Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Clark Regional Wastewater District

For the period January 1, 2022 through December 31, 2022

Published June 15, 2023

Report No. 1032758

Office of the Washington State Auditor
Pat McCarthy

June 15, 2023

Board of Commissioners
Clark Regional Wastewater District
Vancouver, Washington

Report on Financial Statements

Please find attached our report on the Clark Regional Wastewater District's financial statements.

We are issuing this report in order to provide information on the District's financial activities and condition.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Clark Regional Wastewater District
January 1, 2022 through December 31, 2022

Board of Commissioners
Clark Regional Wastewater District
Vancouver, Washington

We have audited, 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, the financial statements of the Clark Regional Wastewater District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 8, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

June 8, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Clark Regional Wastewater District
January 1, 2022 through December 31, 2022

Board of Commissioners
Clark Regional Wastewater District
Vancouver, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Clark Regional Wastewater District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Clark Regional Wastewater District, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 8, 2023

FINANCIAL SECTION

Clark Regional Wastewater District
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

CLARK REGIONAL WASTEWATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

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, 2022. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal.

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.

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

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

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities (i.e. sewer service). The District reports its activities as a single enterprise fund, which is a type of proprietary fund.

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

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

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

Financial Highlights

- The District had a total net position of $265.8 million at December 31, 2022. Of this amount, $53.3 million is classified as unrestricted and may be used to meet the District's ongoing obligations.

- The District's change in net position was $9.7 million for 2022. The 2022 increase is primarily a result of capital contributions from developers and connection charges totaling $19.9 million and an operating loss of $9.9 million.

- In 2022, the District made regular principal payments on its outstanding sewer revenue bonds of $325,000 and PWB loans of $1,225,163.

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

December 31	2022	2021	2021 to 2022 Change	%
Assets				
Current and other assets	$ 69,455,504	$ 70,143,722	$ (688,218)	-1.0%
Capital assets (net of depreciation) and construction work in progress	235,614,133	225,363,295	10,250,838	4.5%
Total assets	305,069,637	295,507,017	9,562,620	
Deferred Outflows	1,927,457	671,734	1,255,723	186.9%
Liabilities				
Other liabilities*	16,792,825	11,426,697	5,366,128	47.0%
Long-term liabilities*	22,606,585	24,266,367	(1,659,782)	-6.8%
Total liabilities	39,399,410	35,693,064	3,706,346	
Deferred Inflows	1,842,272	4,456,670	(2,614,398)	-58.7%
Net position				
Net investment in capital assets	210,752,933	200,994,189	9,758,744	4.9%
Restricted - pensions	1,736,192	4,266,358	(2,530,166)	-59.3%
Unrestricted	53,266,287	50,768,470	2,497,817	4.9%
Total net position	$ 265,755,412	$ 256,029,017	$ 9,726,395	

**Certain balances from 2021 have been restated to conform to current year presentation*

- Current and other assets decreased in 2022 by $0.7 million or 1.0%, due to a decrease in net pension assets (of $2.5 million) that is offset by increases in investments measured at fair value (of $8.8 million) and decreases in LGIP and CCIP investments (of $6.0 million).

- Other liabilities increased in 2022 by $5.4 million or 47.0% partially due to a $2.6 million increase in accounts payable. This increase is partly due to the accounts payable absorbed by the District for the Salmon Creek Treatment Plan (SCTP) and partly due to construction payable. Additionally, a new contract payable of $1.4 million was assumed as contract operator of the SCTP.

- Deferred outflows and deferred inflows of resources fluctuate annually due to the change in the proportionate share of state-calculated pension deferred outflows and inflows. In 2022, deferred outflows increased by 186.9%, or $1.3 million from 2021, while deferred inflows decreased by 58.7% or $2.6 million from 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets includes land, buildings, pump stations, collection and transmission lines, machinery and equipment, construction work in progress, and intangible assets. The District's total net capital assets as of December 31, 2022, were $235.6 million. This increase of $10.3 million or 4.5% from 2021 is due to several major capital assets events during the fiscal year, including the following:

- In 2022, donated capital assets from developers totaled $9.9 million, $6.0 million of which were donated by developers in the City of Ridgefield.

- During 2022, the District placed $3.3 million of construction work in progress into service.

For further explanations of the capital asset activity of the District, please refer to Note 3, Capital Assets.

Long-Term Liabilities

During 2022, the District decreased its long-term liabilities by a total of $1.7 million. This decrease was driven primarily by the following factors:

- In 2022, the District's loan and bond liabilities decreased by $1.6 million from 2021 due to regular principal payments. Please refer to Note 5, Long-Term Liabilities, for more detailed information regarding long-term debt activity.

For further explanations of the long-term liabilities activity of the District, please refer to Note 5, Long-Term Liabilities.

Revenues, Expenses and Changes in Net Position

	2022	2021	2021 to 2022 Change	%
Revenues				
Operating revenue				
Charges for services	$ 26,040,247	$ 24,548,882	$ 1,491,365	6.1%
Permits	116,710	183,905	(67,195)	-36.5%
Miscellaneous	4,104,717	1,271,088	2,833,629	222.9%
Non-operating revenue				
Other non-operating revenue	1,310,292	1,000,471	309,821	31.0%
Total revenues	31,571,966	27,004,346	4,567,620	
Expenses				
Operating expenses	40,172,416	32,834,200	7,338,216	22.3%
Non-operating expenses				
Interest and investment loss	538,871	113,040	425,831	376.7%
Other non-operating expenses	462,815	312,810	150,005	48.0%
Loss on disposal of asset	152,326	334,825	(182,499)	-54.5%
Interest expense	442,477	464,585	(22,108)	-4.8%
Total expenses	41,768,905	34,059,460	7,709,445	
EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS	(10,196,939)	(7,055,114)	(3,141,825)	44.5%
CAPITAL CONTRIBUTIONS	19,923,334	21,024,922	(1,101,588)	-5.2%
CHANGE IN NET POSITION	9,726,395	13,969,808	(4,243,413)	-30.4%
NET POSITION, January 1	256,029,017	242,059,209	13,969,808	5.8%
NET POSITION, December 31	$ 265,755,412	$ 256,029,017	$ 9,726,395	

- Service revenues increased in 2022 by $1.5 million or 6.1% due both to an increase in the number of connections to sewer service and a rate increase of $1 or 2.4% per Equivalent Residential Unit (ERU) per month.

