



CLARK REGIONAL WASTEWATER DISTRICT

VANCOUVER, WASHINGTON



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

CLARK REGIONAL WASTEWATER DISTRICT

Vancouver, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

**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

L. Neil Kimsey
John "Denny" Kiggins
Norm Harker

President
Vice President
Secretary



www.crwwd.com

**CLARK REGIONAL WASTEWATER DISTRICT
VANCOUVER, WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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For the fiscal year ended December 31, 2018

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June 7, 2019

President Harker and Members
of the Board of Commissioners

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Clark Regional Wastewater District (District) for the fiscal year ended December 31, 2018. 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 27-56).

The CAFR is developed to provide meaningful financial information to legislative bodies, creditors, investors, community partners and others with interest in the District's financial position. The Finance department prepares the report and the District is responsible for the accuracy, completeness and fairness of all data presented and representations made. We believe the data presented is accurate in all material aspects and that the manner in which it is presented fairly discloses the financial position of the District at December 31, 2018, and the results of operations and cash flows for the year ending December 31, 2018.

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 Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles,*

and Audit Requirements for Federal Awards. 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 an 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 a 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 27-56).

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 33,500 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-nine (59) people who work at the District office and in the field. Five departments within the District include Operations, Administration, Business Services, Finance and Engineering. Below is a definition and scope for each of these departments.

The Operations department, staff of twenty (20), manages over 700 miles of sewer mainlines and laterals and 70 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 858 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 (MMS) to assist with the scheduling of line maintenance.

The Administration department, staff of nine (9), 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.

The Business Services department, staff of four (4) provides Human resources, Risk Management, Succession planning, IT Services and Pretreatment. Human Resources administers 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 eleven (11), 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 33,500 District utility accounts in 2018. The Finance department continues to streamline and upgrade its internal processes to promote greater efficiencies and provide excellent customer service. The department answered approximately 32,000 phone calls from customers, mailed over 180,000 customer bills, e-mailed over 33,000 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 fourteen (14), 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 and inspection services. The District's Engineering department, via an administrative lead contract, began providing capital program management and capital project delivery services for the Alliance January 1, 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.

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 2018 and anticipates these benefits to continue in 2019. At the end of 2018, the unemployment rate in Clark County was 5.0%, compared to the 5.0% rate at the end of 2017. In addition, the state and national average unemployment rates were 4.9% and 3.9%, respectively, as of December 2018, both less than the

4.9% and 3.9% rates reported in December 2017. Over the year, Washington personal income grew 4.6%, easily surpassing the 2.6% national rate.

Private-sector and public-sector employment in the State increased 3.1% and 2.0%, respectively, in 2018. All thirteen major industries saw growth from December 2017 to December 2018. The top three industry sectors with the largest employment gains in 2018 are:

- Professional and business services
- Construction
- Education and health services

District sewer permits issued for new connections reflected the continued economic recovery. New construction connections to the public sewer system decreased by 70 or 4.7% in 2018 from 2017, with a total of 1,393 permits issued in 2018 (see Schedule 18 for details). Construction projects in the District service area that required new sewer services from 2016 through 2018 were as follows:

Construction Projects	2018	2017	2016
New subdivisions	44	25	40
New single family lots	1,564	1,108	1,437
Commercial developments	8	11	8
Commercial equivalent residential units	5	32	1
Apartment units	534	328	109

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 adopted its updated Comprehensive General Sewer Plan in January 2019. It is reviewed every six years in conjunction with Clark County's Comprehensive Plan Update. The District is developing a plan for the future expansion of the wastewater system throughout the approximate forty-six square-mile service territory. The plan is based upon current adopted land use planning assumptions and population and demographic projections. It includes forecasting construction and financing of infrastructure needs to provide new service, as well as the restoration and replacement of existing infrastructure for the 20-year planning horizon.

Since the District has no taxing authority, it must rely solely on revenues from monthly sewer service and connection charges. Monthly sewer service charges fund operations and the costs for collection, transportation and treatment of wastewater. The base monthly service rate was unchanged in 2018. 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. System Development Charges (SDCs) are paid on new connections whose wastewater flows to the Salmon Creek and Ridgefield treatment plants (owned by the Alliance) or the City of Vancouver's Westside treatment plant. 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 owns and operates 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 central 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, 2017. This was the thirtieth (30) 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. As of December 31, 2017, it has been thirty-seven (37) 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. The District was originally accredited in 2005 and re-accredited in 2009 and 2015. The District is the first and only Special Purpose Government to carry the APWA Accreditation in North America. The purpose of the accreditation process is to provide a means of formally verifying and recognizing public works agencies for compliance with the recommended practices set forth in the Public Works Management Practices Manual. The accreditation process is completely voluntary.

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,

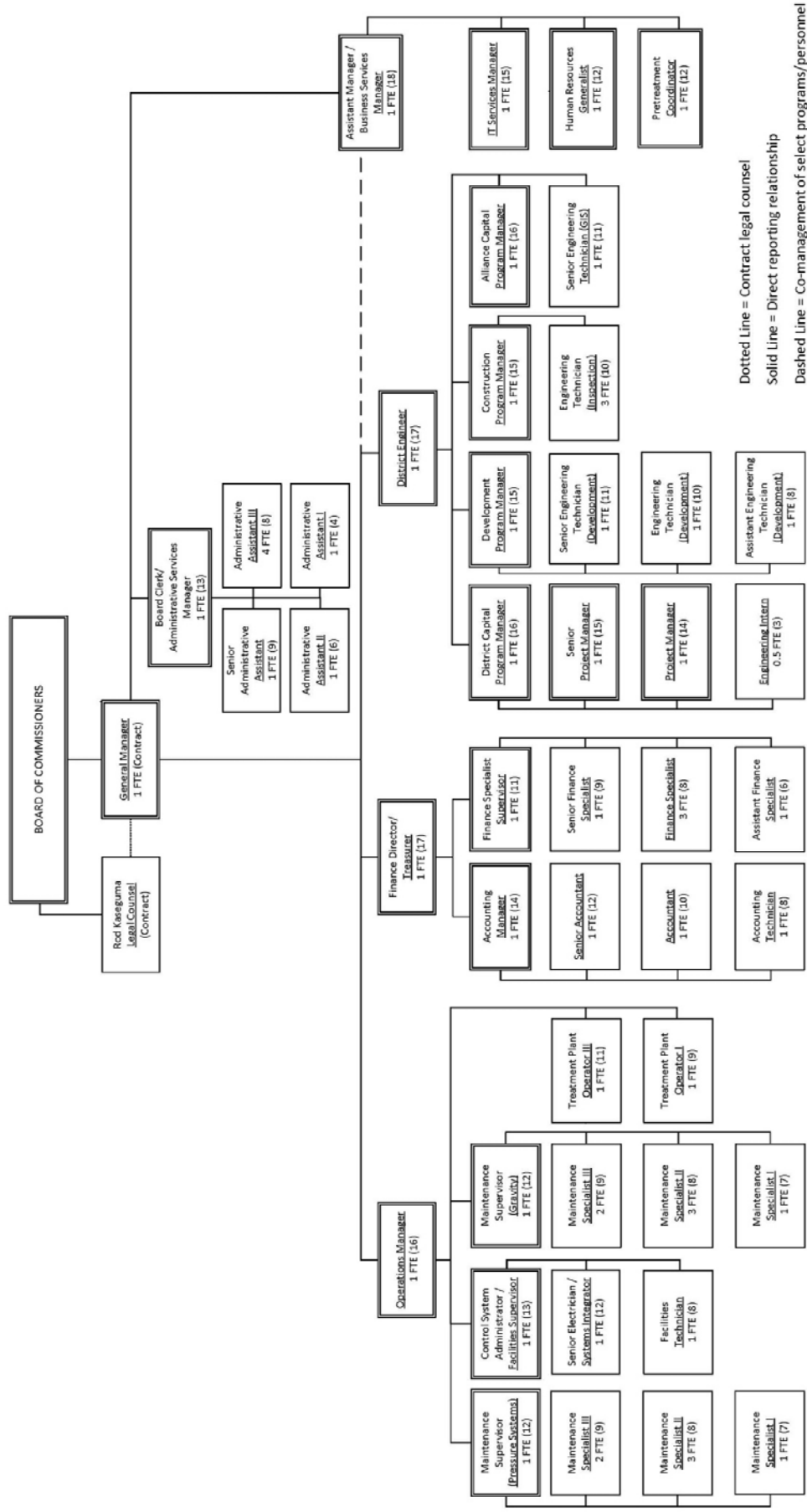


Ken Andrews, CPA
Finance Director



John M. Peterson, P.E.
General Manager

CLARK REGIONAL WASTEWATER DISTRICT ORGANIZATIONAL CHART



Dotted Line = Contract legal counsel
 Solid Line = Direct reporting relationship
 Dashed Line = Co-management of select programs/personnel
 () = Salary Range
 Total FTE: 58.5

**CLARK REGIONAL WASTEWATER DISTRICT
 DIRECTORY OF OFFICIALS**

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

ELECTED COMMISSIONERS DURING 2018

<u>Position</u>	<u>Elected Official</u>	<u>Term Expiration</u>
President	L. Neil Kimsey	December 2019
Vice President	John “Denny” Kiggins	December 2023
Secretary	Norm Harker	December 2021

APPOINTIVE

<u>Position</u>	<u>Appointed Employee</u>
General Manager	John M. Peterson, P.E.
Assistant Manager	Shawn Moore, P.E.
Finance Director/Treasurer	Ken Andrews, CPA
Attorney	Eric Frimodt

MAILING ADDRESSES

Office: P.O. Box 8979
 Vancouver, WA 98668-8979

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 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
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Presented to

**Clark Regional
Wastewater District
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

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**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 7, 2019

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, as of and for the year ended December 31, 2018, 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, as of December 31, 2018, 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 discussed in Note 2 to the financial statements, in 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information listed in the table of contents 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

Our audit was conducted for the sole purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Introduction and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 7, 2019, 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,



Pat McCarthy

State Auditor

Olympia, WA

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**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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, which can be found on pages 27-56.

The District is not legally required to adopt a budget, however, does so as a measure of monitoring revenues and controlling expenses. The Board of Commissioners adopts an annual 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 a single enterprise fund, which is a type of proprietary fund.

The *Statement of Net Position* presents information on all the District's assets, deferred outflows, liabilities and deferred inflows with the difference 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, 2017**

Financial Highlights

- The District had a total net position of \$211,516,409 at December 31, 2018. Of this amount, \$35,014,931 is classified as unrestricted and may be used to meet the District's ongoing obligations. The District has restricted funds of \$541,765 at December 31, 2018 for debt service reserve.
- The District's change in net position was \$13,381,244 for 2018. The 2018 increase is primarily a result of capital contributions from developers and connection charges totaling \$21,098,294. Additionally, the District has recorded a change in accounting principle decreasing beginning net position by \$831,952, leading to a total change in net position from 2017 to 2018 of \$12,549,292 (see Note 2 for further details).
- In 2018, the District made regular principal payments on its outstanding sewer revenue bonds of \$546,402 and PWTF loans of \$1,225,163.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

<u>December 31</u>	<u>2018</u>	<u>2017</u>	<u>2018 to 2017</u> Change	<u>%</u>
<i>Assets</i>				
Current and other assets	\$ 47,510,735	\$ 45,633,049	\$ 1,877,686	4.1%
Capital assets (net of depreciation) and construction work in progress	<u>194,432,171</u>	<u>183,368,605</u>	<u>11,063,566</u>	6.0%
Total assets	<u>241,942,906</u>	<u>229,001,654</u>	<u>12,941,252</u>	
Deferred Outflows	480,210	401,171	79,039	19.7%
<i>Liabilities</i>				
Long-term liabilities	22,846,376	24,268,405	(1,422,029)	-5.9%
Other liabilities	<u>7,198,237</u>	<u>5,619,551</u>	<u>1,578,686</u>	28.1%
Total liabilities	<u>30,044,613</u>	<u>29,887,956</u>	<u>156,657</u>	
Deferred Inflows	862,094	547,752	314,342	57.4%
<i>Net position</i>				
Net investment in capital assets	175,959,713	163,321,428	12,638,285	7.7%
Restricted - debt service reserve	541,765	541,765	-	0.0%
Unrestricted	<u>35,014,931</u>	<u>35,103,924</u>	<u>(88,993)</u>	-0.3%
Total net position	<u>\$ 211,516,409</u>	<u>\$ 198,967,117</u>	<u>\$ 12,549,292</u>	

- Current and other assets increased in 2018 by \$1,877,686 or 4.1% due primarily to an increase in the District's investment portfolio.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

- Other liabilities increased in 2018 by \$1,578,686 or 28.1% due to more outstanding warrants payable at December 31, 2018 than at the end of 2017.
- Deferred outflows and deferred inflows of resources fluctuate annually due to the change in proportionate share of state-calculated pension deferred outflows and inflows.

