastewater Transmission System (DCWTS) project, an estimated \$27.0 million dollar project anticipated for completion by fiscal year end 2016.
- For 2014, the assets of the District exceeded its liabilities by \$159,952,162. Of this amount, \$37,021,168 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, 2014.
- The District's change in net position was \$17,381,798 and \$2,066,977 for 2014 and 2013, respectively. The 2014 increase is mostly a result of the transfer of operations from the City of Ridgefield. Contributions from Developers and connection charges amounting to \$5,618,773 for 2013 caused its increase in net position.
- Total liabilities increased \$13,446,108 in 2014 from 2013. The main drivers for the increase in liabilities are, other than the DCWTS project, the transfer of liabilities from the City of Ridgefield, effective January 1, 2014, which include:
 - ❑ Ridgefield PWTF loan draws on the DCWTS project through 2013 of \$707,855
 - ❑ PWTF loan for the T-7 Lift Station Force Main with a balance of \$1,007,804
 - ❑ System Development Charge (SDC) credits of \$1,955,710
- In 2014, the District made regular principal payments on its outstanding sewer revenue bonds of \$1,129,993, PWTF loans of \$1,409,834 and State Revolving Fund (SRF) loan of \$47,414.

Assets, Liabilities and Net Position

December 31	2014	2013	<u>2014 to 2013</u> Change	%
<i>Assets</i>				
Current and other assets	\$ 44,955,737	\$ 40,626,955	\$ 4,328,782	10.7%
Capital assets (net of depreciation) and construction work in progress	<u>162,224,667</u>	<u>135,725,542</u>	<u>26,499,125</u>	19.5%
Total assets	<u>207,180,404</u>	<u>176,352,497</u>	<u>30,827,907</u>	
<i>Liabilities</i>				
Long-term liabilities	38,730,717	29,001,844	9,728,873	24.5%
Other liabilities	<u>8,497,525</u>	<u>4,780,289</u>	<u>3,717,236</u>	37.6%
Total liabilities	<u>47,228,242</u>	<u>33,782,133</u>	<u>13,446,109</u>	
<i>Net position</i>				
Net invested in capital assets	122,930,994	105,412,741	17,518,253	17.9%
Restricted	-	-	-	
Unrestricted	<u>37,021,168</u>	<u>37,157,623</u>	<u>(136,455)</u>	-0.4%
Total net position	<u>\$ 159,952,162</u>	<u>\$ 142,570,364</u>	<u>\$ 17,381,798</u>	

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets includes land, buildings, pump stations, collection and transmission lines, machinery and equipment, construction work in progress on collection and transmission systems and intangible assets. The District's total net capital assets as of December 31, 2014 were \$162.2 million. This increase of \$26.5 million or 19.5% from 2013 is due to the transfer of operations from City of Ridgefield and development of the DCWTS project, offset by normal depreciation and amortization. Major capital assets events during the fiscal year included the following:

- The District increased capital assets by a net total of \$14,565,064 in the form of collection lines, pump stations, communications equipment and construction work in process with the transfer of the collection system from the City of Ridgefield to the District, effective January 1, 2014.
- The District expended a significant amount of resources in the DCWTS project throughout 2014. The District's construction work in progress balance on this project is \$15,118,970, an increase of \$13.4 million from 2013. As of December 31, 2014, the project is considered 50% complete with anticipation of full completion by end of 2016.
- During 2014, the District purchased a new bypass pump for \$54,519 to replace the current portable bypass pump and ensure proper management of flow capacities of the Districts largest pump stations to bypass pumping in case of a system failure. The District spent \$17,755 upgrading the office network to current technology which will allow for running multiple virtual servers and additional capacity to support growth of data and storage. The District also spent \$25,278 on a new vehicle to replace an inspector vehicle with high mileage and maintenance expenses.
- For further explanations of the capital asset activity of the District, please refer to Note 4, Capital Assets, pages 35-36.

Long-Term Liabilities

- During 2014, the District increased its loan liabilities by a total of \$10,129,971. This increase was driven by the 2014 draws for the DCWTS project, as well as the City of Ridgefield's loan liability for the DCWTS project and loan liability on the Gee Creek Trunk as transferred from the City of Ridgefield on January 1, 2014; offset by debt payments made throughout 2014.
- On November 28, 2012, the District issued \$5,417,645 in sewer revenue bonds. The outstanding balance owed at year end 2014 is \$4,418,987.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

- On December 22, 2005, the District issued \$14.0 million in sewer revenue bonds. The total proceeds, including the premium on the issuance, amounted to \$14,382,147. The outstanding balance at year end 2014 on the bonds, plus premium totals, was \$9,413,589.
- Loans payable of \$25,461,096 at year end includes the following:
 - ❑ \$172,144 for PWTF loans granted for the construction of the District's Glenwood and Hockinson pump stations
 - ❑ \$923,820 Gee Creek Trunk Sewer T7 line transferred from the City of Ridgefield on January 1, 2014
 - ❑ \$12,314,585 for Phase IV construction of the Salmon Creek Wastewater Management System (SCWMS)
 - ❑ \$676,309 on the SRF loan used for Phase IV construction of the SCWMS
 - ❑ \$11,374,238 PWTF loan for the DCWTS project
- Please refer to the Long-Term Liabilities, Note 3, pages 32-34, for more detailed information regarding long-term debt activity.

Revenues and Expenses

	2014	2013	2014 to 2013 Change	%
OPERATING REVENUES				
Charges for services	\$ 17,396,279	\$ 15,343,633	\$ 2,052,646	13.4%
Permits	101,725	70,190	31,535	44.9%
Miscellaneous	667,866	479,837	188,029	39.2%
Interest and investment income	271,600	201,405	70,195	34.9%
Non-operating	47,304	15,444	31,860	206.3%
Total revenues	<u>18,484,774</u>	<u>16,110,509</u>	<u>2,374,265</u>	
Operating expenses	21,027,808	18,880,888	2,146,920	11.4%
Non-operating expenses	-	15,742	(15,742)	-
Interest expense	670,994	668,591	2,403	0.4%
Total expenses	<u>21,698,802</u>	<u>19,565,221</u>	<u>2,133,581</u>	
EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS	(3,214,028)	(3,454,712)	240,684	-7.0%
CAPITAL CONTRIBUTIONS	8,753,630	5,618,773	3,134,857	55.8%
SPECIAL ITEM - TRANSFER OF OPERATIONS	<u>11,842,196</u>	<u>-</u>	<u>11,842,196</u>	
CHANGE IN NET POSITION	17,381,798	2,164,061	15,217,737	703.2%
NET POSITION, January 1	<u>142,570,364</u>	<u>140,503,387</u>	<u>2,066,977</u>	1.5%
NET POSITION, December 31	<u>\$ 159,952,162</u>	<u>\$ 142,667,448</u>	<u>\$ 17,284,714</u>	

- Service revenues increased in 2014 by \$2.1 million or 13.4%. Effective January 1, 2014, the City of Ridgefield transferred to the District their collection system operations. With this transfer of operations the District's customer base grew by approximately 2,000 accounts. In

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

addition, we realized increases in this revenue stream from completed development projects that are now connected to our system and an increase in the monthly rates in 2014 to \$36.00/month per equivalent residential unit (ERU) from \$35.00/month ERU in 2013.

- Actual ERU growth in customers was 1,022 and 675 ERUs for 2014 and 2013, respectively. The District saw a revenue increase of 44.9% in permitting for 2014 compared to 2013, driven by increased development in the District's service area. The District has budgeted for growth in 2015 to increase at a rate consistent with what the District budgeted in 2014.
- Interest and investment income in 2014 increased by 34.9% from 2013. The District continues to actively manage and diversify its investments outside of the State and County pools to maximize interest earnings.
- The District receives System Development Charge (SDC) revenues, based on a tiered system, in an effort to support economic development within the District service area. The revenue from this charge is used for new infrastructure and capital projects within the District service area. Connection fee revenues (SDCs) for 2014 totaled \$4,885,217 compared to \$3,010,250 in 2013. These charges did not change in 2014 from 2013 and we do not anticipate changes in these charges for 2015; however, with the addition of the Ridgefield collection system to the District service area there is an added, higher, charge for connections to the Ridgefield Treatment Plant. The charges per connection are as follows:

<u>Treatment Plant</u>	<u>SDC</u>
Vancouver (VTP)	\$ 1,720
Salmon Creek (SCTP)	\$ 4,708
Ridgefield (RFTP)	\$ 7,550

The remaining increase in capital contributions is a result of increased donated capital. The District received \$3,552,365 in 2014 compared to \$2,314,360 in 2013. This 53.4% increase is a result of increased development within the District's service area.

- Operating expenses for 2014 increased over 2013 by \$2.1 million or 11.4%. The main drivers for this increase are:
 - ❑ Depreciation and amortization costs increased by \$519,212 over 2013, with the increased assets through District projects placed in service and assets transferred to the District from Ridgefield
 - ❑ Treatment contract services are the largest category of operating expense. It increased \$1,025,367, 21.4%, mainly due to adding treatment costs at the City of Ridgefield
 - ❑ Labor and related benefits costs overall reflect an increase of \$67,950 and \$65,167, respectively, for 2014 due to an increase in the number of FTE employees working throughout the year

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

Cash Flows

Wastewater collection is a very capital and asset intensive utility service. The District's current system, inclusive of the Ridgefield service area is spread across 46 square-miles. Significant portions of the service area are undeveloped and require major infrastructure improvements and investments. Other portions of the system are over 50 years old and are beginning to reach their useful life. Growth in sewer service customers and potential service charge increases will help fund the next phase of capital expansion to the County and City of Ridgefield's Wastewater Management Systems. Growth and scheduled increases in rates will provide the necessary annual cash flow to cover operating activities and partially support future capital needs of the District.

Economic Factors and 2014 Budget

The District experienced a negative operating income for 2014, continuing to spend down some cash reserves while, at the same time, servicing debt for Phase IV capital expansion of the SCWMS. The District increased rates in 2014 and 2015 by \$1.00/month ERU each year. These rate increases are primarily used to fund capital expansion and provide the cash flow for the related debt service.

The District has been fortunate in qualifying for low cost financing from the State of Washington Public Works Trust Fund (PWTF) loan (0.5%) and State of Washington State Revolving Fund (SRF) loan (2.6%) programs for major capital projects. This has allowed the District to keep its rates relatively 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.

Sewer service revenues are projected to increase by \$1.0 million, the primary drivers being an increase in the District's customer base of 1,022 ERU's throughout 2014 (above the 2,097 ERU increase transferred from City of Ridgefield), and a 2.8% increase in the monthly rate charged per ERU per month.