- Actual ERU growth was 1,476 and 2,018 ERUs for 2022 and 2021, respectively.

- Miscellaneous revenues increased in 2022 by $2.8 million or 222.9% due to a $2.5 million increase in SCTP Operator revenues.

- In 2022, the District recorded interest and investment income as a loss in the amount of $0.5 million. This loss is the net of interest earnings of $0.5 million and an unrealized loss of $1.0 million from a decline in the fair market value of District investments due to rising interest rates. The District continues to actively manage and diversify its investments outside of the State and County pools to maximize interest earnings.

- Operating expenses for 2022 increased from 2021 by $7.3 million or 22.3%. The main drivers for this increase are:

  - Depreciation and amortization increased by $0.3 million or 2.8% due to a $17.3 million increase in depreciable capital assets, $6.0 million of which were donated by developers in the City of Ridgefield.

  - Salaries and wages reflect an increase of $1.6 million, or 30.9%, due to the addition of 26 new employees to the payroll, bringing the District to a total of 88 employees, as well as annual salary wage and cost of living increases. Related benefit costs increased by $2.3 million or 825.6% for 2022 as a result of pension adjustment activity for the year, as well as the increase for the new employees, most of which were related to the SCTP.

- The District receives System Development Charge (SDC) revenues, based on a tiered system, in an effort to support economic development within the District service area. The revenue from this charge is used for new infrastructure and capital projects within the District service area. SDCs for 2022 total $10.0 million compared to $13.9 million in 2021. These charges per connection remained stable between 2022 from 2021. The 2022 charges per connection are as follows:

Tier	Treatment Plant	SDC
1	Vancouver (VTP)	$ 2,920
2	Salmon Creek (SCTP)	$ 5,908
3	Ridgefield (RFTP)	$ 8,750

- The remaining increase in capital contributions is a result of increased donated capital. The District received $9.9 million in 2022 compared to $6.9 million in 2021. This 43.5% increase is a result of increased development activity within the District's service area.

Cash Flows

Wastewater collection is a very capital and asset-intensive utility service. The District's current system, inclusive of the Ridgefield service area, is spread across 49 square miles. Significant portions of the service area are undeveloped and require major infrastructure improvements and investments. Other portions of the system are over 50 years old and are beginning to reach their useful life. Growth in sewer service customers and service charges help fund capital expansion of the Alliance-owned Salmon Creek and Ridgefield wastewater treatment plants. Customer utility payments provide the necessary annual cash flow to cover operating activities and partially support the capital needs of the District.

Economic Factors and Next Year's Budget and Rates

The District's economic condition improved in 2022. These improvements are due largely to the District's customer base growing by 3.0% from 37,603 customer accounts in 2021 to 38,718 in 2022 and continued substantial capital contributions from development-related activity.

The following economic factors currently affect the District and were considered in developing the 2023 fiscal year budget:

- Service charges will increase by $1.5 per month per Equivalent Residential Unit.

- Capital spending on existing infrastructure is driven by the results of a criticality assessment performed by the District in 2018, in conjunction with the General Sewer Plan prepared and adopted by the District in 2019.

- Increases in inflation and interest rates are expected during 2023.

- The District has contracted with the Alliance to operate the Salmon Creek Treatment Plant (SCTP), a regional asset owned by the Alliance, effective June 1, 2022. The District has budgeted an additional eighteen (18) FTE to operate the plant. The 2023 budget is the first budget that contains a full year's expenses for these employees.

- The District continues to purchase a pooled group liability insurance policy to protect itself from unforeseen losses in excess of the member deductible.

- Total ERUs are anticipated to increase by 1,858, or 3.6%, in 2023.

Requests for Information

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

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	2022
ASSETS	
Current Assets:	
Cash and cash equivalents	25,248,827
Investments (at fair value)	18,214,935
Receivables	
Customer accounts	2,112,594
Contracts (current and delinquent)	33,760
Interest	88,096
Due from other governments	3,843,308
Prepaid expenses	378,589
Total current assets	49,920,109
Noncurrent Assets:	
Investments (at fair value)	17,594,618
Contracts receivable	204,585
Capital assets not being depreciated:	
Land and land rights	613,226
Construction work in progress	5,968,848
Total capital assets not being depreciated	6,582,074
Capital assets being depreciated/amortized:	
Collection and transmission system	228,915,771
Buildings	12,248,807
Improvements other than buildings	3,559,398
Pump Stations	49,573,765
Equipment	4,726,060
Intangible assets, including future treatment capacity rights	49,383,521
Less: accumulated depreciation/amortization	(119,375,263)
Total capital assets being depreciated	229,032,059
Net pension asset	1,736,192
Total noncurrent assets	255,149,528
TOTAL ASSETS	305,069,637
DEFERRED OUTFLOWS of RESOURCES	
Amounts related to pension	1,915,714
Amounts related to OPEB	11,743
TOTAL DEFERRED OUTFLOWS of RESOURCES	1,927,457

