



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Three Rivers Regional Wastewater Authority

For the period January 1, 2022 through December 31, 2023

*Published November 27, 2024*

Report No. 1035985



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

November 27, 2024

Operating Board  
Three Rivers Regional Wastewater Authority  
Longview, Washington

**Report on Financial Statements**

Please find attached our report on the Three Rivers Regional Wastewater Authority's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Three Rivers Regional Wastewater Authority January 1, 2022 through December 31, 2023**

Operating Board  
Three Rivers Regional Wastewater Authority  
Longview, 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 Three Rivers Regional Wastewater Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated November 18, 2024.

We issued an unmodified opinion on the fair presentation of the Authority's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Authority using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority'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 Authority'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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 18, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Three Rivers Regional Wastewater Authority January 1, 2022 through December 31, 2023**

Operating Board  
Three Rivers Regional Wastewater Authority  
Longview, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Three Rivers Regional Wastewater Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the Authority has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Three Rivers Regional Wastewater Authority, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Three Rivers Regional Wastewater Authority, as of December 31, 2023 and 2022, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. 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 Authority, 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 unmodified and adverse opinions.

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the Authority in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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 Authority'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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time; and
- We are required to 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.

## Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024 on our consideration of the Authority's internal control over financial reporting and on the 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 Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

November 18, 2024

## **FINANCIAL SECTION**

### **Three Rivers Regional Wastewater Authority January 1, 2022 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023

Fund Resources and Uses Arising from Cash Transactions – 2022

Notes to Financial Statements – 2023

Notes to Financial Statements – 2022

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2023

Schedule of Liabilities – 2022

**Three Rivers Regional Wastewater Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	6,864,590
388 / 588	Net Adjustments	(227)

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	692,515
340	Charges for Goods and Services	8,201,017
350	Fines and Penalties	-
360	Miscellaneous Revenues	317,623
Total Revenues:		9,211,155

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	8,778,654
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		8,778,654
Excess (Deficiency) Revenues over Expenditures:		432,501

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	6,000,001
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		6,000,001

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	2,935,201
591-593, 599	Debt Service	3,342,644
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		6,277,845

**Increase (Decrease) in Cash and Investments: 154,657**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	7,019,019
50891	Unassigned	-
Total Ending Cash and Investments		7,019,019

*The accompanying notes are an integral part of this statement.*

**Three Rivers Regional Wastewater Authority**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	7,215,655
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	284,981
340	Charges for Goods and Services	7,913,148
350	Fines and Penalties	-
360	Miscellaneous Revenues	103,344
Total Revenues:		8,301,473

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	6,840,026
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		6,840,026
Excess (Deficiency) Revenues over Expenditures:		1,461,447

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	416,187
591-593, 599	Debt Service	1,396,326
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		1,812,513

**Increase (Decrease) in Cash and Investments:** **(351,066)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	1,259,295
50841	Committed	-
50851	Assigned	5,605,295
50891	Unassigned	-
Total Ending Cash and Investments		6,864,590

*The accompanying notes are an integral part of this statement.*

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 1 - Summary of Significant Accounting Policies**

The Three Rivers Regional Wastewater Authority (TRRWA) was incorporated on January 15, 2016 as a Joint Municipal Utility Services Agreement (JMUSA) and operates under the laws of the state of Washington applicable to TRRWA under Chapter 39.106 RCW. The TRRWA is a special purpose local government to jointly provide regional wastewater transmission and treatment for the TRRWA members and other contracting municipal wastewater utilities. TRRWA may exercise all powers authorized by Chapter 39.106 RCW, subject to the terms of the TRRWA Joint Municipal Utility Services Agreement.