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/Treasurer, PO Box 8979, Vancouver, WA 98668-8979 or <http://www.crwwd.com/>

CLARK REGIONAL WASTEWATER DISTRICT
2014
FINANCIAL STATEMENTS

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS

	<u>2014</u>
CURRENT ASSETS	
Unrestricted current assets	
Cash and cash equivalents	\$ 27,095,138
Investments (at fair value)	500,216
Receivables	
Customer accounts	1,500,214
Contracts (current and delinquent)	108,394
Special assessment receivable	860
Interest	32,241
Due from other governments	395,561
Prepaid expenses	<u>365,799</u>
Total unrestricted current assets	<u>29,998,423</u>
 Total current assets	 <u>29,998,423</u>
 NONCURRENT ASSETS	
Investments (at fair value)	14,487,624
Contracts receivable	419,528
Unamortized bond insurance, net	<u>50,162</u>
Total long-term assets	<u>14,957,314</u>
 Capital assets not being depreciated:	
Land and land rights	578,745
Construction work in progress	<u>19,142,135</u>
	19,720,880
 Capital assets being depreciated:	
Buildings	3,727,071
Improvements other than buildings	136,839,627
Equipment	2,681,185
Less: accumulated depreciation	<u>(39,973,784)</u>
	103,274,099
 Capital assets being amortized:	
Intangible assets, including future treatment capacity rights	85,750,669
Less: accumulated amortization	<u>(46,520,981)</u>
	39,229,688
 Total noncurrent assets	 <u>177,181,981</u>
 Total assets	 <u>\$ 207,180,404</u>

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

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2014

LIABILITIES AND NET POSITION

	<u>2014</u>
CURRENT LIABILITIES	
Warrants payable	\$ 3,804,425
Accounts payable	515,035
Loans payable	1,979,886
Interest payable	105,263
Revenue collected in advance	428,830
SDC credits	302,000
Construction deposits	134,221
Compensated absences	33,717
Sewer revenue bonds, net of unamortized bond premium	1,194,148
Total current liabilities	<u>8,497,525</u>
NONCURRENT LIABILITIES	
Compensated absences	340,921
Other postemployment benefits (OPEB)	948,647
SDC credits	1,321,510
Loans payable	23,481,211
Sewer revenue bonds, net of unamortized bond premium	12,638,428
Total noncurrent liabilities	<u>38,730,717</u>
Total liabilities	<u>47,228,242</u>
NET POSITION	
Net investment in capital assets	122,930,994
Unrestricted	<u>37,021,168</u>
Total net position	<u>\$ 159,952,162</u>

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

**CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2014**

	2014
OPERATING REVENUES	
Charges for services	\$ 17,396,279
Permits	101,725
Other operating revenue	667,866
Total utility operating revenues	<u>18,165,870</u>
OPERATING EXPENSES	
Salaries and wages	3,137,875
Personnel benefits	1,429,169
Supplies	469,399
Professional services	513,267
Insurance	106,357
Treatment contract services	5,819,114
Taxes	507,068
Other operating expense	900,290
Depreciation and amortization	8,145,269
Total operating expenses	<u>21,027,808</u>
OPERATING INCOME (LOSS)	<u>(2,861,938)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	271,600
Other non-operating revenue	47,304
Interest expense	(670,994)
Total non-operating revenue (expenses)	<u>(352,090)</u>
INCOME BEFORE CONTRIBUTIONS	(3,214,028)
CAPITAL CONTRIBUTIONS	8,753,630
SPECIAL ITEM - TRANSFER OF OPERATIONS	<u>11,842,196</u>
CHANGE IN NET POSITION	17,381,798
TOTAL NET POSITION, January 1	142,570,364
TOTAL NET POSITION, December 31	<u><u>\$ 159,952,162</u></u>

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

**CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 17,856,533
Payments to suppliers	(8,087,977)
Payments to employees	(4,414,824)
Other reimbursements	(664,682)
Other revenues	409,644
Net cash from operating activities	<u>5,098,694</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital grants	44,389
Capital contributed by assessments	2,661
Receipts for future system improvements	6,212,979
Proceeds from sale of capital assets	500
Proceeds from capital loans	9,871,564
Principal paid on long-term debt	(2,587,243)
Interest paid on long-term debt	(666,961)
Acquisition and construction of capital assets	(14,401,326)
Net cash from capital and related financing	<u>(1,523,437)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(9,459,241)
Proceeds from maturing or called investments	5,449,386
Interest on investments	257,364
Interest on assessments	302
Interest on contracts	29,189
Net cash from investing activities	<u>(3,723,000)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(147,743)
 CASH AND CASH EQUIVALENTS, January 1	<u>27,242,881</u>
 CASH AND CASH EQUIVALENTS, December 31	<u><u>\$ 27,095,138</u></u>

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

**CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Utility operating income (loss)	\$ (2,861,938)
Adjustments to reconcile operating income to net from operating activities	
Depreciation and amortization expense	8,145,269
(Increase) decrease in accounts receivable	(118,296)
(Increase) decrease in due from other governments	(317,006)
(Increase) decrease in prepaid expenses	(156,887)
Increase (decrease) in warrants payable	342,811
Increase (decrease) in accounts payable	130,539
Increase (decrease) in accrued employee benefits	147,276
Increase (decrease) in revenue collected in advance	(331,896)
Non-operating revenues	<u>118,822</u>
Total adjustments	<u>7,960,632</u>
Net cash from operating activities	<u>\$ 5,098,694</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Contributions of capital assets from developers or governments	3,552,365
Increase (decrease) in fair value of investments	(13,663)
Debt assumed from transfer of operations	(1,715,658)
System development credits from transfer of operations	(1,955,710)
Capital assets from transfer of operations	14,565,064
Issuance (receipt) of capital contract receivable	472,003

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.

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant policies (including identification of those policies which result in material departures from GAAP):

Reporting entity – The District is a municipal corporation and a political subdivision of the State of Washington. The Governmental Accounting Standards Board (GASB) has established GAAP, which qualifies a Special Purpose District to be a 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.

As required by GAAP, management has considered all potential component units in defining the reporting entity. Utilizing the criteria set forth by GASB for component units, the District has evaluated all legal entities that would potentially qualify as a component unit and be included in the financial statements of the District. The District concludes it has no component units. 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 accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under authority chapter 43.09. The District uses the Uniform Chart of Accounts as prescribed within the Budgeting, Accounting and Reporting System (BARS) Manual for Water and Sewer Districts reporting in conformity with GAAP. The District's financial statements have been prepared in conformity with GAAP.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized 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.

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

The District distinguishes between operating revenues and expenses from non-operating ones. 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 non-operating revenues and expenses, such as interest income and expense.

Cash and cash equivalents – For the purposes of the 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 held in the Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP) 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 County and State local government investment pools in which the District participates. All investments held have readily available market prices. The change in fair value is reported in the 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 records liens on the property served and, ultimately, may foreclose on such property, payments 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 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, 2014, delinquent contract and special assessment receivables were \$43,941.

Capital assets – The District's capital assets include but are not limited to land, buildings, treatment capacity rights, construction work in progress, machinery, equipment, furniture and software. See Note 4 on pages 35 through 36 for detailed information about the District's capital assets.

Compensated absences – Accumulated but unpaid compensated absences (vacation and sick leave) are recorded as liabilities as earned. Vacation may accumulate up to a maximum of 360 hours or, for those restricted to contracts, the contract amount, although the maximum compensable payout allowed is 240 hours. Sick leave earned, vested and unused by District employees is compensable at 50% of its value upon voluntary termination, retirement or death and is also recorded as a District liability. Sick leave may accumulate beyond 960 hours for an employee; however, 50% of 960 hours is the maximum payout allowed. Total accrued unpaid compensated absences (vacation and sick leave) amounted to \$374,638 at December 31, 2014.

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

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 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, respectively, using the straight line method.

Note 2 – Accounting and Reporting Changes / Transfer of Operations

The District implemented GASB 69, *Government Combinations and Disposals of Government Operations*. The regional study efforts over the last several years identified an opportunity for optimizing the local collection system services for the public. In particular, the District and the City of Ridgefield (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. The Ridgefield collection system officially transferred operations to the District as of January 1, 2014. The collection system transfer is defined in GASB 69 as a *transfer of operations* type of government combination.

This standard states in part, the following,

- “This statement established the accounting and financial reporting standards for all government combinations”.
- “For transfers of operations the effective transfer date is the date that the transferee government obtains control of the assets and becomes obligated for the liabilities”.
- “Implementation of the standard requires the net position assumed by the continuing transferee government (the District) be reported as a special item”.

The District and Ridgefield have worked closely together to ensure accuracy of all financial data. As a result of the transfer of operations the District has recognized the following assets, liabilities and net position:

Transferred Assets (Net)	
Cash Reserves	\$ 948,501
Total Current Assets	948,501
Pump Stations	350,734
Sewer Lines	14,164,204
Equipment	50,126
Total Capital Assets	14,565,064
Total Transferred Assets (Net)	<u>\$ 15,513,565</u>
Transferred Liabilities	
Long-term debt	\$ 1,715,659
SDC Credits	1,955,710
Total Liabilities	<u>\$ 3,671,368</u>
Net Position of Transferred collection system operation	
Net Investment	<u><u>\$ 11,842,196</u></u>

Note 2 – Accounting and Reporting Changes / Transfer of Operations (Continued)

GASB 69 allows for changes in different, but acceptable, accounting methods in the transfer of governmental operations. To maintain consistency with District assets of similar type, the District has adjusted the estimated useful life of the collection system assets transferred from Ridgefield. To compute useful life remaining, the District subtracted the life used since the purchase and installation of the asset from the estimated useful life per the District's fixed asset policies. Depreciation will be computed based on the carrying value of the asset at the time of transfer using the straight-line method over the adjusted useful life remaining at the time of transfer. The table below shows the change in estimated useful life by asset category.

ASSETS	RIDGEFIELD LIFE	DISTRICT LIFE
Pumps	20	20
Pump Stations	75	50
Force and Gravity Lines	75	50
Communication Equipment	20	10

Note 3 – Long-Term Liabilities

Bonds – 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. collection transmission facilities). This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board, who has approved nine loans to the District through 12/31/2014. Loans from the state PWTF will be repaid over a period not to exceed 20 years at the stated interest rates.

