



Laying the foundation
for a vibrant economy
and healthy environment

DISCOVERY CLEAN WATER ALLIANCE

VANCOUVER, WASHINGTON



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

**DISCOVERY
CLEAN WATER ALLIANCE**
Vancouver, Washington

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

**PREPARED BY THE
CLARK REGIONAL WASTEWATER DISTRICT AS ADMINISTRATIVE LEAD
TO THE DISCOVERY CLEAN WATER ALLIANCE**

DISTRICT STAFF

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

Alliance Executive Director
Finance Director/Treasurer

2020 BOARD OF DIRECTORS

Shane Bowman, Battle Ground Councilmember
Ron Onslow, City of Ridgefield Councilor
Julie Olson, Clark County Councilor
Norm Harker, Clark Regional Wastewater District Commissioner

Chair
Vice-Chair
Secretary
Director



www.discoverycwa.org

**DISCOVERY CLEAN WATER ALLIANCE
VANCOUVER, WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
For the fiscal year ended December 31, 2020

	PAGES
INTRODUCTION	
Letter of Transmittal	1-4
Organizational Chart	5
Directory of Officials	6
GFOA Certificate of Achievement	7
 FINANCIAL SECTION	
State Auditor's Office Opinion	9-11
Management's Discussion and Analysis	13-17
Basic Financial Statements	19
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Fund Net Position	21
Statement of Cash Flows	22-23
Notes to Financial Statements	25-39
 STATISTICAL SECTION	
Description of Statistical Section	41
Schedule 1 – Net Position - Last Eight Fiscal Years	43
Schedule 2 – Changes in Net Position - Last Eight Fiscal Years	44
Schedule 3 – Expenses by Use - Last Eight Fiscal Years	45
Schedule 4 – Revenues by Source - Last Eight Fiscal Years	46
Schedule 5 – Non-Operating Revenues and Expenses - Last Eight Fiscal Years	47
Schedule 6 – Largest Customers – Current and Year of Formation	48
Schedule 7 – Monthly Regional Service Charges - Last Eight Fiscal Years	49
Schedule 8 – Ratio of Outstanding Debt by Type - Last Eight Fiscal Years	50
Schedule 9 – Debt Coverage Ratio - Last Eight Fiscal Years	51
Schedule 10 – Operating Expense and Debt Principal Coverage - Last Eight Fiscal Years	52
Schedule 11 – Demographic Statistics - Last Eight Fiscal Years	53
Schedule 12 – Employees for Ten Principal Employers - Last Eight Fiscal Years	54
Schedule 13 – Wastewater Treated - Last Eight Fiscal Years	55
Schedule 14 – Operating and Capital Indicators - Last Eight Fiscal Years	56



Discovery Clean
Water Alliance

April 30, 2021

Board Chair and Members
of the Board of Directors

We are pleased to submit the Comprehensive Annual Financial Report (Annual Report) for Discovery Clean Water Alliance (Alliance) for the fiscal year ended December 31, 2020. The financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) by independent auditors, represented by the Washington State Auditor's Office.

This report has been prepared to conform to the principles of accounting and reporting established by the Governmental Accounting Standards Board (GASB). Specific accounting treatments are detailed in the Notes to the Financial Statements and found in the Financial Section of this report (pages 25-39).

The Annual Report is developed to provide meaningful financial information to legislative bodies, creditors, investors, community partners, Alliance Members, and others with interest in the Alliance's financial position. The Finance Department of Clark Regional Wastewater District (District), as Administrative Lead (Management) for the Alliance, prepares the report and is responsible for the accuracy, completeness and fairness of all data presented and representations made. We believe the data presented is accurate in all material aspects and that the manner in which it is presented fairly discloses the financial position of the Alliance at December 31, 2020, and the results of operations and cash flows for the year ending December 31, 2020.

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

Pursuant to Chapter 43.09.310 Revised Code of Washington (RCW), an independent audit is performed annually. The Office of the Washington State Auditor performs the audit which, in addition to meeting the requirements of state statutes, is also designed (if applicable) to meet the requirements of Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The auditor's report on the Alliance's financial statements and related notes are included in the Financial Section of this report.

The information presented in the financial statements is perhaps best understood when it is considered within the context of the accompanying Management's Discussion and Analysis (pages 13-17) and Notes to Financial Statements (pages 25-39).

ALLIANCE PROFILE

This report includes all activities for the Alliance. The Alliance is an independent regional utility and not a segment or component unit of any other local government. The Alliance is a Special Purpose Government organized under the laws of the State of Washington, Revised Code of Washington (RCW) Chapter 39.106 – the Joint Municipal Utility Services Act (JMUSA). The Alliance was formed as a regional wholesale wastewater transmission and treatment provider to the District, which includes the City of Ridgefield (Ridgefield) service area, and the City of Battle Ground (Battle Ground). The District and Battle Ground then, in turn, provide retail wastewater services directly to their residential and commercial customers.

The Alliance is a public agency, formed through interlocal agreement and incorporated with the Washington Secretary of State on January 4, 2013, by Clark County (County), the District, Ridgefield and Battle Ground. In 2012, the County, the District, Ridgefield and Battle Ground reached agreement on the optimum structure for a regional wastewater transmission and treatment utility to jointly own and manage assets to meet the needs of the agencies and community for the next generation. The Interlocal Formation Agreement (IFA) signed on September 27, 2012, and amended by resolution on August 15, 2014, 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 JMUSA legislation. A two-year transition work program was initiated in 2013 and continued through 2014. A series of initial resolutions and agreements were approved by the Alliance Board at its first official meeting on January 18, 2013, to establish the operational framework for the Alliance. The Alliance became fully operational as a regional wastewater transmission and treatment provider as of January 1, 2015, resulting in the respective debt and assets of the transmission lines, pump stations and treatment plants (Regional Assets) transferring to the Alliance.

The Alliance is governed by an appointed four-member Board comprised of one elected official from each Member agency. The Board is responsible for the management, control, direction and operation of the Alliance, including its policies and procedures. With no employees of its own, the Alliance leverages the available resources of its Members and contracts with the District for Administrative Lead Services and Operator Services for five Regional Assets, and the County for Operator, also for five Regional Assets.

As Administrative Lead, the District maintains three primary roles: executive, financial and engineering. The Administrative Department is responsible for executive and administrative services such as agency coordination, clerk for the Board, public outreach, and oversight of the management, financial advisory and operational committees. The Finance Department is responsible for financial and treasury services, which include but are not limited to the preparation of the operating and capital budgets, financial reporting, financial policies compliance, debt and investment management, accounts receivable and accounts payable. The Engineering Department is responsible for providing capital program management support services, including capital plan development, capital plan delivery, Regional Asset development review, Regional Asset wastewater volume and quality management and regulatory compliance management, as well as other engineering support services.

ECONOMIC CONDITIONS AND OUTLOOK

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

In 2020, the Alliance continued to see a positive financial condition, along with increase demand for wastewater treatment services. The District and Battle Ground continue to realize growth through new system connections despite economic impacts from COVID-19. At the end of 2020, the unemployment rate in Clark County rose to 7.0%, from 4.2% in 2019. In addition, the state and national average unemployment rates were 7.1% and 6.7%, respectively, as of December 2020, compared to the 4.3% and 3.5% rates reported in December 2019.

For more detailed information regarding the Alliance's financial condition, please refer to the Management's Discussion and Analysis on pages 13-17.

Regional Service Charges (RSCs), fees paid by Members to the Alliance, are consistent with the Financial Policies of the Alliance. The basic principle of the Financial Policies is that each Member's responsibility for Regional Assets 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. All wastewater flows and Allocated Capacities in Regional Assets currently come from two Members, the District and Battle Ground. Those two Members fund all operating and capital costs of the Alliance.

Each Member, as pledged through the IFA adoption, also agrees to establish and maintain rates, and collect 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 to further maintain reserves to provide revenues sufficient for the Member to make all payments required under the IFA agreement.

The Alliance will continue to monitor economic activity for trends to assess potential impacts on operations and Members. Strategic assessment of growth trends, changes in regulatory environments, and changes in Member needs all may drive capital investment in new Regional Assets. The Alliance has developed a detailed capital plan identifying both new infrastructure (capital) and replacement and restoration (R&R) projects necessary to grow and maintain the system for the next twenty years. The Alliance's ability to strategically plan adequate resources, for future capital needs for its Members, will ensure that appropriate and adequate investments are made in transmission and treatment system Regional Assets throughout the service areas. Preserving the financial condition of the Alliance and building upon its financial health are primary goals. In keeping with these goals, the Alliance continues to seek better economies of scale and eliminate redundancies in its operations.

Some significant elements in maintaining a healthy financial condition include:

1. Instituting and maintaining fiscal and debt policies that adequately cover the management and planning of system improvements, replacements and other capital disbursements.
2. Optimizing operating costs to meet Member needs.

3. Maintaining adequate but favorable charges through low-cost financing of capital projects to meet the Alliance's objectives and facilitate economic growth.
4. Assessing financial input from advisors, the public and other interested parties.
5. Closely monitoring and making necessary improvements to the existing transmission and treatment systems.

Since the Alliance has no taxing authority, it must rely solely on revenues from monthly RSCs. These charges fund operations, the costs for transportation and treatment of wastewater, debt and capital expenditures of the Alliance. The RSCs are evaluated and adjusted yearly through the biennial budget adoption and amendment process.

AWARDS AND ACKNOWLEDGEMENTS

Financial Statement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Discovery Clean Water Alliance for its Comprehensive Annual Financial Report (Annual Report) for the fiscal year ended December 31, 2019. This was the fifth year that the Alliance submitted for and achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We anticipate that our current Annual Report will continue to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

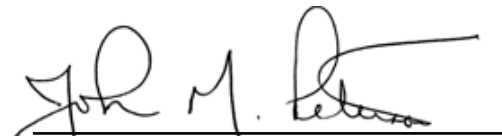
This report was made possible by the staff of the Clark Regional Wastewater District Finance department, Finance staff of the Cities of Ridgefield and Battle Ground, the (Washington) Water and Sewer Risk Management Pool, and Clark County. Each Member of the Alliance, the Board Chair, Directors, Alliance Executive Director, and the related agencies above have our sincere appreciation for the contributions made in the preparation of this report.