The TRRWA will provide all necessary treatment facilities, transmission facilities, and wastewater services to receive and dispose of wastewater collected by its members within the service area and delivered to the regional assets in accordance with the TRRWA rules. The TRRWA may provide treatment facilities, transmission facilities, and wastewater services for contracting municipal wastewater utilities and non-contract dischargers upon TRRWA Operating Board approval. The TRRWA may provide additional wastewater treatment services as determined by the TRRWA Operating Board. The TRRWA may provide additional utility services as determined by the TRRWA's Board of Directors.

The TRRWA reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Note 4 Component Unit*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are different from the ending net position classifications in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

**C. Cash and Investments**

See Note 3 - *Deposits and Investments*.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$100,000 and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 480 hours for exempt and non-represented staff and 248 hours for represented staff and is payable upon separation or retirement. Sick leave may be accumulated to a maximum of 1200 hours. Upon separation or retirement, employees hired prior to January 1, 2013 and have completed their probation period, do receive payment for 50% of their unused sick leave. AFSCME Local 334W members hired after January 1, 2013 will not be compensated for any accrued sick leave at the time of termination or separation from employment. Technical Employees Association members hired after January 1, 2014 will not be compensated for any accrued sick leave at the time of termination or separation from employment. Compensatory Time accruals may be accumulated to a maximum of 60 hours for represented staff and maximum of 80 hours for non-exempt non-represented staff and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

The total liability of compensated absences as of 12/31/2023 was \$303,975.

**F. Long-Term Debt**

See Note 6 – *Long-Term Debt (formerly Debt Service Requirements)*.

**G. Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the TRRWA's Board of Directors. When expenditures that meet restrictions are incurred, the TRRWA intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
Fund 401	0	0	0	Bond Covenants
<i>Totals</i>	0	0	0	

This restricted account was eliminated when the 2015 Bonds were defeased on October 4, 2023.

**Note 2 - Budget Compliance**

The TRRWA adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated		
	Amounts	Actual Expenses	Variance
Maintenance Fund	6,798,926	6,472,719	326,207
Reserve Fund	5,887,801	5,642,678	245,123
Severance Fund	30,000	1,726	28,274
Fixed Asset Replacement Fund	-	-	-
2015 Bond Payment Fund	989,700	2,939,603	(1,949,903)
2023 Bond Payment Fund	200,000		200,000
Total 401 - Maintenance Fund	13,906,427	15,056,726	(1,150,299)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the TRRWA's legislative body. Variance is due to less total budget expenses than anticipated. Internally, we met our budget for 2023.

This budget excludes \$8,227,699 worth of inter-fund transfers due to consolidation of funds.

Maintenance Fund: *Less expenses* in Direct Labor, Overtime, Industrial Accident Claims, Social Security-Summer Help, Retirement, Uniforms & Clothing, Unemployment, Labor & Industries Premium, Longevity Recognition, Office Supplies, Lab Supplies, Cleaning Supplies, Paint Supplies, Electrical Supplies, Biosolids Program Supplies, Pretreatment Supplies, Safety Supplies, Wellness Program Supplies, Tires, Misc. O & M Supplies, Chemicals-Lime, Chemicals-Polymer, Chemicals-Sodium Bisulfite, Chemicals-Sodium Hypochlorite, Hardware Maint., Professional Services-General, Laboratory Services, Postage, Telephone, Meals and Lodging, Mileage, Other Travel, Tuition & Registration, Insurance Premiums, Sales Tax, Dues & Subscriptions, Printing & Binding, Misc. Other (Fees/Cert), Bank Fees, Electricity, Garbage, Garbage-Grit & Rag Removal, Machinery & Equipment.

*More expenses* in Out of Class Pay, Employer Benefit-Standard LTD/Life, Medicare, Oil & Lubricants, Plumbing Supplies, Building & Structure Maint. Supplies, Grounds Maint. Supplies, Instrumentation Supplies, Vactor Bed Supplies, Propane, Diesel Fuel, Chemicals - Misc., Chemicals-Hydrochloric Acid, Intergovernmental Services-Permits/Fees, Advertising, Equip. Rent (outside), Equipment Repairs & Maint, Grounds Maint. Services, Photocopies, RDP Hauling Program, Vactor Bed Disposal Services, Water (Longview), and Water (Kelso) than anticipated.