Construction was funded through use of these loans as follows:

- Glenwood and Hockinson pump station projects with loans, issued notices of completion and final draws were executed in 1998 and 1999, respectively.
- Gee Creek Trunk Sewer project with loans, issued notices of completion and final draws were executed by Ridgefield in 2008. This loan was transferred to the District on January 1, 2014, as part of the collection system transfer of operations (see Note 2 for details).
- 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.
- Discovery Corridor Wastewater Transmission System is anticipated for completion in 2016. The District and Ridgefield were each directly approved for \$10,000,000 loans. The total \$20,000,000 of approved loans on the project will fund design and construction activities. The initial loan draws were made in June 2013 and July 2013, respectively. On January 1, 2014, the City's loan was transferred to the District as part of the collection system transfer of operations (see Note 2 for details). As of December 31, 2014, the District has drawn \$1,492,776 from the loan directly issued to the District and fully drawn the loan transferred from Ridgefield.

On the following page is a schedule of loans containing a description of each loan, its use, and outstanding balance as of December 31, 2014:

Public Works Trust Fund Loans	Loan Number	Notice of Completion	Approved Loan Amount	Balance	Interest Rate
Glenwood Pump Station	PW-5-95-791-010	September 1998	\$ 2,185,960	\$ 116,404	1.0%
Hockinson Pump Station	PW-5-96-791-018	September 1999	502,670	55,740	1.0%
Gee Creek Trunk Sewer	PW-05-691-047	February 2008	1,597,606	923,820	1.0%
Salmon Creek Treatment Plant - Preconstruction (Phase IV)	PW-03-691-PRE-107	October 2003	1,000,000	473,685	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PW-04-691-033	May 2004	10,000,000	5,367,217	0.5%
Salmon Creek Treatment Plant - Preconstruction (Phase IV)	PW-05-691-PRE-116	June 2005	1,000,000	578,948	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PC-08-951-009	March 2008	8,000,000	5,894,737	0.5%
Discovery Corridor Wastewater Transmission System	PC-12-951-034	N/A	10,000,000	9,949,917	0.5%
Discovery Corridor Wastewater Transmission System	PC-13-961-040	N/A	10,000,000	1,424,320	0.5%
				<u>\$ 24,784,788</u>	

Note 3 – Long-Term Liabilities (Continued)

For 2014, the District paid \$1,495,511 (\$1,409,834 principal and \$85,677 interest) on these PWTF loans. The annual debt service requirements for the PWTF loans payable are as follows:

Year	State of Washington - Public Works Trust Fund Loans											
	Glenwood Pump Station		Hockinson Pump Station		Gee Creek Trunk Sewer		SCWMS*		DCWTS**		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 116,404	\$ 1,164	\$ 27,870	\$ 557	\$ 83,984	\$ 9,238	\$ 1,063,038	\$ 61,573	\$ 664,418	\$ 43,436	\$ 1,955,714	\$ 115,969
2016	-	-	27,870	279	83,984	8,398	1,063,038	56,258	664,418	53,549	1,839,310	118,484
2017	-	-	-	-	83,984	7,559	1,063,038	50,943	664,418	50,227	1,811,440	108,728
2018	-	-	-	-	83,984	6,719	1,063,038	45,627	664,418	46,905	1,811,440	99,251
2019	-	-	-	-	83,984	5,879	1,063,038	40,312	664,418	43,583	1,811,440	89,774
2020-2024	-	-	-	-	419,916	16,797	5,262,556	121,833	3,322,091	168,083	9,004,563	306,713
2025-2029	-	-	-	-	83,984	840	1,736,841	21,316	3,322,091	85,031	5,142,916	107,186
2030-2034	-	-	-	-	-	-	-	-	1,407,965	11,153	1,407,965	11,153
Total	\$ 116,404	\$ 1,164	\$ 55,740	\$ 836	\$ 923,820	\$ 55,429	\$ 12,314,587	\$ 397,862	\$ 11,374,237	\$ 501,967	\$ 24,784,788	\$ 957,258

* Salmon Creek Wastewater Management System

** Discovery Corridor Wastewater Transmission System

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	\$ 676,309	2.6%

Debt service on this loan for 2014 totaled \$66,025 (\$47,414 principal and \$18,611 interest). The annual debt service requirements for this SRF loan payable are as follows:

Year	State of Washington - State Revolving Fund Loan		
	Principal	Interest	Payments
2015	\$ 48,661	\$ 17,364	\$ 66,025
2016	49,942	16,083	66,025
2017	51,256	14,769	66,025
2018	52,604	13,421	66,025
2019	53,988	12,036	66,025
2020-2024	292,013	38,111	330,124
2025-2026	127,845	4,205	132,050
Total	\$ 676,309	\$ 115,989	\$ 792,298

Revenue Bonds – The District issued \$14,000,000 in sewer revenue bonds in December 2005 to help finance Phase IV capital construction costs of the Salmon Creek Wastewater Management System. The total proceeds, including premium on the issuance, amounted to \$14,382,147. The bond proceeds were fully drawn and expended by 2007 to fund construction costs. These bonds have an interest rate of 4.4357%. In compliance with bond covenants of this issuance an arbitrage rebate calculation was performed by AMTEC in 2010. The results of the analysis determined that the District was not required to rebate any arbitrage profit to the IRS.

Note 3 – Long-Term Liabilities (Continued)

Debt service on the loan for 2014 totaled \$1,092,665 (\$625,000 principal and \$467,665 interest). The annual debt service requirements for these sewer revenue bonds are as follows:

Year	2005 Sewer Revenue Bonds		Total Debt Service
	Principal	Interest	
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	750,000	343,565	1,093,565
2019	790,000	306,065	1,096,065
2020-2024	4,560,000	908,288	5,468,288
2025	1,045,000	48,593	1,093,593
Total	<u>\$ 9,205,000</u>	<u>\$ 2,828,956</u>	<u>\$ 12,033,956</u>

The District issued sewer revenue bonds totaling \$5,417,645 in November 2012. Debt service on the loan for 2014 totaled \$600,000 (\$504,993 principal and \$95,007 interest). These bonds have an interest rate of 1.98%. Proceeds were used to reimburse the District for reserves 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	
2015	\$ 515,041	\$ 84,959	\$ 600,000
2016	525,289	74,711	600,000
2017	535,741	64,259	600,000
2018	546,402	53,598	600,000
2019	557,274	42,726	600,000
2019-2022	1,739,240	60,759	1,799,999
Total	<u>\$ 4,418,987</u>	<u>\$ 381,012</u>	<u>\$ 4,799,999</u>

Changes in long-term liabilities as a summary for the year ended December 31, 2014:

	Balance Jan. 1, 2014	Additions	Reductions	Balance Dec. 31, 2014	Due Within One Year
Compensated absences	\$ 346,868	\$ 333,396	\$ 305,626	\$ 374,638	\$ 33,717
Other post employment benefits	829,141	119,506		948,647	
Loans payable	15,331,125	11,587,219	1,457,247	25,461,097	1,979,886
Sewer revenue bonds					
2005 sewer revenue bonds	9,830,000		625,000	9,205,000	660,000
For issuance and premium	227,696		19,107	208,589	19,107
2012 sewer revenue bonds	4,923,980		504,993	4,418,987	515,041
Total long-term liabilities	<u>\$ 31,488,810</u>	<u>\$ 12,040,121</u>	<u>\$ 2,911,973</u>	<u>\$ 40,616,959</u>	<u>\$ 3,207,752</u>

Note 4 – 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.

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 Statement of Revenues, Expenses and Changes in Fund 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 construction work-in-progress account (CWIP) until final completion is determined before transferring these costs to a utility plant in service account.

The following schedule of capital assets is recorded at historical costs with any related additions due to purchases or utility plant brought into service. In 2014, the District increased its CWIP account by \$17,366,915 and incurred \$16,833,564 in CWIP project costs (i.e. pump stations, pump station improvements, force mains and treatment plant expansion) of which \$11,477,064 or 68% were on the Discovery Corridor Wastewater Transmission System (DCWTS) project. In addition to the CWIP costs incurred, Ridgefield transferred CWIP of \$533,351 on the DCWTS and North Junction Pump Station projects as part of the collection system transfer effective January 1, 2014. The District transferred \$1,959,047 from CWIP into service.

The District and the City of Battle Ground, through an Interlocal Agreement, own 100% of the treatment capacity rights of the Salmon Creek Treatment Plant, owned by Clark County, with the District having the majority share. 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, 2014 of \$39,173,804.

Note 4 – Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2014, is as follows:

	Balance Jan. 1, 2014	Additions & Transfers	Retirements & Transfers	Balance Dec. 31, 2014
CAPITAL ASSETS - NONDEPRECIABLE:				
Land and land rights	\$ 578,745	\$ -	\$ -	\$ 578,745
Construction work-in-progress	3,731,267	17,366,915	1,956,047	19,142,135
Total capital assets - nondepreciable	4,310,012	17,366,915	1,956,047	19,720,880
CAPITAL ASSETS - DEPRECIABLE:				
Collection and transmission system	107,738,933	17,537,016	-	125,275,949
Buildings	3,727,071	-	-	3,727,071
Pumping stations	10,026,688	1,536,990	-	11,563,678
Machinery, furniture and equipment	2,533,507	147,678	-	2,681,185
Intangible assets, including future treatment capacity rights	85,738,827	11,842	-	85,750,669
Total capital assets - depreciable	209,765,026	19,233,526	-	228,998,552
LESS ACCUMULATED DEPRECIATION:				
Collection and transmission system	(31,719,462)	(2,639,370)	-	(34,358,832)
Buildings	(1,168,055)	(81,158)	-	(1,249,213)
Pumping stations	(2,023,181)	(238,685)	-	(2,261,866)
Machinery, furniture and equipment	(1,965,319)	(138,554)	-	(2,103,873)
Intangible assets, including future treatment capacity rights	(41,473,479)	(5,047,502)	-	(46,520,981)
Total accumulated depreciation	(78,349,496)	(8,145,269)	-	(86,494,765)
Total capital assets - depreciable, Net	131,415,530	11,088,257	-	142,503,787
Total capital assets, Net	\$ 135,725,542	\$ 28,455,172	\$ 1,956,047	\$ 162,224,667

Note 5 – Cash and Cash Equivalents 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, 2014, comply with the provisions of that code section and with the District's investment policy found within District Code Chapter 3.20. The District's deposits and investments are managed daily by the District Finance Director/Treasurer.

Cash and Cash Equivalents – The District deposits and certificates of deposit are entirely insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a municipal financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC) 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 as either short term or long term investments.