Continued on next page

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

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

Continued from previous page

	2022
LIABILITIES	
Current Liabilities:	
Accounts payable	9,454,424
Interest payable	72,650
Retainage payable	284,830
Revenue collected in advance	499,422
System development charge (SDC) credits	84,611
Construction deposits	247,129
Compensated absences	70,078
Notes from direct borrowings	1,225,163
Directly placed sewer revenue bonds	449,619
Total other postemployment benefits (OPEB) liability	23,485
Total current liabilities	12,411,411
Noncurrent Liabilities:	
Contracts payable	1,374,238
Compensated absences	708,565
Notes from direct borrowings	9,853,286
Directly placed sewer revenue bonds	11,078,517
Net pension liability	999,365
Total Other postemployment benefits (OPEB) liability	2,974,028
Total noncurrent liabilities	26,987,999
TOTAL LIABILITIES	39,399,410
DEFERRED INFLOWS of RESOURCES	
Amounts related to pensions	1,842,272
TOTAL DEFERRED INFLOWS of RESOURCES	1,842,272
NET POSITION	
Net investment in capital assets	210,752,933
Restricted - pensions	1,736,192
Unrestricted	53,266,287
TOTAL NET POSITON	265,755,412

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

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022

	2022
OPERATING REVENUES	
Charges for services	26,040,247
Permits	116,710
Other operating revenue	4,104,717
Total operating revenues	30,261,674
OPERATING EXPENSES	
Salaries and wages	6,837,305
Personnel benefits	2,619,148
Supplies	1,543,606
Professional services	1,155,435
Insurance	277,968
Repairs and maintenance	1,190,733
Treatment contract services	12,785,838
Taxes	700,522
Other operating expense	3,458,273
Depreciation and amortization	9,603,588
Total operating expenses	40,172,416
Operating income (loss)	(9,910,742)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue (loss)	(538,871)
Other non-operating revenue	1,310,292
Gain/(loss) on disposal of capital assets	(152,326)
Interest expense	(442,477)
Other non-operating expense	(462,815)
Total non-operating revenue (expenses)	(286,197)
Income before contributions	(10,196,939)
CAPITAL CONTRIBUTIONS	19,923,334
Change in net position	9,726,395
TOTAL NET POSITION, January 1	256,029,017
TOTAL NET POSITION, December 31	265,755,412

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

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 27,300,899
Payments to suppliers	(17,051,196)
Payments to employees	(10,804,926)
Payments for taxes	(1,197,341)
Payments for other activities	(459,130)
Receipts from other activities	5,281,199
Net cash from operating activities	3,069,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts for future system improvements	10,428,911
Principal paid on long-term debt	(1,550,163)
Interest paid on long-term debt	(557,198)
Acquisition and construction of capital assets	(9,011,942)
Net cash from capital and related financing	(690,392)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(18,809,639)
Proceeds from maturing or called investments	9,023,907
Interest on investments	309,262
Interest on contracts	22,358
Net cash from investing activities	(9,454,112)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,074,999)
CASH AND CASH EQUIVALENTS, January 1	32,323,826
CASH AND CASH EQUIVALENTS, December 31	$ 25,248,827

Continued on next page

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

CLARK REGIONAL WASTEWATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Continued from previous page

		2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Utility operating income (loss)	$	(9,910,742)
Adjustments to reconcile operating income to net from operating activities		
Depreciation and amortization expense		9,603,588
(Increase) decrease in accounts receivable		(108,776)
(Increase) decrease in due from other governments		(279,345)
(Increase) decrease in prepaid expenses		(46,794)
(Increase) decrease in deferred outflows & deferred inflows		(3,837,401)
Increase (decrease) in accounts payable		3,299,974
Increase (decrease) in accrued employee benefits		3,472,002
Increase (decrease) in revenue collected in advance		25,836
Non-operating expenses		(459,130)
Non-operating revenues		1,310,292
Total adjustments		12,980,247
Net cash from operating activities	$	3,069,505
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers or governments		9,927,630
Increase (decrease) in fair value of investments		(897,724)
Change in capital related accounts payable		1,067,177
Gain (loss) on sale or disposition of capital assets		(152,326)

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

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

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

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

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

Basis of Accounting and Presentation – The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under authority chapter 43.09. The District uses the Uniform Chart of Accounts as prescribed within the Budgeting, Accounting and Reporting System (BARS) Manual for Special Purpose Districts reporting in conformity with GAAP.

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

The District distinguishes between operating revenues and expenses from non-operating 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 – It is the District's policy to invest all temporary cash surpluses. For the purposes of the Statements of Net Position and Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All amounts held in the Local Government Investment Pool (LGIP) and Clark County Investment Pool (CCIP) accounts are considered to be cash equivalents. Investments purchased with an original maturity of more than three months are classified as investments. See Note 2 for detailed information about the District's deposits and investments.

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

Investments – Certain investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, on quoted market prices for securities purchased by the District. All investments held have readily available market prices. The change in fair value is reported in the Statement of Revenues, Expenses and Changes in Net Position as an increase or decrease in investment assets and investment income. Realized gains or losses on the maturity or disposition of securities are not separately disclosed. Likewise, some investments are reported at amortized cost. See Note 2, Deposits and Investments, for additional information.

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

Contracts receivables are related to construction costs, as well as any applicable financing costs corresponding to such sanitary sewer construction for a particular property or group of properties. Contracts are provided under state statutes and direct the process in which the District extends sanitary sewer services to properties. Contracts are recorded as an enforceable lien on the property when they are levied. These receivables consist of current, delinquent, and deferred billed principal with related interest and penalties.

