
CLARK REGIONAL WASTEWATER DISTRICT

VANCOUVER, WASHINGTON



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 AND 2012**

CLARK REGIONAL WASTEWATER DISTRICT

Vancouver, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 and 2012

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

DISTRICT STAFF

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

Finance Director
General Manager

BOARD OF COMMISSIONERS

Norm Harker
L. Niel Kimsey
John "Denny" Kiggins

President
Vice President
Secretary



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**CLARK REGIONAL WASTEWATER DISTRICT
VANCOUVER, WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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May 1, 2014

President Kiggins 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, 2013. 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 27-58).

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, 2013, and the results of operations and cash flows for the year ending December 31, 2013.

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

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

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

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

The information presented in the financial statements is perhaps best understood when it is considered within the context of the accompanying Management's Discussion and Analysis (pages 15-20) and Notes (pages 27-58).

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 service to approximately 82,000 people who live in unincorporated Clark County. The District is a public agency, formed by public election on May 22, 1958, by a group of businessmen who realized that septic systems would be inadequate to meet the sanitary sewer needs of the area's growing population.

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

The District is located three miles north of the Vancouver, Washington downtown area. Access to the District is provided by two major highway systems: Interstates 5 and 205. The District employs forty-nine (49) people who work at the District office and in the field. Four operating departments within the District include Administration, Finance, Engineering and Maintenance. Below is a definition and scope for each of these departments.

The Administration department (staff of nine) provides oversight and support to all District departments, essential administrative support for the governing body and initiates contracting for professional support as needed. Discovery Clean Water Alliance (Alliance) was incorporated on January 4, 2013. The District, via an administrative lead contract, provides executive, administrative, financial and capital planning services for the Alliance.

Human Resources are an integral part of the Administration department, providing risk management oversight and administering all aspects of the Human Resources program including employment,

compensation/classification, employee relations, training and employee development, personnel record management, personnel policies, procedure development, legal compliance and internal consulting.

The Finance department (staff of ten) provides accounting functions such as payroll, accounts payable and financial reporting, treasury management, budget oversight and forecasting, financial application systems development, and customer service to approximately 26,000 District utility customers in 2013. The Finance department continues to streamline and upgrade its internal processes to promote greater efficiencies and provide excellent customer service. The department answered approximately 28,000 phone calls from customers, mailed over 150,000 customer bills, e-mailed approximately 14,000 e-bills and assisted about 1,800 walk-in customers.

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

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

The Maintenance department (staff of nineteen) managed 539 miles of sewer mainlines and laterals and 48 pump stations, which are encompassed in the approximate 37 square mile service area. The department also operates and maintains three satellite sewer systems in the areas of Van Ridge, Meadow Glade and Hockinson. These satellite systems include up to 751 individual Septic Tank Effluent Pumping (STEP) tanks and their associated force mains. In addition to mainline maintenance, the department is responsible for maintaining the grounds and buildings on the District campus, as well as performs minor repairs and maintenance to District vehicles. The department continues to use technology to assist with pump station monitoring using the Supervisory Control and Data Acquisition (SCADA) system and the Master Series Asset Management System to assist with the scheduling of line maintenance.

ECONOMIC CONDITIONS AND OUTLOOK

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

At the end of 2013, unemployment rates in Clark County were 7.4%, lower than the 8.4% rate at the end of 2012 and significantly lower than the 12.1% rate at the end of 2011. At the end of 2013, the state and national average unemployment rates were both 6.5%. Construction and public sector employment remained relatively flat, while larger gains occurred in leisure and hospitality, health services and professional business services. The manufacturing industries of durable and non-durable goods lost jobs in 2013. Economic recovery is occurring in Clark County, however, at a slightly slower pace than the rest of the state and many parts of the nation.

During a weakened economic period, the most vulnerable sectors of unemployment tend to be in construction, manufacturing, finance, insurance and retail trade. District sewer permits for new connections have reflected this weakness in new construction the last few years; however, the District has experienced increases in sewer permits for 2012 and 2013. The connection of new construction to the sewer system, have trended from 245 permits in 2011 to 334 permits in 2012 to 548 permits in 2013.

Economic development and residential home construction lagged as a result of the local economy in Clark County starting in 2008. In 2012, economic development started to pick back up. Construction projects in the District service area that required new sewer services from 2011 to 2013 include:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|-------------|
| New subdivisions | 8 | 15 | 6 |
| New single family lots | 355 | 235 | 43 |
| Commercial developments | 3 | 4 | 9 |
| Commercial equivalent residential units | 4 | 7 | 93 |
| Apartment units | 107 | 131 | - |

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

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

Some significant elements in maintaining a healthy financial condition include:

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

The District is on track to update its twenty (20) year Comprehensive General Sewer Plan in 2016, an action it performs every six years, in conjunction with Clark County’s update of the Growth Management Act (GMA). The plan provides a summary of the Capital Improvement Projects (CIP) and the associated costs for the period. The plan is reviewed annually for changes in population and

demographic conditions. With the addition of nine square miles to the District's future service territory through the 2007 updated GMA plan adoption, as well as the addition of five square miles of the City of Ridgefield service territory as of January 1, 2014, the District is developing plans for the construction and financing of infrastructure needs to service these new areas, as well as maintain current infrastructure in the existing thirty-seven square miles of service territory.

Since the District has no taxing authority, it must rely solely on revenues from monthly sewer service and connection charges. Monthly sewer service charges fund operations and the costs for collection, transportation and treatment of wastewater. The District increased rates by \$1.00 per month in 2013 after seven years without an increase. A portion of the monthly service charge is held in reserve for the restoration and/or replacement of existing infrastructure and future vehicle and equipment needs. In addition, a portion is held in reserve to meet debt service requirements. Connection charges are paid on new connections whose wastewater flows to the Salmon Creek, City of Vancouver or, effective January 2014, City of Ridgefield treatment plants. State statute authorizes entities providing sewer service to assess this charge representing the owner's equitable share of the system as a condition to granting the right to connect.

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

In 2009, an initial "Sewer Coalition Planning Study" was completed with participation from twelve Clark County public agencies, including all that provide sewer service within the county. Five contracts resulted from this initial study, all funded from a \$4 million Washington Department of Ecology Centennial Clean Water Fund and completed as of December 2013. In addition, a county-wide comprehensive sewer plan resulted, detailing transmission and treatment facilities necessary to provide sewer service throughout the county for the next 50 years. Also in 2009, a "Memorandum of Understanding (MOU) to Develop the Structure for a Regional Wastewater Entity" was drafted and signed by four partner agencies and eight coordinating agencies, to explore the creation of a regional sewer transmission/treatment entity. In 2012 the four partner agencies signed another MOU providing an agreement-in-principle for the framework of the new partnership. Finally, the regional sewer entity, Discovery Clean Water Alliance (Alliance), was formally incorporated on January 4, 2013 by the four partner agencies, and is scheduled to own and operate transmission lines, pump stations and treatment plants to provide sewer treatment service to the mid-Clark County region (Cities of Ridgefield and Battle Ground and the District's service area). Transition activities were initiated in 2013 and are scheduled to continue throughout 2014, with the Alliance anticipated to become fully operational in January 2015.

In 2012, the District and the City of Ridgefield (Ridgefield) signed a MOU for transfer of ownership of all of Ridgefield's sewer utility collection system physical assets and all its sewer utility customers to the District. A final asset transfer of ownership agreement and franchise agreement were both finalized in June of 2013. Effective January 1, 2014, Ridgefield's approximately 2,000 sewer utility customers became customers of the District.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clark Regional Wastewater District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012. This was the twenty-sixth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In 2003, the District received a certificate of award from the State of Washington Auditor's Office for achieving twenty-one consecutive years of audits without a finding. The District was one of only a few local governmental entities in the State of Washington to not have an audit finding through year-end 2002. As of December 31, 2013, it has been thirty-two consecutive years without an audit finding.

The American Public Works Association (APWA) compiles best practices and recommended management practices from across the U.S. and Canada. It then provides that information and a guidance manual for other public works entities to assess the adequacy of their management practices. Public works organizations can then seek accreditation by the APWA through a multi-day on-site evaluation of their practices outlined by the APWA. In August 2005, the District was awarded the prestigious APWA Certificate of Accreditation for having fully complied with 270 of their practices and having substantially complied with the remaining four (4) practices. In 2009, the District went through the process of APWA re-accreditation, and fully complied with all 289 practices. Out of the 289 practices reviewed, the APWA certification team identified and designated five as model practices to be used as a standard for other entities across the country. This included a new Strategic Plan that the District developed in 2009. The District remains the first and only special-purpose district in North America to receive such an award, with our re-certification effective through 2014.

Acknowledgments

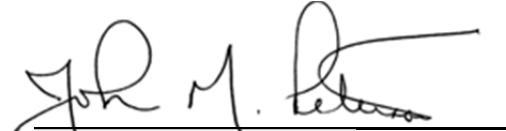
This report was made possible by the staff of the Finance department, the (Washington) Water and Sewer Risk Management Pool, the Washington Department of Retirement Systems and all other departments of the District. Each member of the District, the President, Commissioners, General Manager and the related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

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

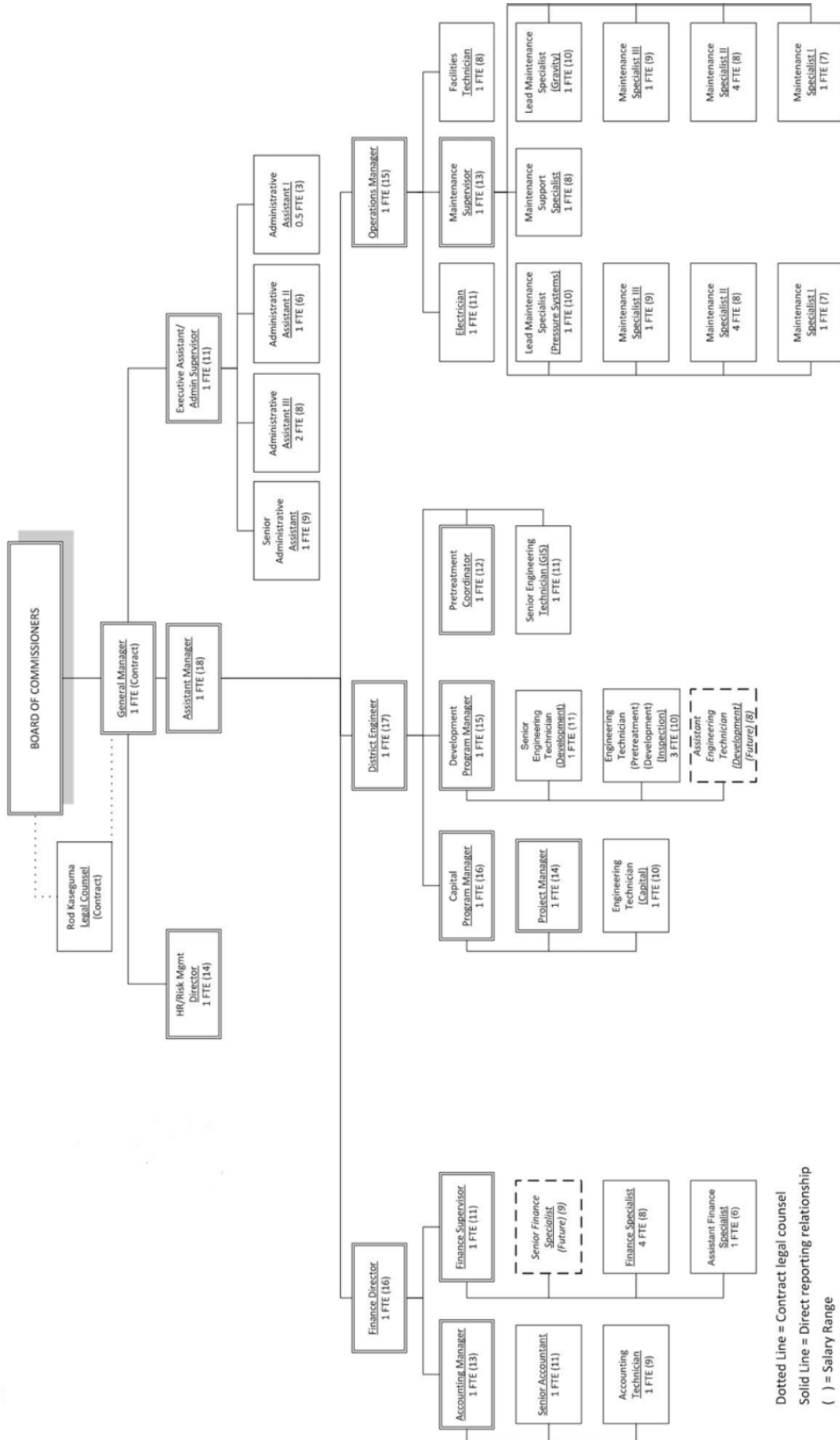
Respectfully submitted,



Ken Andrews, CPA
Finance Director


John M. Peterson, P.E.
General Manager

CLARK REGIONAL WASTEWATER DISTRICT ORGANIZATIONAL CHART



Dotted Line = Contract legal counsel
 Solid Line = Direct reporting relationship
 () = Salary Range
 Total Positions: 49; Total FTE: 48.5

**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 2013

| | | <u>Term Expiration</u> |
|----------------|----------------------|----------------------------|
| President | Norm Harker | December 2015 |
| Vice President | L. Neil Kimsey | December 2019 |
| Secretary | John “Denny” Kiggins | December 2017 |

APPOINTIVE

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

MAILING ADDRESSES

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

CLARK REGIONAL WASTEWATER DISTRICT GFOA CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

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

Presented to

**Clark Regional Wastewater District
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO



Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

April 30, 2014

Board of Commissioners
Clark Regional Wastewater District
Vancouver, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Clark Regional Wastewater District, Clark County, Washington, as of and for the years ended December 31, 2013 and 2012, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the

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financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clark Regional Wastewater District, Clark County, Washington, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 2, during the year ended December 31, 2013, the District has implemented the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 and information on postemployment benefits other than pensions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

The information identified in the table of contents as the introduction and statistical sections 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 April 30, 2014, 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,



TROY KELLEY
STATE AUDITOR

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**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report.

The following Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements, the notes to the financial statements and, if applicable, any other supplementary information required as part of the basic financial statements. Please refer to the accompanying notes to the financial statements regarding capital asset and long-term liability activity, which can be found on pages 27-58.

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

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

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

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

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

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

Financial Highlights

- The District requested \$913,361 in Public Works Trust Fund (PWTF) loan draws in 2013. Draw proceeds were used to fund design and pre-construction activities of the Discovery Corridor Wastewater Transmission System (DCWTS) project, a \$25.0 million dollar project anticipated for completion by fiscal year end 2017.
- For 2013, the assets of the District exceeded its liabilities by \$142,570,364. Of this amount, \$37,157,623 is classified as unrestricted and may be used to meet the District's ongoing obligations. The District does not have any restricted funds at December 31, 2013.
- The District's change in net position was \$2,066,977 and \$5,292,952 for 2013 and 2012, respectively. The increases are attributable to capital contributions from developers and connection charges amounting to \$5,618,773 and \$9,241,739 for 2013 and 2012, respectively.
- The change in total liabilities decreased by \$1,941,665 from 2012 to 2013 and decreased by \$13,951,394 from 2011 to 2012. During 2012, the District paid off its contractual obligation to Clark County for the Salmon Creek Treatment Plant (SCTP) Phase III project which simultaneously decreased the District's deferred revenues by \$4,353,763 from 2011 to 2012. Partially offsetting these decreases in liabilities was an increase of \$5,417,645 in liabilities for the issued 2012 revenue bonds.
- Throughout 2013 the District made regular principal payments on its outstanding sewer revenue bonds of \$1,093,665, PWTF loans of \$1,207,311 and State Revolving Fund (SRF) loan of \$46,198. In addition, the District increased its PWTF loan liabilities by \$913,361 for the DCWTS project.