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

Respectfully submitted,



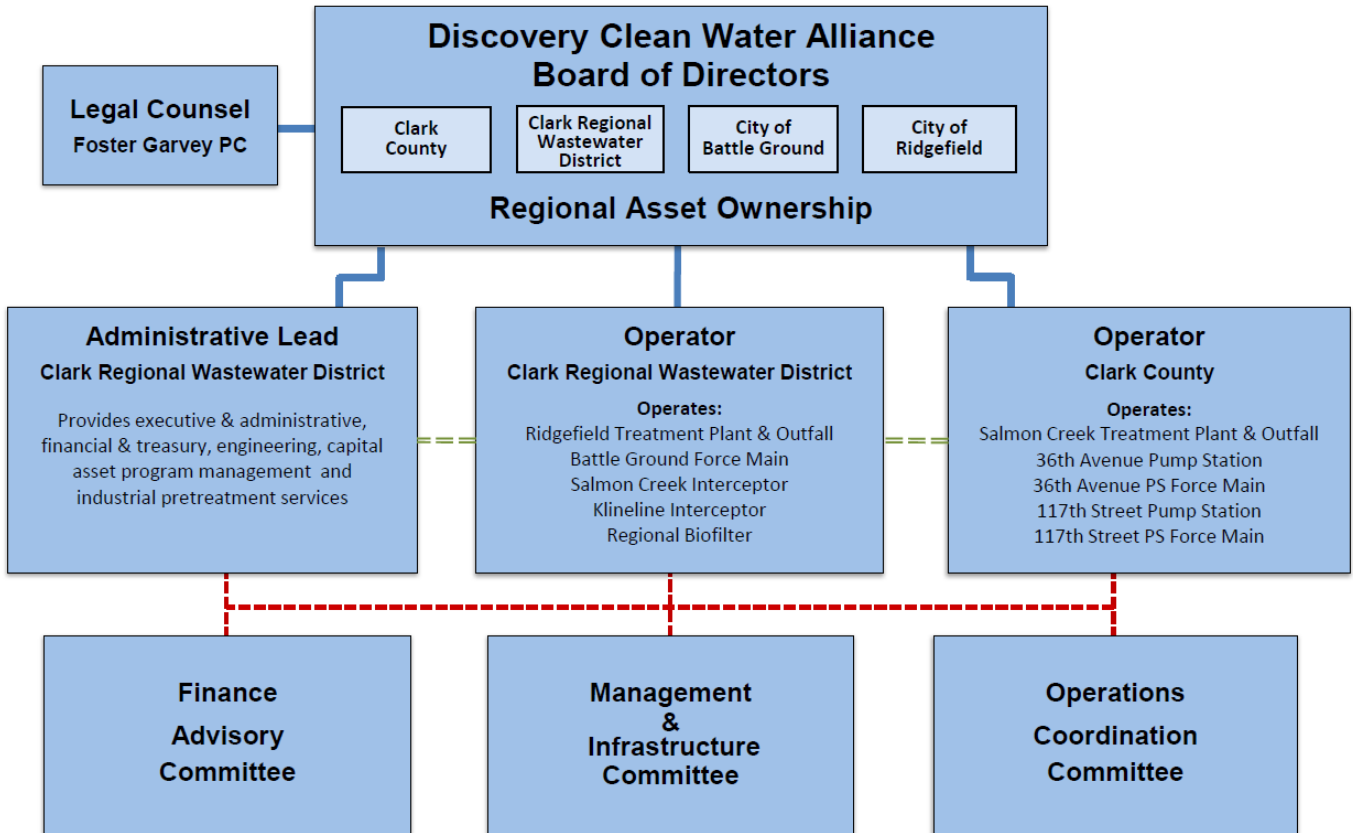
Ken Andrews, CPA
Finance Director/Treasurer



John M. Peterson, P.E.
Alliance Executive Director



Discovery Clean
Water Alliance



**DISCOVERY CLEAN WATER ALLIANCE
 DIRECTORY OF OFFICIALS**

The Members of the Discovery Clean Water Alliance individually determine their respective elected officials serving as Board level Directors. The adopted Board Rules and Operating Procedures provide for the annual assignment of Board Officers in January of each year. Each Board Officer serves a one-year term in the Alliance Board position.

2020 ALLIANCE BOARD OF DIRECTORS

<u>Board Position</u>	<u>Appointed Elected Official</u>	<u>Elected Term Expiration</u>
Director, Chair	Shane Bowman, Battle Ground Councilmember	12/31/2023
Director, Vice-Chair	Ron Onslow, City of Ridgefield Councilor	12/31/2021
Director, Secretary	Julie Olson, Clark County Councilor	12/31/2022
Director	Norm Harker, CRWWD Commissioner	12/31/2021

ADMINISTRATIVE LEAD SERVICES

<u>Position</u>	<u>Employee, Agency</u>
Alliance Executive Director	John M. Peterson, Clark Regional Wastewater District
Alliance Treasurer	Ken Andrews, Clark Regional Wastewater District
Attorney	Lee Marchisio, Foster Garvey PC

MAILING ADDRESSES

Office:	Clark Regional Wastewater District Administrative Lead to the Discovery Clean Water Alliance PO Box 8979 Vancouver WA 98668-8979
Attorney	Foster Garvey PC 1111 Third Avenue, Suite 3000 Seattle WA 98101-3299



Government Finance Officers Association

Certificate of
Achievement
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**Discovery Clean Water Alliance
Washington**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

April 30, 2021

Board of Directors
Discovery Clean Water Alliance
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Discovery Clean Water Alliance, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Alliance's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Discovery Clean Water Alliance, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 9 to the financial statements, in February 2019, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Alliance is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we will also issue our report dated April 30, 2021, on our consideration of the Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Alliance's internal control over financial reporting and compliance.

Sincerely,



Pat McCarthy
State Auditor
Olympia, WA

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**DISCOVERY CLEAN WATER ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

INTRODUCTION

Management of Discovery Clean Water Alliance (Alliance) and readers of the Alliance's financial statements are provided this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2020.

The Alliance is a municipal corporation established under the Joint Municipal Utility Services Act (RCW 39.106.010). The Alliance contracts with Clark Regional Wastewater District (District) for Administrative Lead services. Administrative Lead services include executive and administrative services, such as agency coordination, clerk to the Board, public outreach and risk management services; financial and treasury services including preparation of operating and capital budgets, financial reporting, creation and compliance of financial policies, debt and investment management, and accounts payable processing; and capital program management services including preparation of the capital plan, capital management policies, capital project delivery and treatment capacity monitoring.

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

The Alliance is legally required to adopt a budget per RCW 39.106.05. The Board of Directors adopts a biennial operating and capital budget. Budgets are increased or decreased as deemed necessary through Board-adopted budget amendments.

The Alliance's financial statements present a Special Purpose Government organized under the laws of the State of Washington, Revised Code of Washington (RCW) Chapter 39.106 – the Joint Municipal Utility Services Act (JMUSA). The Alliance 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 Alliance 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. wastewater treatment service). The Alliance reports its activities as an enterprise fund, which is a type of proprietary fund.

The *Statement of Net Position* presents information on all of the Alliance's assets, liabilities and deferred outflows of resources, 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 Alliance is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* displays the change in the Alliance'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.

**DISCOVERY CLEAN WATER ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

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

- For 2020, the assets of the Alliance exceeded its liabilities by \$111.2 million. Of this amount, \$11.8 million is classified as unrestricted and may be used to meet the Alliance's ongoing obligations. This constitutes a total increase of \$3.8 million in net position from 2019, due to 2020 operating income.
- Regional Service Charges (RSCs) of \$14.2 million were billed to the City of Battle Ground and the District in 2020. This constitutes most operating revenues of the Alliance.
- The Alliance was charged \$4.6 million by other governments for treatment plant operator services.

Assets, Deferred Outflows, Liabilities and Net Position

December 31	2020	2019	2020 to 2019 Change	%
<i>Assets</i>				
Current and other assets	\$ 13,127,072	\$ 10,397,445	\$ 2,729,627	26%
Capital assets	124,414,140	119,515,534	4,898,606	4%
Total assets	<u>137,541,212</u>	<u>129,912,978</u>	<u>7,628,234</u>	6%
Deferred Outflows	3,000,744	3,031,570	(30,826)	100%
<i>Liabilities</i>				
Long-term liabilities	27,039,672	24,704,911	2,334,761	9%
Other liabilities	2,289,218	811,434	1,477,784	182%
Total liabilities	<u>29,328,890</u>	<u>25,516,345</u>	<u>3,812,545</u>	15%
<i>Net position</i>				
Net investment in capital assets	99,447,344	98,799,602	647,742	1%
Unrestricted	<u>11,765,722</u>	<u>8,628,601</u>	<u>3,137,121</u>	36%
Total net position	<u>\$ 111,213,066</u>	<u>\$ 107,428,203</u>	<u>\$ 3,784,861</u>	

- The Alliance's structure results in a planned increase in total net position. RSCs are based on budget and are designed to cover (on a cash basis) operating expenses, debt service payments, and capital expenditures. Because capital expenditures exceeded depreciation expense in 2020, the Alliance's net position increased.

**DISCOVERY CLEAN WATER ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets includes construction work in progress, land, buildings, pump stations, transmission lines, machinery and equipment. The Alliance's total net capital assets as of December 31, 2020 were \$124.4 million, an increase of \$4.9 million. Major capital asset additions include costs of \$7.5 million in 2020, for capital improvements to the Salmon Creek Wastewater Treatment Plant. For further explanations of the capital asset activity of the Alliance, please refer to Note 3, Capital Assets (page 29).