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 and intangible assets. The District's total net capital assets as of December 31, 2018, were \$194.4 million. This increase of \$11.1 million or 6.0% from 2017 is due to several major capital assets events during the fiscal year, including the following:

- In 2018, donated capital assets from developers totaled \$11,015,461.
- During 2018, the District placed \$14.5 million of construction work in progress into service as infrastructure projects were completed.
- For further explanations of the capital asset activity of the District, please refer to Note 4, Capital Assets, page 34.

Long-Term Liabilities

- During 2018, the District decreased its loan and bond liabilities by a total of \$1,771,565. This decrease was solely driven by regular principal payments on outstanding loans. Please refer to the Long-Term Liabilities, Note 3, pages 31-33, for more detailed information regarding long-term debt activity.
- The District's total OPEB liability increased to \$2.4 million in 2018 from \$1.5 million in 2017 as a direct result of the implementation of GASB 75, which requires the District to report the full actuarially determined liability for health benefit costs associated with subsidized premiums for retirees. See Note 2, page 30, for further details.
- In 2018, the District's net pension liability decreased by \$534,914 or 21.3% from 2017, primarily as a result of better than expected earnings on pension plan investments and improved projected assumptions. See Note 7, pages 42-48, for further details.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Revenues, Expenses and Changes in Net Position

	2018	2017	2018 to 2017 Change	%
Revenues				
Operating revenue				
Charges for services	\$ 20,307,186	\$ 19,443,672	\$ 863,514	4.4%
Permits	166,170	173,785	(7,615)	-4.4%
Miscellaneous	1,008,571	645,946	362,625	56.1%
Non-operating revenue				
Interest and investment income	849,485	301,509	547,976	181.7%
Other non-operating revenue	598,802	785,426	(186,624)	-23.8%
Total revenues	<u>22,930,214</u>	<u>21,350,338</u>	<u>1,579,876</u>	
Expenses				
Operating expenses	30,068,732	28,405,062	1,663,670	5.9%
Non-operating expenses				
Other non-operating expenses	211,947	394,473	(182,526)	-46.3%
Loss on disposal of asset	228,256	1,033,913	(805,657)	-77.9%
Interest expense	138,329	155,553	(17,224)	-11.1%
Total expenses	<u>30,647,264</u>	<u>29,989,001</u>	<u>658,263</u>	
EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS	(7,717,050)	(8,638,663)	921,613	-10.7%
CAPITAL CONTRIBUTIONS	<u>21,098,294</u>	<u>15,890,237</u>	<u>5,208,057</u>	32.8%
CHANGE IN NET POSITION	13,381,244	7,251,574	6,129,670	84.5%
NET POSITION, January 1	198,967,117	189,626,995	9,340,122	4.9%
PRIOR PERIOD ADJUSTMENT	-	2,088,548	(2,088,548)	
CHANGE IN ACCOUNTING PRINCIPLE	<u>(831,952)</u>	<u>-</u>	<u>(831,952)</u>	
NET POSITION, December 31	<u>\$ 211,516,409</u>	<u>\$ 198,967,117</u>	<u>\$ 12,549,292</u>	

- Service revenues increased in 2018 by \$863,514 or 4.4% due primarily to an increase in number of connections to sewer service. Miscellaneous revenues increased by 56.1% over 2017, to \$1,008,571. This increase is a direct result of the District taking over operations of the Ridgefield Treatment Plant effective July 1, 2018.
- Actual Equivalent Residential Unit (ERU) growth was 1,951 and 1,807 ERUs for 2018 and 2017, respectively.
- Interest and investment income in 2018 increased by 181.7% from 2017 due to rising interest rates, as well as an unrealized gain on investments in 2018 where 2017 yielded an unrealized loss. The District continues to actively manage and diversify its investments outside of the State and County pools to maximize interest earnings.
- Other non-operating revenue decreased by \$186,624 or 23.8% in 2018. This decrease was driven by a decrease in Administrative Lead Revenues, specifically from a decreased need for capital-related support.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

- 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 2018 totaled \$9,977,924 compared to \$8,618,680 in 2017. These charges per connection did not change in 2018 from 2017. The charges per connection are as follows:

Tier	Treatment Plant	SDC
1	Vancouver (VTP)	\$ 1,720
2	Salmon Creek (SCTP)	\$ 4,708
3	Ridgefield (RFTP)	\$ 7,550

- The remaining increase in capital contributions is a result of increased donated capital. The District received \$11,015,461 in 2018 compared to \$7,093,412 in 2017. This 55.3% increase is a result of increased development activity within the District’s service area and the effort to extend service to new development areas.
- Operating expenses for 2018 increased over 2017 by \$1.7 million or 5.9%. The main drivers for this increase are:
 - Treatment contract services are the largest category of operating expenses. It increased \$412,818 or 4.5%, mainly due to increased rates due to the Alliance as it expands operations.
 - Labor costs reflect an increase of \$268,679 or 6.8% due to annual salary merit and cost of living increases. Related benefit costs increased by \$70,330 for 2018 as a function of salary increases as well as a small increase in pension contribution rates.
 - Professional services costs increased \$202,004 or 53.3% in 2018 over 2017. This increase is due both to additional professional services needed relating to development in the District’s service area and also professional services required in operating the Ridgefield Treatment Plant.
 - Other operating expenses increased \$211,074 or 16.9% in 2018 over 2017 as a direct result of the District taking over operations of the Ridgefield Treatment Plant effective July 1, 2018.

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 service charges help fund capital expansion to the Alliance-owned Salmon

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Creek and Ridgefield wastewater treatment plants. Customer utility payments provide the necessary annual cash flow to cover operating activities and partially support capital needs of the District.

Economic Factors and Next Year's Budget and Rates

The District's economic condition improved during 2018. Unrestricted cash and investments increased by \$2.1 million or 5.0%. These improvements are due largely to the District's customer base growing by 4.3% from 32,139 customer accounts in 2017 to 33,535 in 2018 and an increase of \$3.9 million in capital contributions from development related activity.

The following economic factors currently affect the District and were considered in developing the 2019 fiscal year budget:

- Service charges will increase by \$1 per month per Equivalent Residential Unit.
- Capital spending on existing infrastructure is driven by the results of a criticality assessment performed by the District during 2018 in conjunction with the General Sewer Plan prepared by the District.
- Increases in inflation and interest rates are expected during 2019.
- On the expenditures side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.
- The District continues to purchase a pooled group liability insurance policy to protect itself from unforeseen losses in excess of the member deductible.
- Total Equivalent Residential Units (ERUs) are anticipated to increase by 1,800, or 4.0% in 2019.

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
2018
FINANCIAL STATEMENTS

**CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	2018
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 19,991,585
Investments (at fair value)	7,020,237
Receivables	
Customer accounts	1,745,193
Contracts (current and delinquent)	52,653
Interest	115,552
Due from other governments	682,367
Prepaid expenses	163,586
Total current assets	29,771,173
Noncurrent Assets:	
Investments (at fair value)	16,937,353
Restricted cash and cash equivalents	541,765
Contracts receivable	260,444
Capital assets not being depreciated:	
Land and land rights	578,745
Construction work in progress	3,422,952
Total capital assets not being depreciated	4,001,697
Capital assets being depreciated:	
Buildings	4,000,626
Infrastructure	218,765,114
Equipment	3,477,179
Less: accumulated depreciation	(54,876,735)
Total capital assets being depreciated	171,366,184
Capital assets being amortized:	
Intangible assets, including future treatment capacity rights	49,383,521
Less: accumulated amortization	(30,319,231)
Total capital assets being amortized	19,064,290
Total noncurrent assets	212,171,733
TOTAL ASSETS	241,942,906
DEFERRED OUTFLOWS of RESOURCES	
Amounts related to pension	476,724
Amounts related to OPEB	3,486
Total deferred outflows of resources	480,210
TOTAL DEFERRED OUTFLOWS of RESOURCES	\$ 480,210

Continued on next page

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

**CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Continued from previous page

	2018
LIABILITIES	
Current Liabilities:	
Warrants payable	\$ 3,696,956
Accounts payable	612,290
Due to other governments	70,724
Interest payable	51,620
Retainage payable	196,844
Revenue collected in advance	439,108
System development charge (SDC) credits	75,500
Construction deposits	228,959
Compensated absences	43,800
Loans payable	1,225,162
Sewer revenue bonds	557,274
Total current liabilities	7,198,237
Noncurrent Liabilities:	
Compensated absences	442,869
System development charge (SDC) credits	1,532,910
Loans payable	14,753,937
Sewer revenue bonds	1,739,241
Net pension liability	1,974,486
Total other postemployment benefits (OPEB) liability	2,402,933
Total noncurrent liabilities	22,846,376
TOTAL LIABILITIES	30,044,613
DEFERRED INFLOWS of RESOURCES	
Amounts related to pensions	862,094
TOTAL DEFERRED INFLOWS of RESOURCES	862,094
NET POSITION	
Net investment in capital assets	175,959,713
Restricted - debt service reserve	541,765
Unrestricted	35,014,931
TOTAL NET POSITON	\$ 211,516,409

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, 2018**

	2018
OPERATING REVENUES	
Charges for services	\$ 20,307,186
Permits	166,170
Other operating revenue	1,008,571
Total operating revenues	21,481,927
OPERATING EXPENSES	
Salaries and wages	4,204,696
Personnel benefits	1,673,728
Supplies	461,681
Professional services	581,089
Insurance	165,432
Repairs and maintenance	911,590
Treatment contract services	9,611,585
Taxes	497,255
Other operating expense	1,461,863
Depreciation and amortization	10,499,813
Total operating expenses	30,068,732
Operating income (loss)	(8,586,805)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	849,485
Other non-operating revenue	598,802
Gain/loss on disposal of capital assets	(228,256)
Interest expense	(138,329)
Other non-operating expense	(211,947)
Total non-operating revenue (expenses)	869,755
Income before contributions	(7,717,050)
CAPITAL CONTRIBUTIONS	21,098,294
Change in net position	13,381,244
TOTAL NET POSITION, January 1	198,967,117
CHANGE IN ACCOUNTING PRINCIPLE	(831,952)
TOTAL NET POSITION, December 31	\$ 211,516,409

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, 2018**

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 21,440,631
Payments to suppliers	(14,085,652)
Payments to employees	(6,050,946)
Payments for taxes	(483,436)
Other reimbursements	(188,996)
Other revenues	862,351
Net cash from operating activities	1,493,952
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts for future system improvements	10,145,970
Proceeds from sale of capital assets	25,482
Principal paid on long-term debt	(1,771,563)
Interest paid on long-term debt	(142,979)
Acquisition and construction of capital assets	(8,470,370)
Net cash from capital and related financing	(213,460)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(13,990,073)
Proceeds from maturing or called investments	9,972,637
Interest on investments	752,910
Interest on contracts	14,026
Net cash from investing activities	(3,250,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,970,008)
CASH AND CASH EQUIVALENTS, January 1	22,503,358
CASH AND CASH EQUIVALENTS, December 31	\$ 20,533,350
Cash and cash equivalents	19,991,585
Restricted cash and cash equivalents	541,765
CASH AND CASH EQUIVALENTS, December 31	\$ 20,533,350

Continued on next page

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, 2018**

Continued from previous page

	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM	
OPERATING ACTIVITIES	
Utility operating income (loss)	\$(8,586,805)
Adjustments to reconcile operating income to net from operating activities	
Depreciation and amortization expense	10,499,813
(Increase) decrease in accounts receivable	(7,271)
(Increase) decrease in due from other governments	119,936
(Increase) decrease in prepaid expenses	76,489
(Increase) decrease in deferred outflows	(77,029)
Increase (decrease) in warrants payable	(957,930)
Increase (decrease) in accounts payable	90,349
Increase (decrease) in due to other governments	70,724
Increase (decrease) in accrued employee benefits	60,528
Increase (decrease) in revenue collected in advance	38,865
Increase (decrease) in pension obligation (net)	(534,914)
Increase (decrease) in deferred inflows	314,342
Non-operating expenses	(211,947)
Non-operating revenues	598,802
Total adjustments	10,080,757
Net cash from operating activities	\$ 1,493,952
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Contributions of capital assets from developers or governments	11,015,461
Increase (decrease) in fair value of investments	47,144
Issuance (receipt) of capital contract receivable	123,236
Noncash capital financing	196,844
Change in capital related accounts payable	2,134,444
Gain (loss) on sale or disposition of capital assets	(228,256)

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 financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity – The Hazel Dell Sewer District (District) was incorporated on May 22, 1958, and operates under the laws of the state of Washington applicable to Special Purpose Districts in order to provide sanitary sewers in the collection, transport and treatment of wastewater within its legal boundaries. The District changed its legal name to Clark Regional Wastewater District effective January 1, 2006. 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.