Assets, Liabilities and Net Position

| December 31 | 2013 | Restated 2012 | <u>2013 to 2012</u> Change | % | Restated 2011 | <u>2012 to 2011</u> Change | % |
|---|-----------------------|-----------------------|-------------------------------|-------|-----------------------|-------------------------------|---------|
| <i>Assets</i> | | | | | | | |
| Current and other assets | \$ 40,626,955 | \$ 39,151,478 | \$ 1,475,477 | 3.8% | \$ 45,191,335 | \$ (6,039,857) | -13.4% |
| Capital assets (net of depreciation) and construction work in progress | <u>135,725,542</u> | <u>137,075,707</u> | <u>(1,350,165)</u> | -1.0% | <u>139,694,293</u> | <u>(2,618,586)</u> | -1.9% |
| Total assets | <u>176,352,497</u> | <u>176,227,185</u> | <u>125,312</u> | | <u>184,885,628</u> | <u>(8,658,443)</u> | |
| <i>Liabilities</i> | | | | | | | |
| Long-term liabilities | 29,001,844 | 30,381,806 | (1,379,962) | -3.5% | 39,775,974 | (9,394,168) | -23.6% |
| Other liabilities | <u>4,780,289</u> | <u>5,341,992</u> | <u>(561,703)</u> | -5.7% | <u>9,899,218</u> | <u>(4,557,226)</u> | -46.0% |
| Total liabilities | <u>33,782,133</u> | <u>35,723,798</u> | <u>(1,941,665)</u> | | <u>49,675,192</u> | <u>(13,951,394)</u> | |
| <i>Net position</i> | | | | | | | |
| Net invested in capital assets | 105,412,741 | 105,309,986 | 102,755 | 0.1% | 97,647,088 | 7,662,898 | 7.8% |
| Restricted | - | - | - | | 2,122,351 | (2,122,351) | -100.0% |
| Unrestricted | <u>37,157,623</u> | <u>35,193,401</u> | <u>1,964,222</u> | 5.5% | <u>35,440,997</u> | <u>(247,596)</u> | -0.7% |
| Total net position | <u>\$ 142,570,364</u> | <u>\$ 140,503,387</u> | <u>\$ 2,066,977</u> | | <u>\$ 135,210,436</u> | <u>\$ 5,292,952</u> | |

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets includes land, buildings, pump stations, collection and transmission lines, machinery and equipment, construction in progress on collection and transmission systems and intangible assets. The District's total net capital assets as of December 31, 2013 were \$135.7 million. This decrease of \$1,350,165 or 1.0% from 2012 is due to depreciation and amortization exceeding capital additions. Major capital assets events during the fiscal year included the following:

- The District completed work on four Septic Elimination Projects (SEP), LaLonde, Erin Way, Glenmar and NW 11th/NW 16th Avenue, in 2013. Two of the four SEP projects were started in 2012 and two were started and completed in 2013.
- During 2013, the District installed snow and ice safety clips on the roof of the district office and maintenance shop buildings, increasing the value of the District's buildings and structures by \$24,725. The District expanded the existing telemetry system to prepare for monitoring of the Ridgefield service area and made provisions for DCWTS, increasing the District's communication equipment value by \$79,800.
- The District continued to replace pumps nearing their useful lives with newer technology pumps which subsequently lead to greater efficiency and effectiveness in pump station functionality. The District completed work and brought on line the Meadows Terrace Pump Station. These additions along with some minor work done at the 110th Street Pump Station resulted in an increase in collections infrastructure value of \$522,390.
- The District upgraded its Supervisory Control and Data Acquisition (SCADA) software, used for pump station monitoring, to a newer version during 2013. The cost for the upgrade increased intangible assets, including future treatment capacity rights, value by \$33,658.
- For further explanations of the capital asset activity of the District, please refer to Note 4, Capital Assets, pages 35-37.

Long-Term Liabilities

- During 2013 the District increased its PWTf loans liabilities by \$913,361 for the DCWTS project.
- On November 28, 2012, the District issued \$5,417,645 in sewer revenue bonds. The outstanding balance owed at year end 2013 is \$4,923,980.

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

- On December 22, 2005, the District issued \$14.0 million in sewer revenue bonds. The total proceeds, including the premium on the issuance, amounted to \$14,380,554. The outstanding balance at year end 2013 on the bonds plus premium totals was \$10,057,696.
- Loans payable of \$15,331,125 at year end includes \$316,418 for PWTF loans granted for the construction of the District's Glenwood and Hockinson pump stations and \$13,377,623 for Phase IV construction of the Salmon Creek Wastewater Management System (SCWMS). The amount also includes \$723,723, the remaining balance on the SRF loan used for Phase IV construction of the SCWMS and the \$913,361 of 2013 PWTF loan draws for the DCWTS project.
- Please refer to the Long-Term Liabilities, Note 3, pages 31-34, for more detailed information regarding long-term debt activity.

Revenues and Expenses

| | 2013 | Restated 2012 | 2013 to 2012 Change | % | Restated 2011 | 2012 to 2011 Change | % |
|---|----------------|------------------|------------------------|---------|------------------|------------------------|---------|
| OPERATING REVENUES | | | | | | | |
| Charges for services | \$ 15,343,633 | \$ 14,543,675 | \$ 799,958 | 5.5% | \$ 14,327,747 | \$ 215,928 | 1.5% |
| Permits | 70,190 | 43,925 | 26,265 | 59.8% | 35,800 | 8,125 | 22.7% |
| Miscellaneous | 479,837 | 372,531 | 107,306 | 28.8% | 339,839 | 32,692 | 9.6% |
| Interest and investment income | 104,321 | 201,405 | (97,084) | -48.2% | 289,494 | (88,089) | -30.4% |
| Non-operating | 15,444 | 10,878 | 4,566 | 42.0% | 779,450 | (768,572) | -98.6% |
| Total revenues | 16,013,425 | 15,172,414 | 841,011 | | 15,772,330 | (599,916) | |
| Operating expenses | 18,880,888 | 17,053,387 | 1,827,501 | 10.7% | 16,695,257 | 358,130 | 2.1% |
| Non-operating expenses | 15,742 | 38,500 | (22,758) | - | 746,648 | (708,148) | -94.8% |
| Interest expense | 668,591 | 2,471,265 | (1,802,674) | -72.9% | 1,468,083 | 1,003,182 | 68.3% |
| Total expenses | 19,565,221 | 19,563,152 | 2,069 | | 18,909,988 | 653,164 | |
| EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS | (3,551,796) | (4,390,738) | 838,942 | -19.1% | (3,137,658) | (1,253,080) | 39.9% |
| CAPITAL CONTRIBUTIONS | 5,618,773 | 9,241,739 | (3,622,966) | -39.2% | 3,893,612 | 5,348,127 | 137.4% |
| CHANGE IN NET POSITION | 2,066,977 | 4,851,001 | (2,784,024) | -57.4% | 755,954 | 4,095,047 | 541.7% |
| NET POSITION, January 1 | 140,503,387 | 135,210,436 | 5,292,951 | 3.9% | 134,804,828 | 405,608 | 0.3% |
| PRIOR PERIOD ADJUSTMENTS | | 562,720 | (562,720) | -100.0% | (350,346) | 913,066 | -260.6% |
| CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE | | (120,770) | 120,770 | -100.0% | - | (120,770) | 100% |
| NET POSITION, December 31 | \$ 142,570,364 | \$ 140,503,387 | \$ 2,066,977 | | \$ 135,210,436 | \$ 5,292,951 | |

- Service revenues increased in 2013 and 2012 by \$799,958 or 5.5% and \$215,928 or 1.5%, respectively. These increases are in large part due to increases in single-family residential revenues and partially from completed development projects that are now connected to our system. Sewer service rates increased in 2013 to \$35.00/month per equivalent residential unit (ERU) from \$34.00/month (ERU) in 2012, supporting approximately 53% of the increase in service revenues in 2013 over 2012.
- Actual ERU growth in customers was 675 and 455 ERUs for 2013 and 2012, respectively. The District saw a revenue increase of 59.8% in permitting for 2013, compared to 2012. The District expects growth in 2014 to increase at a rate consistent with what the District experienced in 2013.
- Interest and investment income in 2013 decreased by 48.2% from 2012. The main drivers for this decrease are that the District started the year with fewer investments than it held throughout

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

2012 and the District didn't increase its percent of investment held outside of the investment pools until late in the fiscal year. In addition, the investment pool rates, where the District holds 70.5% of its short term investments, remain relatively low.

- In 2012 the District's Regional Facility Charge (RFC) and General Facility Charge (GFC) 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. Connection fee revenues (SDCs) for 2013 totaled \$3,010,250 compared to connection fee revenues (RFC and GFC) of totaling \$7,178,366 in 2012. The fee per connection to the Vancouver Treatment Plant decreased from \$1,898 to \$1,720, and the fee per connection to the Salmon Creek Treatment Plant (SCTP) decreased from \$6,342 to \$4,708, with about 90% of the Districts permits for new connections going to the SCTP.
- Operating expenses for 2013 increased over 2012 by \$1,827,501 or 10.7%. Depreciation and amortization costs increased by \$124,832 over 2012. Labor costs overall reflect an increase of \$483,449 for 2013 due to an increase in the number of FTE employees working throughout the year. Personnel benefit costs also increased \$72,587 in 2013 over 2012 due to the increase in FTE employees working and slight increases in health insurance premiums and OPEB liability. Interest expense totaled \$668,591 and \$2,471,265 for 2013 and 2012, respectively. The decrease in interest expense is mainly a result of paying off our debt obligation to Clark County in 2012.

Cash Flows

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

Economic Factors and 2014 Budget

The District experienced a negative operating income for 2013, continuing to spend down some cash reserves, while at the same time, servicing debt for Phase IV capital expansion of the SCWMS. The District increased rates in 2013 and 2014 by \$1.00/month per ERU each year. These rate increases are primarily used to fund capital expansion and provide the cash flow for the related debt service.

The District has been fortunate in qualifying for \$20 million in low cost (0.5%) financing from the State of Washington Public Works Trust Fund (PWTF) loan program and \$1 million in low cost (2.6%) financing from the State of Washington State Revolving Fund (SRF) loan program. This has allowed the District to keep its current rates steady for its ratepayers. The District will continue to work to stabilize future rate impacts, while at the same time pay for its ongoing operating, capital and

**CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

replacement and restoration needs by providing a rate structure that will accommodate all three aspects of disbursements into the future. The District continues to experience healthy financial results, but future rate development and review remains a continued priority for District staff as we plan for the future with 20-year forecast modeling.

Sewer service revenues are projected to increase by \$1.9 million, the primary drivers being an increase in the District's customer base of approximately 2,000 residential and commercial customers as of January 1, 2014, and a 2.9% increase in the monthly rate charged per ERU per month. Effective 2013, the board adopted a tiered SDC based on where a customer's flow is treated (Salmon Creek, City of Vancouver or City of Ridgefield Treatment Plant).

Requests for Information

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

CLARK REGIONAL WASTEWATER DISTRICT
2013
Financial Statements

**CLARK REGIONAL WASTEWATER DISTRICT
COMPARATIVE STATEMENT OF NET POSITION**

ASSETS

| | DECEMBER 31, | |
|--|----------------|------------------|
| | 2013 | Restated 2012 |
| CURRENT ASSETS | | |
| Unrestricted current assets | | |
| Cash and cash equivalents | \$ 27,242,881 | \$ 28,901,612 |
| Investments (at fair value) | - | 500,072 |
| Receivables | | |
| Customer accounts | 1,420,698 | 1,540,394 |
| Contracts (current and delinquent) | 153,825 | 909,721 |
| Special assessment receivable | 3,521 | 86,405 |
| Interest | 33,834 | 26,347 |
| Due from other governments | 39,775 | - |
| Prepaid expenses | 204,317 | 180,144 |
| Total unrestricted current assets | 29,098,851 | 32,144,695 |
| Total current assets | 29,098,851 | 32,144,695 |
| NONCURRENT ASSETS | | |
| Investments (at fair value) | 10,991,647 | 6,496,228 |
| Contracts receivable | 481,700 | 421,674 |
| Planning/engineering study and unamortized bond insurance, net | 54,757 | 88,881 |
| Total long-term assets | 11,528,104 | 7,006,783 |
| Capital assets not being depreciated: | | |
| Land and land rights | 578,745 | 578,745 |
| Construction work in progress | 3,731,267 | 3,130,751 |
| | 4,310,012 | 3,709,496 |
| Capital assets being depreciated: | | |
| Buildings | 3,727,071 | 3,702,346 |
| Improvements other than buildings | 117,765,621 | 112,311,323 |
| Equipment | 2,533,507 | 3,112,929 |
| Less: accumulated depreciation | (36,876,017) | (35,035,790) |
| | 87,150,182 | 84,090,808 |
| Capital assets being amortized: | | |
| Intangible assets, including future treatment capacity rights | 85,738,827 | 85,642,754 |
| Less: accumulated amortization | (41,473,479) | (36,367,351) |
| | 44,265,348 | 49,275,403 |
| Total noncurrent assets | 147,253,646 | 144,082,490 |
| Total assets | \$ 176,352,497 | \$ 176,227,185 |

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

**CLARK REGIONAL WASTEWATER DISTRICT
COMPARATIVE STATEMENT OF NET POSITION**

LIABILITIES AND NET POSITION

| | DECEMBER 31, | |
|--|----------------|------------------|
| | 2013 | Restated 2012 |
| CURRENT LIABILITIES | | |
| Warrants payable | \$ 792,416 | \$ 1,697,920 |
| Accounts payable | 864,225 | 639,852 |
| Loans payable | 1,306,648 | 1,253,510 |
| Interest payable | 82,123 | 88,465 |
| Revenue collected in advance | 428,525 | 405,755 |
| Construction deposits | 126,034 | 113,738 |
| Compensated absences | 31,218 | 29,980 |
| Sewer revenue bonds, net of unamortized bond premium | 1,149,100 | 1,112,772 |
| Total current liabilities | 4,780,289 | 5,341,992 |
| NONCURRENT LIABILITIES | | |
| Compensated absences | 315,650 | 303,129 |
| Other postemployment benefits (OPEB) | 829,141 | 679,238 |
| Loans payable | 14,024,477 | 14,417,763 |
| Sewer revenue bonds, net of unamortized bond premium | 13,832,576 | 14,981,676 |
| Total noncurrent liabilities | 29,001,844 | 30,381,806 |
| Total liabilities | 33,782,133 | 35,723,798 |
| NET POSITION | | |
| Net investment in capital assets | 105,412,741 | 105,309,986 |
| Unrestricted | 37,157,623 | 35,193,401 |
| Total net position | \$ 142,570,364 | \$ 140,503,387 |