Long-Term Liabilities

- On September 2, 2015, the Alliance issued \$12.0 million in new revenue bonds to finance the defeasance of the District's 2005 revenue bonds (\$8.7 million) and for reconstruction and repair of existing systems (\$3.3 million). The outstanding balance owed at December 31, 2020, is \$6.7 million.
- In 2019, the Alliance was awarded a \$9.0 million Public Works Board (PWB) loan. Through December 31, 2020, \$5.5 million has been drawn on the loan. Payments on this loan are scheduled to begin in 2021.
- In 2020, long-term liabilities increased by \$2.3 million from 2019, due to scheduled debt service payments of \$3.3 million and the new PWB loan.
- Loans payable of \$16.1 million at year end include the following:
 - \$9.9 million for PWB loans granted for the Phase IV construction of the Salmon Creek Treatment Plant
 - \$5.5 million for PWB loan granted for the Phase V construction of the Salmon Creek Treatment Plant
 - \$0.4 million on the State Revolving Fund (SRF) loan used for Phase IV construction of the Salmon Creek Wastewater Management System
 - \$0.3 million on the SRF loan used for the Ridgefield Treatment Plant upgrade
- Please refer to Note 5, Long-Term Liabilities on pages 33-35, for more detailed information regarding long-term debt activity.
- The Alliance recognizes an ARO related to the Ridgefield Treatment Plant of \$4.2 million. See Note 7, Asset Retirement Obligations, on page 37 for further detail.

**DISCOVERY CLEAN WATER ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

Revenues and Expenses

	2020	2019	2020 to 2019 Change	%
REVENUES				
Regional Service Charges	\$ 14,229,825	\$ 14,229,825	\$ 0	0%
Operating revenue - miscellaneous	12,873	-	12,873	0%
Non-operating - interest earnings	126,422	169,039	(42,617)	-25%
Non-operating - miscellaneous	-	262,023	(262,023)	-100%
Total revenue	<u>14,369,120</u>	<u>14,660,887</u>	<u>(291,767)</u>	-2%
EXPENSES				
Operating expenses	10,137,055	10,251,948	(114,893)	-1%
Non-operating - interest expense	300,107	323,291	(23,184)	-7%
Non-operating - miscellaneous	147,095	-	147,095	
Total expenses	<u>10,584,257</u>	<u>10,575,239</u>	<u>9,018</u>	0%
CHANGE IN NET POSITION	3,784,863	4,085,648	(300,785)	-7%
NET POSITION, January 1	<u>107,428,203</u>	<u>103,342,555</u>	<u>4,085,648</u>	4%
NET POSITION, December 31	<u>\$ 111,213,066</u>	<u>\$ 107,428,203</u>	<u>\$ 3,784,863</u>	4%

- The Alliance received \$14.2 million in Regional Service Charge (RSC) revenues from two Members, the District and Battle Ground. These RSCs represented 99.9% of the Alliance's operating revenues in 2020. RSCs remained unchanged in 2020 from 2019 as RSCs are based on budget and the Alliance budgets on a biennial basis.
- Operating expenses in 2020 totaled \$10.1 million, a decrease of \$0.1 million (or 1.2%) from 2019. Treatment plant operations expenses decreased by \$0.2 million (or 4.0%) as a result of operational efficiencies. Treatment plant operations represent 45.7% of total operating expenses, while depreciation represents 37.7% of total operating expenses.

Economic Factors and 2021/2022 Budget

Following federal declaration of a public health emergency on February 29, 2020, Governor Inslee proclaimed a State of Emergency (Proclamation 20-05) for all counties throughout the state of Washington as a result of the coronavirus disease 2019 (COVID-19) outbreak, which has been classified by the World Health Organization as a worldwide pandemic. While economic uncertainties persisted through 2020, and continue into 2021, the Alliance continued to experience positive operating income while building reserves per the operational framework between Member agencies. At the same time, the Alliance has continued to formulate long-range financial forecasts and adopted biennial budgets to fund all Regional Asset operations, service debt outstanding on those assets, repair or replace existing wastewater collection/treatment infrastructure and construct new infrastructure when necessary. The Alliance has budgeted \$18.9 million in 2021-2022, for capital improvements to the Salmon Creek Wastewater Treatment Plant to meet the growing demand for wastewater treatment services in the region.

**DISCOVERY CLEAN WATER ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

Requests for Information

This financial report is designed and intended to provide a general overview of the Alliance's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Discovery Clean Water Alliance, Treasurer, PO Box 8979, Vancouver, WA 98668-8979 or www.discoverycwa.org.

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DISCOVERY CLEAN WATER ALLIANCE

2020

BASIC FINANCIAL STATEMENTS

DISCOVERY CLEAN WATER ALLIANCE
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	2020
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 11,412,337
Prepaid expenses	165,085
Due from other governments	53,093
Total current assets	11,630,515
NONCURRENT ASSETS	
Contracts receivable	1,496,557
Capital assets not being depreciated:	
Land	336,301
Construction work in progress	14,708,043
Total capital assets, not being depreciated	15,044,344
Capital assets being depreciated:	
Infrastructure	129,871,974
Equipment	80,670
Less: accumulated depreciation	(20,582,848)
Total capital assets being depreciated	109,369,796
Total noncurrent assets	125,910,697
Total assets	137,541,212
DEFERRED OUTFLOWS of RESOURCES	
Amounts related to asset retirement obligation	3,000,744
TOTAL DEFERRED OUTFLOWS of RESOURCES	3,000,744
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 2,217,826
Interest payable	71,392
Sewer revenue bonds, current	1,280,000
Loans payable, current	2,302,268
Total current liabilities	5,871,486
NONCURRENT LIABILITIES	
Sewer revenue bonds, long term	5,445,000
Loans payable, long term	13,812,404
Asset retirement obligation	4,200,000
Total noncurrent liabilities	23,457,404
Total liabilities	29,328,890
NET POSITION	
Net investment in capital assets	99,447,344
Unrestricted	11,765,722
Total net position	\$ 111,213,066

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

**DISCOVERY CLEAN WATER ALLIANCE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	2020
OPERATING REVENUES	
Regional Service Charges	\$ 14,229,825
Other operating revenue	12,873
Total utility operating revenues	14,242,698
 OPERATING EXPENSES	
Administrative Lead services	679,667
Professional services	82,734
Treatment plant operations	4,630,680
Repairs and maintenance	747,518
Insurance	175,457
Miscellaneous	2,222
Depreciation	3,818,777
Total operating expenses	10,137,055
 OPERATING INCOME	 4,105,643
 NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	126,422
Loss on disposal of capital assets	(147,095)
Interest expense	(300,107)
Total non-operating revenues (expenses)	(320,780)
 CHANGE IN NET POSITION	 3,784,863
 TOTAL NET POSITION, January 1	 107,428,203
 TOTAL NET POSITION, December 31	 \$ 111,213,066

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

**DISCOVERY CLEAN WATER ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 14,276,003
Payments to suppliers	(6,179,277)
Receipts from other operating activities	12,873
Net cash from operating activities	8,109,599
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	5,465,700
Principal paid on capital debt	(3,330,939)
Interest paid on capital debt	(286,091)
Purchase and construction of capital assets	(7,328,301)
Net cash from capital and related financing	(5,479,631)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	126,422
Net cash from investing activities	126,422
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 2,756,390
 CASH AND CASH EQUIVALENTS, January 1	 8,655,947
CASH AND CASH EQUIVALENTS, December 31	\$ 11,412,337

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

**DISCOVERY CLEAN WATER ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Utility operating income (loss)	\$ 4,105,643
Adjustments to reconcile operating income to net cash flows from operating activities	
Depreciation expense	3,818,777
Amortization of deferred outflow	230,826
(Increase) decrease in prepaid expenses	(19,416)
Increase (decrease) in accounts payable	(72,408)
(Increase) decrease in contracts receivable	(68,698)
(Increase) decrease in due from other governments	114,875
Total adjustments	4,003,956
Net cash from operating activities	\$ 8,109,599
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Noncash capital financing	\$ (11,021)

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

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

The financial statements of the Alliance 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 - Discovery Clean Water Alliance (Alliance) was incorporated January 4, 2013 under the empowerment of RCW 39.106 – the Joint Municipal Utility Services Act (JMUSA). In 2012, Clark County (County), Clark Regional Wastewater District (District), City of Battle Ground (Battle Ground) and City of Ridgefield (Ridgefield) reached agreement on the appropriate form of a regional wastewater partnership to meet the needs of the community for the next generation. An Interlocal Formation Agreement (IFA) was signed on September 27, 2012, representing the culmination of five years of study and providing the foundation for the creation of the Alliance.

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 Alliance has evaluated all legal entities that would potentially qualify as a component unit and be included in the financial statements of the Alliance. The Alliance concludes it has no component units. The Alliance's financial statements include the financial position and results of operation of a single enterprise that the Alliance manages and has custodial responsibility over the assets and liabilities therein.

Basis of Accounting and Presentation - The accounting records of the Alliance are maintained in accordance with methods prescribed by the State Auditor under authority chapter 43.09. The Alliance 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 statements of the Alliance 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 Alliance distinguishes between operating and non-operating revenues and expenses. Operating revenues are derived from the regional wastewater treatment services provided to the Members and ratepayers of the Members. Operating expenses include the cost of providing wastewater treatment services (i.e. maintenance, engineering 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 & Cash Equivalents - The Alliance acts as its own Treasurer. The Alliance currently invests funds in excess of the operating reserve in the Clark County Investment Pool (CCIP) per resolutions and an investment policy adopted by the Alliance Board. Other allowable investments include the Local Government Investment Pool (LGIP) and investments authorized by the Revised Code of Washington (RCW) Chapters 39.58 and 39.59. All amounts invested in the CCIP are considered cash equivalents.

For purposes of the Statements of Net Position and Cash Flows, the Alliance considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. See Note 2 on page 27-28 for detailed information about the Alliance's cash and cash equivalents.

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

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The Alliance recognized expenses in the period services are provided.