Interest receivables represent interest revenue earned on investments that have not been received.

Due from Other Governments are receivables resulting from the contractual relationship between the District and the Alliance. The District is contracted by the Alliance to provide Administrative Lead services. The District invoices the Alliance monthly for Administrative Lead services provided, which includes staff time and expenses for professional consulting, IT support, project management, and delivery.

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

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

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

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

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

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

See Note 3, for detailed information about the District's capital assets.

Intangible Assets – The District currently recognizes its future treatment capacity rights in the Alliance's Salmon Creek Treatment Plant as a component of the District's net capital assets, in compliance with GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets."

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

Revenues Collected in Advance – This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met.

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

Construction Deposits – The District enters into Developer Extension Agreements (DEA) with developers that require deposits for sewer plugs and performance guarantees.

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 $778,643 at December 31, 2022.

Long-Term Debt – See Note 4, Long-Term Liabilities for detailed information about the District's long-term debt.

Pensions – For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state-sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit

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

terms. Investments are reported at fair value. See Note 5, Pension Plans for detailed information about the District's pension plans.

Total Other Postemployment Benefits (OPEB) Liability – See Note 6, Defined Benefit Other Postemployment Benefit (OPEB) Plan for detailed information about the District's defined OPEB plan.

Deferred Inflows / Outflows of Resources – The Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The District currently reports amounts related to pensions and OPEB as deferred outflows of resources.

The Statement of Net Position will also sometimes report a separate section for deferred inflows of resources. This element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. On the Statement of Net Position, the District reports only amounts related to pensions in this category.

Restricted Net Position – For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only.

Note 2 – Deposits and Investments

The District is legally authorized to invest in the types of investments included in the Revised Code of Washington (RCW) 36.29.020. All of the investments and deposits held at December 31, 2022, comply with the provisions of that code section and with the District's investment policy adopted by Board Resolution. The District's deposits and investments are managed daily by the District Finance Director/Treasurer.

Deposits – Cash on hand at December 31, 2022, was $5,973,628, held entirely in a checking account and as cash on hand.

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

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

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

1. Provides maximum security that the investment proceeds will be returned upon maturity

2. Provides adequate liquidity to meet cash needs

3. Provides the greatest return on investment

Investments are subject to the following risks:

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

Note 2 – Deposits and Investments (Continued)

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5
Clark County Investment Pool	$ 5,700,459	$ 5,700,459	$ -
Local Government Investment Pool	12,125,944	12,125,944	-
Federal National Mortgage Association	976,550	976,550	-
Federal Farm Credit Bank	1,398,225	-	1,398,225
Federal Home Loan Bank	5,988,080	5,988,080	-
U.S. Treasury Notes	21,151,055	6,393,305	14,757,750
Federal Home Loan Mortgage Corporation	4,857,000	4,857,000	-
Corporate Bonds	1,438,643		1,438,643
	$ 53,635,956	$ 36,041,338	$ 17,594,618
Investment by maturity		67%	33%

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy states that the Finance Director is empowered to invest in the security instruments authorized in Washington RCW 36.29.020. All investments held by the District at year-end 2022 had a credit quality rating of AA+ by Standard and Poor's.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District's investment policy has the following diversification constraints based on the total investment of funds:

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P	Ratings Moody's	Ratings Fitch
US Treasury Obligations	100%	None	N/A	N/A	N/A
US Agency Obligations - Primary FHLB, FNMA, FHLMC, FFCB	100%	35%	N/A	N/A	N/A
US Agency Obligations - Secondary FICO, FARMER MAC etc.	10%	5%	AA-	Aa3	AA-
Municipal Bonds (GO only outside WA)	20%	10%	AA-	Aa3	AA-
Corporate Notes	25%*	3% for AA-	AA-	Aa3	AA-
Commercial Paper		3%	A1+ Long Term AA-	P1 Long Term Aa3	F1+ Long Term AA-
Certificates of Deposit	10%	10%	Deposits in PDPC approved banks	Deposits in PDPC approved banks	Deposits in PDPC approved banks
Bank Time Deposits/Savings	15%	10%	Deposits in PDPC approved banks	Deposits in PDPC approved banks	Deposits in PDPC approved banks
Banker's Acceptance	20%	5%	N/A	N/A	N/A
Clark County LGIP	50%	None	N/A	N/A	N/A
State LGIP	100%	None	N/A	N/A	N/A

*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

Note 2 – Deposits and Investments (Continued)

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

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

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

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

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

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

At December 31, 2022, the District had the following recurring fair value measurements:

Note 2 – Deposits and Investments

	Total	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)**	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Clark County Investment Pool*	$ 5,700,459			
Investment Securities				
Federal National Mortgage Association	976,550	-	976,550	-
Federal Farm Credit Bank	1,398,225	-	1,398,225	-
Federal Home Loan Bank	5,988,080	-	5,988,080	-
U.S. Treasury Notes	21,151,055	21,151,055	-	-
Federal Home Loan Mortgage Corporation	4,857,000	-	4,857,000	-
Corporate Bonds	1,438,643	1,438,643	-	-
Total Investments measured at fair value	41,510,012	22,589,698	13,219,855	-

*The District's investment in the Clark County Investment Pool is not required to be categorized within the fair value heirarchy.
**Matrix pricing was used to measure fair value for Level 2 investments.