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 Special Purpose Districts reporting in conformity with GAAP.

The District accounts for its operations within a proprietary fund, which is similar to a private business enterprise. The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

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.

Deposits and Investments – 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. See Note 5 on pages 35 through 38 for detailed information about the District's deposits and investments.

Investments – Certain investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, on quoted market prices for securities purchased by the

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

District. 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 an increase or decrease to investment assets and investment income. Realized gains or losses on the maturity or disposition of securities are not separately disclosed. Likewise, some investments are reported at amortized cost. See Note 5 on pages 35 through 38 for detailed information about the District's investments.

Receivables – Customer accounts receivable represent user charges owed from private individuals or organizations 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 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 are provided under state statutes and direct the process in which the District extends sanitary sewer services to properties. Contracts 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.

Due from Other Governments – The District is contracted by the Alliance to provide Administrative Lead services. The District invoices the Alliance monthly for Administrative Lead services provided, which includes staff time and expense for professional consulting, IT support and various utilities expenses.

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

Restricted Assets – The District maintains reserves for debt service. Reserves set aside for the repayment of revenue bonds are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. Specific debt service reserve requirements are described in Note 3, Long-Term Liabilities (pages 31-33).

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. collection and transmission system and pumping stations), are reported at historical cost. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 and a useful life of more than one year. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs for normal maintenance and repairs are not capitalized.

In 2018, the District began to use group depreciation for its collection and transmission system, where previously the collection and transmission system was depreciated using the straight-line method. Sewer pipe is grouped by size and depreciated as a whole. Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

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

Buildings	50 years
Pumping station components	10 - 50 years
Collection and transmission system	75 years
Machinery, furniture and equipment	5 - 20 years
Intangible assets	5 - 20 years

See Note 4 on page 34 for detailed information about the District’s capital assets.

Intangible Assets – The District currently recognizes its future treatment capacity rights in the Alliance’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.”

Payables – Accounts payable and other current liabilities consist of amounts owed to private individuals or organizations for goods and services and employees for amounts for which checks have not yet been prepared.

SDC Credits – Prior to transferring its collection system to the District, the City of Ridgefield issued System Development Charge (SDC) credits to developers. The developers retain these credits that are available to be used upon connecting to the District’s collection system.

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 \$486,669 at December 31, 2018.

Long-Term Debt – See Note 3, Long-Term Liabilities (pages 31-33) for detailed information about the District’s long-term debt.

Pensions and Deferred Inflows / Outflows of Resources – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Amounts relating to pensions are further detailed in Note 7 – Pension Plans, pages 42 through 48.

Note 2 – Accounting and Reporting Changes**Other Postemployment Benefits Liability**

The District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires state and local governments to report the full actuarially determined present value of projected benefits to be provided to current active and inactive employees attributable to past periods of service, less the amount of the plan's fiduciary net position. The effect of implementation on beginning net position has been presented as a Change in Accounting Principle in the Statement of Revenues, Expenses and Changes in Fund Net Position in the amount of \$831,952. See Note 10 – Other Postemployment Benefits.

Note 3 – Long-Term Liabilities

Revenue 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. The District issued sewer revenue bonds totaling \$5,417,645 in November 2012. Debt service on the bonds for 2018 totaled \$600,000 (\$546,402 principal and \$53,598 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	
2019	\$ 557,274	\$ 42,726	\$ 600,000
2020	568,362	31,638	600,000
2021	579,672	20,328	600,000
2022	591,207	8,793	600,000
Total	\$ 2,296,515	\$ 103,485	\$ 2,400,000

The District must meet reserve requirements for the bonds. The lesser of (1) maximum annual debt service, (2) 1.25 times the average annual debt service, or (3) 10% of original bond proceeds, in the debt service account in compliance with bond covenants. At December 31, 2018, \$541,765 has been set aside to meet this requirement.

The District is also required by bond covenants to maintain debt service coverage of its revenue bonded debt of a minimum of the sum of: (1) 1.10 times the annual debt service on all outstanding bonds during the fiscal year, and (2) any amount required to be deposited in the debt service reserve account during that year. Debt service coverage requirements for the year ended December 31, 2018 were met.

The Tax Recovery Act of 1986 established regulations for rebate of arbitrage earning to the federal government on certain local government bonds. Issuing governments must calculate and remit annually any rebate due at least every five years. The District has a cumulative negative rebate amount for its bonds. No liability was recorded at December 31, 2018.

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 three loans to the District through December 31, 2018. Remaining loans from the state PWTF will be repaid over a period not to exceed twenty (20) years at the stated interest rates.

Construction was funded through use of these loans as follows:

- Gee Creek Trunk Sewer project with loans, issued notices of completion and final draws were executed by the City of Ridgefield in 2008. This loan was transferred to the District on January 1, 2014, as part of the collection system transfer of operations.

Note 3 – Long-Term Liabilities (Continued)

- Discovery Corridor Wastewater Transmission System was completed in 2016. The District and the City of Ridgefield were each directly approved for \$10,000,000 loans. The total \$20,000,000 of approved loans funded design and substantial 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 transfer of its collection system operations. As of December 31, 2018, the District is fully drawn on both the loan directly issued to the District and the loan transferred from Ridgefield.

Below is a schedule of loans containing a description of each loan, its use, and outstanding balance as of December 31, 2018:

Public Works Trust Fund Loans	Loan Number	Notice of Completion	Approved Loan Amount	Balance	Interest Rate
Gee Creek Trunk Sewer	PW-05-691-047	February 2008	\$ 1,597,606	\$ 587,886	1.0%
Discovery Corridor Wastewater Transmission System	PC-12-951-034	March 2017	10,000,000	7,608,761	0.5%
Discovery Corridor Wastewater Transmission System	PC-13-961-040	March 2017	10,000,000	<u>7,782,452</u>	0.5%
				<u>\$15,979,099</u>	

For 2018, the District paid \$1,314,544 (\$1,225,163 principal and \$89,381 interest) on the PWTF loans the District is carrying an outstanding balance on as of December 31, 2018.

The annual debt service requirements for the outstanding PWTF loans payable are as follows:

Year	State of Washington - Public Works Trust Fund Loans						
	Gee Creek Trunk Sewer		DCWTS*		Total		Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 83,984	\$ 5,879	\$ 1,141,178	\$ 76,956	\$ 1,225,162	\$ 82,835	\$ 1,307,997
2020	83,984	5,039	1,141,179	71,250	1,225,163	76,289	1,301,452
2021	83,984	4,199	1,141,179	65,544	1,225,163	69,743	1,294,906
2022	83,984	3,359	1,141,179	59,838	1,225,163	63,197	1,288,360
2023	83,984	2,520	1,141,179	54,132	1,225,163	56,652	1,281,815
2024-2028	167,966	2,520	5,705,894	185,074	5,873,860	187,594	6,061,454
2029-2032	-	-	3,979,425	45,353	3,979,425	45,353	4,024,778
Total	<u>\$ 587,886</u>	<u>\$ 23,516</u>	<u>\$ 15,391,213</u>	<u>\$ 558,147</u>	<u>\$ 15,979,099</u>	<u>\$ 581,663</u>	<u>\$ 16,560,762</u>

* Discovery Corridor Wastewater Transmission System

Note 3 – Long-Term Liabilities (Continued)

Changes in long-term liabilities as a summary for the year ended December 31, 2018:

	Balance Jan. 1, 2018	Additions	Reductions	Balance Dec. 31, 2018	Due Within One Year
Compensated absences	\$ 495,892	\$ 466,318	\$ 475,541	\$ 486,669	\$ 43,800
Other post employment benefits*	2,333,182	69,751	-	2,402,933	-
Pension liability	2,509,400	-	534,914	1,974,486	-
SDC credits	1,608,410	-	-	1,608,410	75,500
Loans payable	17,204,262	-	1,225,163	15,979,099	1,225,162
2012 sewer revenue bonds	<u>2,842,917</u>	<u>-</u>	<u>546,402</u>	<u>2,296,515</u>	<u>557,274</u>
Total long-term liabilities	<u>\$ 26,994,063</u>	<u>\$ 536,069</u>	<u>\$ 2,782,020</u>	<u>\$ 24,748,112</u>	<u>\$ 1,901,736</u>

* Beginning balance adjusted for implementation of GASB 75

Note 4 – Capital Assets

The District records 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 2018, the District incurred \$11,713,162 in CWIP project costs (i.e. pump stations, pump station improvements, and force mains) of which \$2.5 million was for the construction of the 78th Street Trunk, \$1.7 million was for the 10th Avenue Pump Station and \$1.8 million was for the Kennedy Farms Pump Station. The District transferred \$14,498,557 from CWIP into service in 2018.

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 the Alliance, 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 net value at December 31, 2018 of \$19,064,290.

Capital assets activity for the year ended December 31, 2018, is as follows:

	Balance Jan. 1, 2018	Additions & Transfers	Retirements & Transfers	Balance Dec. 31, 2018
CAPITAL ASSETS - NONDEPRECIABLE:				
Land and land rights	\$ 578,745	\$ -	\$ -	\$ 578,745
Construction work-in-progress	6,208,347	11,713,162	14,498,557	3,422,952
Total capital assets - nondepreciable	<u>6,787,092</u>	<u>11,713,162</u>	<u>14,498,557</u>	<u>4,001,697</u>
CAPITAL ASSETS - DEPRECIABLE:				
Collection and transmission system	165,580,427	19,047,607	255,979	184,372,055
Buildings	3,822,689	177,937	-	4,000,626
Pumping stations	29,801,474	4,988,380	396,795	34,393,059
Machinery, furniture and equipment	3,494,313	388,588	405,722	3,477,179
Intangible assets, including future treatment capacity rights	85,763,587	-	36,380,066	49,383,521
Total capital assets - depreciable	<u>288,462,490</u>	<u>24,602,512</u>	<u>37,438,562</u>	<u>275,626,440</u>
LESS ACCUMULATED DEPRECIATION:				
Collection and transmission system	(39,150,505)	(2,966,838)	(255,979)	(41,861,364)
Buildings	(1,493,913)	(84,940)	-	(1,578,853)
Pumping stations	(7,100,191)	(2,215,462)	(144,755)	(9,170,898)
Machinery, furniture and equipment	(2,474,339)	(195,305)	(404,024)	(2,265,620)
Intangible assets, including future treatment capacity rights	(61,662,029)	(5,037,268)	(36,380,066)	(30,319,231)
Total accumulated depreciation	<u>(111,880,977)</u>	<u>(10,499,813)</u>	<u>(37,184,824)</u>	<u>(85,195,966)</u>
Total capital assets - depreciable, Net	<u>176,581,513</u>	<u>14,102,699</u>	<u>253,738</u>	<u>190,430,474</u>
Total capital assets, Net	<u>\$ 183,368,605</u>	<u>\$ 25,815,861</u>	<u>\$ 14,752,295</u>	<u>\$ 194,432,171</u>

Note 5 – Deposits and Investments

The District is legally authorized to invest in the types of investments included in the Revised Code of Washington (RCW) 36.29.020. All of the investments and deposits held at December 31, 2018, comply with the provisions of that code section and with the District's investment policy adopted by Board Resolution. The District's deposits and investments are managed daily by the District Finance Director/Treasurer.