Reserve Fund: Projects either not completed in 2023 or were delayed to 2024.

Severance Fund: Lower employee separation expenses than anticipated in 2023.

Fixed Asset Replacement Fund: No asset replacement expenses in 2023.

2015 Bond Fund: The negative variance was due to the unanticipated pay off of the 2015 bonds, in the amount of \$1,905,000 in 2023. A budget amendment was not adopted.



**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 3 – Deposits and Investments**

Investments are reported at an amortized cost. Deposits and investments by type at December 31, 2023 are as follows:

Type of Deposit or Investment	TRRWA's own deposits & investments	Deposits & investments held by TRRWA as custodian for other local governments, individuals, or private organizations.	Combined
LGIP	6,348,477	0	6,348,477
Bank Deposits/Petty Cash	670,542	0	670,542
Totals	7,019,019	0	7,019,019

It is the TRRWA's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds depending on the amount that is invested from that particular fund.

Investments in the State Local Government Investment Pool (LGIP)

TRRWA is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the TRRWA would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The TRRWA'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).

All investments are insured, registered or held by the TRRWA or its agent in the government's name.

**Note 4 – Joint Ventures, Component Unit(s), and Related Parties**

Joint Venture

City of Kelso, City of Longview, Beacon Hill Water & Sewer District, and Cowlitz County formed a Washington Joint Municipal Utility Service Authority (JMUSA) under Chapter 39.106 RCW as the Three Rivers Regional Wastewater Authority.

Component Unit

Based on a review of the TRRWA's governance structure under Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), on September 10, 2020 the TRRWA's attorney, Foster Garvey, determined that the inclusion of TRRWA's financial statements as a component unit of the City of Longview in the City of Longview financial statements is not necessary. Therefore, the TRRWA is no longer considered a component thereof.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Related Party

City of Kelso, City of Longview, Beacon Hill Water & Sewer District and Cowlitz County formed a Washington Joint Municipal Utility Service Authority (JMUSA) under Chapter 39.106 RCW. Each party pays a portion (based on a five-year average flow to the plant) of the current budget.

There are two boards that oversee the JMUSA that consists of two representatives for each member entity from the City of Kelso, City of Longview, Beacon Hill Water & Sewer District, and Cowlitz County. The Board of Directors (elected officials) meet twice a year; and the Operating Board (appointed by their elected officials) meet once a month. Each member entity paid the following portions (based on a five-year average flow to the plant) of the 2023 budget:

City of Longview	\$4,524,987
City of Kelso	\$2,388,842
Beacon Hill Water & Sewer	\$ 611,050
Cowlitz County	<u>\$ 234,680</u>
	\$7,759,559

Cowlitz County issued one bond for the Three Rivers Regional Wastewater Authority. The 2015 Bond is paid by the Three Rivers Regional Wastewater Authority (as a pass-through) to Cowlitz County in 2023 as follows:

2015 Bonds – Principal/Interest Payment	\$ 989,700
<u>Defeasance Payment on 10/4/23</u>	<u>\$1,947,517</u>
Total Paid in 2023	\$2,927,219

The City of Longview acquired a 2005 Public Works Trust Fund (PWTF) Loans (PW-05-691-PRE-124) for the Three Rivers Regional Wastewater Authority. The Three Rivers Regional Wastewater Authority issues a debt service reimbursement of the annual PWTF Contract payments. The repayment to the City of Longview for 2023 was in the amount of \$41,470.05.

**Note 5 – Leases**

As of December 2023 TRRWA has a new 36 month rental agreement for an Intelligent Mail Indicia (IMI) compliant postage meter due to United States Parcel Service requirement changes effective July 2024. Because this is a monthly lease for a nominal amount and TRRWA will not own the meter, the usually required amortization schedule does not apply.