Investments Measured at Amortized Cost	
Washington State Local Government Investment Pool	$ 12,125,944
Total Investments measured at amortized cost	$ 12,125,944

Summary of Deposit and Investment Balances – A reconciliation of deposits and investment balances as of December 31, 2022, is as follows:

Cash on Hand	$ 1,250
Amount of Deposits with Private Financial Institutions	7,421,174
Deposits with State LGIP	12,125,944
Deposits with CCIP	5,700,459
Non-Pooled Investments	35,809,553
Total Deposits and Investments	61,058,380
Deposits	
Current:	
Cash and Cash Equivalents	25,248,827
Total Deposits	25,248,827
Investments	
Current:	
Short-term Investments	18,214,935
Noncurrent	
Long-term Investments	17,594,618
Total Investments	35,809,553
Total Deposits and Investments	$ 61,058,380

Note 3 – Capital Assets

Capital assets activity for the year ended December 31, 2022, is as follows:

	Balance Jan. 1, 2022	Additions & Transfers	Retirements & Transfers	Balance Dec. 31, 2022
CAPITAL ASSETS - NONDEPRECIABLE:				
Land and land rights	$ 613,226	$ -	$ -	$ 613,226
Construction work-in-progress	4,197,308	9,908,437	8,136,897	5,968,848
Total capital assets - nondepreciable	4,810,534	9,908,437	8,136,897	6,582,074
CAPITAL ASSETS - DEPRECIABLE:				
Collection and transmission system	214,449,028	14,956,384	489,641	228,915,771
Buildings	12,059,720	189,087	-	12,248,807
Improvements other than buildings	3,541,026	18,372	-	3,559,398
Pump stations	47,183,760	2,622,699	232,694	49,573,765
Machinery, furniture and equipment	4,277,391	448,669	-	4,726,060
Intangible assets, including future treatment capacity rights	49,383,521	-	-	49,383,521
Total capital assets - depreciable	330,894,446	18,235,211	722,335	348,407,322
LESS ACCUMULATED DEPRECIATION:				
Collection and transmission system	(50,121,910)	(3,050,608)	(395,732)	(52,776,785)
Buildings	(1,453,282)	(389,481)	-	(1,842,763)
Improvements other than buildings	(376,820)	(103,495)	-	(480,315)
Pump stations	(17,434,055)	(2,942,449)	(174,277)	(20,202,227)
Machinery, furniture and equipment	(2,799,246)	(310,767)	-	(3,110,013)
Intangible assets, including future treatment capacity rights	(38,156,372)	(2,806,788)	-	(40,963,160)
Total accumulated depreciation	(110,341,684)	(9,603,588)	(570,009)	(119,375,263)
Total capital assets - depreciable, Net	220,552,762	8,631,623	152,326	229,032,059
Total capital assets, Net	$ 225,363,296	$ 18,540,060	$ 8,289,223	$ 235,614,133

Note 4 – Construction Commitments

The District has construction commitments resulting from active consultant and construction projects, including restoration and replacement projects, as of December 31, 2022, exceeding $100,000 as follows:

Project	Total Awarded Contract Commitment	Spent to Date	Remaining on Contract
NE 99th Street CRP (94th Ave to SR 503)	$ 1,822,013	$ 1,021,023	$ 800,990
NE 20th Ave Trunk	4,755,854	1,699,814	3,056,040
SCTP Manhole Diversion	194,005	-	194,005
	$ 6,771,872	$ 2,720,837	$ 4,051,035

Note 5 – Long-Term Liabilities

Direct Placement Revenue Bonds – Revenue bonds are authorized and adopted by the Board of Commissioners for the construction of capital additions. Sewer revenues of the District provide the security for repayment of District debt. On April 8, 2020, the District issued $10,190,000 in Sewer Revenue Bonds to fund the District Campus Improvements Project, an expansion of the District's current facilities that is expected to accommodate the District growth forecasted over the next 20 years. The bonds bear an interest rate of 5.0%. Principal installments range from $310,000 to $780,000, with a final maturity date of December 1, 2040. In 2022, the District paid $819,000 ($325,000 principal and $494,000 interest) on these bonds. The annual debt service requirements for these 2020 sewer revenue bonds are as follows:

	2020 Sewer Revenue Bonds		
Year	Principal	Interest	Total Debt Service
2023	340,000	477,750	817,750
2024	355,000	460,750	815,750
2025	375,000	443,000	818,000
2026	395,000	424,250	819,250
2027	415,000	404,500	819,500
2028-2032	2,395,000	1,690,500	4,085,500
2033-2037	3,055,000	1,029,000	4,084,000
2038-2040	2,225,000	226,250	2,451,250
Total	$ 9,555,000	$ 5,156,000	$ 14,711,000

Direct Borrowings – The State of Washington has a low-cost financing program that allows public entities in the State to finance public works (i.e. collection transmission facilities). This program is administered by the State of Washington Public Works Board (PWB). The remaining loans from the State PWB will be repaid over a period not to exceed twenty (20) years at the stated interest rates.

Construction was funded through the use of these loans as follows:

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

- Discovery Corridor Wastewater Transmission System was completed in 2016. The District and the City of Ridgefield were each directly approved for $10,000,000 loans. The total $20,000,000 of approved loans funded the design and substantial construction activities. The initial loan draws were made in June 2013 and July 2013, respectively. On January 1, 2014, the City's loan was transferred to the District as part of the transfer of its collection system operations. As of December 31, 2019, the District is fully drawn on both the loan directly issued to the District and the loan transferred from Ridgefield.