For short term investments, cash equivalents, the District utilizes both the Washington State Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP). The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission. The CCIP is also an unrated fund. The weighted average maturities of the LGIP and CCIP are less than three (3) months and approximately one (1) year, respectively, with cash available to the District on demand. The on demand availability of these funds defines them as cash equivalent liquid investments and not subject to interest rate risk. Cash investments are not subject to interest rate risk or any market value reporting requirement as defined by GASB 31. 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. The CCIP is overseen by the Clark County Finance Committee and is audited annually by the Washington State Auditor's Office and regulated by Washington RCWs.

As of December 31, 2014, the District's cash and cash equivalents are as follows:

	2014
Cash and cash equivalents:	
Bank depository and checking accounts	\$ 1,173,065
Petty cash / cash drawers	1,000
Washington state local government investment pool	4,956,680
Clark County investment pool	20,964,393
Total cash and cash equivalents and investments	<u>\$ 27,095,138</u>

Note 5 – Cash and Cash Equivalents and Investments (Continued)

Investments – 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 as either short term or long term investments.

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 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) and Clark County Investment Pool. 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.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. 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 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.

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. 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 2014 had a credit quality rating of AA+ by Standard and Poor's.

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, 2014.

Note 5 – Cash and Cash Equivalents and Investments (Continued)

December 31, 2014

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Washington State Local Government					
Investment pool	\$ 4,956,680	\$ 4,956,680	\$ -	\$ -	\$ -
Clark County Investment Pool	20,964,393	20,964,393	-	-	-
Federal National Mortgage Association	3,977,803	500,216	3,477,588	-	-
Federal Farm Credit Bank	2,491,684	-	2,491,684	-	-
Federal Home Loan Bank	5,537,089	-	5,537,089	-	-
U.S. Treasury Notes	1,981,641	-	1,981,641	-	-
Federal Home Loan Mortgage Corporation	999,623	-	999,623	-	-
	<u>\$ 40,908,913</u>	<u>\$ 26,421,289</u>	<u>\$ 14,487,624</u>	<u>\$ -</u>	<u>\$ -</u>
Maximum investment by maturity		65%	35%	0%	0%

Investments by investment type, issuer and carrying costs as of December 31, 2014:

Investment Type	Credit Quality	Percent	Carrying Cost
Washington State Local Government			
Investment pool	Not Rated	12%	\$ 4,956,680
Clark County Investment Pool	Not Rated	51%	20,964,393
Federal National Mortgage Association	Aaa	10%	3,977,803
Federal Farm Credit Bank	Aaa	6%	2,491,684
Federal Home Loan Bank	Aaa	14%	5,537,089
U.S. Treasury Notes	Aaa	5%	1,981,641
Federal Home Loan Mortgage Corporation	Aaa	2%	999,623
		<u>100%</u>	<u>\$ 40,908,913</u>

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

	2014
Cash and cash equivalents	\$ 27,095,138
Investment securities (at fair value)	14,987,840
Total	<u>\$ 42,082,978</u>

Note 6 – Risk Management

Clark Regional Wastewater 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 into 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 68 members. The Pool's fiscal year is November 1st through October 31st.

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 coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$10,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$75,000,000 ((\$25,000,000 dedicated to Alderwood and \$50,000,000 shared by all members))
Terrorism	\$1,000 - \$10,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$10,000	\$25,000	\$10,000,000
Liability:			
Commercial General Liability	\$1,000 - \$10,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$10,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$10,000	\$200,000	\$10,000,000
Employment Practices	\$1,000 - \$10,000	\$200,000	\$10,000,000
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$10,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$25,000	\$0
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Note 6 – Risk Management (Continued)

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. 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). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible which exceeds \$25,000.

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, 2015, written notice must be in possession of the Pool by April 30, 2015). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, 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 Services.

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

The following schedule depicts the property claims filed by the District with the Pool for the years 2014 and 2013 and the amounts covered by insurance.

Years	Claims Settlements	Insurance Coverage	Excess of Claim Cost Over Coverage
2014	\$ 9,085	\$ 7,085	\$ 2,000
2013	60,564	56,564	4,000
2012	50,423	47,423	3,000

As of December 31, 2014, there was one outstanding claim filed with the Pool against the District for approximately \$40,000. The District's responsibility for this claim will not exceed its deductible of \$1,000. The District recognizes no potential liability for any additional settlements for outstanding future claims. The amount of settlements did not exceed insurance coverage in the last 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.

Note 7 – 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.¹ 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.

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; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49% 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.

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 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 2013, the rate was 5½% compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Note 7 – Pension Plans (Continued)

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

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 percent 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 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 percent 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.

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, if hired prior to May 1, 2013:

- 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.

Note 7 – Pension Plans (Continued)

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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. Members who do not choose a contribution rate default to a 5% rate. 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 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 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, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5% for each year before age 65.

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

Note 7 – Pension Plans (Continued)

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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Non-vested	101,191
Total	368,272

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 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%.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the

Note 7 – Pension Plans (Continued)

increased retirement benefits of those justices and judges that participate in the program

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, 2014, are as follows:

Members Not Participating in the Judicial Benefit Multiplier Program:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% 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 4.92% for Plan 2.

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

Members Participating in the Judicial Benefit Multiplier Program:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

***Minimum rate.

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
2014	0	288,676	14,259
2013	0	247,664	7885
2012	0	183,883	1,501

Note 8 – 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 9 – Commitments

Capital Projects – The District has construction commitments resulting from active consultant and construction projects, including restoration and replacement projects, as of December 31, 2014 as follows:

Project	Total Awarded Contract Commitment	Spent to Date
Discovery Corridor Wastewater Transmission System	\$ 26,522,266	\$ 14,206,729
Payne Pump Station	103,793	85,502
NE 119th Street East CRP (Pleasant Valley Sub Basin Planning)	1,837,970	457,078
NE 10th Avenue Bridge CRP	36,501	22,961
Glenwood Pump Station Upgrade	124,250	119,133
NW Overlook Drive	212,833	205,698
Wooded Acres Phase 1 & 2	48,015	38,429
Jackie's Landing (NE 108th Ave Trunk)	25,000	-
St. Johns Woods Pump Station	61,700	46,271
Fieldstone Estates (Shoen Pump Station)	567,696	176,404
St. Johns & Cougar Canyon Trunk Restoration	818,994	538,091
NE 78th Street Trunk	74,405	68,212
Oro Vega Pump Station Replacement	68,950	54,879
Front Lobby Remodel	12,800	11,469
North Junction Pump Station and Trunk	526,016	244,286
Gee Creek Pump Station	26,242	17,605
Ridgefield Junction Basin Plan	59,963	38,770
Pioneer Street Extension	19,796	-
Campus Assessment	29,166	21,466
Pleasant Valley North Pump Station	7,000	6,274
Highway 99 Sewer North	19,105	19,070
	<u>\$ 31,202,461</u>	<u>\$ 16,378,328</u>

Note 9 – Commitments (Continued)

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 Salmon Creek Wastewater Management System (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) when needed for expansions. Through a (two-way) agreement with the City of Battle Ground, the District recovers its costs from the City of Battle Ground for 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 capital costs that are ultimately paid by their respective ratepayers. The two most recent capital expansions of the plant are Phase III, which was completed and placed in service in 1998, and Phase IV, which was completed and placed in service in 2010.

January 1, 2015, with the transfer of operations to the Alliance, these agreements are no longer effective. See Subsequent Event Note, Note 13, for details.

Note 10 – Other Post Employee Benefits (OPEB)

Plan Description – The District participates in a cost sharing multiple-employer defined benefit Other Post-Employment 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 2014, 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 currently not funded. The District was required to contribute \$119,506 at December 31, 2014; however, no funds have been contributed to date. 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 \$948,647 is the actuarial accrued liability recognized on the *Statement of Net Position* at December 31, 2014.

The total Unfunded Actuarial Accrued Liability (UAAL) is \$829,287 at December 31, 2014. The covered payroll (annual payroll of active employees covered by the plan) was \$3,366,273 and the ratio of the UAAL to the covered payroll was 24.6%.

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	Net OPEB Obligation
		OPEB Costs Contributed	
2014	\$ 119,506	0%	\$ 948,647
2013	149,903	0%	829,141
2012	170,191	0%	679,238

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 10 – 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.

	<u>2014</u>	<u>2013</u>
Actuarial Required Contribution (ARC)	\$ 134,289	\$ 161,036
Interest on Net OPEB Obligation (NOO)	33,166	30,566
Adjustment to NOO	(47,949)	(41,699)
Annual OPEB Cost	119,506	149,903
Employer Contributions	-	-
Increase (Decrease) in NOO	119,506	149,903
Net OPEB Obligation January 1	829,141	679,238
Net OPEB Obligation December 31	<u>\$ 948,647</u>	<u>\$ 829,141</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	12/31/2014
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Discount Rate - No Pre-Funding	4.5%
Projected Payroll Growth	1.25%
Investment Return	4.5%
Medical Inflation Trend Rate - Initial	7.0%
Medical Inflation Trend Rate - Ultimate	5.0%
Non-Medical Inflation Trend Rate	3.5%
Amortization Period - Open	30

Note 10 – Other Post Employee Benefits (OPEB) (Continued)

We used the alternative measurement method permitted under GASB 45. 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 rates used in the June 30, 2013 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 2013. 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 11 – Capital Contributions

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.

	<u>2014</u>
Capital contributions from developers, governments and other sources	\$ 3,552,365
Capital contributions from system development charges	4,885,217
Capital contributions from local facility reimbursements	<u>316,048</u>
Total	<u><u>\$ 8,753,630</u></u>

Note 12 – Joint Venture/Related Party Transactions

Discovery Clean Water Alliance (Alliance) – In 2012, Clark County, Clark Regional Wastewater District (District) and the Cities of Battle Ground and Ridgefield reached agreement on the optimum structure for a regional wastewater transmission and treatment utility 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 provided the foundation to create a new regional utility entity, the Alliance, under the empowerment of Chapter 39.106 RCW – the Joint Municipal Utility Services Act (JMUSA). The Alliance was incorporated with the Washington Secretary of State on January 4, 2013. The Alliance is governed by a four member board, one elected official from each entity, and was established to provide wastewater transmission and treatment services to the citizenry of the respective participating members.

As the managing partner or “Administrative Lead” for the Alliance, the task of implementing steps to fulfill the vision of the partner agencies falls largely to the District. A two year transition work program was initiated in 2013 and continued through 2014. 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.