**Note 6 – Long-Term Debt** *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the TRRWA and summarizes the TRRWA's debt transactions for year ended December 31, 2023.

The debt service requirements for (1) revenue bond and (2) public works trust fund loans are as follows:

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Year	Principal	Interest	Total Debt Service
2024	6,391,897	159,185	6,551,081
2025	391,897	7,225	399,122
2026	351,040	5,266	356,305
2027	351,040	3,510	354,550
2028	351,040	1,755	352,795
2029-2033	0	0	0
<b>Totals</b>	<b>7,836,913</b>	<b>176,941</b>	<b>8,013,854</b>

**Debt Guarantees**

In 2023, the TRRWA guaranteed one (1) Revenue Bond in the name of Cowlitz County, and paid in full one (1) Public Works Trust Fund loan in the name of the City of Longview, legally separate entities (See Note 4 *Related Party*). The TRRWA passed resolutions to pay the original payments on these debts and the JMUSA reaffirms those resolutions. In the event TRRWA is not able to pay, Cowlitz County and the City of Longview are responsible for the payment of said debts. The total amount of outstanding debt subject of this guarantee at year end was \$81,713.

**Short-Term Loan**

The TRRWA received a short-term loan in October 2023. An amortization schedule was not provided because the TRRWA plans to pay off the entire loan when they sell bonds in March/April 2024 in the amount of \$6,000,000 of the principal and estimated \$150,000 in interest.

**Advance Escrow Refunding Bond**

In 2023, TRRWA entered into an advance escrow refunding bond transaction in order to defease the 2015 Revenue Bonds.

**Note 7 – Other Disclosures**

**A. Significant commitments or obligations which impose restrictions on future financial resources.**

The TRRWA plans to perform the following capital maintenance and improvements in 2024 and 2025. These represent planned expenditures of reserved and unreserved funds on significant capital projects that enhance the useful life of equipment or add additional capabilities to the TRRWA's operations.

Evaluate/Replace Generators	\$ 688,794
Septage & Solids Handling Improvements	\$43,055,590
Main Plant Bldg. Backflow Prevention	\$ 110,768
ORP for Hypochlorite Monitoring & Control	\$ 37,500
Replace Centrifuge VD's & Touch Panels	\$ 75,000
Meeting Room Roof Replacement	\$ 35,000

Total planned capital expenditures in 2024 and 2025 are \$44,002,652.

TRRWA acquired a short-term loan in the amount of \$6,000,000 to pay off the 2015 Bonds in the amount of \$1,947,517, make a payment for equipment, and reimburse expenses associated to the Septage & Solids Handling Improvement Project. This entire short-term debt will be paid when TRRWA sells Revenue Bonds in March/April 2024.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

TRRWA was awarded a Public Works Board loan on September 8, 2023, in the amount of \$8,000,000, to fund the planned Septage & Solids Handling Improvement project. The Public Works Board also awarded TRRWA a \$2,000,000 grant at the same time the loan was awarded. No debt will incur until contract is executed and funds are drawn in 2024.

In May 2024, TRRWA sold Revenue Bonds in the amount of \$51,842,293 to fund the planned Septage & Solids Handling Improvements project.

**B. Long Term Care (LTC) Coverage.**

The TRRWA is providing an employer-sponsored LTC plan for all eligible employees until separation, which meets all the requirements of the Washington State Cares LTC program. Those employees that are eligible to participate in the employer-sponsored LTC plan have been approved for exemption from the Washington State Cares LTC plan.