Note 5 – Long-Term Liabilities (Continued)

Below is a schedule of loans containing a description of each loan, its use, and outstanding balance as of December 31, 2022:

Public Works Board Loans	Loan Number	Notice of Completion	Approved Loan Amount	Balance	Interest Rate
Gee Creek Trunk Sewer	PW-05-691-047	February 2008	$ 1,597,606	$ 251,951	1.0%
Discovery Corridor Wastewater Transmission System	PC-12-951-034	March 2017	10,000,000	5,267,604	0.5%
Discovery Corridor Wastewater Transmission System	PC-13-961-040	March 2017	10,000,000	5,558,894	0.5%
				$11,078,449	

For 2022, the District paid $1,288,360 ($1,225,163 principal and $63,197 interest) on the PWB loans outstanding as of December 31, 2022. In the event the District defaults on a payment on these loans, a monthly penalty of 1% (12% per annum) will be assessed.

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

	State of Washington - Public Works Board Loans						
Year Ending	Gee Creek Trunk Sewer		DCWTS*		Total		
December 31	Principal	Interest	Principal	Interest	Principal	Interest	Payments
2023	83,984	2,520	1,141,179	54,132	1,225,163	56,652	1,281,815
2024	83,984	1,680	1,141,179	48,427	1,225,163	50,107	1,275,270
2025	83,983	840	1,141,179	42,721	1,225,162	43,561	1,268,723
2026	-	-	1,141,179	37,015	1,141,179	37,015	1,178,194
2027	-	-	1,141,178	31,309	1,141,178	31,309	1,172,487
2028-2032	-	-	5,120,604	70,956	5,120,604	70,956	5,191,560
Total	$ 251,951	$ 5,040	$ 10,826,498	$ 284,560	$ 11,078,449	$ 289,600	$ 11,368,049

* Discovery Corridor Wastewater Transmission System

Changes in long-term liabilities as a summary for the year ended December 31, 2022:

	Balance Jan. 1, 2022	Additions	Reductions	Balance Dec. 31, 2022	Due Within One Year
Compensated absences	$ 673,654	$ 741,811	$ 636,822	$ 778,643	$ 70,078
Total other postemployment benefits liability	2,720,162	277,351	-	2,997,513	23,485
Net pension liability	407,147	592,218	-	999,365	-
Construction deposits	248,951	1,372,416	-	1,621,367	247,129
Notes from direct borrowings	12,303,612	-	1,225,163	11,078,449	1,225,163
Directly place sewer revenue bonds	9,880,000	-	325,000	9,555,000	340,000
Directly place sewer revenue bonds - issuance premiums	2,082,755	-	109,619	1,973,136	109,619
Total long-term liabilities	$ 28,316,281	$ 2,983,796	$ 2,296,604	$ 29,003,473	$ 2,015,474

Note 6 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 999,365
Pension assets	1,736,192
Deferred outflows of resources	1,915,714
Deferred inflows of resources	1,842,272
Pension expense/expenditures	(29,968)

State-Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Note 6 – Pension Plans (Continued)

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September – December 2022		
PERS Plan 1	6.36%	6.00%
Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service.

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

Note 6 – Pension Plans (Continued)

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**10.39%**	**6.36%**

The District's actual PERS plan contributions were $263,237 to PERS Plan 1 and $445,147 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Note 6 – Pension Plans (Continued)

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation

- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity

- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

<u>Method changes</u>

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Note 6 – Pension Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.2 percent, representing the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of Net Pension Liability

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease 6.0%	Current Rate 7.0%	1% Increase 8.0%
PERS 1	$ 1,335,138	$ 999,365	$ 706,314
PERS 2/3	2,044,593	(1,736,192)	(4,842,345)

Pension Plan Fiduciary Net Position

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

Note 6 – Pension Plans (Continued)

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

At June 30, 2022, the District reported its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	$ 999,365
PERS 2/3	(1,736,192)

At June 30, 2022, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.03334%	0.03589%	0.00255%
PERS 2/3	0.04283%	0.04681%	0.00399%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all PERS plans.

Pension Expense

For the year ended December 31, 2022, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ 525,931
PERS 2/3	(555,899)
TOTAL	$ (29,968)

Deferred Outflows of Resources and Deferred Inflows of Resources

On December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 6 – Pension Plans (Continued)

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (165,624)
Contributions subsequent to the measurement date	144,510	-
TOTAL	144,510	(165,624)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 430,188	$ (39,303)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,283,579)
Changes of assumptions	967,687	(253,375)
Changes in proportion and differences between contributions and proportionate share of contributions	131,715	(100,391)
Contributions subsequent to the measurement date	241,614	-
TOTAL	1,771,204	(1,676,648)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 430,188	$ (39,303)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,449,203)
Changes of assumptions	967,687	(253,375)
Changes in proportion and differences between contributions and proportionate share of contributions	131,715	(100,391)
Contributions subsequent to the measurement date	386,124	-
TOTAL	1,915,714	(1,842,272)

Note 6 – Pension Plans (Continued)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2023	$ (70,089)	$ (385,511)
2024	(63,659)	(327,298)
2025	(79,858)	(409,857)
2026	47,981	579,707
2027	-	200,132
Thereafter	-	195,770

Note 7 – Defined Benefit Other Postemployment Benefit (OPEB) Plan

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	$ 2,997,513
Deferred outflow of resources	11,743
OPEB Expenses	292,297

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

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

Employees Covered by Benefit Terms – All full-time employees are covered by these benefit terms. At December 31, 2022, membership in the plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	88
Total	92

Benefits Provided – Employees that retire from the District are eligible to continue participation in the PEBB health insurance plan on a self-pay basis. Retirees participating in the plan receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other retirees. The subsidy is valued using the difference between the age-based claims cost and the premium. In 2022, the District's estimated monthly implicit rate subsidy was $1,957 per month.