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

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

| | YEAR ENDED DECEMBER 31, | |
|--|-------------------------|-----------------------|
| | 2013 | Restated 2012 |
| OPERATING REVENUES | | |
| Charges for services | \$ 15,343,633 | \$ 14,543,675 |
| Permits | 70,190 | 43,925 |
| Other operating revenue | 479,837 | 372,531 |
| Total utility operating revenues | <u>15,893,660</u> | <u>14,960,131</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | 3,069,925 | 2,586,476 |
| Personnel benefits | 1,364,002 | 1,291,415 |
| Supplies | 525,958 | 490,097 |
| Professional services | 331,344 | 253,808 |
| Insurance | 110,852 | 110,877 |
| Treatment contract services | 4,793,747 | 3,899,600 |
| Taxes | 410,671 | 296,849 |
| Other operating expense | 648,332 | 623,040 |
| Depreciation and amortization | 7,626,057 | 7,501,225 |
| Total operating expenses | <u>18,880,888</u> | <u>17,053,387</u> |
| OPERATING INCOME (LOSS) | <u>(2,987,228)</u> | <u>(2,093,256)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest and investment revenue | 104,321 | 201,405 |
| Other non-operating revenue | 15,444 | 10,878 |
| Other non-operating expense | (15,742) | (38,500) |
| Interest expense | (668,591) | (2,471,265) |
| Total non-operating revenue (expenses) | <u>(564,568)</u> | <u>(2,297,482)</u> |
| INCOME BEFORE CONTRIBUTIONS | (3,551,796) | (4,390,738) |
| CAPITAL CONTRIBUTIONS | <u>5,618,773</u> | <u>9,241,739</u> |
| CHANGE IN NET POSITION | 2,066,977 | 4,851,001 |
| TOTAL NET POSITION, January 1 | 140,503,387 | 135,210,436 |
| PRIOR PERIOD ADJUSTMENT | - | 562,720 |
| CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE | - | (120,770) |
| TOTAL NET POSITION, December 31 | <u>\$ 142,570,364</u> | <u>\$ 140,503,387</u> |

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

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

| | YEAR ENDED DECEMBER 31, | |
|---|-------------------------|------------------|
| | 2013 | Restated 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 16,011,796 | \$ 15,140,721 |
| Payments to suppliers | (7,220,248) | (5,598,429) |
| Payments to employees | (4,257,941) | (3,629,949) |
| Other reimbursements | (49,812) | (39,130) |
| Other revenues | 142,835 | 36,957 |
| Net cash from operating activities | 4,626,630 | 5,910,170 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Payments made for other agencies | - | - |
| Receipts collected for other agencies | - | - |
| Net cash from noncapital financing activities | - | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from capital grants | 896,385 | 665,990 |
| Capital contributed by assessments | 2,158 | 4,694 |
| Receipts for future system improvements | 3,103,898 | 2,900,852 |
| Proceeds from bond issuance | - | 5,379,145 |
| Proceeds from capital loans | 913,361 | - |
| Principal paid on long-term debt | (2,347,174) | (12,561,020) |
| Interest paid on long-term debt | (694,040) | (2,627,800) |
| Acquisition and construction of capital assets | (4,261,434) | (2,982,942) |
| Net cash from capital and related financing | (2,386,846) | (9,221,081) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (8,567,388) | (8,984,626) |
| Proceeds from maturing or called investments | 4,500,063 | 10,000,000 |
| Interest on investments | 139,998 | 190,158 |
| Interest on assessments | 370 | 512 |
| Interest on contracts | 28,442 | 22,810 |
| Net cash from investing activities | (3,898,515) | 1,228,854 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,658,731) | (2,082,057) |
| CASH AND CASH EQUIVALENTS, January 1 | 28,901,612 | 30,983,669 |
| CASH AND CASH EQUIVALENTS, December 31 | \$ 27,242,881 | \$ 28,901,612 |

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

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

| | YEAR ENDED DECEMBER 31, | |
|---|-------------------------|------------------|
| | 2013 | Restated 2012 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES | | |
| Utility operating income (loss) | \$(2,987,228) | \$(2,093,256) |
| Adjustments to reconcile operating income to net from operating activities | | |
| Depreciation and amortization expense | 7,626,057 | 7,501,225 |
| (Increase) decrease in accounts receivable | 119,696 | 169,932 |
| (Increase) decrease in due from other governments | (39,775) | - |
| (Increase) decrease in prepaid expenses | (24,173) | (4,367) |
| Increase (decrease) in warrants payable | (587,220) | 128,470 |
| Increase (decrease) in accounts payable | 236,669 | (60,303) |
| Increase (decrease) in accrued employee benefits | 163,663 | 246,933 |
| Increase (decrease) in revenue collected in advance | 22,770 | 10,658 |
| Non-operating revenues | 96,171 | 10,878 |
| Total adjustments | 7,613,858 | 8,003,426 |
| Net cash from operating activities | \$ 4,626,630 | \$ 5,910,170 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Contributions of capital assets from developers or governments | 2,314,360 | 1,048,701 |
| Increase (decrease) in fair value of investments | (47,157) | 13,879 |
| Debt issue cost paid by trustee | - | (38,500) |
| Issuance (receipt) of capital contract receivable | (695,870) | 432,804 |
| Capital contributions earned, received in prior years | - | 4,353,763 |
| Receivable used for payment of Clark County Contract | - | (3,119,000) |

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

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

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

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

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

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

As required by GAAP, management has considered all potential component units in defining the reporting entity. Utilizing the criteria set forth by GASB for component units, the District has evaluated all legal entities that would potentially qualify as a component unit and be included in the financial statements of the District. The District concludes it has no component units. The District's financial statements include the financial position and results of operation of a single enterprise that the District manages and has custodial responsibility over the assets and liabilities therein.

Basis of accounting and presentation – The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under authority chapter 43.09. The District uses the Uniform Chart of Accounts as prescribed within the Budgeting, Accounting and Reporting System (BARS) Manual for Water and Sewer Districts reporting in conformity with GAAP. The District's financial statements have been prepared in conformity with GAAP.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Assets are capitalized based upon the District's capitalization policy and long-term liabilities are accounted for in the appropriate accounts.

Of the eleven fund types established by GAAP, two are classified as proprietary funds. These are the enterprise funds and the internal service funds. The District accounts for its operations within an enterprise fund, which is similar to a private business enterprise.

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

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

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

Cash and cash equivalents – For the purposes of the Comparative Statements of Net Position and Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All amounts held in the Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP) accounts are considered to be cash equivalents. Investments purchased with an original maturity of more than three months are classified as investments.

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

Receivables – Accounts receivables represent user charges for sewer services, which are recognized as earned. All accounts receivables are due from users within the service area of the District. Since the District records liens on the property served and, ultimately, may foreclose on such property, payments on delinquent accounts are eventually received.

Contracts and special assessment receivables are related to construction costs, as well as any applicable financing costs corresponding to such sanitary sewer construction for a particular property or group of properties. Contracts and special assessments are provided under state statutes and direct the process in which the District extends sanitary sewer and services to properties. Contracts and special assessments are recorded as an enforceable lien on the property when they are levied. These receivables consist of current, delinquent and deferred billed principal with related interest and penalties. As of December 31, 2013 and 2012, delinquent contract and special assessment receivables were \$51,485 and \$52,563, respectively.

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

Capital assets – The District’s capital assets include but are not limited to land, buildings, treatment capacity rights, construction work in progress, machinery, equipment, furniture and software. See Note 4 on pages 35 through 37 for detailed information about the District’s capital assets.

Compensated absences – Accumulated but unpaid compensated absences (vacation and sick leave) are recorded as liabilities as earned. Vacation may accumulate up to a maximum of 360 hours or, for those restricted to contracts, the contract amount, although the maximum compensable payout allowed is 240 hours. Sick leave earned, vested and unused by District employees is compensable at 50% of its value upon voluntary termination, retirement or death and is also recorded as a District liability. Sick leave may accumulate beyond 960 hours for an employee; however, 50% of 960 hours is the maximum payout allowed. Total accrued unpaid compensated absences (vacation and sick leave) amounted to \$346,868 and \$333,109 at December 31, 2013 and 2012, respectively.

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

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

Note 2 – Accounting and Reporting Changes

The District implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. This standard states in part, “Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in systematic and rational manner over the duration of the related debt.”

This statement also states in part, “Accounting changes adopted to conform to the provisions of this statement should be applied retroactively by restating financial statements, if practical, for all periods presented.” The District presents Comparative Financial Statements and appropriately applied the adjustments to the 2012 Financial Statements.

Implementation of the standard requires the District to restate the 2012 Financial Statements by reclassifying our 2005 applicable unamortized bond issuance costs from an asset account, prepaid expense, to change in application of accounting principle in the amount of \$120,770 and a reduction of \$8,998 in 2012 amortization expense. In addition, our 2012 applicable unamortized bond issuance costs of \$38,500 were reclassified from an asset account, prepaid expense, to a non-operating expense.

Note 3 – Long-Term Liabilities

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

Loans – The State of Washington has a low-cost financing program that allows public entities in the state to finance public works (i.e. roads, bridges, building and sewer treatment; collection transmission facilities). This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board, who has approved seven loans to the District through 12/31/2013, all with twenty annual repayment periods.

The District funded construction through use of these loans as follows:

- Glenwood and Hockinson pump station projects with PWTF loans, issued notices of completion and final draws have been executed.
- Salmon Creek Treatment Plant loans, notices of completion have been filed for each of the 2003, 2004, 2005 and 2008 PWTF loans, totaling \$20,000,000, and the funds are fully drawn down. The total loan amounts expended were for design (pre-construction) and construction activities of \$2,000,000 and \$18,000,000, respectively. Loans from the state PWTF will be repaid over a period not to exceed 20 years at the stated interest rates.
- Discovery Corridor Wastewater Transmission System is anticipated for completion in 2017. The District was directly approved for a \$10,000,000 loan that will fund design (pre-construction) and construction activities. The initial loan draw was made in June 2013. As of 12/31/2013 the District has drawn \$913,361 from this loan.

Below is a schedule of a description of each loan, its use, and outstanding balance as of December 31, 2013:

| Trust Fund Loans | Loan Number | Notice of Completion | Approved Loan Amount | Balance | Interest Rate |
|--|-------------------|----------------------|----------------------|----------------------|---------------|
| Glenwood Pump Station | PW-5-95-791-010 | September 1998 | \$ 2,185,960 | \$ 232,808 | 1.0% |
| Hockinson Pump Station | PW-5-96-791-018 | September 1999 | 502,670 | 83,610 | 1.0% |
| Salmon Creek Treatment Plant - Preconstruction (Phase IV) | PW-03-691-PRE-107 | October 2003 | 1,000,000 | 526,316 | 0.5% |
| Salmon Creek Treatment Plant - Construction (Phase IV) | PW-04-691-033 | May 2004 | 10,000,000 | 5,903,939 | 0.5% |
| Salmon Creek Treatment Plant - Preconstruction (Phase IV) | PW-05-691-PRE-116 | June 2005 | 1,000,000 | 631,579 | 0.5% |
| Salmon Creek Treatment Plant - Construction (Phase IV) | PC-08-951-009 | March 2008 | 8,000,000 | 6,315,789 | 0.5% |
| Discovery Corridor Wastewater Transmission System | PC-13-961-040 | N/A | 10,000,000 | <u>913,361</u> | 0.5% |
| | | | | <u>\$ 14,607,402</u> | |

Note 3 – Long-Term Liabilities (Continued)

For 2013, the District paid \$1,284,122 (\$1,207,311 principal and \$76,810 interest) on these PWTF loans. The annual debt service requirements for the PWTF loans payable are as follows:

| Year | State of Washington - Public Works Trust Fund Loans | | | | | | | | | | |
|--------------|---|-----------------|------------------------|-----------------|----------------------|-------------------|-------------------|------------------|----------------------|-------------------|----------------------|
| | Glenwood Pump Station | | Hockinson Pump Station | | SCWMS* | | DCWTS** | | Total | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Payments |
| 2014 | \$ 116,404 | \$ 2,328 | \$ 27,870 | \$ 836 | \$ 1,063,038 | \$ 66,889 | \$ 51,922 | \$ 2,850 | \$ 1,259,233 | \$ 72,904 | \$ 1,332,137 |
| 2015 | 116,404 | 1,164 | 27,870 | 557 | 1,063,038 | 61,573 | 51,922 | 4,673 | 1,259,233 | 67,967 | 1,327,201 |
| 2016 | - | - | 27,870 | 279 | 1,063,038 | 56,257 | 51,922 | 4,413 | 1,142,829 | 60,949 | 1,203,779 |
| 2017 | - | - | - | - | 1,063,038 | 50,942 | 51,922 | 4,154 | 1,114,959 | 55,096 | 1,170,055 |
| 2018 | - | - | - | - | 1,063,038 | 45,627 | 51,922 | 3,894 | 1,114,959 | 49,521 | 1,164,481 |
| 2019-2023 | - | - | - | - | 5,315,188 | 148,409 | 259,610 | 15,577 | 5,574,797 | 163,986 | 5,738,783 |
| 2024-2028 | - | - | - | - | 2,747,248 | 35,052 | 259,610 | 9,086 | 3,006,858 | 44,138 | 3,050,996 |
| 2028-2032 | - | - | - | - | - | - | 134,532 | 2,596 | 134,532 | 2,596 | 137,128 |
| Total | \$ 232,808 | \$ 3,492 | \$ 83,610 | \$ 1,673 | \$ 13,377,623 | \$ 464,749 | \$ 913,361 | \$ 47,244 | \$ 14,607,402 | \$ 517,157 | \$ 15,124,559 |

* Salmon Creek Wastewater Management System

** Discovery Corridor Wastewater Transmission System

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

| State Revolving Fund | Loan Number | Notice of Completion | Approved Loan Amount | Balance | Interest Rate |
|--|-------------|----------------------|----------------------|------------|---------------|
| Salmon Creek Treatment Plant - Construction (Phase IV) | L0700014 | March 2007 | \$ 1,000,000 | \$ 723,723 | 2.6% |

Debt service on this loan for 2013 totaled \$66,025 (\$46,198 principal and \$19,827 interest). The annual debt service requirements for this SRF loan payable are as follows:

| Year | State of Washington - State Revolving Fund Loan | | |
|--------------|---|-------------------|-------------------|
| | Principal | Interest | Payments |
| 2014 | \$ 47,414 | \$ 18,611 | \$ 66,025 |
| 2015 | 48,661 | 17,364 | 66,025 |
| 2016 | 49,942 | 16,083 | 66,025 |
| 2017 | 51,256 | 14,769 | 66,025 |
| 2018 | 52,604 | 13,421 | 66,025 |
| 2019-2023 | 284,526 | 45,598 | 330,124 |
| 2024-2026 | 189,320 | 8,755 | 198,075 |
| Total | \$ 723,723 | \$ 134,600 | \$ 858,323 |

Note 3 – Long-Term Liabilities (Continued)