**Note 8 – Pension Plans**

**A. State Sponsored Pension Plans**

Substantially all the TRRWA's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans in PERS 2 and PERS 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2023 (the measurement date of the plans), the TRRWA's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	80211.31	0.01177100%	2,282,732,000	268,700	
PERS 2/3	133307.55	0.01516200%	(4,098,683,000)		(621,442)
		<i>Totals</i>		\$ 268,700	\$ (621,442)

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**B. Deferred Compensation 457b in Lieu of Social Security**

As of January 1, 1980, the TRRWA, formerly known as the Cowlitz Sewer Operating Board, was no longer participating in the Social Security system. In lieu of the Social Security system, TRRWA has secured a long term disability and survivor's benefit plan with the Standard Insurance Company to reasonably cover the employees for disability and survivor's claims. TRRWA contributes 6.2% of each employee's gross salary to a 457b deferred compensation plan of their choice in lieu of paying the employer portion of FICA social security withholdings. All full time employees of TRRWA are also required to contribute 6.2% of their gross salary to the same 457b deferred compensation plan in lieu of paying the employee portion of FICA social security withholdings. Employees can also opt to make additional voluntary contributions above the required minimum of 6.2%.

TRRWA currently maintains one active 457b deferred compensation plan that employees contribute to. Variable Annuity Life Insurance Company (VALIC) currently has 25 employees making active semi-monthly contributions to the plan. The plan administrator on the deferred compensation plan is TRRWA's General Manager. The combined total contributions made in 2023 to deferred compensation plans was \$338,665.

**Note 9 – Risk Management**

The Three Rivers Regional Wastewater Authority is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

**Note 1 - Summary of Significant Accounting Policies**

The Three Rivers Regional Wastewater Authority (TRRWA) was incorporated on January 15, 2016 as a Joint Municipal Utility Services Agreement (JMUSA) and operates under the laws of the state of Washington applicable to TRRWA under Chapter 39.106 RCW. The TRRWA is a special purpose local government to jointly provide regional wastewater transmission and treatment for the TRRWA members and other contracting municipal wastewater utilities. TRRWA may exercise all powers authorized by Chapter 39.106 RCW, subject to the terms of the TRRWA Joint Municipal Utility Services Agreement.

The TRRWA will provide all necessary treatment facilities, transmission facilities, and wastewater services to receive and dispose of wastewater collected by its members within the service area and delivered to the regional assets in accordance with the TRRWA rules. The TRRWA may provide treatment facilities, transmission facilities, and wastewater services for contracting municipal wastewater utilities and non-contract dischargers upon TRRWA Operating Board approval. The TRRWA may provide additional wastewater treatment services as determined by the TRRWA Operating Board. The TRRWA may provide additional utility services as determined by the TRRWA's Board of Directors.

The TRRWA reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Note 4 Component Unit*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are different from the ending net position classifications in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

**C. Cash and Investments**

See Note 3 - *Deposits and Investments*.

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$100,000 and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 480 hours for exempt and non-represented staff and 248 hours for represented staff and is payable upon separation or retirement. Sick leave may be accumulated to a maximum of 1200 hours. Upon separation or retirement, employees hired prior to January 1, 2013 and have completed their probation period, do receive payment for 50% of their unused sick leave. AFSCME Local 334W members hired after January 1, 2013 will not be compensated for any accrued sick leave at the time of termination or separation from employment. Technical Employees Association members hired after January 1, 2014 will not be compensated for any accrued sick leave at the time of termination or separation from employment. Compensatory Time accruals may be accumulated to a maximum of 60 hours for represented staff and maximum of 80 hours for non-exempt non-represented staff and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

The total liability of compensated absences as of 12/31/2022 was \$247,078.

**F. Long-Term Debt**

See Note 6 – *Long-Term Debt (formerly Debt Service Requirements)*.