Due from Other Governments – Due from Other Governments represent Member Regional Service Charges for treatment services, which are recognized as earned.

Contracts Receivable – Contracts receivable represent operating and repair and replacement reserves held by Clark County, who provides treatment plant operation services for the Alliance.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., treatment plants, pump stations, and transmission lines), are reported in a single enterprise fund. Capital assets are defined by the Alliance as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Alliance records project costs in a construction work-in-progress account (CWIP) until final completion. Depreciation is computed on capital assets when the assets are placed into service. Capital assets of the Alliance are depreciated using the straight-line method over the following estimated useful lives:

Treatment plant components	15-50 years
Pump station components	10-50 years
Collection and transmission system	75 years
Machinery, furniture and equipment	5-10 years

See Note 3, Capital Assets (page 29) for further information.

Deferred Outflows of Resources – The Alliance recognized a deferred outflow of resources related to an Asset Retirement Obligation. See Note 7, Asset Retirement Obligations (page 37).

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

Long-Term Debt – See Note 5, Long-Term Liabilities (pages 33-35).

Note 2 – Deposits & Investments

Deposits – The Alliance is legally authorized to invest in the types of investments included in the Revised Code of Washington (RCW) 36.29.020. All investments and deposits held at December 31, 2020, comply with the provisions of that code section and the Alliance’s investment policy adopted under Resolution 2019-01. Cash on hand at December 31, 2020, was \$5,031,190, held entirely in a checking account.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Alliance 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 Alliance’s deposits are 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).

The Alliance does not have a deposit policy for custodial credit risk. No bank balances are exposed to custodial credit risk.

Investments – It is the Alliance’s policy to invest funds to provide maximum security at the highest market investment return, while maintaining the ability to meet daily cash flow demands and conforming to state statutes governing the investment of public funds.

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the Alliance may face should interest rate variances affect the fair value of investments. The Alliance’s investment policy (authorized under Resolution 2019-01) assists in limiting interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The investment policy limits investing in operating funds primarily to shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio not to exceed two and one-half years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Alliance’s investment policy limits credit risk by establishing investment portfolio diversification requirements so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial Credit Risk: Custodial credit risk is the risk that in event of a failure of the counterparty, the Alliance would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Alliance’s investment policy mitigates credit risk by establishing prequalifying requirements for the financial institutions, broker/dealers, intermediaries, and advisers with which the Alliance will do business. Alliance deposits and investments are either insured or held by an agent in the Alliance’s name.

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 Alliance’s investment policy establishes diversification constraints on the investment portfolio by defining maximum per issuer limits as a percentage of total investment of funds.

Note 2 – Deposits & Investments (Continued)

Investments in Clark County Investment Pool (CCIP) – The Alliance is a participant in the Clark County Investment Pool (CCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather; oversight is provided by the Clark County Finance Committee in accordance with RCW 36.48.070. The Alliance reports its investments in the Pool at the fair value amount, which is the same as the value of the Pool per share.

The weighted average maturity of the CCIP is approximately one (1) year, with cash available to the Alliance on demand. The on-demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk reporting requirement as defined by GASB 31.

Investments Measured at Fair Value – The Alliance measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices 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 not observable.
- Level 3: Unobservable inputs for an asset.

At December 31, 2020, the Alliance had the following investments measures at fair value:

Investment by Fair Value Level	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)
Clark County Investment Pool*	\$ 6,381,147			
Total Investments by Fair Value Level	\$ 6,381,147	\$ -	\$ -	\$ -

*The Alliance's investment in the Clark County Investment Pool is not required to be categorized within the fair value heirarchy.

Note 3 – Capital Assets

Capital assets activity for the year ended December 31, 2020, was as follows:

	Balance Jan. 1, 2020	Additions & Transfers	Retirements & Transfers	Balance Dec. 31, 2020
CAPITAL ASSETS - NONDEPRECIABLE:				
Land and land rights	\$ 135,131	\$ 201,170	\$ -	\$ 336,301
Construction work-in-progress	7,098,000	8,663,307	1,053,264	14,708,043
Total capital assets - nondepreciable	<u>7,233,131</u>	<u>8,864,477</u>	<u>1,053,264</u>	<u>15,044,344</u>
CAPITAL ASSETS - DEPRECIABLE:				
Collection and transmission system	30,101,579	-	-	30,101,579
Treatment plants	77,996,615	1,051,782	170,835	78,877,562
Pump stations	20,891,351	1,482	-	20,892,833
Machinery, furniture and equipment	80,670	-	-	80,670
Total capital assets - depreciable	<u>129,070,215</u>	<u>1,053,264</u>	<u>170,835</u>	<u>129,952,644</u>
LESS ACCUMULATED DEPRECIATION:				
Collection and transmission system	(3,326,442)	(401,354)	-	(3,727,796)
Treatment plants	(10,549,984)	(2,245,998)	(23,740)	(12,772,242)
Pump stations	(2,881,409)	(1,165,434)	-	(4,046,843)
Machinery, furniture and equipment	(29,976)	(5,991)	-	(35,967)
Total accumulated depreciation	<u>(16,787,811)</u>	<u>(3,818,777)</u>	<u>(23,740)</u>	<u>(20,582,848)</u>
Total capital assets - depreciable, Net	<u>112,282,404</u>	<u>(2,765,513)</u>	<u>147,095</u>	<u>109,369,796</u>
Total capital assets, Net	<u>\$ 119,515,535</u>	<u>\$ 6,098,964</u>	<u>\$ 1,200,359</u>	<u>\$ 124,414,140</u>

Note 4 – Risk Management

The Alliance 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; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most coverages are on an “occurrence” basis.

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

Note 4 – 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	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members and \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau)
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	\$300,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$15,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$15,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$15,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.			

Note 4 – Risk Management (Continued)

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2021, written notice must be in possession of the Pool by April 30, 2021). 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 Alliance 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.

As of December 31, 2020, there were no outstanding claims filed with the pool that exceeded the Alliance deductible of \$25,000. The Alliance recognizes no potential liability for any additional settlements for outstanding future claims. The amount of settlements did not exceed insurance coverage in the last three years.

Note 5 – Long-Term Liabilities

Direct Placement Revenue Bonds – In September 2015, the Alliance issued \$8,655,000 in revenue bonds to refund the District’s 2005 revenue bonds used to finance Phase IV construction costs of the Salmon Creek Wastewater Management System, and \$3,300,000 to finance system repairs and restoration, for a total of \$11,955,000 in new bonds. Regional Service Charge revenues provide the security for repayment of the bonds. The new bonds have an interest rate of 2.44%. Principal installments range from \$770,000 to \$1,410,000, with a final maturity date of December 1, 2025. In the event the Alliance defaults on a payment, a penalty of 4.0% per annum will be assessed. In 2020, the Alliance paid \$1,439,468 (\$1,245,000 principal and \$194,468 interest) on these bonds.

The following is a schedule of bonds containing a description of each bond, its use, and outstanding balance as of December 31, 2020:

Sewer Revenue Bonds	Bond Description	Notice of Completion	Maturity Date	Approved Bond Amount	Balance	Interest Rate
2015 Bond Issuance	Refunding 2005 Bond	September 2015	12/1/2025	\$ 8,655,000	\$ 4,590,000	2.4%
2015 Bond Issuance	R&R projects	September 2015	12/1/2025	3,300,000	2,135,000	2.4%
					<u>\$ 6,725,000</u>	

The annual debt service requirements for these 2015 sewer revenue bonds are as follows:

2015 Sewer Revenue Bonds - from direct placement			
Year Ending December 31	Principal	Interest	Total Debt Service
2021	\$ 1,280,000	\$ 164,090	\$ 1,444,090
2022	1,310,000	132,858	1,442,858
2023	1,345,000	100,894	1,445,894
2024	1,380,000	68,076	1,448,076
2025	1,410,000	34,404	1,444,404
Total	<u>\$ 6,725,000</u>	<u>\$ 500,322</u>	<u>\$ 7,225,322</u>

The Alliance is required by bond covenants to maintain debt service coverage of its revenue bonded debt of a minimum of 1.10 times the annual debt service on all outstanding bonds during the fiscal year. Debt service coverage requirements for the year ended December 31, 2020, were met.

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). On January 1, 2015, six of these loans were transferred to the Alliance from the District and the City of Battle Ground. The loans from the state PWB will be repaid over a period not to exceed 20 years at the stated interest rates. The loans totaling \$34,000,000 were used to fund construction on the Salmon Creek Wastewater Treatment Plant and capacity expansion. In the event the Alliance defaults on a payment, a monthly penalty of 1% (12% per annum) will be assessed.

Note 5 – Long-Term Liabilities (Continued)

On August 2, 2019, the Alliance was awarded a \$9,040,000 PWB loan (#PC20-96103-043) to fund odor control and other improvements to the Salmon Creek Treatment Plant. The term of the loan is 20 years with an interest rate of 1.58%. In the event the Alliance defaults on a payment, a monthly penalty of 1% (12% per annum) will be assessed. The Alliance received loan proceeds of \$5,465,700 as of December 31, 2020.