Actuarial Assumptions and Other Inputs – The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. 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.

Note 7 – Defined Benefit Other Postemployment Benefit (OPEB) Plan (Continued)

The District's total OPEB liability of $2,997,513 was measured as of June 30, 2022, with a valuation date of June 30, 2022. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediate amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified at December 31, 2022:

Discount rate - Beginning of Measurement Year	2.16%
Discount Rate - End of Measurement Year	3.54%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

Discount rates are established by the Bond Buyer GO 20-Bond Municipal Index.

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary to member status (e.g. active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2013-2018 Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2019 Economic Experience Study.

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

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

The estimated retirement service for each active cohort was based on the average entry age of 35, with a minimum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Note 7 – Defined Benefit Other Postemployment Benefit (OPEB) Plan (Continued)

Assumptions for retirement, disability, termination and mortality are based on the 2020 PEBB OPEB Actuarial Valuation Report, with the following changes for simplicity:

- Assume Plan 2 decrement rate.
- Assume all employees are retirement eligible at age 55 and all employees retire at age 70.
- Assume an average expected retirement age of 65, applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65+.

Each cohort is assumed to be a 50/50 male/female split. It was further assumed that eligible spouses are the same age as the primary member.

Dental benefits, representing less than 2% of the accrued benefit obligations under the 2020 PEBB OPEB AVR, were not included when calculating the total OPEB liability.

Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District calculated using the healthcare trend rates of 2-11 percent reaching an ultimate range of 4.3 percent, as well as what the OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate.

1% Decrease	Current Health Care Trend Rate	1% Increase
$ 2,445,994	$ 2,997,513	$ 3,720,022

Sensitivity of the Total Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
$ 3,607,736	$ 2,997,513	$ 2,514,984

Changes in the Total OPEB Liability - The following table presents the change in the total OPEB liability during 2022:

Service cost	$ 164,700
Interest cost	62,152
Changes in assumptions	65,445
Benefit payments	(14,946)
Net change in total OPEB liability	277,351
Total OPEB Liability - beginning	2,720,162
Total OPEB Liability - ending	$ 2,997,513

Note 7 – Defined Benefit Other Postemployment Benefit (OPEB) Plan (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ending December 31, 2022, the District recognized OPEB expense of $292,297.

On December 31, 2022, the District reported deferred outflows of resources related to OPEB for payments subsequent to the measurement date in the amount of $11,743. These will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

Note 8 – 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.

	2022
Capital contributions of assets from developers, governments and other sources	$ 9,927,630
Capital contributions from system development charges	9,661,526
Capital contributions from local facility reimbursements	334,177
Total	$ 19,923,334

Note 9 – Risk Management

Clark Regional Wastewater District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 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: All-Risk Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Employment Practices Liability, Cyber Liability, Identity Fraud Reimbursement Program; and bonds of various types. Most coverages are on an "occurrence" basis.

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

Note 9 – Risk Management (Continued)

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	$1,000 - $25,000 and See (C) below	$25,000	$275,000,000
Flood	See (A) below	See (A) below	$25,000,000
Earthquake	See (B) below	See (B) below	$100,000,000 ($75,000,000 shared by all members, $25,000,000 dedicated to Alderwood)
Terrorism	$1,000 - $25,000	$25,000 Primary layer	$700,000,000 Primary layer
Boiler & Machinery	$1,000 - $350,000 depending on object	$25,000 - $350,000 depending on object	$100,000,000
Auto - Physical Damage	$1,000 - $25,000	$25,000	Replacement Value Coverage
Liability:			
Commercial General Liability	$1,000 - $25,000	$500,000	$10,000,000
Auto Liability	$1,000 - $25,000	Same as above	$10,000,000
Public Officials Errors and Omissions	$1,000 - $25,000	Same as above	$10,000,000
Employment Practices	$1,000 - $25,000	Same as above	$10,000,000
Other:			
Cyber Liability	$50,000	N/A	$2,000,000
Public Officials Bonds	Various	N/A	Various
Crime	$1,000 - $25,000	$25,000	$2,000,000
Identity Fraud	$0	$0	$25,000
A. $100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; $250,000 member deductible per occurrence in Flood Zones A&V.			
B. Member deductible for earthquakes is 5%, subject to $100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber Liability is $50,000, and where applicable, the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.			

Pool members are responsible for a deductible on each coverage. The Pool is responsible for the remainder of the self-insured retention listed in the table above, except where noted. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability and that part of a Boiler & Machinery deductible, which exceeds $25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2022, written notice must be in possession of the Pool by April 30, 2022). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

Note 9 – Risk Management (Continued)

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2022, written notice must be in possession of the Pool by April 30, 2022). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

The following schedule depicts the property claims filed by the District with the Pool for the years 2022, 2021 and 2020 and the amounts covered by insurance.

Years	Claims Settlements	Insurance Coverage	Excess of Claim Cost Over Coverage
2022	$ 144,198	$ 113,073	$ 31,125
2021	229,390	225,183	4,207
2020	84,034	77,034	7,000

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

Note 10 – Implementation of New Governmental Accounting Standards Board Pronouncements

At December 31, 2022, the District implemented GASB 97, *Deferred Compensation.* This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The District offers its employees two other employee benefit plans (deferred compensation plans) created in accordance with Internal Revenue Code Section 457. Mission Square Retirement 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. Additionally, the Mission Square plan offers a Roth option, which allows an employee to contribute after-tax dollars, which are tax-free upon distribution. 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. Upon implementation of this standard, the District does not contribute to the plan, therefore, no disclosures are required.