**G. Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the TRRWA's Board of Directors. When expenditures that meet restrictions are incurred, the TRRWA intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
Fund 401	1,259,295	0	1,259,295	Bond Covenants
<i>Totals</i>	1,259,295	0	1,259,295	

**Note 2 - Budget Compliance**

The TRRWA adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:



**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

Fund/Department	Final Appropriated		
	Amounts	Actual Expenses	Variance
Maintenance Fund	6,142,549	5,781,372	361,177
Reserve Fund	4,079,600	1,780,861	2,298,739
Severance Fund	30,000	32,283	(2,283)
Fixed Asset Replacement Fund	62,000	66,697	(4,697)
2015 Bond Payment Fund	991,325	991,325	
Total 401 - Maintenance Fund	11,305,474	8,652,538	2,652,937

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the TRRWA's legislative body. Variance is due to less total budget expenses than anticipated. Internally, we met our budget for 2022.

This budget excludes \$6,724,620 worth of inter-fund transfers due to consolidation of funds.

Maintenance Fund: *Less expenses* in Industrial Accident Claim, Medical Insurance, LTD/Life, Social Security, Retirement, Unemployment, Labor & Industries, Uniforms, Longevity Recognition, Office Supplies, Cleaning Supplies, Plumbing Supplies, Biosolids Program Supplies, Building & Structure Maintenance Supplies, Grounds Maintenance Supplies, Pretreatment Supplies, Wellness Program Supplies, Vector Bed Supplies, Tires, Hardware Maintenance, Misc. Chemicals, Hardware Maintenance, Intergovernmental Services, Biosolids Marketing Services, Postage, Telephone, Meals & Lodging, Mileage, Travel, Tuition & Registration, Advertising, Equipment Repair & Maintenance, Building & Structure Maintenance, Grounds Maintenance Services, Printing, RDP Hauling, Vector Bed Disposal Services, Utilities, Garbage, Taxes/Fees, Dues & Subscriptions, Improvements Other Than Buildings, and Miscellaneous Fees.

*More expenses* in Direct Labor, Out of Class Pay, Overtime, Medicare, Oil & Lubricants, Paint Supplies, Electrical Supplies, Instrumentation Supplies, Safety Supplies, Fuel, Propane, Diesel Fuel, Small Tools, Chemicals, Professional Services, Laboratory Services, Equipment Rental, Land Rental, Insurance Premiums, Bank Fees, and Machinery & Equipment than anticipated.

Reserve Fund: Projects either not completed in 2022 or were delayed to 2023.

Severance Fund: Higher employee separation expenses than anticipated in 2022.

Fixed Asset Replacement Fund: Higher vehicle replacement expenses than anticipated in 2022.

Budget Disclosures

The 2021 budget reflected a \$1,000,000 transfer from Maintenance Fund to Rate Stabilization Fund. However, in November 2021, the 2022 adopted budget reflected only \$100,000 transferred in 2021 to the Rate Stabilization Fund. It was determined that a budget amendment was not needed, due to the impact it would have on the entity charges since their council had already approved their respective budgets. There were sufficient funds in the Rate Stabilization Fund in 2022 for planning purposes.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

**Note 3 – Deposits and Investments**

Investments are reported at an amortized cost. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	TRRWA's own deposits & investments	Deposits & investments held by TRRWA as custodian for other local governments, individuals, or private organizations.	Combined
LGIP	6,513,596	0	6,513,596
Bank Deposits/Petty Cash	350,994	0	350,994
Totals	6,864,589	0	6,864,589

It is the TRRWA's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds depending on the amount that is invested from that particular fund.

Investments in the State Local Government Investment Pool (LGIP)

TRRWA is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the TRRWA would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The TRRWA'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).

All investments are insured, registered or held by the TRRWA or its agent in the government's name.

**Note 4 – Joint Ventures, Component Unit(s), and Related Parties**

Joint Venture

City of Kelso, City of Longview, Beacon Hill Water & Sewer District, and Cowlitz County formed a Washington Joint Municipal Utility Service Authority (JMUSA) under Chapter 39.106 RCW as the Three Rivers Regional Wastewater Authority.