The following is a schedule of PWB loans containing a description of each loan, its use, and outstanding balance as of December 31, 2020:

	Loan Number	Notice of Completion	Maturity Date	Approved Loan Amount	Balance	Interest Rate
Salmon Creek Treatment Plant - Preconstruction (Phase IV)	PW-03-691-PRE-107	2003	7/1/2023	\$ 1,000,000	\$ 157,895	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PW-04-691-033	2004	7/1/2024	10,000,000	2,146,886	0.5%
Salmon Creek Treatment Plant - Preconstruction (Phase IV)	PW-05-691-PRE-116	2005	7/1/2025	1,000,000	263,158	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PC-08-951-009	2008	7/1/2028	8,000,000	3,368,421	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PW-05-691-003	2005	6/1/2025	10,000,000	2,756,708	0.5%
Salmon Creek Treatment Plant - Construction (Phase IV)	PW-06-962-005	2006	6/1/2026	4,000,000	1,266,667	0.5%
Salmon Creek Treatment Plant - Construction (Phase V)	PC-20-96103-043	N/A	6/1/2040	9,040,000	5,465,700	1.58%
					<u>\$ 15,425,435</u>	

In 2020, the Alliance paid \$1,885,416 (\$1,825,490 principal and \$59,926 interest) on PWB loans. The annual debt service requirements for the PWB loans payable are as follows:

State of Washington - Public Works Board Loans Summary -
from direct borrowing

Year Ending December 31	Principal	Interest	Total Payments
2021	\$ 2,059,858	\$ 135,232	\$ 2,195,090
2022	2,063,575	122,391	2,185,966
2023	2,067,352	109,485	2,176,837
2024	2,018,557	96,522	2,115,079
2025	1,485,733	83,761	1,569,494
2026-2030	2,782,907	304,068	3,086,975
2031-2035	1,415,773	183,244	1,599,017
2035-2040	1,531,680	67,337	1,599,017
Total	<u>\$ 15,425,435</u>	<u>\$ 1,102,040</u>	<u>\$ 16,527,474</u>

Note 5 – Long-Term Liabilities (Continued)

In 2006, the District was granted a \$1,003,676 Washington State Revolving Fund (SRF) loan which was fully drawn and expended in 2007 on construction at the Salmon Creek Treatment Plant. This loan was transferred to the Alliance on January 1, 2015. Also transferred to the Alliance on that date was an SRF loan from the City of Ridgefield, fully drawn in 2002 for \$2,972,860 at the City's treatment plant upgrade. In the event the Alliance defaults on a payment, a monthly penalty of 1% (12% per annum) will be assessed.

The following is a schedule of SRF loans containing a description of each loan, its use, and outstanding balance as of December 31, 2020:

	Loan Number	Notice of Completion	Maturity Date	Approved Loan Amount	Balance	Interest Rate
Salmon Creek Treatment Plant - Construction (Phase IV)	L0700014	March 2007	1/1/2027	\$ 1,003,636	\$ 364,449	2.6%
Ridgefield Treatment Plant - Upgrade	L9800042	November 2002	1/1/2022	2,972,860	324,788	4.4%
					<u>\$ 689,237</u>	

Debt service on SRF loans in 2020 was \$292,146 (\$260,449 principal and \$31,697 interest). The annual debt service requirements for these SRF loans payable are as follows:

Year Ending December 31	State Revolving Fund - from direct borrowing						
	Salmon Creek Treatment Plant Construction		Ridgefield Treatment Plant Upgrade		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Payments
2021	\$ 28,249	\$ 4,763	\$ 214,161	\$ 11,961	\$ 242,410	\$ 16,724	\$ 259,134
2022	57,610	8,415	110,627	2,434	168,237	10,849	179,086
2023	59,126	6,899	-	-	59,126	6,899	66,025
2024	60,682	5,343	-	-	60,682	5,343	66,025
2025	62,278	3,746	-	-	62,278	3,746	66,025
2026-2027	96,504	2,534	-	-	96,504	2,534	99,037
Total	<u>\$364,449</u>	<u>\$ 31,700</u>	<u>\$ 324,788</u>	<u>\$ 14,395</u>	<u>\$ 689,237</u>	<u>\$ 46,095</u>	<u>\$ 735,332</u>

Changes in long-term liabilities as a summary for the year ended December 31, 2020:

	Balance Jan. 1, 2020	Additions	Reductions	Balance Dec. 31, 2020	Due Within One Year
Revenue bonds payable - direct placement	\$ 7,970,000	\$ -	\$ 1,245,000	\$ 6,725,000	\$ 1,280,000
Loans payable - direct borrowing	12,734,911	5,465,700	2,085,939	16,114,672	2,302,268
Asset retirement obligation	4,000,000	200,000	-	4,200,000	-
Total long-term liabilities	<u>\$ 24,704,911</u>	<u>\$ 5,665,700</u>	<u>\$ 3,330,939</u>	<u>\$ 27,039,672</u>	<u>\$ 3,582,268</u>

Note 6 – Related Party Transactions

Discovery Clean Water Alliance and its Member Agencies - The Alliance has four Member agencies, the County, the District, Battle Ground and Ridgefield, each providing one elected representative for the Board of Directors. In 2020, two of the Member agencies, the District and Battle Ground, paid monthly Regional Service Charges (RSCs) to the Alliance. RSCs paid in 2020 funded Alliance wastewater treatment operations. These RSCs were based on the 2021-2022 biennial budget, where budgeted revenues equal expenditures for the two-year period.

The Alliance has contracted with the District to perform Administrative Lead functions for the Alliance. Through the Administrative Lead Agreement, the Alliance has been incorporated in the State of Washington as a new municipal entity, registered with the Internal Revenue Service and Washington State Department of Revenue, and has had debt, investment and financial policies adopted, as well as the preparation and adoption of the Alliance’s 2021-2022 biennial budgets and Operator Agreements between the Alliance and County, and the Alliance and District.

During 2020, the Alliance received, by Member, the following in RSCs:

	<u>2020</u>
Clark Regional Wastewater District	\$ 11,099,983
City of Battle Ground	<u>3,129,842</u>
Total Regional Service Charges	<u>\$ 14,229,825</u>

The Alliance was billed \$965,230 in 2020, from the District for administrative oversight. This amount represents \$582,070 for Administrative Lead services (staff time) provided, as well as expenses of \$383,160 for professional consulting, IT support and various utilities expenses incurred by the District on behalf of the Alliance.

The Alliance contracts with two of its Members for Regional Asset operations services. In 2020, the Alliance was billed \$3,999,891 by Clark County and \$699,486 by the District as contract operators.

The County, the District, Battle Ground and Ridgefield receive financial and accountability audits from the Washington State Auditor’s Office annually.

More information about the Members can be found at the following websites: the County at <http://www.clark.wa.gov>, the District at <http://www.crwwd.com>, Battle Ground at <http://www.cityofbg.org> and Ridgefield at <http://www.ridgefieldwa.us>.

Note 7 - Asset Retirement Obligations

The District implemented GASB 83, *Certain Asset Retirement Obligations*, which provides reporting guidance on asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset that has a substantial cost to a government.

An ARO is recognized when the liability is incurred and reasonably estimable. Incurrence of a liability requires both an internal obligating event and an external obligating event resulting from normal operations. An internal obligating event includes acquiring or placing a capital asset into operation. An external obligating event requires federal, state, or local laws or regulations, a binding contract, or issuance of a court judgement requiring specific actions to retire an asset. An ARO has a related deferred outflow of resources, which represents the unamortized balance of the ARO.

The Alliance owns and operates the Ridgefield Wastewater Treatment plant (RTP) and the Salmon Creek Wastewater Treatment Plant (SCTP), both of which are within the scope of GASB 83. The Alliance is responsible for 100% of the decommissioning costs of both plants. Prior to decommissioning a wastewater treatment plant, the Washington State Department of Ecology (Ecology) would require an update to the wastewater collection system General Sewer Plan consistent with WAC 173-240-050 to indicate how the collection system would be modified to deliver flow to another treatment facility. Ecology would further require that capacity be identified in the receiving treatment facility through an Engineering Report consistent with WAC 173-240-060.

The City of Ridgefield transferred ownership of the RTP to the Alliance on January 1, 2015. The City of Ridgefield and Discovery Clean Water Alliance Ridgefield Treatment and Outfall Transfer Agreement requires the Alliance to remediate any ground contamination caused by the Alliance to then-current federal and state environmental standards and restore the premises to cleared street level surface upon decommissioning of the plant.

Therefore, the acquiring of the RTP and the required decommissioning activities as determined by the Transfer Agreement results in an ARO. As a result, the Alliance has recognized an ARO of \$4,200,000 as of December 31, 2020 for the RTP. The Alliance obtained an estimate of project construction costs from an engineering consultant in 2016. Construction estimates have been adjusted by an annual escalation rate of 5%. The ARO includes construction, project delivery and contingency costs. Decommissioning of the plant is estimated to occur by 2034. Funding is expected from a combination of Regional Service Charges collected from Clark Regional Wastewater District and Alliance reserves previously received from the City of Ridgefield. Flows to the RTP will be redirected to the SCTP.

Clark County transferred ownership of the SCTP to the Alliance on January 1, 2015. The Alliance has an ARO for the plant, however, is not reporting an ARO on the Statement of Net Position for the SCTP as the time frame for decommission and extent of the obligation was considered indeterminate. An estimated 120,000 residents living in unincorporated Clark County and the cities of Battle Ground and Ridgefield rely on this important facility every day. The SCTP is the last part of the wastewater conveyance system. All sewer pipes and pump stations are designed with one purpose: to reliably carry wastewater from homes and businesses to the treatment plant. Plant expansion and flow projections have been estimated through 2070. The maximum treatment capacity of the SCTP site is estimated to occur in 2065. At that time, excess flows will be directed to the City of Vancouver's Westside Water Reclamation Facility. An ARO will be reported if future events warrant a change.

Note 8 – Construction Commitments

Capital Projects – The Alliance has construction commitments resulting from active consultant and construction projects, including restoration and replacement projects, as of December 31, 2020, exceeding \$100,000 as follows:

Project	Total Awarded Contract Commitment	Spent to Date	Remaining on Contract
Salmon Creek Treatment Plant HVAC Replacements	\$ 1,061,548	\$ 879,956	\$ 181,592
Salmon Creek Treatment Plant Boiler Gas Boosters	223,304	136,584	86,720
Salmon Creek Treatment Plant Phase 5B	10,127,535	7,659,832	2,467,703
	<u>\$ 11,412,387</u>	<u>\$ 8,676,372</u>	<u>\$ 2,736,015</u>

Of the committed balance of \$2,736,015, the Alliance will use proceeds of \$2,324,651 from the existing PWB loan.

Note 9 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The Alliance's operating revenues come entirely from Regional Service Charges paid by the District and Battle Ground. To date, neither entity has reported significant financial or operational impacts.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Alliance is unknown at this time.