Deposits – Cash on hand at December 31, 2018 was \$2,271,507, held entirely in a checking account and as cash on hand.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District has an adopted policy that addresses deposit custodial risk; however, the District's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC) or through the Securities Investor Protection Corporation (SIPC). No bank balances are exposed to custodial credit risk.

Investments – The District's investment policy 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.

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. 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.

Note 5 – Deposits and Investments (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
Clark County Investment Pool	\$ 14,682,237	\$ 14,682,237	\$ -
Federal National Mortgage Association	2,011,220	-	2,011,220
Federal Farm Credit Bank	6,017,580	989,110	5,028,470
Federal Home Loan Bank	6,995,850	1,986,260	5,009,590
U.S. Treasury Notes	2,982,090	998,570	1,983,520
Federal Home Loan Mortgage Corporation	5,950,850	2,984,510	2,966,340
	<u>\$ 38,639,827</u>	<u>\$ 21,640,687</u>	<u>\$ 16,999,140</u>
Maximum investment by maturity	<u>100%</u>	<u>56%</u>	<u>44%</u>

In addition to the interest rate risk disclosed above, the District includes investments with fair value highly sensitive to interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to 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 25.0% of any one type of issuer except as stated above. All investments held by the District at year-end 2018 had a credit quality rating of AA+ by Standard and Poor’s.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District’s investment policy limits to 25.0% 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.

Investments in Local Government Investment Pool (LGIP) - The District is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Note 5 – Deposits and Investments (Continued)

Investments in Clark County Investment Pool (CCIP) - The District is a participant in the Clark County Investment Pool (CCIP), an external investment pool. The District reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. Regulatory oversight is provided by the finance committee which, by statute, consists of the county treasurer, the county auditor and the chair of the Board of County Commissioners. The CCIP is an unrated fund.

Investments Measured at Fair Value - The District measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted process in active markets for identical assets.
- Level 2: These are quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other than quoted prices that are observable.
- Level 3: Unobservable inputs for an asset.

At December 31, 2018, the District had the following recurring fair value measurements:

	Total	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Clark County Investment Pool	\$ 14,682,237	\$ 14,682,237	\$ -	\$ -
Investment Securities				
Federal National Mortgage Association	2,011,220	-	2,011,220	-
Federal Farm Credit Bank	6,017,580	-	6,017,580	-
Federal Home Loan Bank	6,995,850	-	6,995,850	-
U.S. Treasury Notes	2,982,090	2,982,090	-	-
Federal Home Loan Mortgage Corporation	5,950,850	-	5,950,850	-
Total Investments measured at fair value	<u>\$ 38,639,827</u>	<u>\$ 17,664,327</u>	<u>\$ 20,975,500</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Washington State Local Government Investment Pool	<u>\$ 3,579,606</u>			
Total Investments measured at amortized cost	<u>\$ 3,579,606</u>			

Note 5 – Deposits and Investments (Continued)

Summary of Deposit and Investment Balances - A reconciliation of deposits and investment balances as of December 31, 2018 is as follows:

	<u>2018</u>
Cash on Hand	\$ 1,250
Amount of Deposits with Private Financial Institutions	2,270,257
Deposits with State LGIP	3,579,606
Deposits with CCIP	14,682,237
Non-Pooled Investments	<u>23,957,590</u>
Total Deposits and Investments	<u>\$ 44,490,940</u>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 19,991,585
Noncurrent	
Restricted Cash and Cash Equivalents	<u>541,765</u>
Total Deposits	<u>\$ 20,533,350</u>
Investments	
Current:	
Short-term Investments	\$ 7,020,237
Noncurrent	
Long-term Investments	<u>16,937,353</u>
Total Investments	<u>\$ 23,957,590</u>
Total Deposits and Investments	<u>\$ 44,490,940</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; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most 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:

Note 6 – Risk Management (Continued)

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 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	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau, and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 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-\$25,000	\$25,000	\$15,000,000
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$15,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$15,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$15,000,000
Other:			
Cyber Liability	\$100,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
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. 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			

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.

Note 6 – Risk Management (Continued)

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, 2019, written notice must be in possession of the Pool by April 30, 2019). 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 and Adjusters Northwest.

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 2018, 2017 and 2016 and the amounts covered by insurance.

Years	Claims Settlements	Insurance Coverage	Excess of Claim Cost Over Coverage
2018	\$ 9,056	\$ 7,056	\$ 2,000
2017	32,783	29,783	3,000
2016	19,510	17,510	2,000

The District is self-insured for employee unemployment claims as allowed by Washington state law for a reimbursable employer and has set aside funds to cover the actual cost of unemployment insurance.

Note 7 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2018:

<u>Aggregate Pension Amounts – All Plans</u>	
Pension liabilities	\$ 1,974,486
Deferred outflows of resources	476,724
Deferred inflows of resources	862,094
Pension expense/expenditures	235,856

State Sponsored 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the

Note 7 – Pension Plans (Continued)

completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September - December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan

Note 7 – Pension Plans (Continued)

3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.70%	7.38%
September - December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%

The District’s actual PERS plan contributions were \$214,397 to PERS Plan 1 and \$317,585 to PERS Plan 2/3 for the year ended December 31, 2018.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30,

Note 7 – Pension Plans (Continued)

2018, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report’s Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Note 7 – Pension Plans (Continued)

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability

The table below presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 1,629,858	\$ 1,326,233	\$ 1,063,233
PERS 2/3	2,965,123	648,253	(1,251,322)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a total pension liability of \$1,974,486 for its proportionate share of the net pension liabilities as follows:

	<u>Liability</u>
PERS 1	\$ 1,326,233
PERS 2/3	648,253

Note 7 – Pension Plans (Continued)

At June 30, the District’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.027234%	0.029696%	0.002462%
PERS 2/3	0.035030%	0.037967%	0.002937%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the District recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 239,617
PERS 2/3	(3,761)
TOTAL	<u>\$ 235,856</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (52,704)
Contributions subsequent to the measurement date	112,548	-
TOTAL	112,548	(52,704)

Note 7 – Pension Plans (Continued)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,459	\$ (113,499)
Net difference between projected and actual investment earnings on pension plan investments	-	(397,798)
Changes of assumptions	7,583	(184,487)
Changes in proportion and differences between contributions and proportionate share of contributions	111,326	(113,606)
Contributions subsequent to the measurement date	165,808	
TOTAL	364,176	(809,390)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,459	\$ (113,499)
Net difference between projected and actual investment earnings on pension plan investments	-	(450,502)
Changes of assumptions	7,583	(184,487)
Changes in proportion and differences between contributions and proportionate share of contributions	111,326	(113,606)
Contributions subsequent to the measurement date	278,356	
TOTAL	476,724	(862,094)

Deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2019	\$ 2,306	\$ (61,912)
2020	(11,521)	(135,543)
2021	(34,572)	(247,080)
2022	(8,917)	(93,757)
2023		(36,965)
Thereafter		(35,765)

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 – Construction and Other Significant Commitments

The District has construction commitments resulting from active consultant and construction projects, including restoration and replacement projects, as of December 31, 2018 exceeding \$100,000 as follows:

Project	Total Awarded Contract Commitment	Spent to Date	Remaining on Contract
Pleasant Valley North Pump Station	\$ 515,330	\$ 422,914	\$ 92,416
NE 119th St CRP (NE 87th to NE 112th Ave)	668,828	12,404	656,424
St. Johns Woods Pump Station	838,145	623,525	214,620
Sierra Vista / Hunter's Glen Pump Station Removals	109,396	17,287	92,109
	<u>\$ 2,131,699</u>	<u>\$ 1,076,130</u>	<u>\$ 1,055,569</u>

There are no other significant commitments as of December 31, 2018.

Note 10 – Defined Benefit Other Postemployment Benefit (OPEB) Plan

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2018:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$ 2,402,933
Deferred outflow of resources	3,486
OPEB expenses/expenditures	73,770

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

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Employees Covered by Benefit Terms – All full-time employees are covered by these benefit terms. At December 31, 2018, membership in the plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	56
Total	58

Benefits Provided – Employees that retire from the District are eligible to continue participation in the PEBB health insurance plan on a self-pay basis. Retirees participating in the plan receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other retirees. The subsidy is valued using the difference between the age-based claims cost and the premium. In 2018, the District’s estimated monthly implicit rate subsidy was \$581 per month.

Assumptions and Other Inputs – 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 District’s total OPEB liability of \$2,402,933 was measured as of June 30, 2018 with a valuation date of June 30, 2018. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately

Note 10 – Defined Benefit Other Postemployment Benefit (OPEB) Plan (Continued)

amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2018
Actuarial measurement date	6/30/2018
Actuarial cost meathod	Entry Age
Amortization method	Recognized Immediately
Asset Valuation method	N/A (No Assets)

The total OPEB liability was determined using the following actuarial assumptions:

Inflation rate	3%
Projected salary changes	3.75% + Service-Based Increases
Discount rates	3.87%
Healthcare trend rates	Initial rate is approximately 7%, trends down to about 5% in 2080.
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

Actuarial assumptions are developed from the 2007-2012 Experience Study performed by the Office of the State Actuary. Discount rates are established by the Bond Buyer GO 20-Bond Municipal Index. Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime. Other specific assumptions are as follows:

It was assumed that two thirds of members will select a Uniform Medical Plan (UMP) and one third will select a Group Health Plan. The specific assumptions are as follows:

- UMP pre and post Medicare costs and premiums are equal to the Uniform Medical Plan.
- The Group Health pre-Medicare costs and premiums are 50/50 blend of GH classic and GH value.
- The Group Health post-Medicare costs and premiums are equal to GH Medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility. Assumptions for retirement, disability, termination and mortality are based on the 2017 Actuarial Valuation Report. For simplicity, all employees were assumed to be retirement eligible at age 55. The valuation relies on retirement rates for member with less than 30 years of services and assumed a rate of retirement at age seventy. Each cohort is assumed to be a 50/50 male/female split. It was further assumed that eligible spouses are the same age as the primary member. Generally, males are

Note 10 – Defined Benefit Other Postemployment Benefit (OPEB) Plan (Continued)

older than females, however for purposes of the alternative method tool we believe this simplification is reasonable.

Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$ 1,901,861	\$ 2,402,933	\$ 3,069,173

Sensitivity of the Total Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District calculated using the discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87 percent) or 1-percentage point higher (4.87 percent) that the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 2,975,033	\$ 2,402,933	\$ 1,958,660

Changes in the Total OPEB Liability - The following table presents the change in the total OPEB liability during 2018:

Total OPEB Liability at 1/1/2018	\$ 2,333,182
Service cost	141,364
Interest	88,517
Changes in benefit terms	-
Differences in experience data and assumptions	(156,111)
Benefit payments	(4,019)
Other changes	-
Total OPEB Liability at 12/31/2018	2,402,933

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ending December 31, 2018, the District recognized OPEB expense of \$73,770.

On December 31, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

Note 10 – Defined Benefit Other Postemployment Benefit (OPEB) Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$ 3,486	\$ -
Total	\$ 3,486	\$ -

Deferred outflows of resources of \$3,486 resulting from payments subsequent to the measurement date will be recognized as reduction of the total OPEB liability in the year ended December 31, 2019.