Component Unit

Based on a review of the TRRWA's governance structure under Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), on September 10, 2020 the TRRWA's attorney, Foster Garvey, determined that the inclusion of TRRWA's financial statements as a component unit of the City of Longview in the City of Longview financial statements is not necessary. Therefore, the TRRWA is no longer considered a component thereof.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

Related Party

City of Kelso, City of Longview, Beacon Hill Water & Sewer District and Cowlitz County formed a Washington Joint Municipal Utility Service Authority (JMUSA) under Chapter 39.106 RCW. Each party pays a portion (based on a five-year average flow to the plant) of the current budget.

There are two boards that oversee the JMUSA that consists of two representatives for each member entity from the City of Kelso, City of Longview, Beacon Hill Water & Sewer District, and Cowlitz County. The Board of Directors (elected officials) meet twice a year; and the Operating Board (appointed by their elected officials) meet once a month. Each member entity paid the following portions (based on a five-year average flow to the plant) of the 2022 budget:

City of Longview	\$4,379,964
City of Kelso	\$2,295,200
Beacon Hill Water & Sewer	\$ 593,656
Cowlitz County	<u>\$ 202,219</u>
	\$7,471,039

Cowlitz County issued one bond for the Three Rivers Regional Wastewater Authority. The 2015 Bond is paid by the Three Rivers Regional Wastewater Authority (as a pass-through) to Cowlitz County in 2022 as follows:

2015 Bond	\$991,325.00
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The City of Longview acquired a 2005 Public Works Trust Fund (PWTF) Loans (PW-05-691-PRE-124) for the Three Rivers Regional Wastewater Authority. The Three Rivers Regional Wastewater Authority issues a debt service reimbursement of the annual PWTF Contract payments. The repayment to the City of Longview for 2022 was in the amount of \$41,674.32.

**Note 5 – Leases**

The TRRWA currently has a 36 month rental agreement for a postage meter. This agreement will end on 1/20/2025.

**Note 6 – Long-Term Debt** *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the TRRWA and summarizes the TRRWA's debt transactions for year ended December 31, 2022.

The debt service requirements for (1) revenue bond and (2) public works trust fund loans are as follows:

Year	Principal	Interest	Total Debt Service
2023	1,291,897	100,844	1,392,741
2024	1,326,897	66,685	1,393,581
2025	1,361,897	26,625	1,388,522
2026	351,040	5,266	356,305
2027	351,040	3,510	354,550
2028-2032	351,040	1,755	352,795
<i>Totals</i>	5,033,810	204,685	5,238,495

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

Debt Guarantees

In 2022, the TRRWA guaranteed one (1) Revenue Bond in the name of Cowlitz County, and one (1) Public Works Trust Fund loan in the name of the City of Longview, legally separate entities (See Note 4 *Related Party*). The TRRWA passed resolutions to pay the original payments on these debts and the JMUSA reaffirms those resolutions. In the event TRRWA is not able to pay, Cowlitz County and the City of Longview are responsible for the payment of said debts. The total amount of outstanding debt subject of this guarantee at year end was \$2,927,571.56.

**Note 7 – Other Disclosures**

A. Significant commitments or obligations which impose restrictions on future financial resources.

The TRRWA plans to perform the following capital maintenance and improvements in 2023 and 2024. These represent planned expenditures of reserved and unreserved funds on significant capital projects that enhance the useful life of equipment or add additional capabilities to the TRRWA's operations.

Evaluate/Replace Generators	\$ 756,393
Replace SCADA Stratus System	\$ 200,000
Septage & Solids Handling Improvements	\$25,555,534
Main Plant Bldg. Backflow Prevention	\$ 114,729
Replace KPS Drives	\$ 12,000
South Plant Blower Energy Project	\$ 1,720,000

Total planned capital expenditures in 2023 and 2024 are \$28,358,656.

TRRWA plans to sell Revenue Bonds in September 2023 and will be applying for PWB loans to fund the planned Septage & Solids Handling Improvements project.