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STATISTICAL SECTION

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

Contents	Page
<p><i>Financial Trends</i> These schedules contain trend information to help the reader understand how the Alliance’s financial performance and well-being changed over time.</p>	43
<p><i>Revenue Capacity</i> These schedules contain information to help the reader understand the Alliance’s most significant source of revenue, Regional Service Charges (RSCs).</p>	46
<p><i>Debt Capacity</i> These schedules present information to help the reader evaluate the affordability of the Alliance’s current levels of outstanding debt and the ability to issue additional debt in the future.</p>	50
<p><i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Alliance’s financial activities take place.</p>	53
<p><i>Operating Information</i> These schedules contain service statistics to help the reader understand how the information in the Alliance’s financial report relates to the services provided and activities performed.</p>	55

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

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**DISCOVERY CLEAN WATER ALLIANCE
NET POSITION
LAST EIGHT FISCAL YEARS***

Schedule 1

Fiscal Year	Net Investment In Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
2013	\$ -	\$ -	\$ 209,582	\$ 209,582
2014	-	-	262,488	262,488
2015	94,061,827	1,195,500	4,416,114	99,673,441
2016	92,099,316	1,195,500	6,732,128	100,026,944
2017	93,342,041	1,195,500	7,692,649	102,230,190
2018	95,836,340	-	8,258,104	104,094,444
2019	98,799,602	-	8,628,601	107,428,203
2020	99,447,344	-	11,765,722	111,213,066

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

**DISCOVERY CLEAN WATER ALLIANCE
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS***

Schedule 2

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Non-operating Revenues/ (Expenses)	Other Changes in Net Position	Change In Net Position
2013	\$ 418,140	\$ 208,558	\$ 209,582	\$ -	\$ -	\$ 209,582
2014	418,140	365,772	52,368	538	-	52,906
2015**	8,848,933	7,674,801	1,174,132	(390,501)	98,627,322	99,410,953
2016	10,445,981	9,531,103	914,878	(465,170)	(96,205)	353,503
2017	11,106,442	8,541,204	2,565,238	(361,992)	-	2,203,246
2018	11,882,416	9,774,120	2,108,296	(244,042)	-	1,864,254
2019	14,229,825	10,251,948	3,977,877	107,771	(751,889)	3,333,759
2020	14,242,698	10,137,055	4,105,643	(320,780)	-	3,784,863

Notes:

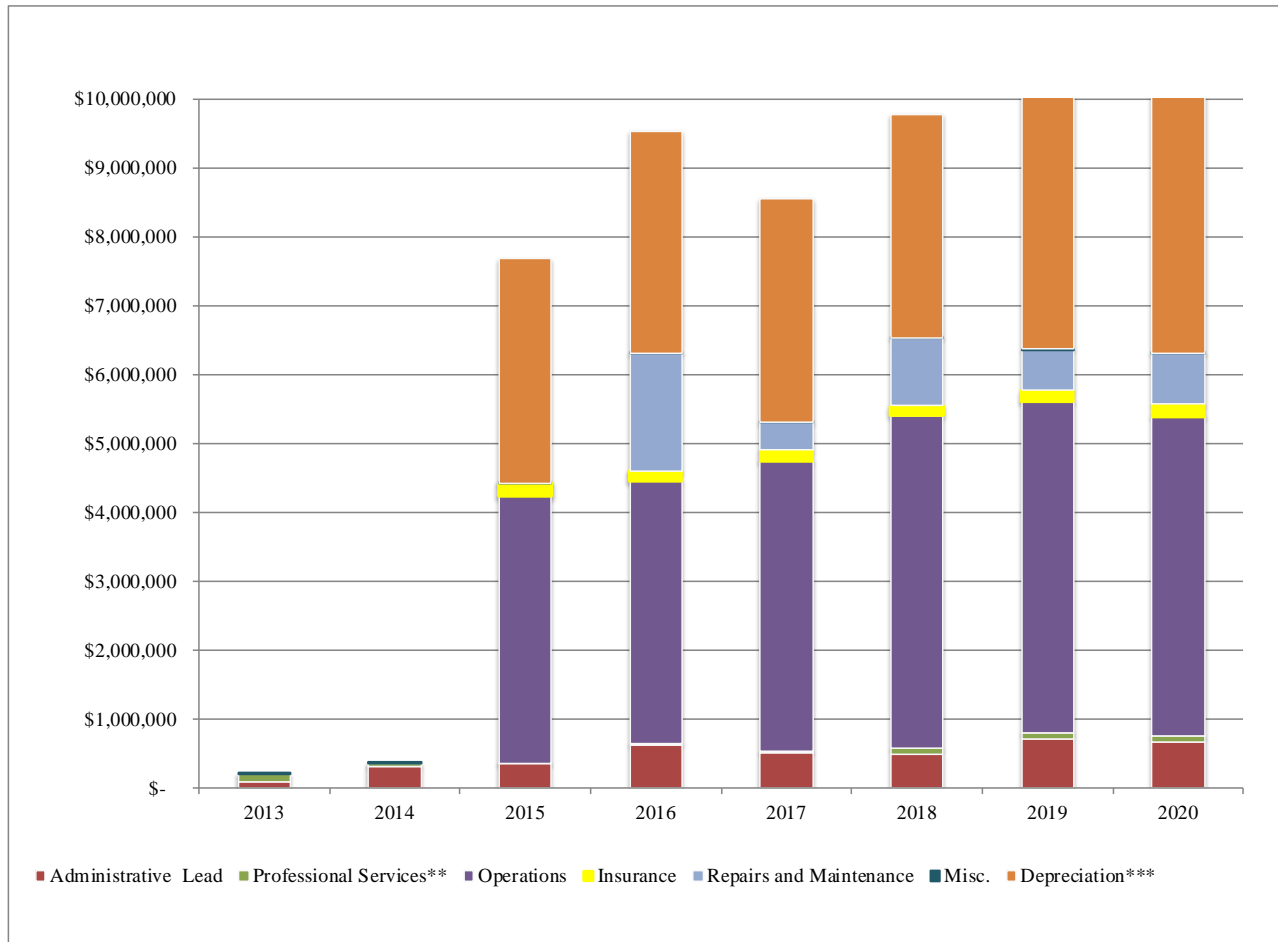
* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Effective January 1, 2015, member governments of the Alliance transferred sewer transmission lines, pump stations and treatment plants (Regional Assets), related cash reserves, and related debt to the Alliance, resulting in a large change in net position.

**DISCOVERY CLEAN WATER ALLIANCE
EXPENSES BY USE
LAST EIGHT FISCAL YEARS***

Schedule 3

Fiscal Year	Administrative Lead	Professional Services**	Treatment Plant Operations	Repairs and Maintenance	Insurance	Misc.	Depreciation***	Total
2013	\$ 101,105	\$ 107,369	\$ -	\$ -	\$ -	\$ 84	\$ -	\$ 208,558
2014	311,150	54,456	-	-	-	166	-	365,772
2015	348,531	11,725	3,879,041	-	186,560	6,049	3,242,895	7,674,801
2016	620,968	34,295	3,810,714	1,691,236	142,274	5,652	3,225,964	9,531,103
2017	505,783	36,630	4,212,491	409,250	146,739	6,022	3,224,289	8,541,204
2018	487,007	89,163	4,827,469	982,261	145,915	6,092	3,236,213	9,774,120
2019	703,966	90,236	4,823,572	583,413	153,895	14,635	3,882,231	10,251,948
2020	679,667	82,734	4,630,680	747,518	175,457	2,222	3,818,777	10,137,055



Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Professional Services expenses include consulting related to Capital Programs, Financial Consulting, Communications and IT.

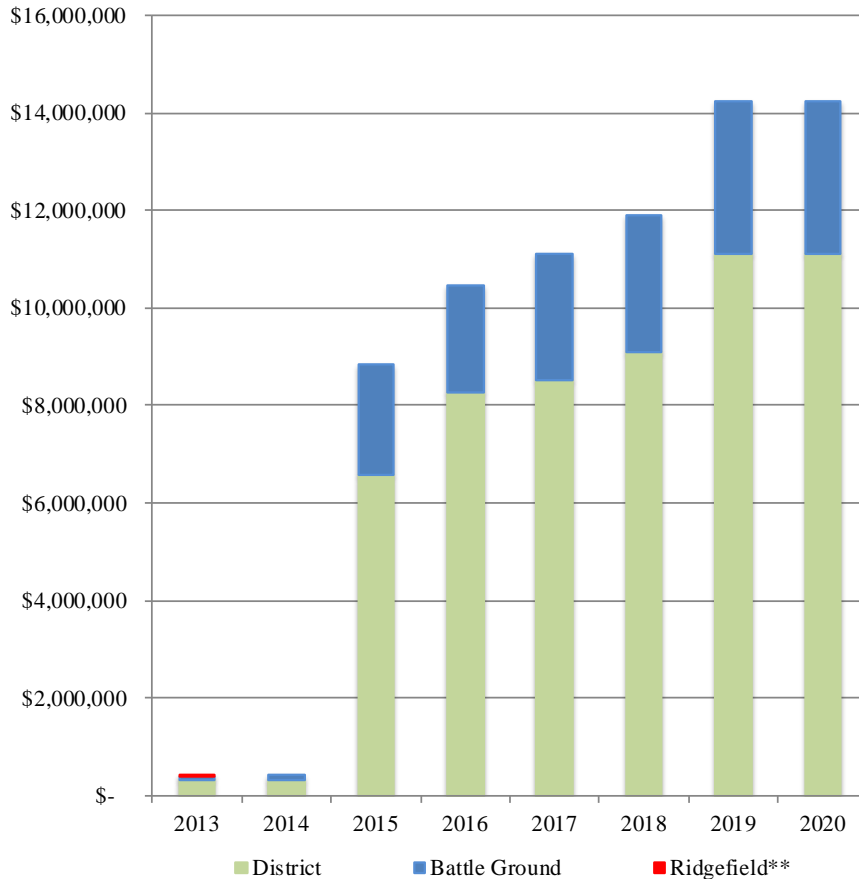
*** Depreciation expense became applicable in 2015, with the Alliance becoming fully operational and assets transferring from Clark County, the City of Battle Ground and the City of Ridgefield as of January 1, 2015.