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

Debt service on the loan for 2013 totaled \$1,091,655 (\$600,000 principal and \$491,665 interest). The annual debt service requirements for these sewer revenue bonds are as follows:

| Year | 2005 Sewer Revenue Bonds | | Total Debt Service |
|-----------|--------------------------|--------------|--------------------|
| | Principal | Interest | |
| 2014 | \$ 625,000 | \$ 467,665 | \$ 1,092,665 |
| 2015 | 660,000 | 436,415 | 1,096,415 |
| 2016 | 685,000 | 406,715 | 1,091,715 |
| 2017 | 715,000 | 379,315 | 1,094,315 |
| 2018 | 750,000 | 343,565 | 1,093,565 |
| 2019-2023 | 4,350,000 | 1,119,260 | 5,469,260 |
| 2024-2025 | 2,045,000 | 143,686 | 2,188,686 |
| Total | \$ 9,830,000 | \$ 3,296,621 | \$ 13,126,621 |

The District issued sewer revenue bonds totaling \$5,417,645 in November 2012. Debt service on the loan for 2013 totaled \$599,404 (\$493,665 principal and \$105,739 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 | |
| 2014 | \$ 504,993 | \$ 95,007 | \$ 600,000 |
| 2015 | 515,041 | 84,959 | 600,000 |
| 2016 | 525,289 | 74,711 | 600,000 |
| 2017 | 535,741 | 64,259 | 600,000 |
| 2018 | 546,402 | 53,598 | 600,000 |
| 2019-2022 | 2,296,514 | 103,486 | 2,400,000 |
| Total | \$ 4,923,980 | \$ 476,020 | \$ 5,400,000 |

Note 3 – Long-Term Liabilities (Continued)

Changes in long-term liabilities as a summary for the year ended December 31, 2013:

| | Balance Jan. 1, 2013 | Additions | Reductions | Balance Dec. 31, 2013 | Due Within One Year |
|------------------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Compensated absences | \$ 333,109 | \$ 13,759 | \$ - | \$ 346,868 | \$ 31,218 |
| Other post employment benefits | 679,238 | 149,903 | - | 829,141 | - |
| Loans payable | 15,671,273 | 913,361 | 1,253,509 | 15,331,125 | 1,306,648 |
| Sewer revenue bonds | | | | | |
| 2005 sewer revenue bonds | 10,430,000 | - | 600,000 | 9,830,000 | 625,000 |
| For issuance and premium | 246,803 | - | 19,107 | 227,696 | 19,107 |
| 2012 sewer revenue bonds | 5,417,645 | - | 493,665 | 4,923,980 | 504,993 |
| Total long-term liabilities | \$ 32,778,068 | \$ 1,077,023 | \$ 2,366,281 | \$ 31,488,810 | \$ 2,486,966 |

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

| | Balance Jan. 1, 2012 | Additions | Reductions | Balance Dec. 31, 2012 | Due Within One Year |
|--|-------------------------|---------------------|----------------------|--------------------------|------------------------|
| Compensated absences | \$ 256,367 | \$ 76,742 | \$ - | \$ 333,109 | \$ 29,980 |
| Other post employment benefits | 509,047 | 170,191 | - | 679,238 | - |
| Loans payable | 16,923,599 | - | 1,252,325 | 15,671,273 | 1,253,509 |
| Deferred revenues - regional facilities | 4,353,763 | - | 4,353,763 | - | - |
| Sewer revenue bonds | | | | | |
| 2005 sewer revenue bonds | 11,000,000 | - | 570,000 | 10,430,000 | 600,000 |
| For issuance and premium | 265,910 | - | 19,107 | 246,803 | 19,107 |
| 2012 sewer revenue bonds | - | 5,417,645 | - | 5,417,645 | 493,665 |
| Contract obligation payable - Clark County | 13,857,695 | - | 13,857,695 | - | - |
| Total long-term liabilities | \$ 47,166,381 | \$ 5,664,578 | \$ 20,052,890 | \$ 32,778,068 | \$ 2,396,261 |

Note 4 – Capital Assets

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

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

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

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

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

The District records the preliminary project costs, as well as construction disbursements, in a work-in-progress account 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 2013, the District incurred \$3,826,702 of construction work-in-process project costs (i.e. pump stations, pump station improvements, force mains and treatment plant expansion) and transferred \$3,226,186 from construction work-in-process into service. The District and the City of Battle Ground, through an Interlocal Agreement, own 100% of the treatment capacity rights of the Salmon Creek Treatment Plant, owned by Clark County, with the District having the majority share. This intangible asset, per GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” is recognized in our capital assets as “future treatment capacity rights,” at a value at December 31, 2013 and 2012 of \$44,202,755 and \$49,231,708, respectively.

Note 4 – Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2013, is as follows:

| | Balance Jan. 1, 2013 | Additions & Transfers | Retirements & Transfers | Balance Dec. 31, 2013 |
|---|-------------------------|--------------------------|----------------------------|--------------------------|
| CAPITAL ASSETS - NONDEPRECIABLE: | | | | |
| Land and land rights | \$ 578,745 | \$ - | \$ - | \$ 578,745 |
| Construction work in progress | 3,130,751 | 3,826,702 | 3,226,186 | 3,731,267 |
| Total capital assets - nondepreciable | 3,709,496 | 3,826,702 | 3,226,186 | 4,310,012 |
| CAPITAL ASSETS - DEPRECIABLE: | | | | |
| Collection and transmission system | 102,821,095 | 4,917,838 | - | 107,738,933 |
| Buildings | 3,702,346 | 24,725 | - | 3,727,071 |
| Pumping stations | 9,490,228 | 536,460 | - | 10,026,688 |
| Machinery, furniture and equipment | 3,112,929 | 144,496 | 723,918 | 2,533,507 |
| Intangible assets, including future treatment capacity rights | 85,642,754 | 96,073 | - | 85,738,827 |
| Total capital assets - depreciable | 204,769,352 | 5,719,591 | 723,918 | 209,765,026 |
| LESS ACCUMULATED DEPRECIATION: | | | | |
| Collection and transmission system | (29,589,501) | (2,129,961) | - | (31,719,462) |
| Buildings | (1,087,516) | (80,539) | - | (1,168,055) |
| Pumping stations | (1,807,510) | (215,671) | - | (2,023,181) |
| Machinery, furniture and equipment | (2,551,263) | (122,231) | (708,175) | (1,965,319) |
| Intangible assets, including future treatment capacity rights | (36,367,351) | (5,106,128) | - | (41,473,479) |
| Total accumulated depreciation | (71,403,141) | (7,654,530) | (708,175) | (78,349,496) |
| Total capital assets - depreciable, net | 133,366,211 | (1,934,939) | 15,743 | 131,415,530 |
| Total capital assets, net | \$ 137,075,707 | \$ 1,891,763 | \$ 3,241,929 | \$ 135,725,542 |

Note 4 – Capital Assets (Continued)

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

| | Balance Jan. 1, 2012 | Additions & Transfers | Retirements & Transfers | Balance Dec. 31, 2012 |
|---|-------------------------|--------------------------|----------------------------|--------------------------|
| CAPITAL ASSETS - NONDEPRECIABLE: | | | | |
| Land and land rights | \$ 578,745 | \$ - | \$ - | \$ 578,745 |
| Construction work in progress | 2,476,781 | 3,040,695 | 2,386,725 | 3,130,751 |
| Total capital assets - nondepreciable | 3,055,526 | 3,040,695 | 2,386,725 | 3,709,496 |
| CAPITAL ASSETS - DEPRECIABLE: | | | | |
| Collection and transmission system | 100,668,003 | 2,153,093 | - | 102,821,095 |
| Buildings | 3,530,034 | 172,312 | - | 3,702,346 |
| Pumping stations | 8,282,710 | 1,207,517 | - | 9,490,228 |
| Machinery, furniture and equipment | 3,055,749 | 57,180 | - | 3,112,929 |
| Intangible assets, including future treatment capacity rights | 85,600,937 | 41,817 | - | 85,642,754 |
| Total capital assets - depreciable | 201,137,433 | 3,631,920 | - | 204,769,352 |
| LESS ACCUMULATED DEPRECIATION: | | | | |
| Collection and transmission system | (27,541,021) | (2,048,480) | - | (29,589,501) |
| Buildings | (1,011,902) | (75,614) | - | (1,087,516) |
| Pumping stations | (1,623,580) | (183,930) | - | (1,807,510) |
| Machinery, furniture and equipment | (2,428,251) | (123,011) | - | (2,551,263) |
| Intangible assets, including future treatment capacity rights | (31,331,191) | (5,036,160) | - | (36,367,351) |
| Total accumulated depreciation | (63,935,946) | (7,467,195) | - | (71,403,141) |
| Total capital assets - depreciable, net | 137,201,487 | (3,835,276) | - | 133,366,211 |
| Total capital assets, net | \$ 140,257,013 | \$ (794,581) | \$ 2,386,725 | \$ 137,075,707 |

Note 5 – Cash and Cash Equivalents and Investments

The District is legally authorized to invest in the types of investments included in the Revised Code of Washington (RCW) 36.29.020. All of the investments and deposits held at December 31, 2013, comply with the provisions of that code section and with the District’s investment policy found within District Code Chapter 3.20. The District’s deposits and investments are managed daily by the District Finance Director.

Cash and Cash Equivalents – The District deposits and certificates of deposit are entirely insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a municipal financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC) or through the Securities Investor Protection Corporation (SIPC). The District Code 3.20.010 provides that whenever there are more than sufficient funds or cash balances to meet current expenses payable, a portion of such funds or balances as deemed expedient may be invested as either short term or long term investments.

For short term investments, cash equivalents, the District utilizes both the Washington State Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP). The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission. The CCIP is also an unrated fund. The weighted average maturities of the LGIP and CCIP are less than three (3) months and approximately one (1) year, respectively, with cash available to the District on demand. The on demand availability of these funds defines them as cash equivalent liquid investments and not subject to interest rate risk. Cash investments are not subject to interest rate risk or any market value reporting requirement as defined by GASB 31. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State Auditor’s Office and regulated by Washington RCWs and the LGIP Advisory Committee. The CCIP is overseen by the Clark County Finance Committee and is audited annually by the Washington State Auditor’s Office and regulated by Washington RCWs.

As of December 31, 2013 and 2012, the District’s cash and cash equivalents are as follows:

| | 2013 | 2012 |
|---|---------------|---------------|
| Cash and cash equivalents: | | |
| Bank depository and checking accounts | \$ 1,014,322 | \$ 536,203 |
| Petty cash / cash drawers | 1,000 | 1,000 |
| Washington state local government investment pool | 6,950,838 | 28,364,408 |
| Clark County investment pool | 19,276,720 | - |
| Total cash and cash equivalents and investments | \$ 27,242,881 | \$ 28,901,612 |

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

Investments – The District Code 3.20.010 provides that whenever there are more than sufficient funds or cash balances to meet current expenses payable, a portion of such funds or balances as deemed expedient may be invested as either short term or long term investments.

It is the District's policy to invest funds in a manner that:

1. Provides maximum security that the investment proceeds will be returned upon maturity;
2. Provides adequate liquidity to meet cash needs; and
3. Provides the greatest return on investment.

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

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. The level of custodial credit risk relates to the level of insurance a financial institution will provide if financial difficulties were to occur that would affect District deposits. The amount of collateral a financial institution will pledge as security for the deposits and the level of creditworthiness the financial institution has with regard to such security will determine the level of custodial credit risk that exists. The District at year-end did not have any security lending or reverse repurchase agreements. District deposits and investments are either insured or held by an agent in the District's name.

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

As to credit risk, which is a risk that an issuer of an investment will not fulfill its obligations, the District's investment policy states the Finance Director is empowered to invest in the security instruments authorized in Washington RCW 36.29.020. The District invests in no more than twenty-five percent (25%) of any one type of issuer except as stated above. All investments held by the District at year-end 2013 and 2012 had a credit quality rating of AA+ by Standard and Poor's.

In following GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," the District has chosen to use the segmented time distribution format and include the credit ratings of the security issuers with regard to its investments as of December 31, 2013 and 2012.

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

December 31, 2013

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|--|----------------------|----------------------------------|----------------------|-------------|--------------|
| | | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| Washington State Local Government | | | | | |
| Investment pool | \$ 6,950,838 | \$ 6,950,838 | \$ - | \$ - | \$ - |
| Clark County Investment Pool | 19,276,720 | 19,276,720 | - | - | - |
| Federal National Mortgage Association | 4,458,406 | - | 4,458,406 | - | - |
| Federal Farm Credit Bank | 1,487,614 | - | 1,487,614 | - | - |
| Federal Home Loan Bank | 2,555,531 | - | 2,555,531 | - | - |
| Freddie Mac | 500,707 | - | 500,707 | - | - |
| Federal Home Loan Mortgage Corporation | 1,989,390 | - | 1,989,390 | - | - |
| | <u>\$ 37,219,205</u> | <u>\$ 26,227,558</u> | <u>\$ 10,991,647</u> | <u>\$ -</u> | <u>\$ -</u> |
| Maximum investment by maturity | | <u>70%</u> | <u>30%</u> | <u>0%</u> | <u>0%</u> |

December 31, 2012

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

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

Investments by investment type, issuer and carrying costs as of December 31, 2013 and 2012:

December 31, 2013

| <u>Investment Type</u> | <u>Credit Quality</u> | <u>Percent</u> | <u>Carrying Cost</u> |
|--|-----------------------|----------------|----------------------|
| Washington State Local Government | | | |
| Investment pool | Not Rated | 19% | \$ 6,950,838 |
| Clark County Investment Pool | Not Rated | 52% | \$ 19,276,720 |
| Federal National Mortgage Association | AAA | 12% | 4,458,406 |
| Federal Farm Credit Bank | AAA | 4% | 1,487,614 |
| Federal Home Loan Bank | AAA | 7% | 2,555,531 |
| Freddie Mac | AAA | 1% | 500,707 |
| Federal Home Loan Mortgage Corporation | AAA | 5% | 1,989,390 |
| | | <u>100%</u> | <u>\$ 37,219,205</u> |

December 31, 2012

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

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

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 27,242,881 | \$ 28,901,612 |
| Investment securities (at fair value) | 10,991,647 | 6,996,300 |
| Total | <u>\$ 38,234,528</u> | <u>\$ 35,897,912</u> |

Note 6 – Risk Management

The District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 70 members. The Pool’s fiscal year is November 1 through October 31.

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

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters which are subject to a per occurrence deductible or self-insured retention as follows:

| TYPE OF COVERAGE | MEMBER DEDUCTIBLE | SELF-INSURED RETENTION | EXCESS LIMITS |
|---------------------------------------|------------------------|------------------------|-----------------|
| Property Loss: | | | |
| Buildings and Contents | \$1,000 - \$10,000 | \$25,000 | \$1,000,000,000 |
| Flood | See (A) below | \$25,000 | \$50,000,000 |
| Earthquake | See (B) below | \$25,000 | \$75,000,000 |
| Terrorism | \$1,000 - \$10,000 | \$25,000 | \$100,000,000 |
| Boiler & Machinery | \$1,000 - \$10,000 | \$25,000 - \$350,000 | \$100,000,000 |
| Auto - Physical Damage | \$25,000 | \$200,000 | \$10,000,000 |
| Liability: | | | |
| Comprehensive General Liability | \$1,000 - \$10,000 (C) | \$200,000 | \$10,000,000 |
| Auto Liability | \$1,000 - \$10,000 | \$200,000 | \$10,000,000 |
| Public Officials Errors and Omissions | \$1,000 - \$10,000 | \$200,000 | \$10,000,000 |
| Employment Practices/Benefits | \$1,000 - \$10,000 | \$200,000 | \$10,000,000 |
| Crime | \$1,000 - \$10,000 | \$25,000 | \$2,000,000 |
| Terrorism | \$1,000 - \$10,000 | \$200,000 | \$100,000,000 |
| Identity Fraud | \$0 | \$25,000 | \$0 |

A. \$100,000 member deductibles, per occurrence, in Flood Zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.

B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. If the stated deductible is a flat dollar amount, the deductible will apply on a per occurrence basis, unless otherwise stated. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.