B. Long Term Care (LTC) Coverage.

The TRRWA is providing an employer-sponsored LTC plan for all eligible employees until separation, which meets all the requirements of the Washington State Cares LTC program. Those employees that are eligible to participate in the employer-sponsored LTC plan have been approved for exemption from the Washington State Cares LTC plan.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the TRRWA's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans in PERS 2 and PERS 3.

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

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2022 (the measurement date of the plans), the TRRWA's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	78,779.80	0.01285400%	2,784,367,000	357,903	
PERS 2/3	134,718.61	0.01676900%	(3,708,781,000)		(621,925)
		<i>Totals</i>		\$ 357,903	\$ (621,925)

**B. Deferred Compensation 457b in Lieu of Social Security**

As of January 1, 1980, the TRRWA, formerly known as the Cowlitz Sewer Operating Board, was no longer participating in the Social Security system. In lieu of the Social Security system, TRRWA has secured a long term disability and survivor's benefit plan with the Standard Insurance Company to reasonably cover the employees for disability and survivor's claims. TRRWA contributes 6.2% of each employee's gross salary to a 457b deferred compensation plan of their choice in lieu of paying the employer portion of FICA social security withholdings. All full time employees of TRRWA are also required to contribute 6.2% of their gross salary to the same 457b deferred compensation plan in lieu of paying the employee portion of FICA social security withholdings. Employees can also opt to make additional voluntary contributions above the required minimum of 6.2%.

TRRWA currently maintains one active 457b deferred compensation plan that employees contribute to. Variable Annuity Life Insurance Company (VALIC) currently has 25 employees making active semi-monthly contributions to the plan. The plan administrator on the deferred compensation plan is TRRWA's General Manager. The combined total contributions made in 2022 to deferred compensation plans was \$313,240.

**Note 9 – Risk Management**

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New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

**Three Rivers Regional Wastewater Authority**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**Three Rivers Regional Wastewater Authority  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.98	Quadient Postage Meter Rental	1/20/2025	630	-	360	270
<b>Total General Obligation Debt/Liabilities:</b>			<b>630</b>	<b>-</b>	<b>360</b>	<b>270</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absence		247,078	56,897	-	303,975
264.30	Net Pension Liability PERS 1,2 & 3		357,903	-	89,203	268,700
263.86	2015 Revenue Bonds (County)**	3/1/2025	2,805,000	-	2,805,000	-
263.86	2005 PWTF (Longview)	5/31/2025	122,572	-	40,857	81,715
263.88	2008 PWTF (TRRWA)	6/30/2028	2,106,238	-	351,040	1,755,198
263.88	2023 PWTF Short Term Loan (TRRWA)	5/31/2024	-	6,000,000	-	6,000,000
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,638,791</b>	<b>6,056,897</b>	<b>3,286,100</b>	<b>8,409,588</b>
<b>Total Liabilities:</b>			<b>5,639,421</b>	<b>6,056,897</b>	<b>3,286,460</b>	<b>8,409,858</b>

**Three Rivers Regional Wastewater Authority  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.98	Non-Capital Equipment Lease	1/20/2025	-	990	360	630
<b>Total General Obligation Debt/Liabilities:</b>			<b>-</b>	<b>990</b>	<b>360</b>	<b>630</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absence		271,828	-	24,750	247,078
263.86	2015 Revenue Bonds (County)	3/1/2025	3,680,000	-	875,000	2,805,000
263.86	2005 PWTF (Longview)	5/31/2025	163,429	-	40,857	122,572
263.88	2008 PWTF (TRRWA)	6/30/2028	2,457,277	-	351,039	2,106,238
264.30	Net Pension Liability PERS 1,2 & 3		144,655	213,248	-	357,903
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>6,717,189</b>	<b>213,248</b>	<b>1,291,646</b>	<b>5,638,791</b>
<b>Total Liabilities:</b>			<b>6,717,189</b>	<b>214,238</b>	<b>1,292,006</b>	<b>5,639,421</b>



## 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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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