Note 11 – 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 an agreement on the optimum structure for a regional wastewater transmission and treatment utility to meet the needs of the agencies and community for the next generation. The Interlocal Formation Agreement (IFA), signed on September 27, 2012, represents the culmination of five years of study and provided the foundation to create a new regional utility entity, the Alliance, under the empowerment of Chapter 39.106 RCW – the Joint Municipal Utility Services Act (JMUSA). The Alliance was incorporated with the Washington Secretary of State on January 4, 2013. The Alliance is governed by a four-member board, one elected official from each entity, and was established to provide wastewater transmission and treatment services to the citizenry of the respective participating members.

As the managing partner or "Administrative Lead" for the Alliance, the District provides executive, financial, and engineering services. The District also manages and operates three Regional Transmission Systems and the Ridgefield Wastewater Treatment Plant. Effective June 1, 2022, the District also became Contract Operator of the Salmon Creek Treatment Plant, adding 18 full-time employees to the District.

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

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

During 2022, the District paid $12,194,459 to the Alliance for Regional Service Charges, as budgeted by the District and Alliance. The District billed the Alliance $1,202,865 for Administration Lead services provided, which includes both staff time and expenses for professional consulting, IT support, insurance, and various utility expenses. Additionally, the District billed the Alliance $2,594,496 and $602,605 for operations of the Salmon Creek Treatment Plant and other Regional Assets, respectively. More information about the Alliance, including the 2022 Annual Comprehensive Financial Report, can be found on their website at http://www.discoverycwa.org.

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

Fiscal Year Ended	Total OPEB Liability - Beginning	Service Cost	Interest	Changes in Benefit Terms	Differences Between Expected and Actual Experience	Benefit Payments	Other Changes	Total OPEB Liability - Ending	Covered-Employee Payroll	Total OPEB Liability as a Percentage of Covered Payroll
12/31/18	$2,333,182	$ 141,364	$ 88,517	$ -	$ (156,111)	$ (4,019)	$ -	$ 2,402,933	$ 4,233,472	56.76%
12/31/19	2,402,933	120,555	97,441	-	(235,790)	(11,390)	-	2,373,749	4,724,615	50.24%
12/31/20	2,373,749	127,922	87,431	-	534,944	(7,355)	-	3,116,691	4,864,747	64.07%
12/31/21	3,116,691	181,140	72,733	-	(636,836)	(13,566)	-	2,720,162	5,152,328	52.79%
12/31/22	2,720,162	164,700	62,152	-	65,445	(14,946)	-	2,997,513	5,926,849	50.58%

See notes to Required Supplementary Information.

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

Year Ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2014	0.029187%	$ 1,470,309	$3,188,944	46.11%	61.19%
2015	0.029695%	1,553,325	3,403,683	45.64%	59.10%
2016	0.030163%	1,619,895	3,586,324	45.17%	57.03%
2017	0.027234%	1,292,275	3,744,045	34.52%	61.24%
2018	0.029696%	1,326,233	4,000,682	33.15%	63.22%
2019	0.033597%	1,291,924	4,558,916	28.34%	67.12%
2020	0.031953%	1,128,113	4,864,747	23.19%	68.64%
2021	0.033339%	407,147	5,152,328	7.90%	88.74%
2022	0.035892%	999,365	5,926,849	16.86%	76.56%

See notes to Required Supplementary Information.

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

Year Ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2014	0.037579%	$ 759,607	$ 3,188,944	23.82%	93.29%
2015	0.038359%	1,370,589	3,403,683	40.27%	89.20%
2016	0.038699%	1,948,464	3,586,324	54.33%	85.82%
2017	0.035030%	1,217,126	3,744,045	32.51%	90.97%
2018	0.037967%	648,253	4,000,682	16.20%	95.77%
2019	0.043388%	421,445	4,558,916	9.24%	97.77%
2020	0.041612%	532,194	4,864,747	10.94%	97.22%
2021	0.042828%	(4,266,358)	5,152,328	-82.80%	120.29%
2022	0.046813%	(1,736,192)	5,926,849	-29.29%	106.73%

See notes to Required Supplementary Information.

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

Year Ended December 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 132,731	$ (132,731)	$ -	$ 3,289,190	4.04%
2015	153,801	(153,801)	-	3,503,486	4.39%
2016	174,276	(174,276)	-	3,653,591	4.77%
2017	189,985	(189,985)	-	3,875,441	4.90%
2018	214,397	(214,397)	-	4,233,472	5.06%
2019	233,609	(233,609)	-	4,724,615	4.94%
2020	238,782	(238,782)	-	4,977,955	4.80%
2021	230,979	(230,979)	-	5,392,363	4.28%
2022	263,237	(263,237)	-	6,999,153	3.76%

See notes to Required Supplementary Information.

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

Year Ended December 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 164,282	$ (164,282)	$ -	$ 3,289,190	4.99%
2015	197,516	(197,516)	-	3,503,486	5.64%
2016	227,619	(227,619)	-	3,653,591	6.23%
2017	266,283	(266,283)	-	3,875,441	6.87%
2018	317,585	(317,585)	-	4,233,472	7.50%
2019	364,766	(364,766)	-	4,724,615	7.72%
2020	394,254	(394,254)	-	4,977,955	7.92%
2021	384,540	(384,540)	-	5,392,363	7.13%
2022	445,147	(445,147)	-	6,999,153	6.36%

See notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

Note 1 – Information Provided

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

Note 1 – Information Provided

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

Note 2 – Significant Factors

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

Note 3 – Covered Payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll is the payroll on which a contribution to a pension plan is based.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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