C. Cyber liability has a 10% co-insurance for Public Relations Consultancy and Credit File Monitoring. Cyber liability retention is \$50,000 per occurrence for each insured/member with TIV up to \$500,000,000 at the time of loss. \$100,000 per occurrence for each insured/member with TIV greater than \$500,000,000 at the time of loss. 8 hour waiting period for first party claims.

Note 6 – Risk Management (Continued)

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims).

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2014, written notice must be in the Pool possession by April 30, 2014). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Service.

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 direction to the Pool's Executive Director.

The following schedule depicts the property claims filed by the District with the Pool for the years 2013, 2012 and 2011 and the amounts covered by insurance.

| Years | Claims Settlements | Insurance Coverage | Excess of Claim Cost Over Coverage |
|-------|-----------------------|-----------------------|---------------------------------------|
| 2013 | \$ 60,564 | \$ 56,564 | \$ 4,000 |
| 2012 | 50,423 | 47,423 | 3,000 |
| 2011 | 9,380 | 6,850 | 2,530 |

As of 12/31/2013 there was one outstanding claim filed with the Pool against the District for approximately \$7,000. This claim was settled in January 2014 with a District paid deductible of \$1,000 at the end of 2013. The District recognizes no potential liability for any additional settlements for outstanding future claims. The amount of settlements did not exceed insurance coverage in each of the past three years.

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

Note 7 – Pension Plans

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

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 Plan Descriptions – The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013,

Note 7 – Pension Plans (Continued)

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

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

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

The monthly benefit is 2% of the Average Final Compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

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

Plan 1 members may elect to receive an optional Cost of Living Adjustment (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with 5 years of service. The monthly benefit is 2% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

Note 7 – Pension Plans (Continued)

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

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

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

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

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service, if 12 months of that service are earned after age 44; or after 5 service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

Note 7 – Pension Plans (Continued)

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5% for each year before age 65.

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

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

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

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

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

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

| | |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits | 82,242 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 30,515 |
| Active Plan Members Vested | 106,317 |
| Active Plan Members Non-vested | 44,273 |
| Total | 263,347 |

Note 7 – Pension Plans (Continued)

Funding Policy – Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5 % for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in Judicial Benefit Multiplier Program:

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

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Not Participating in Judicial Benefit Multiplier Program:

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

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** Plan 3 defined benefit portion only.
- ***Minimum rate.

Note 7 – Pension Plans (Continued)

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

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------|--------------------|--------------------|--------------------|
| 2013 | 0 | 247,664 | 7,885 |
| 2012 | 0 | 183,883 | 1,501 |
| 2011 | 0 | 155,946 | 3,406 |

Note 8 – Deferred Compensation Plan

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

Note 9 – Commitments

Capital Projects – The District has construction commitments resulting from active consultant and construction projects, including restoration and replacement projects, as of December 31, 2013.

| Project | Total Awarded Contract Commitment | Spent to Date |
|---|---|---------------------|
| Salmon Creek Interchange Force Main | \$ 47,799 | \$ 3,644 |
| Condition Assessment of Mainlines and Laterals | 109,639 | 82,212 |
| Environmental Mitigation Monitoring | 10,000 | 4,102 |
| Hazel Dell Avenue South | 44,793 | 44,550 |
| NE 119 Street East CRP | 105,078 | 59,680 |
| St Johns Trunk Restoration | 126,896 | - |
| Discovery Corridor Wastewater Transmission System | 1,432,219 | 1,177,101 |
| NE 152 Avenue Pump Station | 75,050 | 47,592 |
| St Johns Woods Pump Station | 61,700 | 36,562 |
| District Campus Exterior Painting | 36,188 | 20,288 |
| Spot Repair NW 88th Street | 8,493 | - |
| | <u>\$ 2,057,855</u> | <u>\$ 1,475,731</u> |

Long-term Interlocal Agreement – In 1995, Clark Regional Wastewater District entered into a Joint Interlocal (three-way) agreement with Clark County, Washington and the City of Battle Ground regarding costs associated with sanitary sewer treatment services at the Salmon Creek Treatment Plant and its related facilities called the Salmon Creek Wastewater Management System (SCWMS). The SCWMS is owned and operated by Clark County. However, pursuant to the three-way agreement, the District is obligated as guarantor to pay all the associated costs, which include the operations, maintenance, repair, replacement and debt service costs thereof. The District is the County's sole wholesale customer and provides the security needed for the issuance and payment of the debt (i.e. sewer revenue bonds) when needed for expansions. Through a (two-way) agreement with the City of Battle Ground, the District recovers its costs from the City of Battle Ground for their flow into the SCWMS. The City of Battle Ground is the District's sole wholesale customer. The operations, maintenance and funding for equipment and facility replacement is allocated to each party within the two-way agreement based upon wastewater flow. The three-way and two-way agreements address capital improvement obligations issued in Clark County's name for the benefit of both parties (i.e. the District and the City of Battle Ground). Under each phase of capital improvements for the SCWMS, the District and the City of Battle Ground determine their future capacity (measured in million gallons per day) needs. Their share of the future capacity in turn determines their share of the capital costs that are ultimately paid by their respective ratepayers. The two most recent capital expansions of the plant are Phase III, which was completed and placed in service in 1998, and Phase IV, which was completed and placed in service in 2010.

Note 10 – Other Post Employee Benefits (OPEB)

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

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

As of year-end 2013 and 2012, there were no District employees that had retired and were receiving these benefits.

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

Funding Policy – This plan is currently not funded. The District was required to contribute \$149,903 and \$170,191 at December 31, 2013 and 2012, respectively; however, no funds have been contributed to date. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of \$829,141 and \$679,238 is the actuarial accrued liability recognized on the *Comparative Statement of Net Position* at December 31, 2013 and 2012, respectively.

The total Unfunded Actuarial Accrued Liability (UAAL) is \$962,341 at December 31, 2013. The covered payroll (annual payroll of active employees covered by the plan) was \$3,197,084 and the ratio of the UAAL to the covered payroll was 30.1%.

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Costs Contributed | Net OPEB Obligation |
|----------------------|------------------|---|------------------------|
| 2013 | \$ 149,903 | 0% | \$ 829,141 |
| 2012 | 170,191 | 0% | 679,238 |
| 2011 | 158,701 | 0% | 509,047 |

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

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

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

| | 2013 | 2012 |
|---------------------------------------|------------|------------|
| Actuarial Required Contribution (ARC) | \$ 161,036 | \$ 178,535 |
| Interest on Net OPEB Obligation (NOO) | 30,566 | 22,907 |
| Adjustment to NOO | (41,699) | (31,251) |
| Annual OPEB Cost | 149,903 | 170,191 |
| Employer Contributions | - | - |
| Increase (Decrease) in NOO | 149,903 | 170,191 |
| Net OPEB Obligation January 1 | 679,238 | 509,047 |
| Net OPEB Obligation December 31 | \$ 829,141 | \$ 679,238 |

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

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

| | |
|--|-----------------------|
| Valuation Date | 12/31/2013 |
| Actuarial Cost Method | Projected Unit Credit |
| Method used to determine the actuarial value of assets | N/A |
| Interest Discount Rate - No Pre-Funding | 4.5% |
| Projected Payroll Growth | 1.25% |
| Investment Return | 4.5% |
| Medical Inflation Trend Rate - Initial | 7.0% |
| Medical Inflation Trend Rate - Ultimate | 5.0% |
| Non-Medical Inflation Trend Rate | 3.5% |
| Amortization Period - Open | 30 |

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

A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2010 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-side PEBB study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groups. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 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>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Capital contributions from developers, governments and other sources | \$ 2,455,847 | \$ 1,950,565 |
| Capital contributions from system development charges | 3,010,250 | 7,178,366 |
| Capital contributions from local facility reimbursements | <u>152,676</u> | <u>112,808</u> |
| Total | <u>\$ 5,618,773</u> | <u>\$ 9,241,739</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 form for a regional wastewater transmission/treatment entity 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 RCW 39.106 – 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/treatment services to the citizenry of the respective participating members.

As the managing partner or “Administrative Lead” for the Alliance, the task of implementing the vision of the partner agencies falls largely to the District. A two year transition work program was initiated in 2013 and will continue through 2014. A series of initial resolutions and agreements were approved by the Alliance Board at its first official meeting on January 18, 2013, to establish the legal framework for the Alliance. District staff has registered the Alliance with a series of state and federal regulatory agencies and has registered the new Alliance logo. A checking account has been established, regional service charges are being billed to the partners and invoices are being paid for Administrative Lead and legal counsel services.

The District will continue to develop and implement the transition work program. Activities planned for 2014 include development of operator, franchise and asset transfer agreements, transfer of operating and access permits, adoption of a capital plan, adoption of a capital and operating budget, and development of administrative code. These activities will be completed prior to and in support of the January 1, 2015, full operational date for the Alliance.

During 2013 the District paid \$306,725 to the Alliance for regional service charges, as supported through the District and Alliance budgeted amounts. The District billed the Alliance \$79,848 for Administration Lead services provided, as well as reimbursement of \$21,257 in professional consulting, IT support, insurance and various utilities expenses. The Alliance will be receiving its first Washington State Auditor’s Office audit in 2015, covering financial activities of fiscal years 2013 and 2014. More information about the Alliance can be found on their website at <http://discoverycwa.org/>.

Note 13 – Subsequent Events

City of Ridgefield Collection System Transfer – The regional study efforts over the last several years identified an opportunity for optimizing the local collection system services for the public. In particular, the District and the City of Ridgefield wastewater collection systems were found to have mutually beneficial characteristics that resulted in the highest services levels at the lowest cost over the long term, if the two systems could be integrated in to a single operating unit.

Work has been ongoing over the last two years to develop a comprehensive interlocal agreement allowing for the transfer of Ridgefield’s wastewater collection system to the District. The final transfer agreements were signed in June 2013, with the Ridgefield collection system officially transferring to the District as of January 1, 2014. The collection system transfer is defined in GASB 69 as a transfer of operations type of government combination. The District will ensure to comply with GASB 69 when accounting for the transfer of operations within the 2014 financial statements. The District and the City of Ridgefield are working closely together to ensure accuracy of all financial data. The District estimates increasing net assets and liabilities by approximately \$14.6 million and \$3.6 million, respectively.

Note 14 – Prior Period Adjustment

The District recorded \$562,720 in non-operating expenses in prior periods. These expenditures, however, should have been recorded to a Construction Work In Progress (CWIP) account. We have reclassified these expenditures to a CWIP account and recorded an equal positive prior period adjustment to properly reflect our increase in net position.

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

| Actuarial Valuation Date | Fiscal Year Ended | Actuarial Value of Assets | Actuarial Accrued Liabilities Entry Age | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|----------------------|---------------------------------|--|---|--------------|--------------------|--|
| 12/31/08 | 12/31/08 | \$ - | \$ 726,741 | \$ 726,741 | 0.0% | \$ 2,318,547 | 31.3% |
| 12/31/08 | 12/31/09 | - | 726,741 | 726,741 | 0.0% | 2,561,772 | 28.4% |
| 12/31/08 | 12/31/10 | - | 726,741 | 726,741 | 0.0% | 2,629,587 | 27.6% |
| 01/01/12 | 12/31/11 | - | 1,033,018 | 1,033,018 | 0.0% | 2,541,977 | 40.6% |
| 01/01/12 | 12/31/12 | - | 1,094,651 | 1,094,651 | 0.0% | 2,586,476 | 42.3% |
| 12/31/2013 | 12/31/13 | - | 962,341 | 962,341 | 0.0% | 3,197,084 | 30.1% |

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STATISTICAL SECTION

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

| Contents | Page |
|---|-------------|
| <i>Financial Trends</i> These schedules contain trend information to help the reader understand how the District’s financial performance and well-being changed over time. | 62 |
| <i>Revenue Capacity</i> These schedules contain information to help the reader understand the District’s most significant source of revenue, sewer utility charges. | 64 |
| <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. | 68 |
| <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. | 71 |
| <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. | 73 |

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 |
|----------------|-------------------------------------|----------------------------|------------------------------|-----------------------|
| 2004 | \$ 68,973,593 | \$ 2,634,702 | \$ 15,582,805 | \$ 87,191,100 |
| 2005 | 64,716,721 | 15,299,108 | 17,243,893 | 97,259,722 |
| 2006 | 74,397,129 | 6,830,457 | 29,545,163 | 110,772,749 |
| 2007 | 80,887,984 | 1,680,276 | 37,222,055 | 119,790,315 |
| 2008 | 94,862,642 | 2,724,083 | 30,436,535 | 128,023,260 |
| 2009 | 102,076,651 | 2,090,078 | 28,741,935 | 132,908,664 |
| 2010 | 97,964,435 | 2,127,929 | 34,712,464 | 134,804,828 |
| 2011 | 97,647,088 | 2,122,351 | 35,440,997 | 135,210,436 |
| 2012 | 105,309,986 | - | 35,193,401 | 140,503,387 |
| 2013 | 105,412,741 | - | 37,157,623 | 142,570,364 |