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>2018</u>
Capital contributions from developers, governments and other sources	\$ 11,015,461
Capital contributions from system development charges	9,977,924
Capital contributions from local facility reimbursements	<u>104,909</u>
Total	<u><u>\$ 21,098,294</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 fell largely to the District. A two year transition work program was initiated in 2013 and continued through 2014. As of July 1, 2018, the District also manages and operates two Regional Assets, the Ridgefield Treatment Plant and the Regional Biofilter.

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, these 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.

During 2018, the District paid \$9,087,008 to the Alliance for Regional Service Charges, as budgeted by the District and Alliance. The District billed the Alliance \$573,060 for Administration Lead services provided, which includes both staff time and expenses for professional consulting, IT support, insurance and various utilities expenses. Additionally, the District billed the Alliance \$350,541 for operations of Regional Assets. More information about the Alliance, including the 2018 Comprehensive Annual Financial Report, can be found on their website at <http://www.discoverycwa.org/>.

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 PUBLIC EMPLOYEES BENEFITS BOARD (PEBB)
 FOR THE YEAR ENDED DECEMBER 31
 THIS FISCAL YEAR***

Fiscal Year Ended	Total OPEB Liability - Beginning	Service Cost	Interest	Changes in Benefit Terms	Differences Between Expected and Actual Experience	Benefit Payments	Other Changes	Total OPEB Liability - Ending	Covered- Employee Payroll	Total OPEB Liability as a Percentage of Covered Payroll
12/31/18	\$2,333,182	141,364	88,517	-	(156,111)	(4,019)	-	2,402,933	4,233,472	56.76%

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1
AS OF JUNE 30
LAST FIVE FISCAL YEARS

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.029187%	\$ 1,470,309	\$ 3,188,944	46.11%	61.19%
2015	0.029695%	1,553,325	3,403,683	45.64%	59.10%
2016	0.030163%	1,619,895	3,586,324	45.17%	57.03%
2017	0.027234%	1,292,275	3,744,045	34.52%	61.24%
2018	0.029696%	1,326,233	4,000,682	33.15%	63.22%

See notes to Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 2/3
AS OF JUNE 30
LAST FIVE FISCAL YEARS

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.037579%	\$ 759,607	\$ 3,188,944	23.82%	93.29%
2015	0.038359%	1,370,589	3,403,683	40.27%	89.20%
2016	0.038699%	1,948,464	3,586,324	54.33%	85.82%
2017	0.035030%	1,217,126	3,744,045	32.51%	90.97%
2018	0.037967%	648,253	4,000,682	16.20%	95.77%

See notes to Required Supplementary Information.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
AS OF DECEMBER 31
LAST FIVE FISCAL YEARS**

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	\$ 132,731	\$ (132,731)	\$ -	\$ 3,289,190	4.04%
2015	153,801	(153,801)	-	\$ 3,503,486	4.39%
2016	174,276	(174,276)	-	\$ 3,653,591	4.77%
2017	189,985	(189,985)	-	\$ 3,875,441	4.90%
2018	214,397	(214,397)	-	\$ 4,233,472	5.06%

See notes to Required Supplementary Information.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
AS OF DECEMBER 31
LAST FIVE FISCAL YEARS**

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	\$ 164,282	\$ (164,282)	\$ -	\$ 3,289,190	4.99%
2015	197,516	(197,516)	-	3,503,486	5.64%
2016	227,619	(227,619)	-	3,653,591	6.23%
2017	266,283	(266,283)	-	3,875,441	6.87%
2018	317,585	(317,585)	-	4,233,472	7.50%

See notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION**Note 1 – Information Provided**

The District implemented GASB 68 for the year ended December 31, 2015; therefore, there is no data available for years prior to 2014. The pension schedules included in the required supplementary information are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

Note 2 – Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3 – Covered Payroll

Covered payroll is the payroll on which a contribution to a pension plan is based.

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
<p><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.</p>	64
<p><i>Revenue Capacity</i> These schedules contain information to help the reader understand the District’s most significant source of revenue, sewer utility charges.</p>	70
<p><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.</p>	74
<p><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.</p>	77
<p><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.</p>	79

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

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

Schedule 1

Fiscal Year	Net Investment In Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
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
2015	154,191,734	541,765	29,917,794	184,651,293
2016	158,056,983	541,765	31,028,247	189,626,995
2017	163,321,428	541,765	35,103,924	198,967,117
2018	175,959,713	541,765	35,014,931	211,516,409

**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	Special Item	Change In Net Position
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	15,792,555	18,842,198	(3,049,643)	(502,153)	(3,551,796)	5,618,773	-	2,066,977
2014	17,854,720	20,888,301	(3,033,581)	(180,447)	(3,214,028)	8,753,630	11,842,196	17,381,798
2015	18,125,734	23,078,519	(4,952,785)	(44,492)	(4,997,277)	11,377,064	21,153,127	27,532,914
2016	19,383,517	26,542,355	(7,158,838)	745,098	(6,413,740)	14,711,919	-	8,298,179
2017	20,263,403	28,405,062	(8,141,659)	(497,004)	(8,638,663)	15,890,237	-	7,251,574
2018	21,481,927	30,068,732	(8,586,805)	869,755	(7,717,050)	21,098,294	-	13,381,244

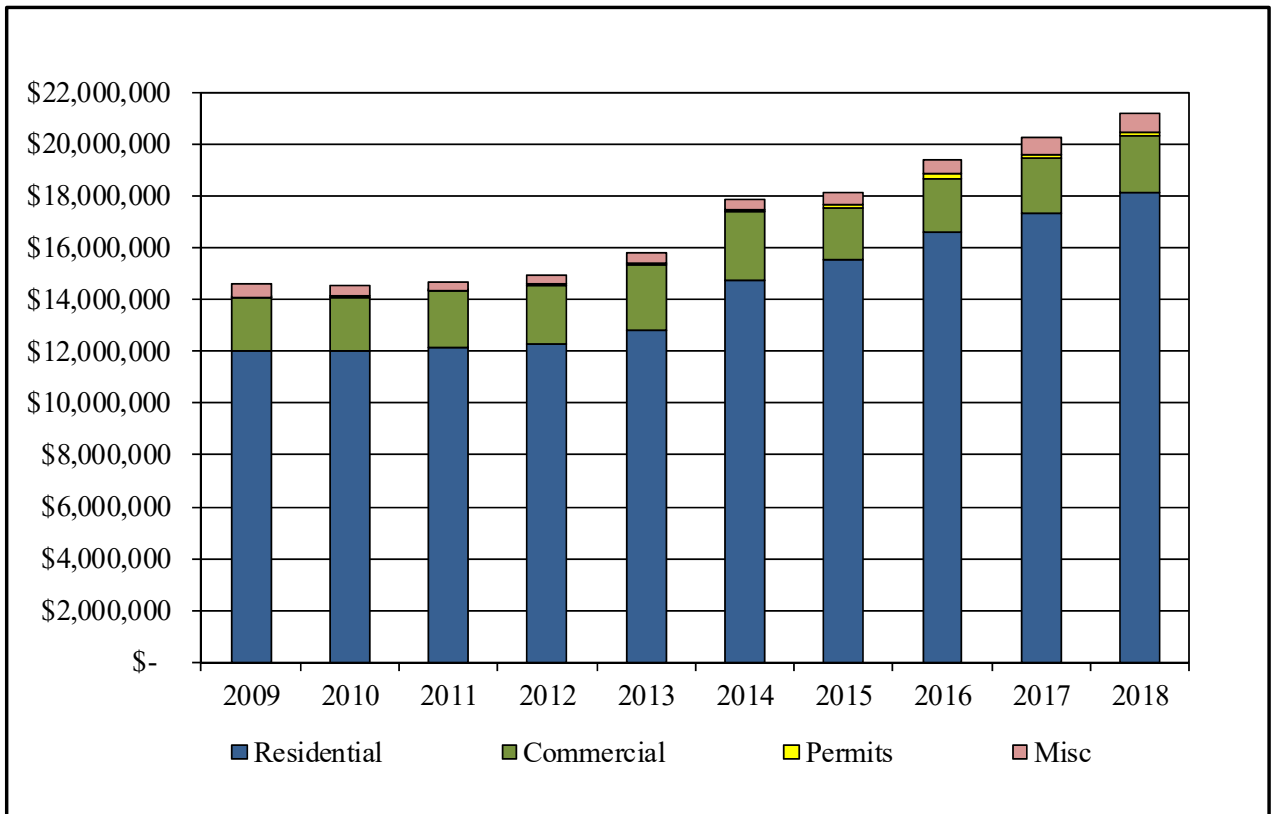
* The City of Ridgefield transferred their collection system operations to the District as of January 1, 2014. As a result of this transfer, the District recognized an increase in Net Position, reported as a special item on the Statement of Revenues, Expenses, and Changes in Fund Net Position, of \$11,842,196. The total increase in net position for 2014 including the increase from the Ridgefield collection system transfer was \$17,381,798.

** In 2015, the District transferred debt in the amount of \$12,459,376 to the Alliance. The District also defeased its 2005 sewer revenue bonds that were then re-issued by the Alliance. These gains from the transfer of debt and bond defeasance were reported on the Statement of Revenues, Expenses, and Changes in Net Fund Position as a Special Item of \$21,153,127. The total increase in net position for 2015 including the increase from the Special Items was \$27,532,914.

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

Schedule 3

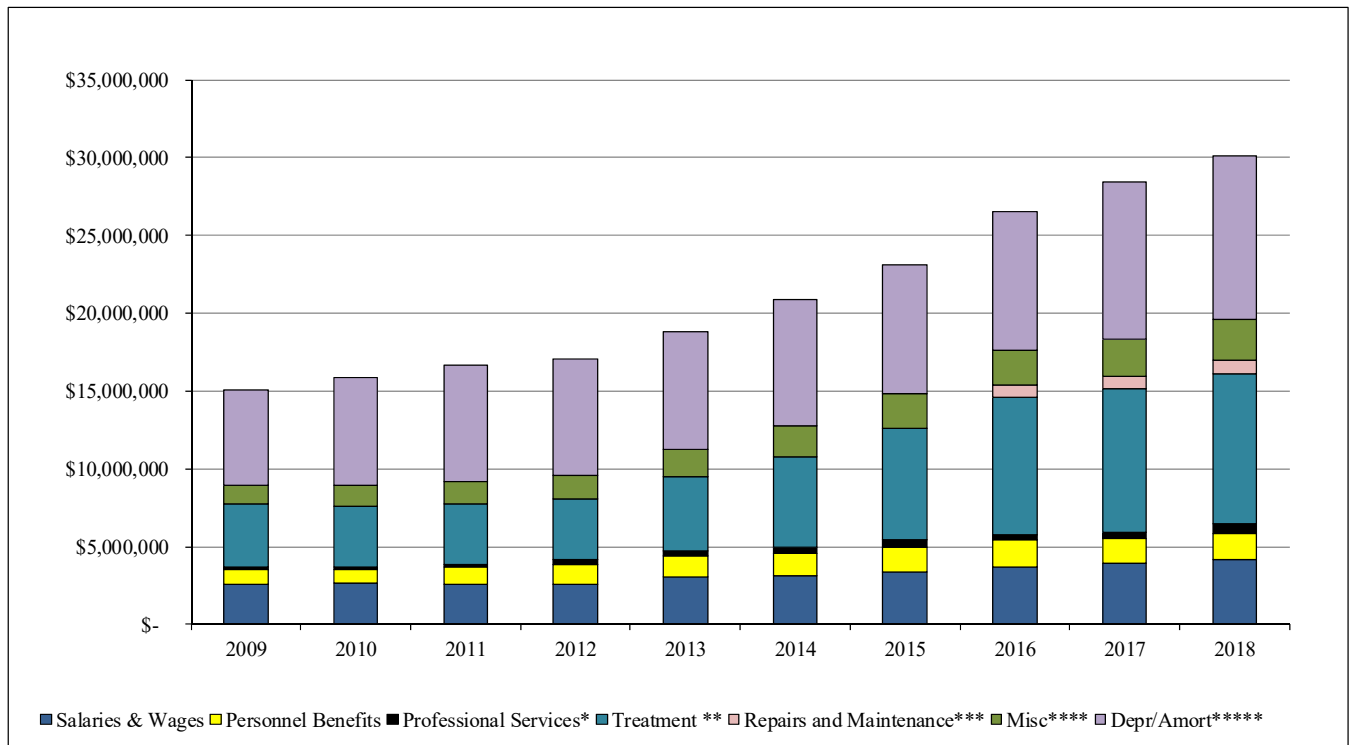
Fiscal Year	Charges for Service				Total
	Residential	Commercial	Permits	Misc	
2009	\$ 11,985,671	\$ 2,082,332	\$ 30,250	\$ 514,225	\$ 14,612,478
2010	12,009,830	2,069,828	38,630	419,683	14,537,971
2011	12,155,949	2,171,798	35,800	339,839	14,703,386
2012	12,288,652	2,255,023	43,925	372,531	14,960,131
2013	12,841,516	2,502,117	70,190	378,732	15,792,555
2014	14,716,673	2,679,606	101,725	356,716	17,854,720
2015	15,537,525	2,005,118	127,150	455,941	18,125,734
2016	16,598,142	2,093,801	150,445	541,129	19,383,517
2017	17,325,009	2,118,663	173,785	645,946	20,263,403
2018	18,125,614	2,181,571	166,170	682,217	21,155,572