Regional Service Charges, fees paid by Members to the Alliance, are consistent with the Financial Policies of the Alliance. The basic principle of the Finance Policies is that each Member’s responsibility for Regional Asset operating costs will be based on actual use of the regional services during the previous year or years, as measured by Average Annual Flow in the Regional Assets, and that each Member’s responsibility for capital costs will be based on agreed-upon Allocated Capacity in the Regional Assets. With all wastewater flows and allocated capacities in Regional Assets currently coming from two Members, the District and City of Battle Ground. Those two Members now fund all operating and capital costs of the Alliance.

Each Member, as pledged through the IFA adoption, also agrees to establish, maintain and collect rates, fees or other charges for wastewater or other services, facilities and commodities related to the services it receives from the Alliance and its own wastewater utility, and maintain reserves to provide revenues sufficient for the Member to make all payments required under this Agreement.

Throughout 2014 the District completed development and implementation of the transition work program. Activities performed in 2014 include completion of operator, franchise and asset transfer agreements, transfer of operating and access permits, adoption of a capital plan and adoption of a 2015/2016 capital and operating budget. These activities were completed in support of the January 1, 2015, full operational date for the Alliance.

During 2014, the District paid \$325,428 to the Alliance for regional service charges, as budgeted by the District and Alliance. The District billed the Alliance \$171,625 for Administration Lead services provided, as well as reimbursement of \$139,525 in professional consulting, IT support, insurance and various utilities expenses. The Alliance will be receiving its first Washington State Auditor’s Office audit in 2015, covering financial activities for fiscal years 2013 and 2014. More information about the Alliance, including the 2013 and 2014 financial report, can be found on their website at <http://www.discoverycwa.org/>.

Note 13 – Subsequent Events

Discovery Clean Water Alliance – As indicated in note 12, the Alliance was incorporated with the Washington Secretary of State on January 4, 2013. Throughout 2013 and 2014, work was ongoing to bring the Alliance operational as a regional wastewater transmission and treatment provider. Asset transfer agreements were signed in 2013 and 2014, resulting in the respective debt and assets of the treatment plants transferring to the Alliance as of January 1, 2015.

For the two of the four members owning the treatment plants in 2014, this transition is defined in GASB 69 as a transfer of operations type of government combination. Accounting for the transfer of the actual assets and operations of the assets, treatment plants, pump stations and force mains, falls under this guidance. For the other two members, including the District, the transfer of debt held on those assets as sole capacity right owners of the treatment plants, falls under the guidance of GASB 62.

The District will ensure to comply with GASB 62 when accounting for the transfer of debt within its 2015 comprehensive annual financial report. The District, the Alliance, Clark County and the cities of Ridgefield and Battle Ground are working closely together to ensure accuracy of all financial data on these transfers. The District estimates decreasing liabilities and recognizing a gain on debt transfer of approximately \$12.5 million.

Discovery Corridor Wastewater Transmission System – The District was awarded a \$10 million Public Works Trust Fund (PWTF) loan in 2013 as partial funding for the Discovery Corridor Wastewater Transmission System (DCWTS), a \$28.5 million project connecting City of Ridgefield to the District's sewer collection system. Draws on this loan began in June 2013. As of December 31, 2014, the District has drawn \$1,492,776 from this loan. The remaining \$8,507,224 of principal available as of December 31, 2014 will be fully drawn by June 30, 2015.

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**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	UAAL as a Percentage of Covered Payroll
12/31/08	12/31/08	\$ -	\$ 726,741	\$ 726,741	0.0%	\$ 2,318,547	31.3%
12/31/08	12/31/09	-	726,741	726,741	0.0%	2,561,772	28.4%
12/31/08	12/31/10	-	726,741	726,741	0.0%	2,629,587	27.6%
01/01/12	12/31/11	-	1,033,018	1,033,018	0.0%	2,541,977	40.6%
01/01/12	12/31/12	-	1,094,651	1,094,651	0.0%	2,586,476	42.3%
12/31/2013	12/31/13	-	962,341	962,341	0.0%	3,197,084	30.1%
12/31/2014	12/31/14	-	829,287	829,287	0.0%	3,366,273	24.6%

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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

<u>Fiscal Year</u>	<u>Net Investment In Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
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	105,309,986	-	35,193,401	140,503,387
2013	105,412,741	-	37,157,623	142,570,364
2014	122,930,994	-	37,021,168	159,952,162

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

Schedule 2

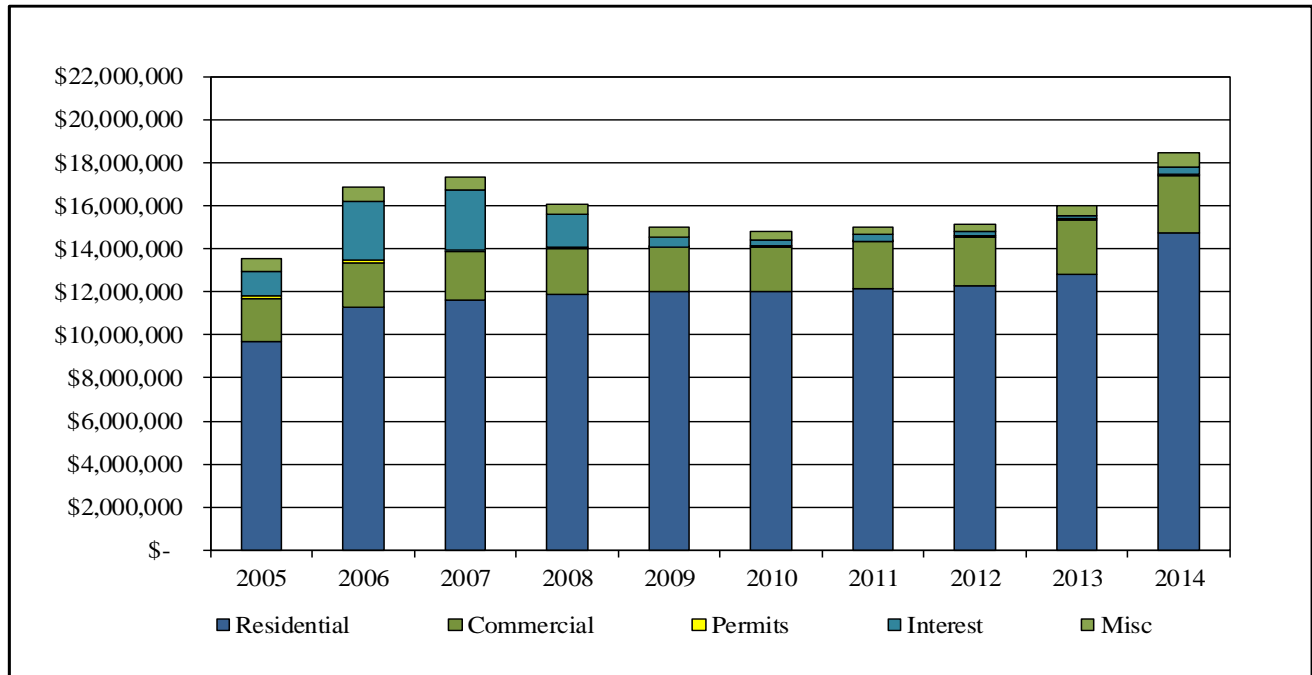
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Non-operating Revenues/ (Expenses)	Income/Loss Before Capital Contributions	Capital Contributions	Change In Net Position
2005	\$ 12,422,469	\$ 11,439,522	\$ 982,947	\$ (426,366)	\$ 556,581	\$ 9,512,041	\$ 10,068,622
2006	14,105,727	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	17,053,387	(2,093,256)	(2,297,482)	(4,390,738)	9,241,739	4,851,001
2013	15,893,660	18,880,888	(2,987,228)	(564,568)	(3,551,796)	5,618,773	2,066,977
2014	18,165,870	21,027,808	(2,861,938)	(352,090)	(3,214,028)	8,753,630	5,539,602 *

* The Ridgefield collection system transferred operations to the District as of January 1, 2014. As a result of the transfer of operations the District has recognized assets and liabilities for an overall increase in net position of \$11,842,196. This is reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as a Special Item. The collection system transfer increases our total increase in net position to \$17,381,798

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

Schedule 3

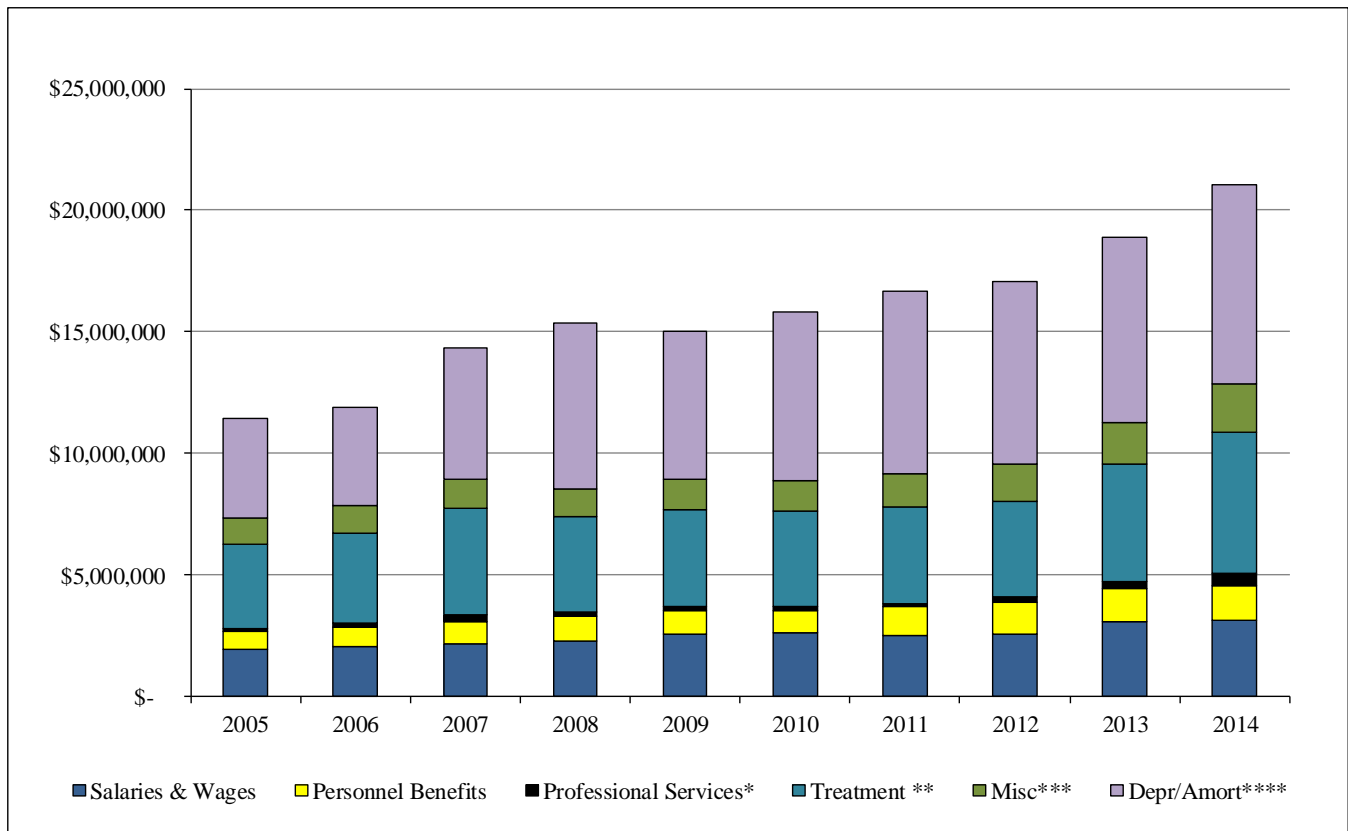
Fiscal Year	Charges for Service		Permits	Misc	Interest	Total
	Residential	Commercial				
2005	\$ 9,707,094	\$ 1,956,288	\$ 138,056	\$ 621,031	\$ 1,129,716	\$ 13,552,185
2006	11,276,601	2,103,069	98,590	627,467	2,734,759	16,840,487
2007	11,600,666	2,253,817	80,356	563,120	2,824,249	17,322,207
2008	11,878,535	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
2013	12,841,516	2,502,117	70,190	479,837	104,321	15,997,981
2014	14,716,673	2,679,606	101,725	667,866	271,600	18,437,470