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

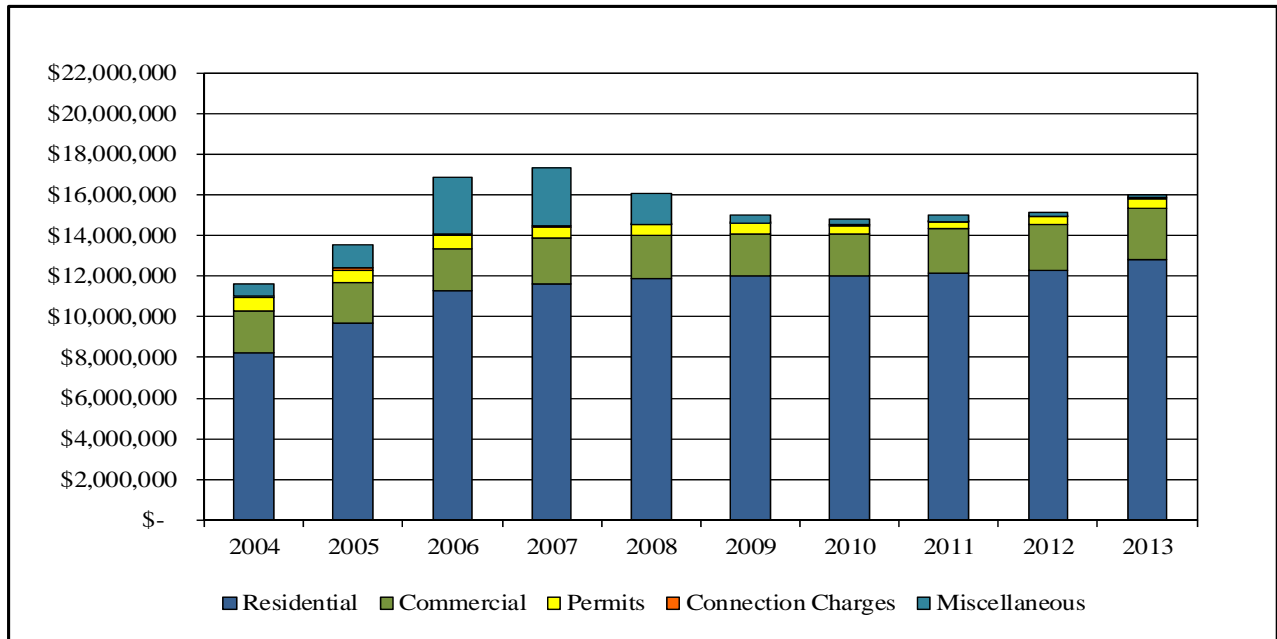
Schedule 2

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income | Total Non-operating Revenues/ (Expenses) | Income/Loss Before Capital Contributions | Capital Contributions | Change In Net Position |
|-------------|--------------------|--------------------|------------------|--|--|-----------------------|------------------------|
| 2004 | \$ 11,033,565 | \$ 10,347,484 | \$ 686,081 | \$ (1,331,257) | \$ (645,176) | \$ 9,344,213 | \$ 8,699,037 |
| 2005 | 12,422,469 | 11,439,522 | 982,947 | (426,366) | 556,581 | 9,512,041 | 10,068,622 |
| 2006 | 14,105,727 | 11,898,735 | 2,206,992 | 736,632 | 2,943,624 | 10,569,403 | 13,513,027 |
| 2007 | 14,497,959 | 14,343,661 | 154,298 | 892,716 | 1,047,014 | 7,970,552 | 9,017,566 |
| 2008 | 14,557,839 | 15,369,442 | (811,603) | (290,099) | (1,101,702) | 8,480,363 | 7,378,661 |
| 2009 | 14,612,478 | 15,042,717 | (430,238) | (576,947) | (1,007,185) | 5,893,290 | 4,886,105 |
| 2010 | 14,537,971 | 15,841,185 | (1,303,214) | (1,321,779) | (2,624,993) | 4,520,457 | 1,895,464 |
| 2011 | 14,703,386 | 16,695,257 | (1,991,871) | (1,145,787) | (3,137,658) | 3,893,612 | 755,954 |
| 2012 | 14,960,131 | 17,053,387 | (2,093,256) | (2,297,482) | (4,390,738) | 9,241,739 | 4,851,001 |
| 2013 | 15,893,660 | 18,880,888 | (2,987,228) | (564,568) | (3,551,796) | 5,618,773 | 2,066,977 |

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

Schedule 3

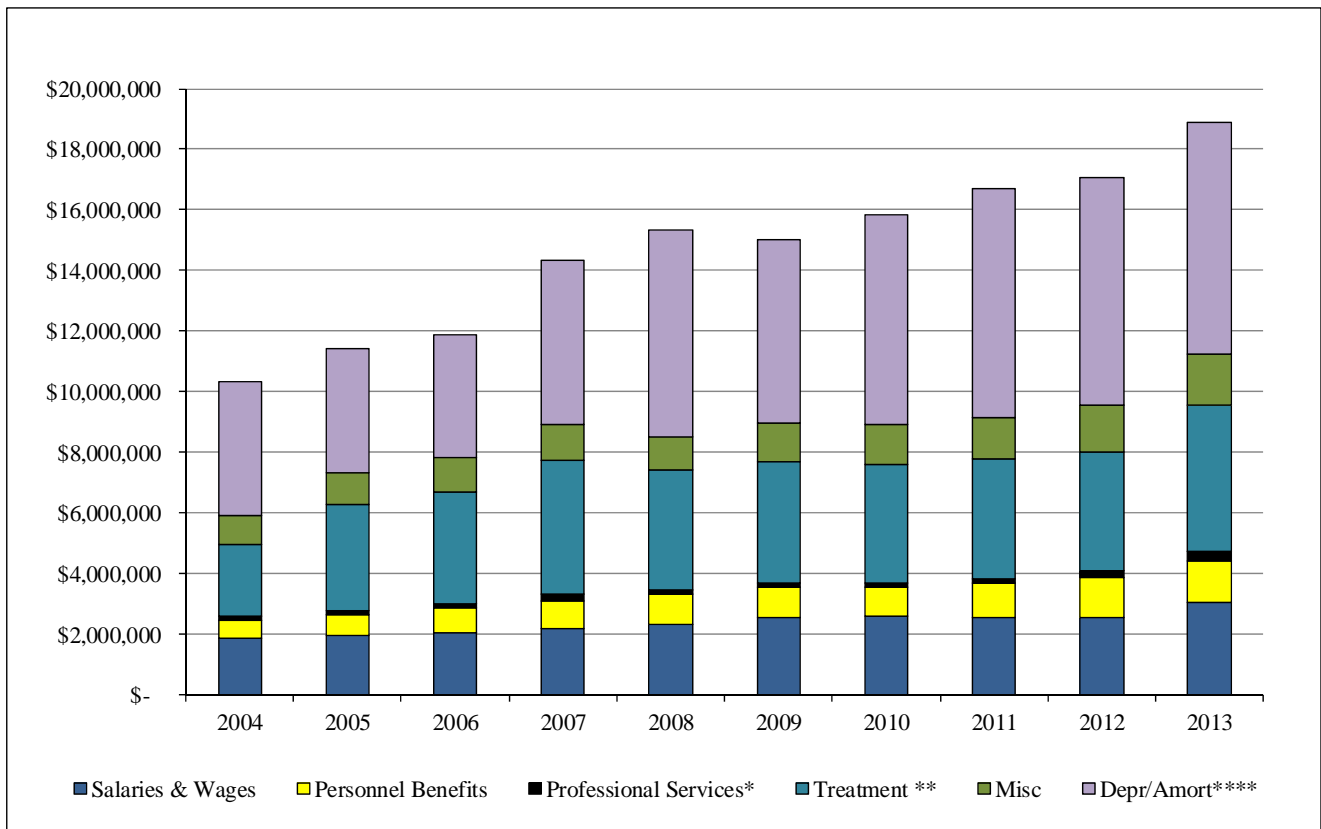
| Fiscal Year | Charges for Service | | | | | Total |
|-------------|---------------------|--------------|-----------|------------|------------|---------------|
| | Residential | Commercial | Permits | Misc | Interest | |
| 2004 | \$ 8,233,302 | \$ 2,042,907 | \$ 93,184 | \$ 664,172 | \$ 598,781 | \$ 11,632,346 |
| 2005 | 9,707,094 | 1,956,288 | 138,056 | 621,031 | 1,129,716 | 13,552,185 |
| 2006 | 11,276,601 | 2,103,069 | 98,590 | 627,467 | 2,734,759 | 16,840,487 |
| 2007 | 11,600,666 | 2,253,817 | 80,356 | 563,120 | 2,824,249 | 17,322,207 |
| 2008 | 11,878,535 | 2,148,626 | 44,955 | 485,723 | 1,507,678 | 16,065,517 |
| 2009 | 11,985,671 | 2,082,332 | 30,250 | 514,225 | 428,139 | 15,040,617 |
| 2010 | 12,009,830 | 2,069,828 | 38,630 | 419,683 | 275,168 | 14,813,139 |
| 2011 | 12,155,949 | 2,171,798 | 35,800 | 339,839 | 289,494 | 14,992,880 |
| 2012 | 12,288,652 | 2,255,023 | 43,925 | 372,531 | 201,405 | 15,161,536 |
| 2013 | 12,841,516 | 2,502,117 | 70,190 | 479,837 | 104,321 | 15,997,981 |



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

Schedule 4

| Fiscal Year | Salaries & Wages | Personnel Benefits | Professional Services* | Treatment ** | Misc*** | Depr/Amort**** | Total |
|-------------|------------------|--------------------|------------------------|--------------|------------|----------------|---------------|
| 2004 | \$ 1,861,318 | \$ 628,144 | \$ 126,435 | \$ 2,355,714 | \$ 975,320 | \$ 4,400,552 | \$ 10,347,483 |
| 2005 | 1,957,725 | 709,291 | 124,222 | 3,497,413 | 1,063,096 | 4,087,776 | 11,439,523 |
| 2006 | 2,083,046 | 802,763 | 123,185 | 3,693,025 | 1,139,378 | 4,057,339 | 11,898,734 |
| 2007 | 2,207,525 | 889,110 | 263,140 | 4,395,611 | 1,173,872 | 5,414,405 | 14,343,663 |
| 2008 | 2,318,547 | 1,012,088 | 150,459 | 3,944,788 | 1,105,189 | 6,826,915 | 15,357,986 |
| 2009 | 2,561,772 | 994,178 | 156,611 | 4,005,466 | 1,254,548 | 6,061,020 | 15,033,595 |
| 2010 | 2,629,587 | 931,706 | 145,931 | 3,904,777 | 1,295,660 | 6,933,524 | 15,841,185 |
| 2011 | 2,541,977 | 1,150,346 | 127,792 | 3,967,274 | 1,360,211 | 7,547,657 | 16,695,257 |
| 2012 | 2,586,476 | 1,291,415 | 253,808 | 3,899,600 | 1,520,863 | 7,501,225 | 17,053,387 |
| 2013 | 3,069,925 | 1,364,002 | 331,344 | 4,793,747 | 1,695,813 | 7,626,057 | 18,880,888 |



* Professional services increased in 2012 and 2013 due to increased legal costs related to Discovery Clean Water Alliance and the City of Ridgefield.
 ** Clark County's wholesale sewer costs that are billed to the District increased in 2005 due to the inclusion of replacement costs.
 *** Miscellaneous expenses include supplies, insurance, taxes and other expenses.
 **** Depreciation/amortization includes amortization of future treatment capacity rights (intangible asset).

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

Schedule 5

| <u>Fiscal Year</u> | <u>Interest and Fiscal Charges*</u> | <u>Interest Revenue</u> | <u>Disposal of Capital Assets</u> | <u>Other Revenues/ (Expenses)</u> | <u>Total Non-operating Revenues/ (Expenses)</u> |
|--------------------|-------------------------------------|-------------------------|-----------------------------------|-----------------------------------|---|
| 2004 | \$ (1,943,449) | \$ 598,782 | \$ - | \$ 13,410 | \$ (1,331,257) |
| 2005 | (1,558,290) | 1,129,716 | - | 2,208 | (426,366) |
| 2006 | (2,033,556) | 2,734,759 | - | 35,429 | 736,632 |
| 2007 | (1,944,969) | 2,824,249 | 8,250 | 5,186 | 892,716 |
| 2008 | (1,837,075) | 1,507,678 | 5,251 | 22,590 | (301,556) |
| 2009 | (1,763,519) | 428,139 | 4,541 | 744,771 | (586,068) |
| 2010 | (1,598,864) | 275,168 | - | 1,917 | (1,321,779) |
| 2011 | (1,468,083) | 289,494 | - | 32,802 | (1,145,787) |
| 2012 | (2,471,265) | 201,405 | - | (27,622) | (2,297,482) |
| 2013 | (668,591) | 104,321 | (15,742) | 15,444 | (564,568) |

* Net of capitalized amounts.

**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> |
|--------------------|------------------------|-------------------------------|--------------------------------------|--------------|
| 2004 | \$ 5,448,917 | \$ 189,388 | \$ 3,705,908 | \$ 9,344,213 |
| 2005 | 5,872,047 | 170,210 | 3,469,784 | 9,512,041 |
| 2006 | 4,968,323 | 271,989 | 5,329,091 | 10,569,403 |
| 2007 | 4,394,856 | 275,772 | 3,299,924 | 7,970,552 |
| 2008 | 3,815,455 | 145,346 | 4,519,562 | 8,480,363 |
| 2009 | 3,486,427 | 92,092 | 2,314,771 | 5,893,290 |
| 2010 | 3,430,229 | 118,271 | 971,956 | 4,520,456 |
| 2011 | 3,397,622 | 101,939 | 394,050 | 3,893,611 |
| 2012 | 7,178,366 | 112,808 | 1,950,565 | 9,241,739 |
| 2013 | 3,010,250 | 152,676 | 2,455,847 | 5,618,773 |

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

Schedule 7

| Year | 2005 Revenue Bonds | 2012 Revenue Bonds | PWTF/SRF Loans | Contract Obligation Payable to Clark County | | | Total | | |
|------|-----------------------|-----------------------|-------------------|--|---------------|--------------|---------------|------------|-------------------------------------|
| | | | | Revenue Bonds | PWTF Loans | G.O. Bond | Amount | Per ERU | As a Share of Personal Income |
| 2004 | \$ - | \$ - | \$4,364,884 | \$28,975,000 | \$ 1,876,723 | \$ 146,850 | \$ 35,363,457 | \$ 1,190 | 3.81% |
| 2005 | 14,000,000 | - | 7,667,978 | 27,020,000 | 1,589,838 | - | 50,277,816 | 1,616 | 4.87% |
| 2006 | 13,515,000 | - | 12,352,652 | 24,950,000 | 1,302,951 | - | 52,120,603 | 1,617 | 4.66% |
| 2007 | 13,050,000 | - | 13,079,546 | 22,900,000 | 1,016,068 | - | 50,045,614 | 1,516 | 4.14% |
| 2008 | 12,570,000 | - | 19,852,714 | 20,750,000 | 729,185 | - | 53,901,899 | 1,609 | 4.22% |
| 2009 | 12,070,000 | - | 19,424,816 | 18,500,000 | 489,126 | - | 50,483,942 | 1,491 | 4.13% |
| 2010 | 11,545,000 | - | 18,174,770 | 16,140,000 | 335,910 | - | 46,195,680 | 1,350 | 3.74% |
| 2011 | 11,000,000 | - | 16,923,599 | 13,675,000 | 182,694 | - | 41,781,293 | 1,210 | 3.23% |
| 2012 | 10,430,000 | 5,417,645 | 15,671,272 | - | - | - | 31,518,917 | 901 | 2.27% |
| 2013 | 9,830,000 | 4,923,980 | 15,331,125 | - | - | - | 30,085,105 | 843 | 2.07% |

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, page 71 of the CAFR.