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

Schedule 4

Fiscal Year	Salaries & Wages	Personnel Benefits	Professional Services*	Treatment **	Repairs and Maintenance***	Misc****	Depr/Amort*****	Total
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	295,067	4,793,747	-	1,693,399	7,626,057	18,842,197
2014	3,137,875	1,429,169	380,770	5,819,114	-	1,976,104	8,145,269	20,888,301
2015	3,373,517	1,621,362	440,329	7,141,646	-	2,277,242	8,224,423	23,078,519
2016	3,710,935	1,709,566	310,235	8,876,412	759,295	2,230,517	8,945,395	26,542,355
2017	3,936,017	1,603,398	379,085	9,198,767	836,065	2,414,261	10,037,469	28,405,062
2018	4,204,696	1,673,728	581,089	9,611,585	911,590	2,586,231	10,499,813	30,068,732



* Professional Services increased in 2015 due to increased consulting costs related to Discovery Clean Water Alliance (Alliance).

** Treatment costs increased significantly in 2013, 2014, 2015 and 2016, in relation to the transfer of the collection system from Ridgefield to the District in 2014, and the transfer of treatment operations from Clark County and Ridgefield to the Alliance in 2015.

*** Repairs and maintenance is a new operating expense category in 2016, containing projects that are repair in nature.

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

***** Depreciation/Amortization includes amortization of future treatment capacity rights (intangible asset). Depreciation expense increased in 2016 with the capitalization of the \$28 million DCWTS project and over \$7 million in donated capital assets.

**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)
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)	77,859	(502,153)
2014	(670,994)	271,600	-	218,947	(180,447)
2015	(508,173)	307,304	(123,718)	280,095	(44,492)
2016	(172,641)	339,891	5,999	571,849	745,098
2017	(155,553)	301,509	(1,033,913)	390,953	(497,004)
2018	(138,329)	849,485	(228,256)	386,855	869,755

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

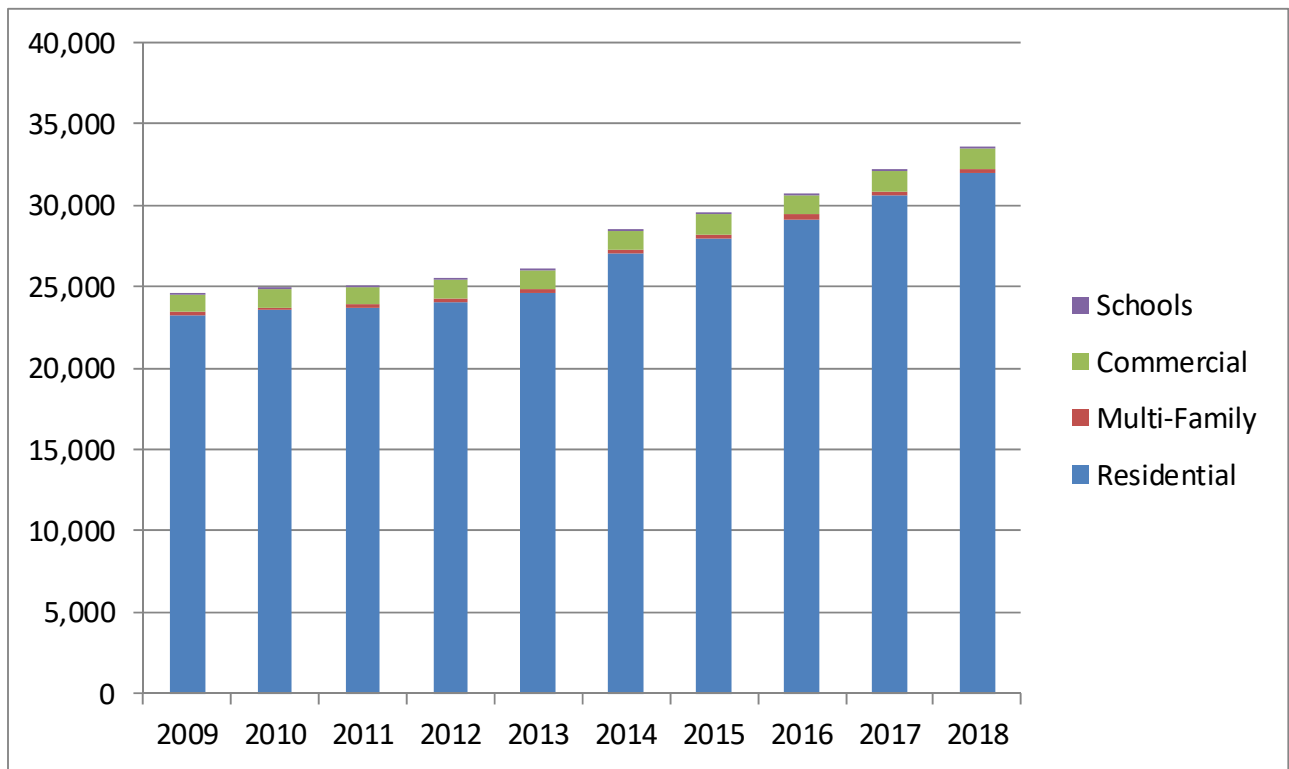
Schedule 6

<u>Fiscal Year</u>	<u>Connection Fees</u>	<u>Local Facility Charges</u>	<u>Donated Mains/ Capital Grants</u>	<u>Total</u>
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
2015	6,489,814	163,076	4,724,174	11,377,064
2016	7,583,679	112,712	7,015,528	14,711,919
2017	8,618,681	178,144	7,093,412	15,890,237
2018	9,977,924	104,909	11,015,461	21,098,294

**CLARK REGIONAL WASTEWATER DISTRICT
CUSTOMER ACCOUNTS BY TYPE
LAST TEN FISCAL YEARS**

Schedule 7

Fiscal Year	Residential	Multi-Family	Commercial	Schools	Total
2009	23,202	216	1,107	34	24,559
2010	23,539	216	1,084	35	24,874
2011	23,732	215	1,073	35	25,055
2012	24,044	219	1,137	36	25,436
2013	24,617	217	1,161	36	26,031
2014	26,989	251	1,204	39	28,483
2015	27,934	254	1,223	39	29,450
2016	29,167	243	1,242	39	30,691
2017	30,599	261	1,239	40	32,139
2018	31,993	264	1,237	41	33,535



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

Schedule 8

Customer	2018			2009		
	Sewer Revenues	Rank	Percentage of Total Sewer Revenues	Sewer Revenues	Rank	Percentage of Total Sewer Revenues
Vancouver Public Schools	\$ 143,146	1	0.71%	\$ 137,510	1	0.98%
Salmon Creek Estate Condominiums	128,592	2	0.63%	115,056	2	0.82%
Highland Hills Apartments	117,602	3	0.58%	105,223	3	0.75%
Highland Crossing	103,876	4	0.51%	-		-
Prairie View Association	103,512	5	0.51%	92,616	4	0.66%
Parklane Apartments	95,304	6	0.47%	85,272	5	0.61%
Reflections at the Park*	89,604	7	0.44%	63,866	8	0.46%
Rock Creek Commons	88,464	8	0.44%	-		-
Bridge Creek Apartments**	77,064	9	0.38%	68,952	6	0.49%
Crystal Creek Apartments	75,696	10	0.37%	67,728	7	0.48%
Willow Pointe Apartments	-		-	63,240	9	0.45%
Edgetree Homeowners Association	-		-	56,304	10	0.40%
Subtotal (ten largest)	1,022,860		5.05%	855,767		6.13%
Balance from other customers	19,235,951		94.95%	13,136,146		93.87%
Total	\$ 20,258,811		100.00%	\$ 13,991,913		100.00%

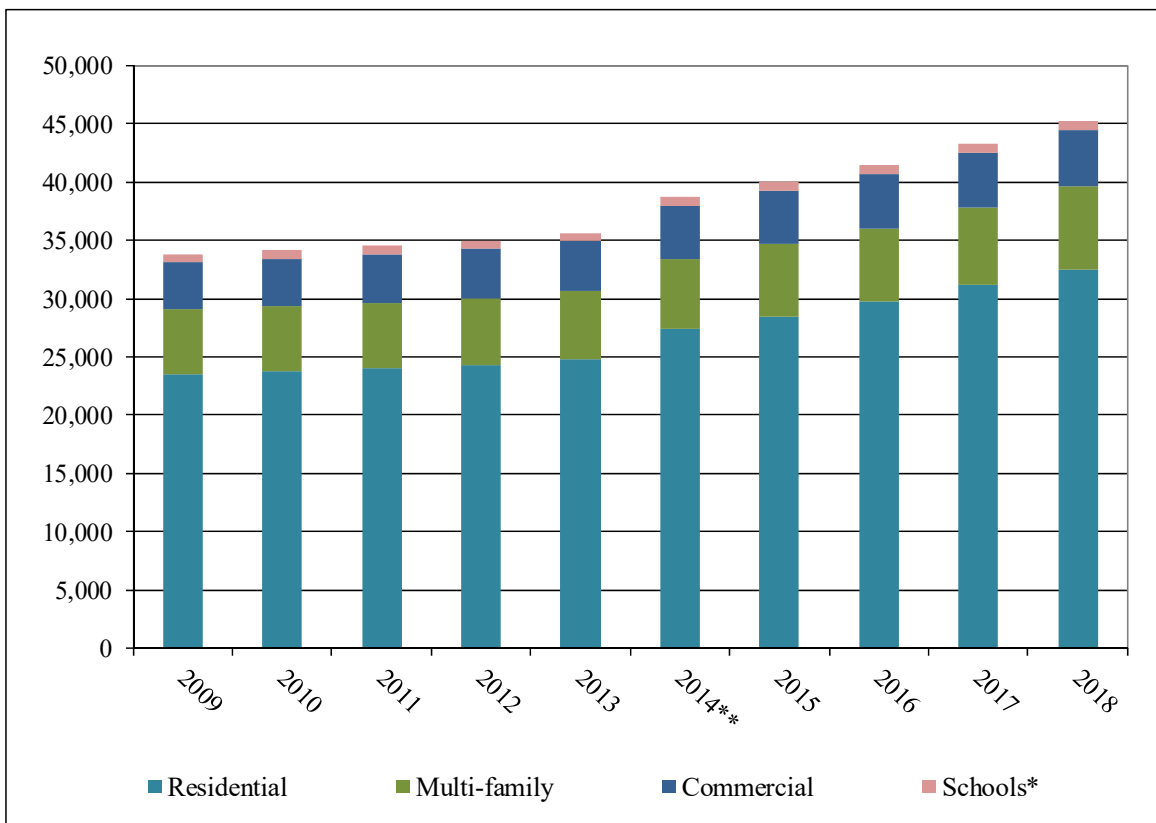
* Formerly Prairie Park Apartments

** Formerly Discovery Park Apartments

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

Schedule 9

<u>Fiscal Year</u>	<u>Residential</u>	<u>Multi-family</u>	<u>Commercial</u>	<u>Schools*</u>	<u>Total</u>
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
2015	28,453	6,234	4,625	777	40,089
2016	29,738	6,322	4,647	801	41,508
2017	31,157	6,655	4,691	812	43,315
2018	32,506	7,086	4,851	823	45,266



Notes: The District tracks its customer base by Equivalent Residential Unit (ERU). Local census data provides that about 2.66 people live in a single-family dwelling. Engineering studies have depicted that a person uses approximately 75 gallons per day.