**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
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	7,501,225	17,053,387
2013	3,069,925	1,364,002	331,344	4,793,747	1,695,813	7,626,057	18,880,888
2014	3,137,875	1,429,169	513,267	5,819,114	1,983,114	8,145,269	21,027,808



* Professional Services increased in 2014 due to increased consulting costs related to Discovery Clean Water Alliance.

** Treatments costs increased in 2013 due to increase treatment costs at SCTP and the addition of Discovery Clean Water Alliance treatment costs. Costs also increased in 2014 due to nearly \$1 million in new treatment costs with the transfer of the City of Ridgefield's collection system to the District.

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

**** Depreciation/Amortization includes amortization of future treatment capacity rights (intangible asset). Depreciation expense increased in 2014 with the additional assets owned by the District as transferred from the City.

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

Schedule 5

Fiscal Year	Interest and Fiscal Charges*	Interest Revenue	Disposal of Capital Assets	Other Revenues/ (Expenses)	Total Non-operating Revenues/ (Expenses)
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	(2,471,265)	201,405	-	(27,622)	(2,297,482)
2013	(668,591)	104,321	(15,742)	15,444	(564,568)
2014	(670,994)	271,600	-	47,304	(352,090)

* 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	Donated Mains/ Capital Grants	Total
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	7,178,366	112,808	1,950,565	9,241,739
2013	3,010,250	152,676	2,455,847	5,618,773
2014	4,885,217	316,048	3,552,365	8,753,630

**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
2005	\$ 14,380,554	\$ -	\$ 7,667,978	\$ 27,020,000	\$ 1,589,838	\$ -	\$ 50,658,370	\$ 1,628	4.91%
2006	13,876,447	-	12,352,652	24,950,000	1,302,951	-	52,482,050	1,629	4.70%
2007	13,392,340	-	13,079,546	22,900,000	1,016,068	-	50,387,954	1,526	4.17%
2008	12,893,232	-	19,852,714	20,750,000	729,185	-	54,225,131	1,618	4.24%
2009	12,374,125	-	19,120,691	18,500,000	489,126	-	50,483,942	1,491	4.13%
2010	11,830,017	-	17,889,753	16,140,000	335,910	-	46,195,680	1,350	3.74%
2011	11,265,910	-	16,923,599	13,675,000	182,694	-	42,047,203	1,217	3.25%
2012	10,676,803	5,417,645	15,671,272	-	-	-	31,765,720	908	2.29%
2013	10,057,695	4,923,980	15,331,125	-	-	-	30,312,800	850	2.09%
2014	9,413,588	4,418,988	25,461,097				39,293,673	1,013	2.44%

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 data used in calculating the debt as a share of personal income can be found in detail on Schedule 10 of the CAFR.

CLARK REGIONAL WASTEWATER DISTRICT BOND COVERAGE RATIO LAST TEN FISCAL YEARS

Schedule 8

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Central Monthly Service Rate	\$ 30.50	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 35.00	\$ 36.00
Ridgefield Monthly Service Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55.00
Charges for services	\$ 11,663,382	\$ 13,379,670	\$ 13,854,483	\$ 14,027,161	\$ 14,068,003	\$ 14,079,658	\$ 14,327,747	\$ 14,543,675	\$ 15,343,633	\$ 17,396,279
Miscellaneous operating revenue	759,087	726,057	643,476	530,678	544,475	458,313	375,639	416,456	550,027	769,591
Interest on investments	1,129,716	2,734,759	2,824,249	1,507,678	428,139	275,168	289,494	201,405	104,321	271,600
Miscellaneous non-operating revenue	2,208	35,429	13,436	27,841	749,312	1,917	32,802	10,878	15,444	47,304
General Facilities Charge	2,840,592	1,943,448	1,449,007	900,544	668,476	657,707	609,524	866,814	3,010,251	4,885,217
Deposits to Rate Stabilization Account	-	-	-	-	-	-	-	-	-	-
Withdrawals from Rate Stabilization Account	-	-	-	-	-	-	-	-	-	-
Total Gross Revenues	\$ 16,394,985	\$ 18,819,363	\$ 18,784,651	\$ 16,993,902	\$ 16,458,405	\$ 15,472,763	\$ 15,635,206	\$ 16,039,228	\$ 19,023,676	\$ 23,369,991
MAINTENANCE AND OPERATION EXPENSE										
Salaries, wages and benefits	\$ 2,667,016	\$ 2,885,809	\$ 3,096,635	\$ 3,330,635	\$ 3,555,950	\$ 3,561,293	\$ 3,692,323	\$ 3,877,891	\$ 4,433,927	\$ 4,567,044
Treatment contract: Cities of Vancouver, Battle Ground, DCWA	695,543	719,683	832,781	812,612	798,598	723,072	627,744	550,472	833,998	1,859,366
Treatment contract: Clark County	2,801,870	2,973,342	3,562,830	3,132,176	3,206,868	3,181,705	3,339,528	3,349,128	3,959,749	3,959,748
Other operating expenses	1,187,318	1,262,562	1,437,012	1,255,648	1,411,161	1,441,591	1,488,003	1,774,671	2,027,157	2,496,381
Total Maintenance and Operating Expense	\$ 7,351,747	\$ 7,841,396	\$ 8,929,257	\$ 8,531,071	\$ 8,972,577	\$ 8,907,661	\$ 9,147,598	\$ 9,552,162	\$ 11,254,831	\$ 12,882,539
1.10 COVERAGE TEST										
Net Revenue	\$ 9,043,238	\$ 10,977,967	\$ 9,855,394	\$ 8,462,831	\$ 7,485,828	\$ 6,565,102	\$ 6,487,608	\$ 6,487,066	\$ 7,768,845	\$ 10,487,452
Less: General Facilities/ System Development Charge	(2,840,592)	(1,943,448)	(1,449,007)	(900,544)	(668,476)	(657,707)	(609,524)	(866,814)	(3,010,251)	(4,885,217)
Total Revenues	6,202,646	9,034,519	8,406,387	7,562,287	6,817,352	5,907,395	5,878,084	5,620,252	4,758,594	5,602,235
Debt Service	3,406,484	4,503,105	4,366,815	4,366,790	4,366,390	4,363,728	4,367,428	4,369,633	1,691,059	1,692,665
Coverage	1.82	2.01	1.93	1.73	1.56	1.35	1.35	1.29	2.81	3.31
1.25 COVERAGE TEST										
Net Revenue	\$ 9,043,238	\$ 10,977,967	\$ 9,855,394	\$ 8,462,831	\$ 7,485,828	\$ 6,565,102	\$ 6,487,608	\$ 6,487,066	\$ 7,768,845	\$ 10,487,452
Plus: Regional Facilities Charge	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	12,074,693	14,002,842	12,801,243	11,377,742	10,303,779	9,337,624	9,275,706	12,798,614	7,768,845	10,487,452
Debt Service	3,406,484	4,503,105	4,366,815	4,366,790	4,366,390	4,363,728	4,367,428	4,369,633	1,691,059	1,692,665
Coverage	3.54	3.11	2.93	2.61	2.36	2.14	2.12	2.93	4.59	6.20