**DISCOVERY CLEAN WATER ALLIANCE
REVENUES BY SOURCE
LAST EIGHT FISCAL YEARS***

Schedule 4

Fiscal Year	District	Battle Ground	Ridgefield**	Total
2013	\$ 306,720	\$ 92,712	\$ 18,708	\$ 418,140
2014	325,428	92,712	-	418,140
2015	6,582,996	2,265,937	-	8,848,933
2016	8,261,923	2,184,058	-	10,445,981
2017	8,516,033	2,590,409	-	11,106,442
2018	9,087,008	2,795,408	-	11,882,416
2019	11,099,983	3,129,842	-	14,229,825
2020	11,099,983	3,129,842	-	14,229,825

Total Annual Revenues



Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Effective January 1, 2014, the Ridgefield collection system transferred operations to the Clark Regional Wastewater District. As a result of the transfer, Regional Service Charges are no longer billed to the City of Ridgefield.

**DISCOVERY CLEAN WATER ALLIANCE
NON-OPERATING REVENUES AND EXPENSES
LAST EIGHT FISCAL YEARS***

Schedule 5

Fiscal Year	Interest and Fiscal Charges	Interest Revenue	Other Revenues/ (Expenses)	Total Non-operating Revenues/ (Expenses)
2013	\$ -	\$ -	\$ -	\$ -
2014 **	-	538	-	538
2015	(406,117)	15,616	-	(390,501)
2016	(503,234)	38,064	-	(465,170)
2017	(410,374)	53,977	(5,595)	(361,992)
2018	(371,535)	127,493	-	(244,042)
2019	(323,291)	169,039	262,023	107,771
2020	(300,107)	126,422	(147,095)	(320,780)

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Funds were not invested for the Alliance until 2014.

**DISCOVERY CLEAN WATER ALLIANCE
LARGEST CUSTOMERS
CURRENT AND YEAR OF FORMATION***

Schedule 6

	2020			2013		
	Regional Service Charges	Rank	Percentage of Total Regional Service Charges	Regional Service Charges	Rank	Percentage of Total Regional Service Charges
<u>Wholesale Customer</u>						
Clark Regional Wastewater District	\$ 11,099,983	1	78.01%	\$ 306,720	1	73.36%
City of Battle Ground	3,129,842	2	21.99%	92,712	2	22.17%
City of Ridgefield	-	3	0.00%	18,708	3	4.47%
Subtotal (largest)	14,229,825		100.00%	418,140		100.00%
Balance from other customers	-		0.00%	-		0.00%
Total	<u>\$ 14,229,825</u>		<u>100.00%</u>	<u>\$ 418,140</u>		<u>100.00%</u>

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

**DISCOVERY CLEAN WATER ALLIANCE
MONTHLY REGIONAL SERVICE CHARGES
LAST EIGHT FISCAL YEARS***

Schedule 7

<u>Year</u>	<u>District Monthly RSC</u>	<u>Battle Ground Monthly RSC</u>	<u>Ridgefield Monthly RSC</u>	<u>Total Monthly RSC</u>
2013	\$ 25,560	\$ 7,726	\$ 1,559	\$ 34,845
2014	27,119	7,726	-	34,845
2015	548,583	188,828	-	737,411
2016	631,354	182,005	-	813,359
2017	709,669	215,867	-	925,536
2018	757,251	232,951	-	990,202
2019	924,999	260,820	-	1,185,819
2020	924,999	260,820	-	1,185,819

Notes:

* The Alliance was incorporated on January 4, 2013. Only data for the last eight years is available.

Regional Service Charges (RSCs) are set by the Alliance Board of Directors as part of the biennial budget adoption. RSCs collected from Members represent 100% of Alliance operating revenues. The Alliance does not receive any general purpose tax revenues.

Effective January 1, 2014, the Ridgefield collection system transferred operations to the Clark Regional Wastewater District. As a result of the transfer, RSCs are no longer billed to the City of Ridgefield.

Effective January 1, 2015, the Alliance became fully operational. The increase in RSCs reflects the Alliance billing Members for all administrative, treatment and operational costs, including debt service and capital costs, on all Regional Assets transferred from the Members.

**DISCOVERY CLEAN WATER ALLIANCE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS***

Schedule 8

Year	2015 Revenue Bonds	PWB Loans	SRF Loans	Contracts Payable	Total		As a Share of Assessed Value
					Amount	Per MG**	
2013 ***	\$ -	\$ 22,738,167	\$ 2,336,133	-	\$ 25,074,300	\$ 8,227	0.21%
2014 ***	-	20,912,676	2,131,414	-	23,044,090	6,877	0.18%
2015	11,955,000	19,087,187	1,893,951	1,245,000	34,181,138	8,265	0.24%
2016	11,185,000	17,261,697	1,696,862	-	30,143,559	8,342	0.19%
2017	10,390,000	15,436,206	1,440,532	-	27,266,738	6,700	0.15%
2018	9,195,000	13,610,716	1,199,981	-	24,005,697	6,732	0.14%
2019	7,970,000	11,785,225	949,686	-	20,704,911	5,922	0.11%
2020	6,725,000	15,425,435	689,237	-	22,839,672	5,871	0.12%

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Million Gallons (MG) were used instead of population per capita information based on the Alliance not having a defined base from which to derive population numbers. See Schedule 11. Assessed value data used in calculating the debt as a share of assessed value was derived from GIS data for the Alliance service areas.

*** Debt was transferred January 1, 2015. Debt data from 2013 and 2014, of Member government books are reported for informational perspective only.

**DISCOVERY CLEAN WATER ALLIANCE
DEBT COVERAGE RATIO
LAST EIGHT FISCAL YEARS***

Schedule 9

	2020	2019	2018	2017	2016	2015	2014	2013
Revenues								
Regional Service Charges	\$ 14,229,825	\$ 14,229,825	\$ 11,882,416	\$ 11,106,442	\$ 10,445,981	\$ 8,848,933	\$ 418,140	\$ 418,140
Other operating revenue	12,873	-	-	-	-	-	-	-
Interest on investments	126,422	169,039	127,493	53,977	38,064	15,616	538	-
Total Gross Revenues	\$ 14,369,120	\$ 14,398,864	\$ 12,009,909	\$ 11,160,419	\$ 10,484,045	\$ 8,864,549	\$ 418,678	\$ 418,140
Maintenance and Operating Expenses								
Administrative Lead services	\$ 679,667	\$ 703,966	\$ 487,007	\$ 505,783	\$ 620,968	\$ 348,531	\$ 311,150	\$ 101,105
Professional services	82,734	90,236	89,163	36,630	34,295	11,725	54,456	107,369
Treatment plant operations	4,630,680	4,823,572	4,827,469	4,212,491	3,810,714	3,879,041	-	-
Repairs and maintenance	747,518	583,413	982,261	409,250	1,691,236	-	-	-
Insurance	175,457	153,895	145,915	146,739	142,274	186,560	-	-
Miscellaneous expenses	2,222	14,635	6,092	6,022	5,652	6,049	166	84
Total Maintenance and Operating Expense	\$ 6,318,278	\$ 6,369,717	\$ 6,537,907	\$ 5,316,915	\$ 6,305,139	\$ 4,431,906	\$ 365,772	\$ 208,558
1.10 Coverage Test - Bonds								
Total Net Revenues	8,050,842	8,029,147	5,472,002	5,843,504	4,178,906	4,432,643	52,906	209,582
Debt Service	1,439,468	1,449,358	1,448,516	1,067,914	1,061,702	72,115	-	-
Coverage	5.59	5.54	3.78	5.47	3.94	61.47	-	-
1.10 Coverage Test - All Debt								
Total Net Revenues	8,050,842	8,029,147	5,472,002	5,843,504	4,178,906	4,432,643	52,906	209,582
Debt Service	3,617,030	3,635,048	3,643,333	3,304,871	3,241,762	1,231,488	-	-
Coverage	2.23	2.21	1.50	1.77	1.29	3.60	-	-

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

**DISCOVERY CLEAN WATER ALLIANCE
OPERATING EXPENSES AND DEBT PRINCIPAL COVERAGE
LAST EIGHT FISCAL YEARS***

Schedule 10

	2020	2019	2018	2017	2016	2015	2014	2013
Gross Revenues								
Regional Service Charges	\$ 14,229,825	\$ 14,229,825	\$ 11,882,416	\$ 11,106,442	\$ 10,445,981	\$ 8,848,933	\$ 418,140	\$ 418,140
Interest on investments	126,422	169,039	127,493	53,977	38,064	15,616	538	
Miscellaneous operating revenues	12,873	262,023						
Total Gross Revenues	14,369,120	14,660,887	12,009,909	11,160,419	10,484,045	8,864,549	418,678	418,140
Operating Expenses								
Administrative Lead services	679,667	703,966	487,007	505,783	620,968	348,531	311,150	101,105
Professional services	82,734	90,236	89,163	36,630	34,295	11,725	54,456	107,369
Treatment plant operations	4,630,680	4,823,572	4,827,469	4,212,491	3,810,714	3,879,041		
Repairs and maintenance	747,518	583,413	982,261	409,250	1,691,236			
Insurance	175,457	153,895	145,915	146,739	142,274	186,560		
Miscellaneous expenses	2,222	14,635	6,092	6,022	5,652	6,049	166	84
Other operating expense, including interest	447,202	323,291	371,535	410,374	503,234	406,117		
Operating expenses excluding depreciation	6,765,480	6,693,008	6,909,442	5,727,289	6,808,373	4,838,023	365,772	208,558
Net Revenues Available for Debt Service**	7,603,640	7,967,879	5,100,467	5,433,130	3,675,672	4,026,526	52,906	209,582
Debt service - Alliance (Principal only)								
2015 Sewer Revenue Bonds	1,245,000	1,225,000	1,195,000	795,000	770,000	-	-	-
PWB Loans	1,825,490	1,825,490	1,825,490	1,825,490	1,825,490	912,745	-	-
SRF Loans	260,449	250,296	240,551	256,331	197,088	145,624	-	-
Net Revenue After Payment of Debt Service	\$ 4,272,701	\$ 4,667,093	\$ 1,839,426	\$ 2,556,309	\$ 883,094	\$ 2,968,157	\$ 52,906	\$ 209,582

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Excludes depreciation, interest expense, and certain other non-operating revenues and expenses.