CLARK REGIONAL WASTEWATER DISTRICT
 BOND COVERAGE RATIO
 LAST TEN FISCAL YEARS

Schedule 8

| | COVERAGE TABLE | | | | | | | | | |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| REVENUES | | | | | | | | | | |
| Monthly Sewer Rate | \$ 27.00 | \$ 30.50 | \$ 34.00 | \$ 34.00 | \$ 34.00 | \$ 34.00 | \$ 34.00 | \$ 34.00 | \$ 34.00 | \$ 35.00 |
| Charges for services | \$ 10,276,209 | \$ 11,663,382 | \$ 13,379,670 | \$ 13,854,483 | \$ 14,027,161 | \$ 14,068,003 | \$ 14,079,658 | \$ 14,327,747 | \$ 14,543,675 | \$ 15,343,633 |
| Miscellaneous operating revenue | 757,356 | 759,087 | 726,057 | 643,476 | 530,678 | 544,475 | 458,313 | 375,639 | 416,456 | 550,227 |
| Interest on investments | 598,782 | 1,129,716 | 2,734,759 | 2,824,249 | 1,507,678 | 428,139 | 275,168 | 289,494 | 201,405 | 104,321 |
| Miscellaneous non-operating revenue | 13,410 | 2,208 | 35,429 | 13,436 | 27,841 | 749,312 | 1,917 | 32,802 | 10,878 | 15,444 |
| General Facilities Charge | 2,403,286 | 2,840,592 | 1,943,448 | 1,449,007 | 900,544 | 668,476 | 657,707 | 609,524 | 866,814 | 3,010,251 |
| Deposits to Rate | - | - | - | - | - | - | - | - | - | - |
| Stabilization Account Withdrawals from Rate | - | - | - | - | - | - | - | - | - | - |
| Stabilization Account | - | - | - | - | - | - | - | - | - | - |
| Total Gross Revenues | \$ 14,049,043 | \$ 16,394,985 | \$ 18,819,363 | \$ 18,784,651 | \$ 16,993,902 | \$ 16,458,405 | \$ 15,472,763 | \$ 15,635,206 | \$ 16,039,228 | \$ 19,023,876 |
| MAINTENANCE AND OPERATION EXPENSE | | | | | | | | | | |
| Salaries, wages and benefits | \$ 2,489,462 | 2,667,016 | 2,885,809 | 3,096,635 | 3,330,635 | 3,555,950 | 3,561,293 | 3,692,323 | 3,877,891 | 4,433,927 |
| Treatment contract: Cities of Vancouver, Battle Ground, DCWA | 706,155 | 695,543 | 719,683 | 832,781 | 812,612 | 798,598 | 723,072 | 627,744 | 550,472 | 833,998 |
| Treatment contract: Clark County | 1,649,559 | 2,801,870 | 2,973,342 | 3,562,830 | 3,132,176 | 3,206,868 | 3,181,705 | 3,339,528 | 3,349,128 | 3,959,749 |
| Other operating expenses | 1,101,755 | 1,187,318 | 1,262,562 | 1,437,012 | 1,255,648 | 1,411,161 | 1,441,591 | 1,488,003 | 1,774,671 | 2,027,157 |
| Total Maintenance and Operating Expense | \$ 5,946,931 | \$ 7,351,747 | \$ 7,841,396 | \$ 8,929,257 | \$ 8,531,071 | \$ 8,972,577 | \$ 8,907,661 | \$ 9,147,598 | \$ 9,552,162 | \$ 11,254,831 |
| 1.10 COVERAGE TEST | | | | | | | | | | |
| Net Revenue | \$ 8,102,112 | \$ 9,043,238 | \$ 10,977,967 | \$ 9,855,394 | \$ 8,462,831 | \$ 7,485,828 | \$ 6,565,102 | \$ 6,487,608 | \$ 6,487,066 | \$ 7,769,045 |
| less: General Facilities/ System Development Charge | (2,403,286) | (2,840,592) | (1,943,448) | (1,449,007) | (900,544) | (668,476) | (657,707) | (609,524) | (866,814) | (3,010,251) |
| Total Revenues | 5,698,826 | 6,202,646 | 9,034,519 | 8,406,387 | 7,562,287 | 6,817,352 | 5,907,395 | 5,878,084 | 5,620,252 | 4,758,794 |
| Debt Service | 4,159,423 | 3,406,484 | 4,503,105 | 4,366,815 | 4,366,790 | 4,366,390 | 4,363,728 | 4,367,428 | 4,369,633 | 1,691,059 |
| Coverage | 1.37 | 1.82 | 2.01 | 1.93 | 1.73 | 1.56 | 1.35 | 1.35 | 1.29 | 2.81 |
| 1.25 COVERAGE TEST | | | | | | | | | | |
| Net Revenue | \$ 8,102,112 | \$ 9,043,238 | \$ 10,977,967 | \$ 9,855,394 | \$ 8,462,831 | \$ 7,485,828 | \$ 6,565,102 | \$ 6,487,608 | \$ 6,487,066 | \$ 7,769,045 |
| plus: Regional Facilities Charge | 3,045,631 | 3,031,455 | 3,024,875 | 2,945,849 | 2,914,911 | 2,817,951 | 2,772,522 | 2,788,098 | 6,311,547 | - |
| Total Revenues | 11,147,743 | 12,074,693 | 14,002,842 | 12,801,243 | 11,377,742 | 10,303,779 | 9,337,624 | 9,275,706 | 12,798,614 | 7,769,045 |
| Debt Service | 4,159,423 | 3,406,484 | 4,503,105 | 4,366,815 | 4,366,790 | 4,366,390 | 4,363,728 | 4,367,428 | 4,369,633 | 1,691,059 |
| Coverage | 2.68 | 3.54 | 3.11 | 2.93 | 2.61 | 2.36 | 2.14 | 2.12 | 2.93 | 4.59 |

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

Schedule 9

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross Revenues | | | | | | | | | | |
| Charges for services | \$ 15,343,633 | \$ 14,543,675 | \$ 14,327,747 | \$ 14,079,658 | \$ 14,068,003 | \$ 14,027,161 | \$ 13,854,483 | \$ 13,379,670 | \$ 11,663,382 | \$ 10,276,209 |
| Other operating revenues | 550,027 | 416,456 | 375,639 | 458,313 | 544,475 | 530,678 | 643,476 | 726,057 | 759,087 | 757,356 |
| Interest income | 104,321 | 201,405 | 289,494 | 275,168 | 428,139 | 1,507,678 | 2,824,249 | 2,734,759 | 1,129,716 | 598,782 |
| Other non-operating revenues | 15,444 | 10,878 | 32,802 | 1,917 | 749,312 | 27,841 | 13,436 | 35,429 | 2,208 | 13,410 |
| Subtotal Gross Revenues | 16,013,425 | 15,172,414 | 15,025,682 | 14,815,056 | 15,789,929 | 16,093,358 | 17,335,644 | 16,875,915 | 13,554,393 | 11,645,757 |
| Connection charges - Regional Facilities | - | 6,311,552 | 2,788,098 | 2,772,522 | 2,817,951 | 2,914,911 | 2,945,849 | 3,024,875 | 3,031,455 | 3,045,631 |
| Connection charges - General Facilities | 3,010,251 | 866,814 | 609,524 | 657,707 | 668,476 | 900,544 | 1,449,007 | 1,943,448 | 2,840,592 | 2,403,286 |
| Total Gross Revenues | 19,023,676 | 22,330,781 | 18,423,304 | 18,245,284 | 19,276,356 | 19,908,813 | 21,730,501 | 21,844,238 | 19,426,440 | 17,094,674 |
| Operating Expenses | | | | | | | | | | |
| Salaries, wages and benefits | 4,433,927 | 3,877,891 | 3,692,323 | 3,561,293 | 3,555,950 | 3,330,634 | 3,096,635 | 2,885,809 | 2,667,016 | 2,489,462 |
| Sewerage treatment - Clark County | 3,959,749 | 3,349,128 | 3,339,528 | 3,181,705 | 3,206,868 | 3,132,176 | 3,562,829 | 2,973,342 | 2,801,870 | 1,649,559 |
| Sewerage treatment - City of Vancouver, other | 833,998 | 550,472 | 627,744 | 723,072 | 798,598 | 812,612 | 832,781 | 719,683 | 695,543 | 706,155 |
| Other operating expenses, including interest | 2,695,748 | 4,246,296 | 2,956,086 | 3,040,455 | 3,174,680 | 3,092,723 | 3,381,981 | 3,296,118 | 2,745,608 | 3,045,205 |
| Operating expenses excluding depreciation | 11,923,422 | 12,023,787 | 10,615,681 | 10,506,525 | 10,736,096 | 10,368,145 | 10,874,225 | 9,874,952 | 8,910,037 | 7,890,381 |
| Net Revenues Available for Debt Service | 7,100,253 | 10,326,994 | 7,807,623 | 7,738,760 | 8,540,260 | 9,540,668 | 10,856,275 | 11,969,286 | 10,516,403 | 9,204,293 |
| Debt service - District (Principal only) | | | | | | | | | | |
| Sewer Revenue Bonds - Phase 3 Capital Expansion | - | 2,570,000 | 2,465,000 | 2,360,000 | 2,250,000 | 2,150,000 | 2,050,000 | 2,070,000 | 1,955,000 | 2,265,000 |
| PWTF Loans - Phase 3 Capital Expansion | - | 153,216 | 153,216 | 153,216 | 240,058 | 286,885 | 286,885 | 286,885 | 286,885 | 286,885 |
| PWTF Loans - Pumping Stations | - | 144,274 | 144,274 | 144,274 | 144,274 | 144,274 | 144,274 | 144,274 | 144,274 | 144,274 |
| St. John's GO Bond | - | - | - | - | - | - | - | - | 146,850 | 140,629 |
| PWTF Loans - Phase 4 Capital Expansion | 1,207,311 | 1,063,037 | 1,063,039 | 1,063,037 | 641,985 | 641,985 | 641,985 | 421,053 | 52,632 | - |
| Sewer Revenue Bonds - Phase 4 Capital Expansion | 600,000 | 570,000 | 545,000 | 525,000 | 500,000 | 480,000 | 465,000 | 485,000 | - | - |
| SRF Loan - Phase 4 Capital Expansion | 46,198 | 45,014 | 43,860 | 42,735 | 41,640 | 40,572 | 40,049 | - | - | - |
| Sewer Revenue Bonds - 2012 | 493,665 | - | - | - | - | - | - | - | - | - |
| Net Revenue After Payment of Debt Service | \$ 4,753,079 | \$ 5,781,453 | \$ 3,393,234 | \$ 3,450,498 | \$ 4,722,303 | \$ 5,796,952 | \$ 7,228,082 | \$ 8,562,074 | \$ 7,930,762 | \$ 6,367,505 |
| Operating expenses covered (not covered) by rates | \$ 4,090,003 | \$ 3,148,627 | \$ 4,410,001 | \$ 4,308,531 | \$ 5,053,833 | \$ 5,725,213 | \$ 6,461,419 | \$ 7,000,963 | \$ 4,644,356 | \$ 3,755,376 |

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

Schedule 10

| Fiscal Year | Clark County | | | |
|-------------|----------------------------|----------------------|-----------------------|------------------|
| | Unincorporated Population* | Per Capita Income ** | Total Personal Income | Unemployment *** |
| 2004 | 186,887 | \$ 31,266 | \$ 5,843,208,942 | 7.4% |
| 2005 | 192,450 | 33,174 | 6,384,336,300 | 6.4% |
| 2006 | 197,822 | 34,672 | 6,858,884,384 | 5.7% |
| 2007 | 199,532 | 36,619 | 7,306,662,308 | 5.6% |
| 2008 | 202,251 | 38,131 | 7,712,032,881 | 7.1% |
| 2009 | 203,361 | 36,097 | 7,340,722,017 | 13.2% |
| 2010 | 203,339 | 36,122 | 7,345,011,358 | 13.7% |
| 2011 | 204,610 | 37,438 | 7,660,189,180 | 12.1% |
| 2012 | 205,885 | 39,758 | 8,185,575,830 | 8.4% |
| 2013 | 207,710 | 40,712 | 8,456,329,400 | 7.4% |

Notes: Demographic information is from the following sources:

* Washington State Office of Financial Management

** Data for the year 2013 not yet available. The 2013 figure was calculated by increasing the 2012 Per Capita Income amount by 2.4%, the average year-over-year growth rate for the past six years.

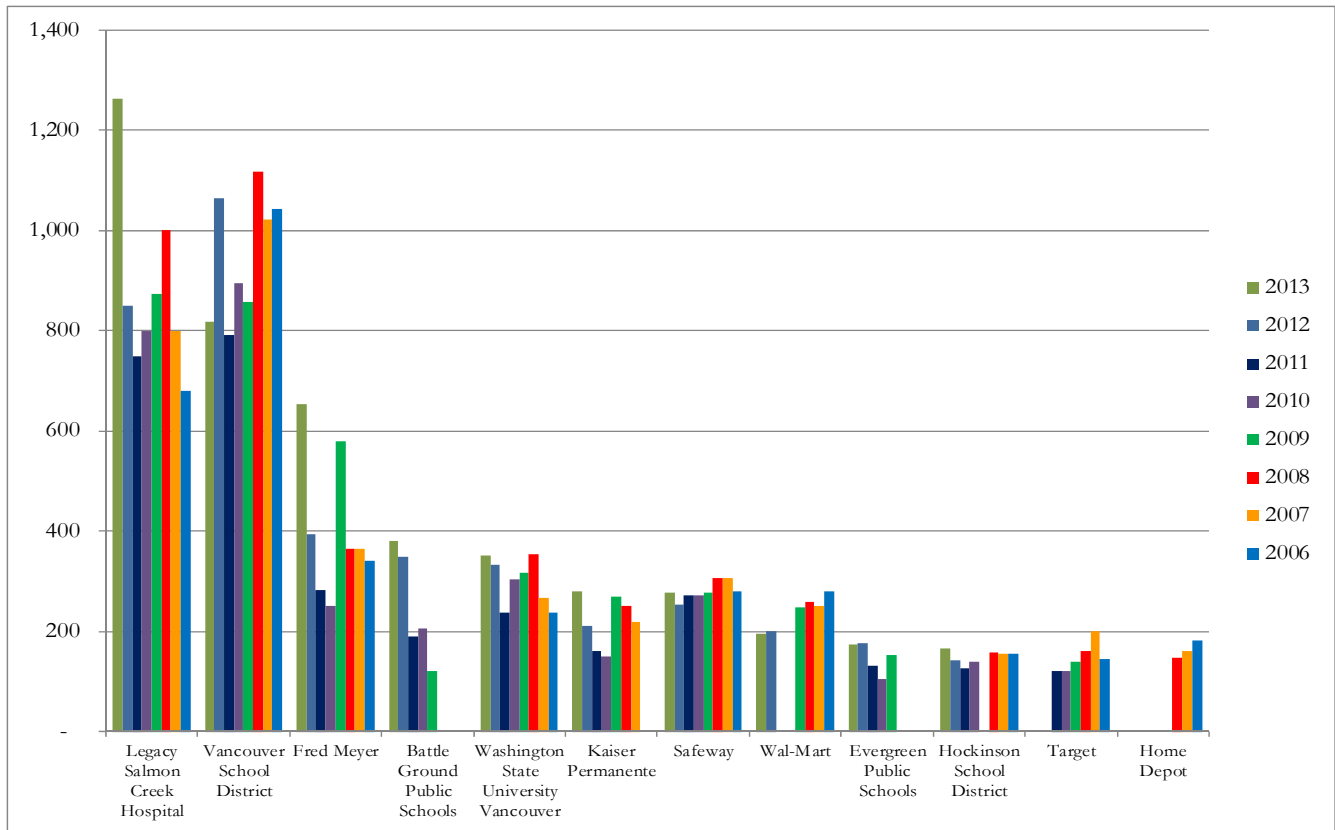
*** Washington State Employment Security Department

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

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

Schedule 11

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



Notes: 2004 and 2005 data is not available. Oldest data available is 2006.