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

Schedule 9

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gross Revenues										
Charges for services	\$ 17,396,279	\$ 15,343,633	\$ 14,543,675	\$ 14,327,747	\$ 14,079,658	\$ 14,068,003	\$ 14,027,161	\$ 13,854,483	\$ 13,379,670	\$ 11,663,382
Other operating revenues	769,591	550,027	416,456	375,639	458,313	544,475	530,678	643,476	726,057	759,087
Interest income	271,600	104,321	201,405	289,494	275,168	428,139	1,507,678	2,824,249	2,734,759	1,129,716
Other non-operating revenues	47,304	15,444	10,878	32,802	1,917	749,312	27,841	13,436	35,429	2,208
Subtotal Gross Revenues	18,484,774	16,013,425	15,172,414	15,025,682	14,815,056	15,789,929	16,093,358	17,335,644	16,875,915	13,554,393
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
Connection charges - General Facilities	4,885,217	3,010,251	866,814	609,524	657,707	668,476	900,544	1,449,007	1,943,448	2,840,592
Total Gross Revenues	23,369,991	19,023,676	22,350,781	18,423,304	18,245,284	19,276,356	19,908,813	21,730,501	21,844,238	19,426,440
Operating Expenses										
Salaries, wages and benefits	4,567,044	4,433,927	3,877,891	3,692,323	3,561,293	3,555,950	3,330,634	3,096,635	2,885,809	2,667,016
Sewerage treatment - Clark County	3,959,748	3,959,749	3,349,128	3,339,528	3,181,705	3,206,868	3,132,176	3,562,829	2,973,342	2,801,870
Sewerage treatment - City of Vancouver, other	1,859,366	833,998	550,472	627,744	723,072	798,598	812,612	832,781	719,683	695,543
Other operating expenses, including interest	3,167,375	2,695,748	4,246,296	2,956,086	3,040,455	3,174,680	3,092,723	3,381,981	3,296,118	2,745,608
Operating expenses excluding depreciation	13,553,533	11,923,422	12,023,787	10,615,681	10,506,525	10,736,096	10,368,145	10,874,225	9,874,952	8,910,037
Net Revenues Available for Debt Service	9,816,458	7,100,253	10,326,994	7,807,623	7,738,760	8,540,260	9,540,668	10,856,275	11,969,286	10,516,403
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
PWTF Loans - Phase 3 Capital Expansion	-	-	153,216	153,216	153,216	240,058	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
St John's GO Bond	-	-	-	-	-	-	-	-	-	146,850
PWTF Loans - Phase 4 Capital Expansion	1,409,834	1,207,311	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	625,000	600,000	570,000	545,000	525,000	500,000	480,000	465,000	485,000	-
SRF Loan - Phase 4 Capital Expansion	47,414	46,198	45,014	43,860	42,735	41,640	40,572	40,049	-	-
Sewer Revenue Bonds - 2012	504,993	493,665	-	-	-	-	-	-	-	-
Net Revenue After Payment of Debt Service	\$ 7,229,217	\$ 4,753,079	\$ 5,781,453	\$ 3,393,234	\$ 3,450,498	\$ 4,722,303	\$ 5,796,952	\$ 7,228,082	\$ 8,562,074	\$ 7,930,762
Operating expenses covered (not covered) by rates	\$ 4,931,241	\$ 4,090,003	\$ 3,148,627	\$ 4,410,001	\$ 4,308,531	\$ 5,053,833	\$ 5,725,213	\$ 6,461,419	\$ 7,000,963	\$ 4,644,356

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

Schedule 10

Fiscal Year	Unincorporated Population*	Clark County		
		Per Capita Income **	Total Personal Income	Unemployment ***
2005	192,450	33,174	6,384,336,300	6.4%
2006	197,822	34,672	6,858,884,384	5.7%
2007	199,532	36,619	7,306,662,308	5.6%
2008	202,251	38,131	7,712,032,881	7.1%
2009	203,361	36,097	7,340,722,017	13.2%
2010	203,339	36,122	7,345,011,358	13.7%
2011	204,610	37,433	7,659,166,130	12.1%
2012	205,885	39,695	8,172,605,075	8.4%
2013	207,710	40,567	8,426,171,570	7.4%
2014	210,140	41,500	8,720,818,616	7.2%

Notes: Demographic information is from the following sources:

* Washington State Office of Financial Management.

** Data for the year 2014 not yet available. The 2014 figure was calculated by increasing the 2013 Per Capita Income amount by 2.3%, the average year-over-year growth rate for the past six years.

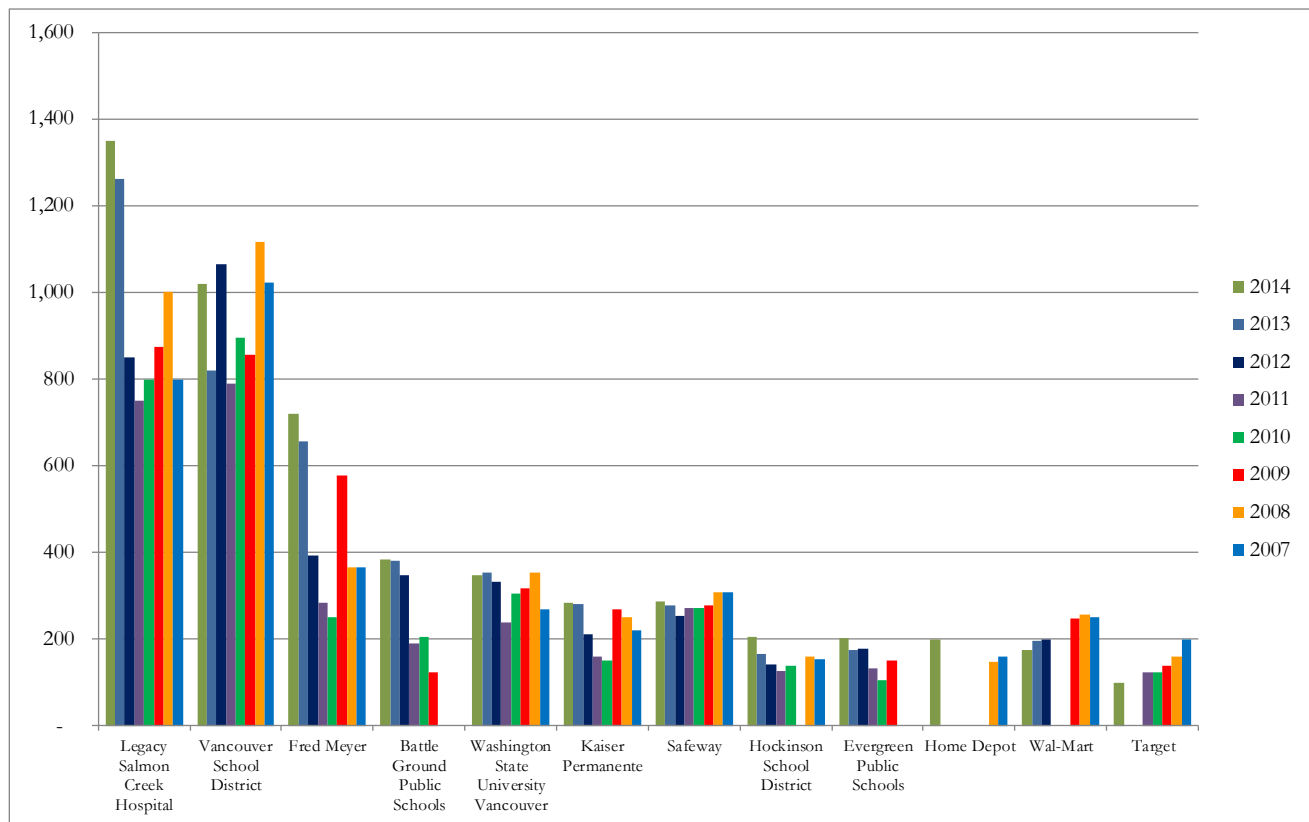
*** Washington State Employment Security Department.

District demographics would be expected to closely follow overall Clark County.

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

Schedule 11

Customer	Number of Employees								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Legacy Salmon Creek Hospital	1,349	1,263	850	749	800	874	1,000	800	681
Vancouver School District	1,020	819	1,065	790	894	857	1,117	1,023	1,042
Fred Meyer	720	655	394	283	251	579	365	365	340
Battle Ground Public Schools	385	380	348	191	205	122	-	-	-
Washington State University Vancouver	346	353	333	238	304	318	355	268	238
Kaiser Permanente	283	281	210	160	150	270	250	220	-
Safeway	287	277	255	271	272	278	308	308	280
Hockinson School District	206	167	142	126	140	-	159	155	155
Evergreen Public Schools	201	174	178	133	105	152	-	-	-
Home Depot	200	-	-	-	-	-	148	160	181
Wal-Mart	176	196	200	-	-	249	258	250	280
Target	100	-	-	122	122	140	160	200	145
Total	5,273	4,565	3,975	3,063	3,243	3,839	4,120	3,749	3,342



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

Total employment for Clark Regional Wastewater District's service area alone is not collected in the US census data or able to be calculated as a specific portion of unincorporated Clark County; therefore, a calculation of each employer's percentage of total employment is excluded.

**CLARK REGIONAL WASTEWATER DISTRICT
CUSTOMER ACCOUNTS 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>
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
2013	24,617	217	1,160	37	26,031
2014	26,989	251	1,203	40	28,483

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

Schedule 13

Customer	2014			2005		
	Sewer Revenues	Rank	Percentage of Total Sewer Revenues	Sewer Revenues	Rank	Percentage of Total Sewer Revenues
Vancouver Public Schools	\$ 132,458	1	0.80%	\$ 150,755	1	1.29%
Salmon Creek Estate Condominiums	121,824	2	0.74%	103,212	2	0.88%
Highland Hills Apartments	111,413	3	0.67%	94,391	3	0.81%
Prairie View Association	98,064	4	0.59%	83,082	4	0.71%
Parklane Apartments	90,288	5	0.55%	76,494	6	0.66%
Reflections at the Park**	84,888	6	0.51%	-	-	-
Bridge Creek Apartments***	73,008	7	0.44%	61,854	7	0.53%
Crystal Creek Apartments	71,712	8	0.43%	60,756	8	0.52%
North Glen Villas	70,243	9	0.42%	-	-	-
Willow Pointe Apartments	66,960	10	0.40%	56,730	9	0.49%
Solarworld USA	-	-	-	76,690	5	0.66%
Edgetree Homeowners Association	-	-	-	50,508	10	0.43%
Subtotal (ten largest)	920,858		5.56%	814,472		6.98%
Balance from other customers	15,642,485		94.44%	10,848,910		93.02%
Total	<u>\$ 16,563,343</u>		<u>100.00%</u>	<u>\$ 11,663,382</u>		<u>100.00%</u>