* Elementary, middle and high schools are billed at a 32 students per ERU rate calculation and colleges are billed at a 29 students per ERU rate calculation.

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

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

Schedule 10

Year	Central Monthly Service	Ridgefield Monthly Service	Regional Facilities Charge *	General Facilities Charge *	System Development Charge		
					VTP **	SCTP ***	RFTP ****
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
2015	37.00	55.80	-	-	1,720	4,708	7,550
2016	38.00	56.50	-	-	1,720	4,708	7,550
2017	38.00	55.70	-	-	1,720	4,708	7,550
2018	38.00	55.00	-	-	1,720	4,708	7,550

Notes: Monthly service rates are based upon one ERU per day per single-family dwelling.

Increases in monthly service 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
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Schedule 11

Year	2005 Revenue Bonds	2012 Revenue Bonds	PWTF/SRF Loans	Contract Obligation Payable to Clark County		Total Amount	Total Per ERU	As a Share of Personal Income
				Revenue Bonds	PWTF Loans			
2009	\$ 12,374,125	\$ -	\$ 19,120,691	\$ 18,500,000	\$ 489,126	\$ 50,483,942	\$ 1,491	3.99%
2010	11,830,017	-	17,889,753	16,140,000	335,910	46,195,680	1,350	3.58%
2011	11,265,910	-	16,923,599	13,675,000	182,694	42,047,203	1,217	3.09%
2012	10,676,803	5,417,645	15,671,272	-	-	31,765,720	908	2.17%
2013	10,057,695	4,923,980	15,331,125	-	-	30,312,800	850	2.03%
2014	9,413,588	4,418,988	25,461,097	-	-	39,293,673	1,013	2.42%
2015	-	3,903,947	19,682,456	-	-	23,586,403	588	1.26%
2016	-	3,378,658	18,429,423	-	-	21,808,081	525	1.09%
2017	-	2,842,916	17,204,261	-	-	20,047,177	463	0.92%
2018	-	2,296,515	15,979,099	-	-	18,275,614	404	0.77%

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 12

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Central Monthly Service Rate	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 35.00	\$ 36.00	\$ 37.00	\$ 38.00	\$ 38.00	\$ 38.00
Ridgefield Monthly Service Rate	-	-	-	-	-	55.00	55.80	56.50	55.70	55.00
Charges for services	\$ 14,068,003	\$ 14,079,658	\$ 14,327,747	\$ 14,543,675	\$ 15,343,633	\$ 17,396,279	\$ 17,542,643	\$ 18,691,943	\$ 19,443,672	\$ 20,307,186
Miscellaneous operating revenue	544,475	458,313	375,639	416,456	448,922	356,716	583,091	691,574	819,731	1,174,741
Interest on investments	428,139	275,168	289,494	201,405	104,321	271,600	307,304	339,891	301,509	849,485
Miscellaneous non-operating revenue	749,312	1,917	32,802	10,878	116,549	355,404	552,060	872,136	785,426	598,802
General Facilities Charge	668,476	657,707	609,524	866,814	3,010,251	4,885,217	6,489,814	7,583,679	8,618,681	9,977,924
Total Gross Revenues	\$ 16,458,405	\$ 15,472,763	\$ 15,635,206	\$ 16,039,228	\$ 19,023,676	\$ 23,265,216	\$ 25,474,912	\$ 28,179,223	\$ 29,969,019	\$ 32,908,138
MAINTENANCE AND OPERATION EXPENSE										
Salaries, wages and benefits	\$ 3,555,950	\$ 3,561,293	\$ 3,692,323	\$ 3,877,891	\$ 4,433,927	\$ 4,567,044	\$ 4,994,879	\$ 5,420,501	\$ 5,539,415	\$ 5,878,424
Treatment - Clark County	3,206,868	3,181,705	3,339,528	3,349,128	3,959,749	3,959,748	-	-	-	-
Treatment - Alliance	-	-	-	-	306,725	325,428	6,428,188	7,576,246	8,516,033	9,087,008
Treatment - Other	798,598	723,072	627,744	550,472	527,273	1,533,938	713,458	1,300,166	682,734	524,577
Other operating expenses	1,411,161	1,441,591	1,488,003	1,774,671	1,988,467	2,356,874	2,717,571	3,300,047	3,629,411	4,078,910
Total Maintenance and Operating Expense	\$ 8,972,577	\$ 8,907,661	\$ 9,147,598	\$ 9,552,162	\$ 11,216,141	\$ 12,743,032	\$ 14,854,096	\$ 17,596,960	\$ 18,367,593	\$ 19,568,919
1.10 COVERAGE TEST										
Net Revenue	\$ 7,485,828	\$ 6,565,102	\$ 6,487,608	\$ 6,487,066	\$ 7,807,535	\$ 10,522,184	\$ 10,620,816	\$ 10,582,263	\$ 11,601,426	\$ 13,339,219
Less: General Facilities/ System Development Charge	(668,476)	(657,707)	(609,524)	(866,814)	(3,010,251)	(4,885,217)	(6,489,814)	(7,583,679)	(8,618,681)	(9,977,924)
Total Revenues	6,817,352	5,907,395	5,878,084	5,620,252	4,797,284	5,636,967	4,131,002	2,998,584	2,982,745	3,361,295
Debt Service	4,366,390	4,363,728	4,367,428	4,369,633	1,691,059	1,692,665	1,175,041	525,289	535,741	546,402
Coverage	1.56	1.35	1.35	1.29	2.84	3.33	3.52	5.71	5.57	6.15
1.25 COVERAGE TEST										
Net Revenue	\$ 7,485,828	\$ 6,565,102	\$ 6,487,608	\$ 6,487,066	\$ 7,807,535	\$ 10,522,184	\$ 10,620,816	\$ 10,582,263	\$ 11,601,426	\$ 13,339,219
Plus: Regional Facilities Charge	2,817,951	2,772,522	2,788,098	6,311,547	-	-	-	-	-	-
Total Revenues	\$ 10,303,779	\$ 9,337,624	\$ 9,275,706	\$ 12,798,614	\$ 7,807,535	\$ 10,522,184	\$ 10,620,816	\$ 10,582,263	\$ 11,601,426	\$ 13,339,219
Debt Service	4,366,390	4,363,728	4,367,428	4,369,633	1,691,059	1,692,665	1,175,041	525,289	535,741	546,402
Coverage	2.36	2.14	2.12	2.93	4.62	6.22	9.04	20.15	21.65	24.41

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

Schedule 13

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross Revenues										
Charges for services	\$ 20,307,186	\$ 19,443,672	\$ 18,691,943	\$ 17,542,643	\$ 17,396,279	\$ 15,343,633	\$ 14,543,675	\$ 14,327,747	\$ 14,079,658	\$ 14,068,003
Other operating revenues	1,174,741	819,731	691,574	583,091	356,716	448,922	416,456	375,639	458,313	544,475
Interest income	849,485	301,509	339,891	307,304	271,600	104,321	201,405	289,494	275,168	428,139
Other non-operating revenues	598,802	785,426	872,136	552,060	355,404	116,549	10,878	32,802	1,917	749,312
Subtotal Gross Revenues	22,930,214	21,350,338	20,595,544	18,985,098	18,379,999	16,013,425	15,172,414	15,025,682	14,815,056	15,789,929
Connection charges - Regional Facilities	9,977,924	8,618,681	7,583,679	6,489,814	4,885,217	3,010,251	6,311,552	2,788,098	2,772,522	2,817,951
Connection charges - General Facilities	32,908,138	29,969,019	28,179,223	25,474,912	23,265,216	19,023,676	866,814	609,524	657,707	668,476
Total Gross Revenues										
	9,977,924	8,618,681	7,583,679	6,489,814	4,885,217	3,010,251	6,311,552	2,788,098	2,772,522	2,817,951
	32,908,138	29,969,019	28,179,223	25,474,912	23,265,216	19,023,676	866,814	609,524	657,707	668,476
							22,350,781	18,423,304	18,245,284	19,276,356
Operating Expenses										
Salaries, wages and benefits	5,878,424	5,539,415	5,420,501	4,994,879	4,567,044	4,433,927	3,877,891	3,692,323	3,561,293	3,555,950
Treatment - Clark County	-	-	-	-	3,959,748	3,959,749	3,349,128	3,339,528	3,181,705	3,206,868
Treatment - Alliance	9,087,008	8,516,033	7,576,246	6,428,188	325,428	306,725	-	-	-	-
Treatment - Other	524,577	682,734	1,300,166	713,458	1,533,938	527,273	550,472	627,744	723,072	798,598
Other operating expenses, including interest	4,217,239	3,784,964	3,472,688	3,225,744	3,027,868	2,657,058	4,246,296	2,956,086	3,040,455	3,174,680
Operating expenses excluding depreciation	19,707,248	18,523,146	17,769,601	15,362,269	13,414,026	11,884,732	12,023,787	10,615,681	10,506,525	10,736,096
Net Revenues Available for Debt Service	13,200,890	11,445,873	10,409,622	10,112,643	9,851,190	7,138,944	10,326,994	7,807,623	7,738,760	8,540,260
Debt service - District (Principal only)										
Sewer Revenue Bonds - Phase 3 Capital Expansion	-	-	-	-	-	-	2,570,000	2,465,000	2,360,000	2,250,000
PWTF Loans - Phase 3 Capital Expansion	-	-	-	-	-	-	153,216	153,216	153,216	240,058
PWTF Loans - Pumping Stations	-	-	27,870	144,274	144,274	144,274	144,274	144,274	144,274	144,274
PWTF Loans - Phase 4 Capital Expansion*	-	-	-	531,519	1,063,038	1,063,037	1,063,037	1,063,039	1,063,037	641,985
PWTF Loans - Ridgefield Service Area	83,984	83,984	83,984	83,984	83,984	83,984	-	-	-	-
Sewer Revenue Bonds - Phase 4 Capital Expansion**	-	-	-	660,000	625,000	600,000	570,000	545,000	525,000	500,000
SRF Loan - Phase 4 Capital Expansion*	-	-	-	-	47,414	46,198	45,014	43,860	42,735	41,640
Sewer Revenue Bonds - 2012	546,402	535,741	525,289	515,040	504,993	493,665	-	-	-	-
PWTF Loans - DCWTS Project	1,141,179	1,141,179	1,141,179	1,066,712	118,538	-	-	-	-	-
Net Revenue After Payment of Debt Service	\$ 11,429,325	\$ 9,684,969	\$ 8,631,301	\$ 7,111,114	\$ 7,263,949	\$ 4,791,770	\$ 5,781,453	\$ 3,393,234	\$ 3,450,498	\$ 4,722,303
Operating Expenses Covered (not covered) by Rates	\$ 3,222,966	\$ 2,827,192	\$ 2,825,943	\$ 3,622,829	\$ 4,965,973	\$ 4,128,693	\$ 3,148,627	\$ 4,410,001	\$ 4,308,531	\$ 5,053,833

* Loans transferred to Discovery Clean Water Alliance January 1, 2015

** 2005 Sewer Revenue Bonds were defeased as of September 2, 2015

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

Schedule 14

Fiscal Year	Clark County			
	Unincorporated Population*	Per Capita Income **	Total Personal Income	Unemployment ***
2009	203,361	\$ 37,350	\$ 7,595,533,350	13.2%
2010	203,339	37,670	7,659,780,130	13.7%
2011	204,610	39,394	8,060,406,340	12.1%
2012	205,885	41,852	8,616,699,020	8.4%
2013	207,710	41,783	8,678,746,930	7.4%
2014	210,140	44,573	9,366,570,220	7.3%
2015	214,585	46,564	9,991,935,940	6.2%
2016	218,750	48,305	10,566,718,750	5.9%
2017	223,160	50,382	11,243,272,783	5.0%
2018	222,420	52,498	11,676,641,599	5.0%

Notes: Demographic information is from the following sources:

* Washington State Office of Financial Management.