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

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

Schedule 12

| <u>Fiscal Year</u> | <u>Residential</u> | <u>Multi-Family</u> | <u>Commercial</u> | <u>Schools</u> | <u>Total</u> |
|------------------------|--------------------|---------------------|-------------------|----------------|--------------|
| 2004 | 19,991 | 186 | 951 | 29 | 21,157 |
| 2005 | 21,106 | 207 | 1,005 | 29 | 22,347 |
| 2006 | 22,031 | 215 | 1,049 | 32 | 23,327 |
| 2007 | 22,768 | 244 | 1,124 | 32 | 24,168 |
| 2008 | 22,931 | 247 | 1,134 | 32 | 24,344 |
| 2009 | 23,202 | 216 | 1,106 | 35 | 24,559 |
| 2010 | 23,539 | 216 | 1,083 | 36 | 24,874 |
| 2011 | 23,732 | 215 | 1,072 | 36 | 25,055 |
| 2012 | 24,044 | 219 | 1,136 | 37 | 25,436 |
| 2013 | 24,617 | 217 | 1,160 | 37 | 26,031 |

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

Schedule 13

| Customer | 2013 | | | 2004 | | |
|----------------------------------|----------------------|------|------------------------------------|----------------------|------|------------------------------------|
| | Sewer Revenues | Rank | Percentage of Total Sewer Revenues | Sewer Revenues | Rank | Percentage of Total Sewer Revenues |
| Vancouver Public Schools | \$ 127,974 | 1 | 0.89% | \$ 128,199 | 1 | 1.25% |
| Salmon Creek Estate Condominiums | 118,440 | 2 | 0.82% | 91,368 | 2 | 0.89% |
| Highland Hills Apartments | 108,318 | 3 | 0.75% | 83,560 | 3 | 0.81% |
| Prairie View Association | 95,340 | 4 | 0.66% | 73,548 | 4 | 0.72% |
| Parklane Apartments | 87,780 | 5 | 0.61% | 67,716 | 6 | 0.66% |
| Reflections at the Park* | 82,530 | 6 | 0.57% | - | - | - |
| Bridge Creek Apartments** | 70,980 | 7 | 0.49% | 54,756 | 7 | 0.53% |
| Crystal Creek Apartments | 69,270 | 8 | 0.48% | 53,784 | 8 | 0.52% |
| North Glen Villas | 68,292 | 9 | 0.47% | - | - | - |
| Willow Pointe Apartments | 65,100 | 10 | 0.45% | 50,220 | 9 | 0.49% |
| Solarworld USA | - | - | - | 74,708 | 5 | 0.73% |
| Edgetree Homeowners Association | - | - | - | 44,712 | 10 | 0.44% |
| Subtotal (ten largest) | 894,024 | | 6.20% | 722,571 | | 7.03% |
| Balance from other customers | 13,523,561 | | 93.80% | 9,553,638 | | 92.97% |
| Total | \$ 14,417,585 | | 100.00% | \$ 10,276,209 | | 100.00% |

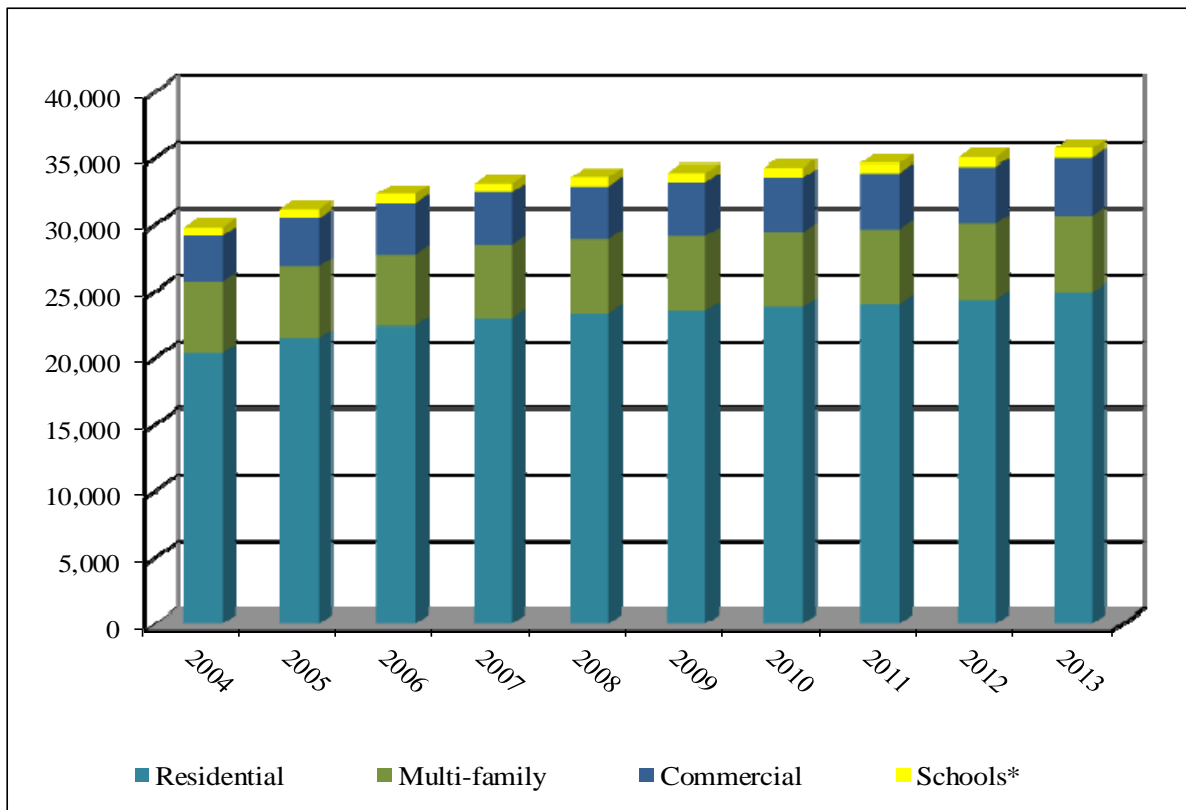
* Formerly Prairie Park Apartments

** Formerly Discovery Park Apartments

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

Schedule 14

| <u>Fiscal Year</u> | <u>Residential</u> | <u>Multi-family</u> | <u>Commercial</u> | <u>Schools*</u> | <u>Total</u> |
|--------------------|--------------------|---------------------|-------------------|-----------------|--------------|
| 2004 | 20,288 | 5,301 | 3,487 | 642 | 29,718 |
| 2005 | 21,425 | 5,379 | 3,625 | 692 | 31,121 |
| 2006 | 22,330 | 5,379 | 3,826 | 691 | 32,226 |
| 2007 | 22,925 | 5,472 | 3,938 | 677 | 33,012 |
| 2008 | 23,238 | 5,576 | 3,988 | 707 | 33,509 |
| 2009 | 23,473 | 5,578 | 4,062 | 736 | 33,848 |
| 2010 | 23,757 | 5,578 | 4,106 | 781 | 34,222 |
| 2011 | 23,996 | 5,578 | 4,255 | 714 | 34,543 |
| 2012 | 24,307 | 5,709 | 4,265 | 717 | 34,998 |
| 2013 | 24,839 | 5,792 | 4,325 | 717 | 35,673 |



Notes:

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

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

Schedule 15

| Fiscal Year | Millions of Gallons of Wastewater Treated | | | |
|-------------|---|-----------------|---------------------|----------------|
| | Salmon Creek Treatment Plant* | SCTP Rate \$/MG | City of Vancouver** | COV Rate \$/MG |
| 2004 | 2,887 | \$ 2,346 | 271 | \$ 2,124 |
| 2005 | 2,811 | 2,409 | 275 | 2,093 |
| 2006 | 3,475 | 1,949 | 283 | 2,031 |
| 2007 | 3,117 | 2,173 | 277 | 2,079 |
| 2008 | 3,078 | 2,200 | 265 | 2,172 |
| 2009 | 3,048 | 2,222 | 266 | 2,169 |
| 2010 | 3,325 | 2,037 | 269 | 2,144 |
| 2011 | 3,307 | 2,048 | 266 | 2,163 |
| 2012 | 3,420 | 1,980 | 269 | 2,139 |
| 2013 | 2,935 | 2,308 | 254 | 2,270 |

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

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

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

Schedule 16

| | Fiscal Years | | | | | | | | | |
|---|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| WASTEWATER TREATMENT | | | | | | | | | | |
| Miles of sewer lines | 539 | 534 | 527 | 522 | 522 | 513 | 499 | 494 | 489 | 486 |
| Number of treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Treatment capacity (MGD)* | 14.95 | 14.95 | 14.95 | 14.95 | 14.95 | 10.3 | 10.3 | 10.3 | 10.3 | 10.3 |
| Annual engineering maximum plant capacity (millions of gallons)** | 5,457 | 5,457 | 5,457 | 5,457 | 5,457 | 3,760 | 3,760 | 3,760 | 3,760 | 3,760 |
| Amount treated annually (millions of gallons) | 2,935 | 3,420 | 3,307 | 3,325 | 3,048 | 3,078 | 3,117 | 3,475 | 2,811 | 2,887 |
| Unused capacity (millions of gallons) | 2,522 | 2,037 | 2,150 | 2,132 | 2,409 | 682 | 643 | 285 | 949 | 873 |
| Percentage of capacity utilized | 53.8% | 62.7% | 60.6% | 60.9% | 55.9% | 81.9% | 82.9% | 92.4% | 74.8% | 76.8% |

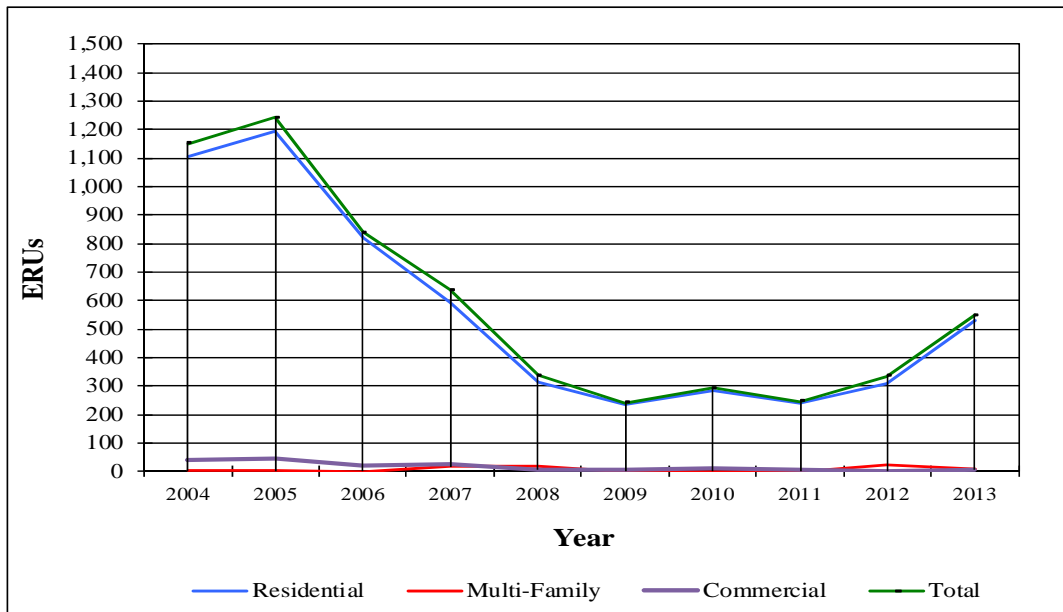
* MGD = millions of gallons per day.

** Maximum monthly flow per Department of Ecology discharge permit. Approximately 90% of the Districts flows go to the Salmon Creek Treatment Plant and 10% of its flows go to the City of Vancouver Treatment Plant.

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

Schedule 17

| <u>Year</u> | <u>Residential</u> | <u>Multi-Family</u> | <u>Commercial</u> | <u>Total</u> |
|-------------|--------------------|---------------------|-------------------|--------------|
| 2004 | 1,106 | 2 | 42 | 1,150 |
| 2005 | 1,195 | 3 | 44 | 1,242 |
| 2006 | 819 | 0 | 20 | 839 |
| 2007 | 595 | 18 | 25 | 638 |
| 2008 | 316 | 16 | 6 | 338 |
| 2009 | 236 | 0 | 6 | 242 |
| 2010 | 283 | 0 | 9 | 292 |
| 2011 | 239 | 0 | 6 | 245 |
| 2012 | 310 | 21 | 3 | 334 |
| 2013 | 531 | 9 | 8 | 548 |



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

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

Schedule 18

| Year | Monthly | Regional | General | System Development Charge | |
|------|----------------|---------------------|---------------------|---------------------------|----------|
| | Service Charge | Facilities Charge * | Facilities Charge * | VTP ** | SCTP *** |
| 2004 | \$ 27.00 | \$ 4,077 | \$ 1,898 | \$ - | \$ - |
| 2005 | 30.50 | 4,256 | 1,898 | - | - |
| 2006 | 34.00 | 4,444 | 1,898 | - | - |
| 2007 | 34.00 | 4,444 | 1,898 | - | - |
| 2008 | 34.00 | 4,444 | 1,898 | - | - |
| 2009 | 34.00 | 4,444 | 1,898 | - | - |
| 2010 | 34.00 | 4,444 | 1,898 | - | - |
| 2011 | 34.00 | 4,444 | 1,898 | - | - |
| 2012 | 34.00 | 4,444 | 1,898 | - | - |
| 2013 | 35.00 | - | - | 1,720 | 4,708 |

Notes:

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

Increases in monthly rates must be approved by the Board of Commissioners. The above rates and connection charges are the primary sources of revenues for the District. The District does not receive any general purpose tax revenues. The monthly service charge increased by \$1 per month to \$35 from \$34, in 2013 for the first time in seven years and will increase \$1 per month annually for the next three years. 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, 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 System Development Charge effective January 1, 2013 for all customers served by the District through the Vancouver Treatment Plant.

*** Tiered System Development Charge effective January 1, 2013 for all customers served by the District through the Salmon Creek Treatment Plant.

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

Schedule 19

| Fiscal Year | Maintenance | Engineering | Capital Programs | Administration | Finance | Total |
|----------------|-------------|-------------|---------------------|----------------|---------|-------|
| 2004 | 15 | 11 | 2 | 3 | 7 | 38 |
| 2005 | 15 | 11 | 2 | 3 | 7 | 38 |
| 2006 | * | 15 | 11 | 2 | 3 | 8 |
| 2007 | ** | 15 | 11.4 | 2.5 | 3 | 8 |
| 2008 | *** | 17 | 13.4 | 0 | 4.5 | 8 |
| 2009 | | 17 | 13.4 | 0 | 4.5 | 8 |
| 2010 | | 17 | 13.4 | 0 | 4.5 | 8 |
| 2011 | **** | 17 | 11 | 0 | 7 | 8 |
| 2012 | ***** | 17 | 11 | 0 | 8.5 | 10 |
| 2013 | ***** | 19 | 11 | 0 | 8.5 | 10 |

Notes: Maintenance staff handles all collection, transmission and pump station operations and repairs.
 Engineering staff provides permitting, developer extension agreements, development review and local facilities.
 Capital Programs was rolled into Engineering and Administration in 2008.
 Administration provides executive management, risk management, human resources and IT network support.
 Finance provides customer service, billing, accounting, cash, investments and debt management services.

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

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

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

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

***** In 2012, 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.

***** In 2013, Maintenance added two additional Maintenance Specialists to support the additional work that will be created by adding Ridgfield to the District's service area.