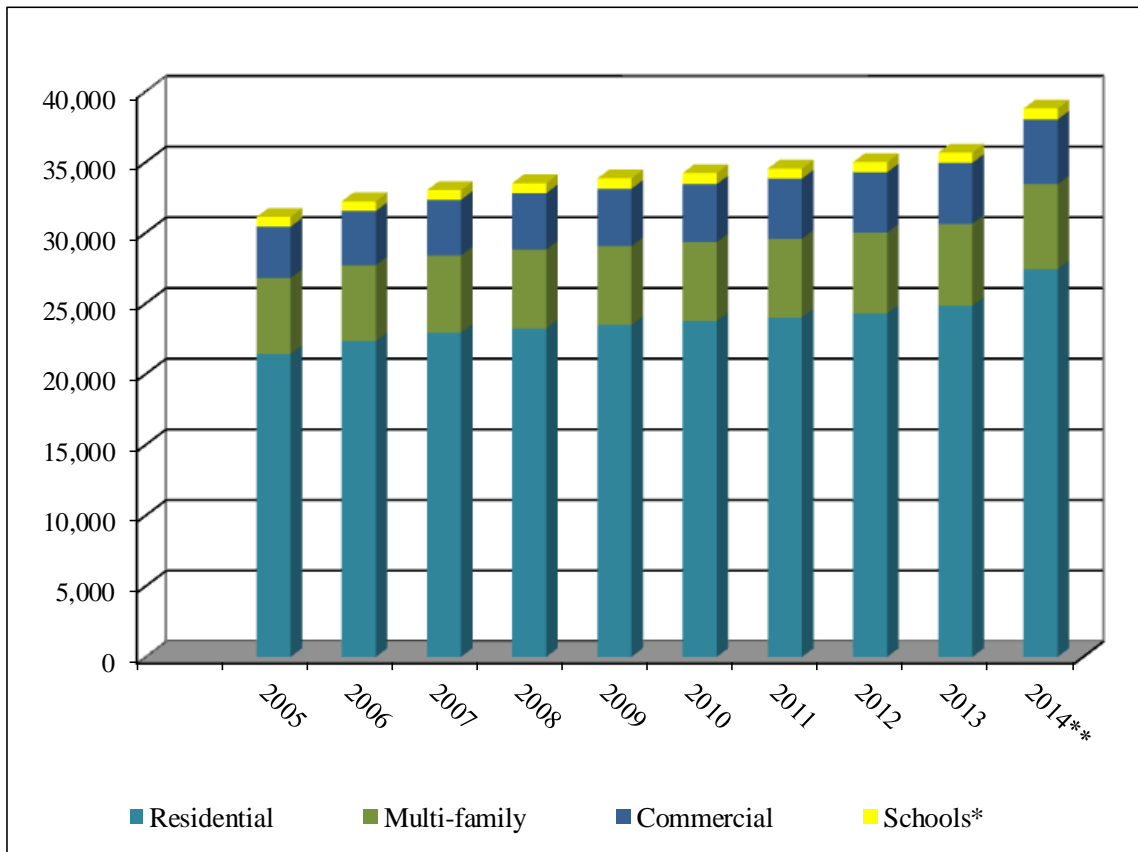
** Formerly Prairie Park Apartments

*** Formerly Discovery Park Apartments

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

Schedule 14

Fiscal Year	Residential	Multi-family	Commercial	Schools*	Total
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
2013	24,839	5,792	4,325	717	35,673
2014**	27,432	6,000	4,582	777	38,791



Notes:

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.

* Elementary, middle and high schools are billed at a 32 students per ERU rate calculation and colleges are billed at a 10 students per ERU rate calculation.

** In January 2014, the District took over the Ridgefield collection system which increased District ERU's by 2,097.

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

Schedule 15

Fiscal Year	Millions of Gallons of Wastewater Treated						COV Rate \$/MG
	Salmon Creek Treatment Plant*	SCTP Rate \$/MG	Ridgefield Treatment Plant**	RFTP Rate \$/MG	City of Vancouver***		
2005	2,811	\$ 2,318	\$ -	\$ -	275	\$	2,423
2006	3,475	1,925	-	-	283		2,376
2007	3,117	2,289	-	-	277		2,851
2008	3,070	2,184	-	-	265		2,886
2009	3,048	2,206	-	-	266		2,838
2010	3,325	1,988	-	-	269		2,498
2011	3,307	2,048	-	-	266		2,163
2012	3,234	1,036	-	-	269		1,867
2013	2,935	1,349	-	-	254		1,873
2014	3,201	1,237	150	6,315	259		1,940

* The Salmon Creek Treatment Plant is owned and operated by Clark County. About 87% of the District's flow is treated at the SCTP. The District through the Joint Interlocal Agreement is obligated to cover the costs at the treatment plant and other parts of the Salmon Creek Wastewater Management System. In 2012 outstanding County treatment debt was refinanced and no longer measured as treatment cost.

** In January 2014 the District took over the Ridgefield collection system, flows from the Ridgefield service area are treated at the Ridgefield Treatment Plant, which treats approximately 4.0% of the District's total flow.

*** The District has a contract with the City of Vancouver to treat up to 1 million gallons average monthly flow. The City of Vancouver treats about 9.0% of the District's flow.

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

Schedule 16

	Fiscal Years									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
WASTEWATER TREATMENT										
Miles of sewer lines	605	539	534	527	522	522	513	499	494	489
Number of treatment plants	2	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)*	15.65	14.95	14.95	14.95	14.95	14.95	10.3	10.3	10.3	10.3
Annual engineering maximum plant capacity (millions of gallons)**	5,712	5,457	5,457	5,457	5,457	5,457	3,760	3,760	3,760	3,760
Amount treated annually (millions of gallons)	3,351	2,935	3,234	3,307	3,325	3,048	3,078	3,117	3,475	2,811
Unused capacity (millions of gallons)	2,362	2,522	2,223	2,150	2,132	2,409	682	643	285	949
Percentage of capacity utilized	58.7%	53.8%	59.3%	60.6%	60.9%	55.9%	81.9%	82.9%	92.4%	74.8%

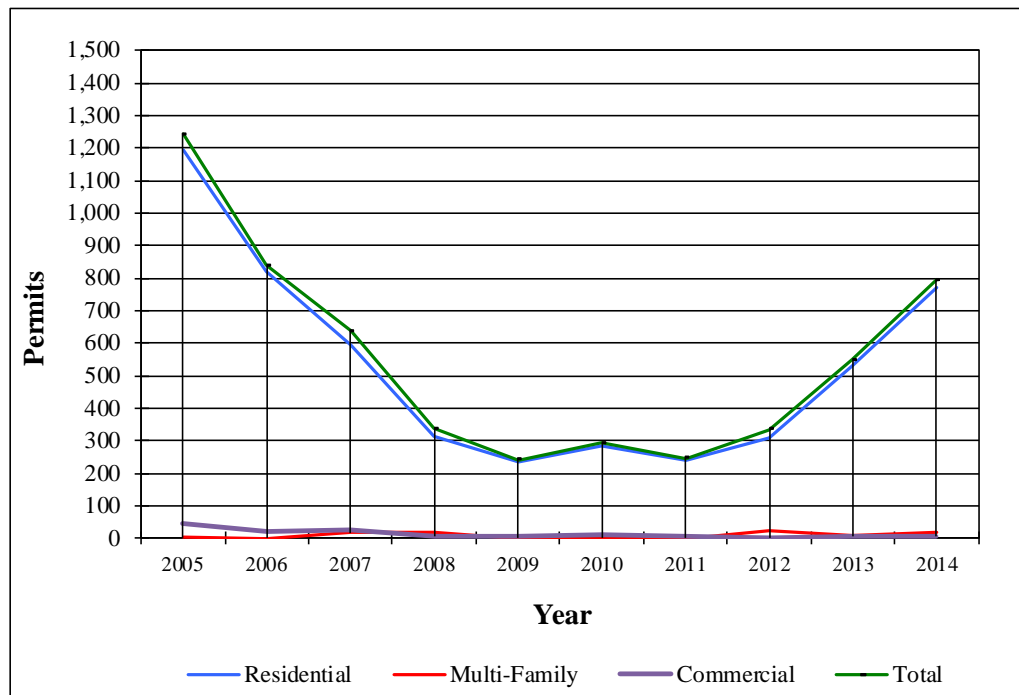
* MGD = millions of gallons per day. The Salmon Creek Treatment Plant (SCTP) treatment capacity is 14.95 MGD. In January 2014, the District took over the Ridgefield collection system. The City of Ridgefield Treatment Plant (RFTP) capacity is .70 MGD.

** Maximum monthly flow per Department of Ecology discharge permit to the SCTP and the RFTP. Approximately 87% of the District's flows go to the SCTP and 4% of its flows go to the RFTP. In addition, the District has an agreement with the City of Vancouver to treat up to 1 million gallons average monthly flow. Currently 9% of the District's flows go to the City of Vancouver Treatment Plant

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

Schedule 17

Year	Residential	Multi-Family	Commercial	Total
2005	1,195	3	44	1,242
2006	819	0	20	839
2007	595	18	25	638
2008	316	16	6	338
2009	236	0	6	242
2010	283	0	9	292
2011	239	0	6	245
2012	310	21	3	334
2013	531	9	8	548
2014	772	18	5	795



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

Year	Central Monthly Service	Ridgefield Monthly Service	Regional Facilities Charge *	General Facilities Charge *	System Development Charge		
					VTP **	SCTP ***	RFTP ****
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	-	-	-
2013	35.00	-	-	-	1,720	4,708	-
2014	36.00	55.00	-	-	1,720	4,708	7,550

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. Starting in 2013, the District Board approved rate increases of \$1.00 per month per year through 2016. The District does not receive any general purpose tax revenues. This increase is necessary to adjust to inflationary costs for goods, services, fuel and labor.

* In 2012, the District's Regional Facility Charge and General Facility Charge were repealed and replaced with a single System Development Charge (SDC), based on a tiered system, in an effort to support economic development within the District service area. The revenue from this charge will be used for new infrastructure and capital projects.

** Tiered SDC effective January 1, 2013 for all customers served by the District through the Vancouver Treatment Plant (VTP).

*** Tiered SDC effective January 1, 2013 for all customers served by the District through the Salmon Creek Treatment Plant (SCTP).

**** Tiered SDC effective January 1, 2014 for all customers served by the District through the Ridgefield Treatment Plant (RFTP).

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

Schedule 19

<u>Fiscal Year</u>	<u>Notes</u>	<u>Maintenance</u>	<u>Engineering</u>	<u>Administration</u>	<u>Finance</u>	<u>Total</u>
2005		15	13	3	7	38.0
2006	a.	15	13	3	8	39.0
2007	b.	15	13.9	3	8	39.9
2008	c.	17	13.4	4.5	8	42.9
2009		17	13.4	4.5	8	42.9
2010		17	13.4	4.5	8	42.9
2011	d.	17	11	7	8	43.0
2012	e.	17	11	8.5	10	46.5
2013	f.	19	11	8.5	10	48.5
2014	g.	19	12	9	10	50.0

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

Engineering staff provides permitting, developer extension agreements, development review and local Administration provides executive management, risk management, human resources and IT network Finance provides customer service, billing, accounting, cash, investments and debt management services.

- a. In 2006, Finance added an additional position to assist with UB billing, collections, and permitting.
- b. In 2007, Engineering added a part-time employee (0.4 FTE) to assist with filing and Capital Programs. In addition, another part time employee (0.5 FTE) was added to assist with capital construction
- c. 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.
- d. 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.
- e. In 2012, An 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.
- f. In 2013, Maintenance added two additional Maintenance Specialists to support the additional work that will be created by adding Ridgefield to the District's service area.
- g. In 2014, Engineering added a Senior Project Manager and Administration added an additional Administrative Assistant III position at 1 FTE and eliminated the Administrative Assistant I position at 0.5 FTE.