** Federal Reserve Economic Data

Data for the years 2017 and 2018 is not yet available. These figures were calculated by increasing the 2016 and 2017 Per Capita amounts by 4.3% and 4.2% respectively. These averages are the year-over-year growth rate for the six years prior to each year.

*** Federal Reserve Economic Data

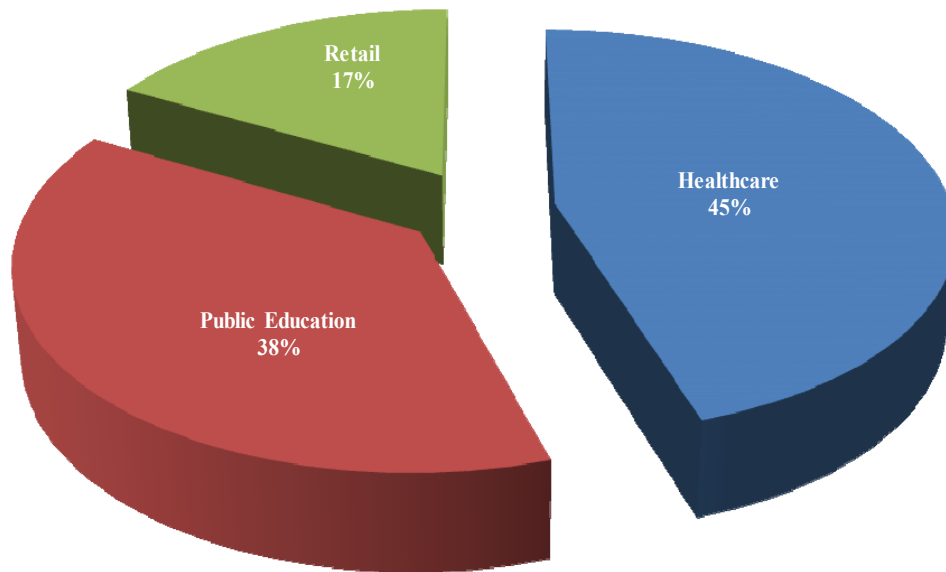
District demographics would be expected to closely follow overall Clark County.

**CLARK REGIONAL WASTEWATER DISTRICT
EMPLOYEES FOR TEN PRINCIPAL EMPLOYERS
CURRENT AND NINE FISCAL YEARS AGO**

Schedule 15

Customer	Type of Business	2018			2009		
		Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Legacy Salmon Creek Hospital	Healthcare	1,852	1	35.036%	874	1	22.850%
Vancouver School District	Public Education	929	2	17.575%	851	2	22.248%
Fred Meyer	Retail	455	3	8.608%	579	3	15.137%
Washington State University Vancouver	Public Education	453	4	8.570%	318	4	8.314%
Battle Ground Public Schools	Public Education	390	5	7.378%	122	10	3.190%
The Vancouver Clinic	Healthcare	287	6	5.429%	-	-	-
Kaiser Permanente	Healthcare	250	7	4.729%	270	6	7.059%
Safeway	Retail	237	8	4.484%	270	5	7.059%
Ridgefield School District	Public Education	228	9	4.313%	-	-	-
Dollar Tree Distribution Center	Retail	205	10	3.878%	-	-	-
Wal-Mart		-			249	7	6.510%
Evergreen Public Schools		-			152	8	3.974%
Target		-			140	9	3.660%
Total		5,286		100%	3,825		100%

2018 Top Ten Principal Employers by Business Type



Note: 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. Data is obtained directly from employers in the District’s service area.

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

Schedule 16

Fiscal Year	Millions of Gallons of Wastewater Treated					
	Salmon Creek Treatment Plant*	SCTP Rate \$/MG	Ridgefield Treatment Plant**	RFTP Rate \$/MG	City of Vancouver***	COV Rate \$/MG
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
2015	3,916	1,616	219	4,820	260	1,920
2016	3,431	1,885	183	9,835	270	2,041
2017	3,906	1,827	164	8,410	299	2,047
2018	3,424	2,256	142	9,575	287	1,582

* The SCTP is owned by the Alliance. Operations transferred from Clark County to the Alliance on January 1, 2015. About 88.9% of the District's flow is treated at the SCTP.

** In January 2014, the District took over the Ridgefield collection system. Flows from the Ridgefield service area are treated at the Ridgefield Treatment Plant (RFTP), which treats approximately 3.7% of the District's total flow. The RFTP was transferred to the Alliance January 1, 2015.

*** The District has a contract with the City of Vancouver to treat up to 1 million gallons per day. The City of Vancouver treats about 7.4% of the District's flow.

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

Schedule 17

	Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
WASTEWATER TREATMENT										
Miles of sewer lines	709	681	659	607	605	539	534	527	522	522
Number of treatment plants	2	2	2	2	2	1	1	1	1	1
Treatment capacity (MGD)*	15.65	15.65	15.65	15.65	15.65	14.95	14.95	14.95	14.95	14.95
Annual engineering maximum plant capacity (millions of gallons)**	5,712	5,712	5,712	5,712	5,712	5,457	5,457	5,457	5,457	5,457
Amount treated annually (millions of gallons)***	3,566	4,070	3,614	4,135	3,351	2,935	3,234	3,307	3,325	3,048
Unused capacity (millions of gallons)	2,146	1,643	2,098	1,577	2,362	2,522	2,223	2,150	2,132	2,409
Percentage of capacity utilized	62.4%	71.2%	63.3%	72.4%	58.7%	53.8%	59.3%	60.6%	60.9%	55.9%

* 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.

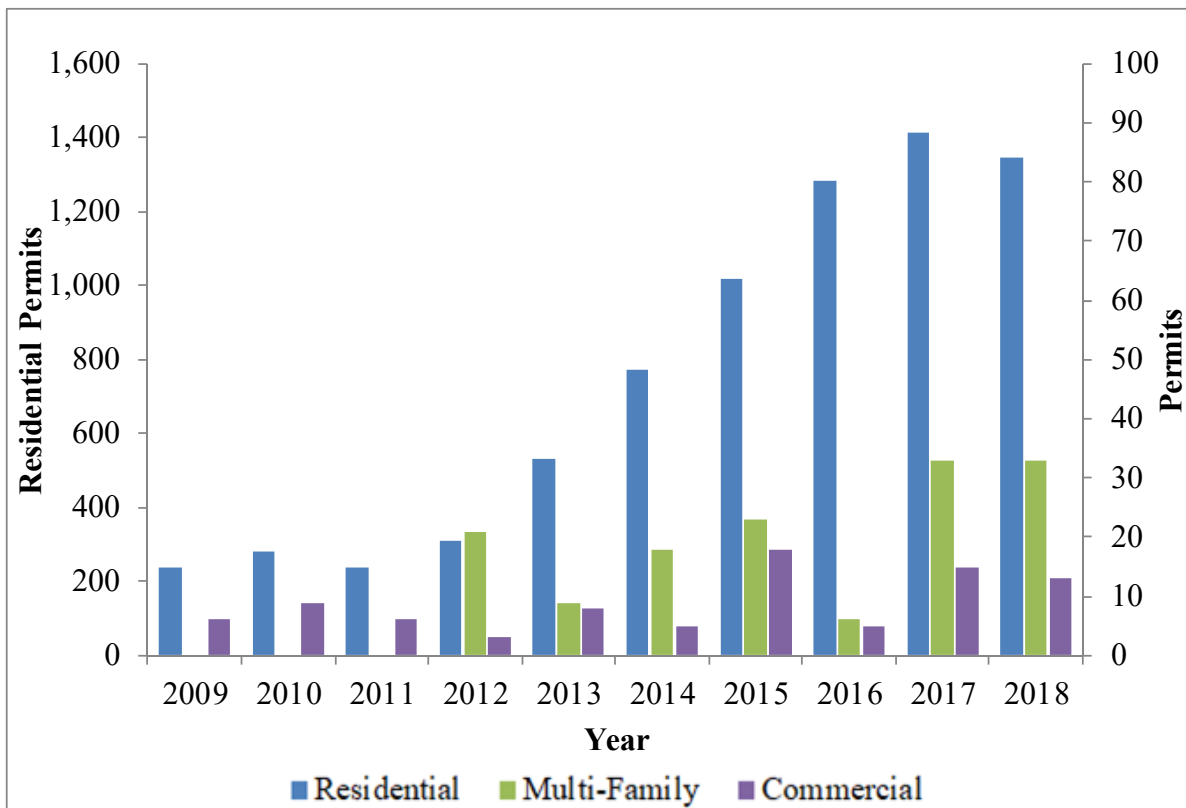
** Maximum monthly flow per Department of Ecology discharge permit to the SCTP and the RFTP. Approximately 88.9% of the District's flows go to the SCTP and 3.7% of its flows go to the RFTP. In addition, the District has an agreement with the City of Vancouver to treat up to 1 million gallons average monthly flow. Currently 7.4% of the District's flows go to the City of Vancouver Westside Treatment Plant.

*** This figure is also called influent flow. Influent flow is calculated through use of the maximum monthly average and extrapolating that for the year. Even if on an annualized basis the rainfall meets average levels, if one month is exceptionally wet causing the influent flow calculation to be out of trend, this will further artificially increase the percentage of capacity utilized.

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

Schedule 18

Year	Residential	Multi-Family	Commercial	Total
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
2015	1,021	23	18	1,062
2016	1,284	6	5	1,295
2017	1,415	33	15	1,463
2018	1,347	33	13	1,393



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

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

Schedule 19

Fiscal Year	Notes	Operations	Finance	Administration	Engineering	Business Services	Total
2009		17	8	4.5	13.4		42.9
2010		17	8	4.5	13.4		42.9
2011	a.	17	8	7	11		43.0
2012	b.	17	10	8.5	11		46.5
2013	c.	19	10	8.5	11		48.5
2014	d.	19	10	9	12		50.0
2015	e.	18	10	10	12		50.0
2016	f.	18	10	10	14		52.0
2017	g.	18	11	11	14		54.0
2018	h.	20	11	9	14.5	4	58.5

Notes: Operations staff handles all collection, transmission and pump station operations and repairs.
 Finance provides customer service, billing, accounting, cash, investments and debt management services.
 Administration provides executive management, board and overall District department support.
 Engineering staff provides permitting, developer extension agreements, development review and local facilities.
 Business Services staff provides IT, pretreatment, human resource and risk management services.

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. In 2015, one Maintenance Support Specialist position was shifted to the Administrative Department and is now titled Administrative Assistant III.
- f. In 2016, Engineering added a Control System Administrator position for the Regional System, as well as an Assistant Engineering Technician position, both of which were added to support continued growth in the District service area.
- g. In 2017, Finance added the position of Accounting Technician and Administration added an Administrative Assistant I. These positions were added to support continued growth within the District's service areas.
- h. In 2018, the District became Contract Operator of the Ridgefield Wastewater Treatment Plant. As a result, the District added two Treatment Plant operators within the Operations Department. The District also reorganized to five departments, the fifth being Business Services which includes the Assistant Manager, Pretreatment Coordinator, IT Services Manager and HR Generalist. Also, to support growth within the District the positions of Construction Program Manager and Alliance Capital Program Manager were added.

This table summarized the Board adopted Organizational Chart presented in the Introduction Section, page 7.