**DISCOVERY CLEAN WATER ALLIANCE
DEMOGRAPHIC STATISTICS
LAST EIGHT FISCAL YEARS***

Schedule 11

Clark County

Fiscal Year	Regional Service Area Population**	Per Capita Income ***	Total Personal Income	Unemployment ****
2013	231,385	\$ 41,852	\$ 9,683,925,020	7.6%
2014	234,855	44,606	10,475,942,130	6.7%
2015	240,235	46,615	11,198,554,525	6.2%
2016	245,260	48,506	11,896,581,560	5.7%
2017	250,765	50,726	12,720,305,390	5.0%
2018	251,015	54,542	13,690,860,130	5.0%
2019	257,305	56,401	14,512,259,305	4.2%
2020	262,050	59,277	15,533,537,850	7.0%

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

The Alliance Regional Service Area is comprised of the City of Ridgefield, City of Battle Ground and unincorporated Clark County.

Demographic information is from the following sources:

** Washington State Office of Financial Management.

*** Federal Reserve Economic Data

Data for the year 2020 is not yet available. The 2019 figure was calculated by increasing the 2019 Per Capita Income amount by 5.1%, the average year-over-year growth rate for the prior six years.

**** Federal Reserve Economic Data.

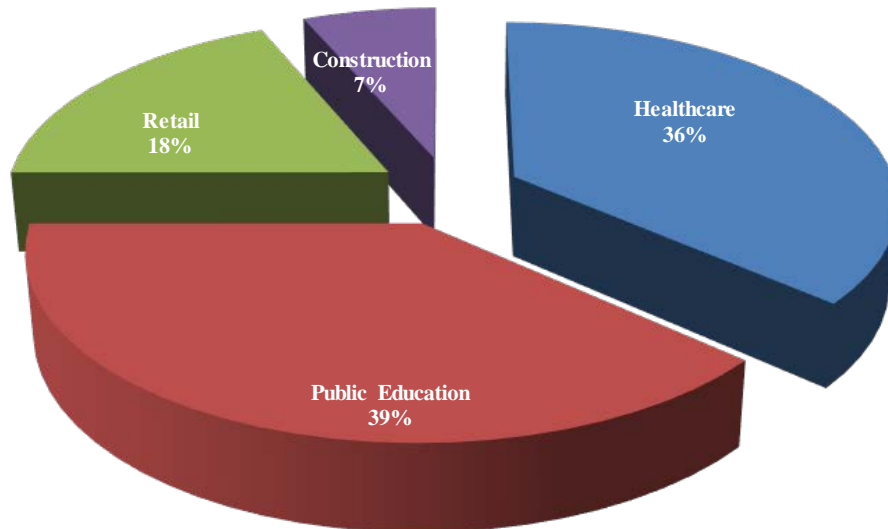
Alliance demographics would be expected to closely follow overall Clark County.

**DISCOVERY CLEAN WATER ALLIANCE
EMPLOYEES FOR TEN PRINCIPAL EMPLOYERS
CURRENT AND SEVEN FISCAL YEARS AGO***

Schedule 12

Customer	Type of Business	2020			2013		
		Employees	Rank	Percent of Employment	Employees	Rank	Percent of Employment
Legacy Salmon Creek Hospital	Healthcare	1,924	1	28.3%	1,263	1	22.9%
Vancouver School District	Public Education	960	2	14.1%	819	3	14.8%
Battle Ground Public Schools	Public Education	869	3	12.8%	714	4	12.9%
Fred Meyer	Retail	587	4	8.6%	892	2	16.2%
The Vancouver Clinic	Healthcare	550	5	8.1%	371	5	6.7%
Tapani	Construction	442	6	6.5%	270	9	4.9%
Washington State University Vancouver	Public Education	441	7	6.5%	353	7	6.4%
UNFI	Retail	350	8	5.2%	-	-	-
Ridgefield School District	Public Education	346	9	5.1%	-	-	-
Safeway	Retail	319	10	4.7%	364	6	6.6%
Kaiser Permanente	Healthcare	-	-	-	281	8	5.1%
Wal-Mart	Retail	-	-	-	196	10	3.5%
Total		6,788		100%	5,523		100%

2020 Top Ten Principal Employers by Business Type



Notes: * The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

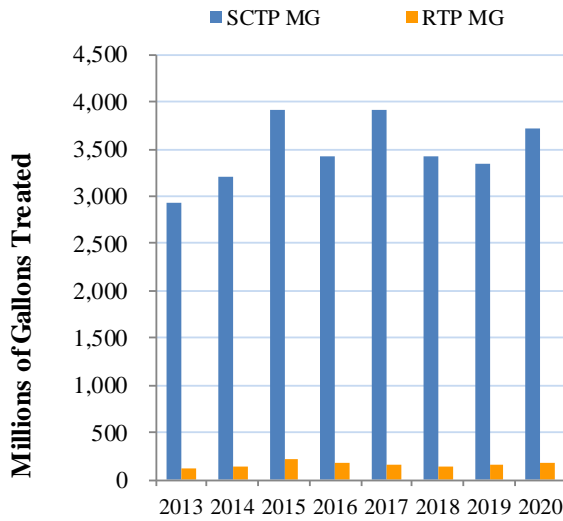
Total employment for the Alliance service area alone is not collected in the US census data or able to be calculated as a specific portion of unincorporated Clark County; therefore, a calculation of each employer's percentage of total employment is excluded. Data is obtained directly from employers in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

**DISCOVERY CLEAN WATER ALLIANCE
WASTEWATER TREATED
LAST EIGHT FISCAL YEARS***

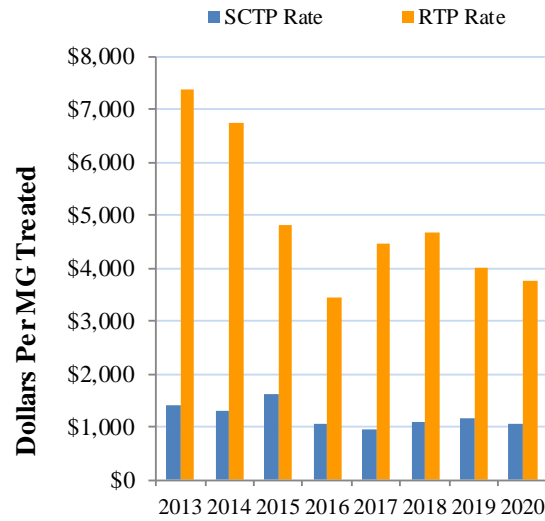
Schedule 13

Fiscal Year	Salmon Creek Treatment Plant**	SCTP Rate \$/MG****	Ridgefield Treatment Plant***	RTP Rate \$/MG****
2013	2,935	\$ 1,425	113	\$ 7,388
2014	3,201	1,319	150	6,734
2015	3,916	1,616	219	4,820
2016	3,431	1,071	183	3,453
2017	3,906	968	164	4,458
2018	3,424	1,104	142	4,687
2019	3,343	1,175	153	3,994
2020	3,708	1,079	183	3,773

Waste water Treated Comparison



Rate Comparison



* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** Effective January 1, 2015, the Salmon Creek Treatment Plant (SCTP) is owned by the Alliance and operated by Clark County. About 85.7% of the flows from Clark Regional Wastewater District and 100% of the flows from the City of Battle Ground are treated at the SCTP.

*** Effective January 1, 2015, the Ridgefield Treatment Plant (RTP) is owned by the Alliance and operated by the City of Ridgefield. As of July 1, 2018 Clark Regional Wastewater District assumed operations of the Ridgefield Treatment Plant. About 3.9% of the flows from Clark Regional Wastewater District are treated at the RTP.

**** The Alliance was not yet fully operational in 2013 and 2014 but data was included for reference.

The cost of sewer treatment for Ridgefield residents when the City managed its own treatment operations reflects significantly higher \$/MG. This was known and is what, in large part, supported the transfer of operations.

Flow information is obtained from District Flow and Rainfall Comparison reports. \$/MG are based on Operator costs for the SCTP and RTP.

**DISCOVERY CLEAN WATER ALLIANCE
OPERATING AND CAPITAL INDICATORS
LAST EIGHT FISCAL YEARS***

Schedule 14

	Fiscal Years							
	2020	2019	2018	2017	2016	2015	2014	2013
WASTEWATER TREATMENT								
Miles of sewer lines	25.41	25.41	25.41	25.41	25.41	25.41	25.41	25.41
Number of treatment plants	2	2	2	2	2	2	2	2
Treatment capacity (MGD)**	15.65	15.65	15.65	15.65	15.65	15.65	15.65	15.65
Annual engineering maximum plant capacity (millions of gallons)	5,712	5,712	5,712	5,712	5,712	5,712	5,712	5,712
Amount treated annually (millions of gallons) ***	3,891	3,497	3,566	4,070	3,614	4,135	3,351	3,048
Unused capacity (millions of gallons)	1,821	2,215	2,146	1,643	2,099	1,577	2,362	2,665
Percentage of capacity utilized	68.1%	61.2%	62.4%	71.2%	63.3%	72.4%	58.7%	53.4%

Notes:

* The Alliance was incorporated on January 4, 2013, and became fully operational on January 1, 2015. Only data for the last eight years is available.

** MGD = millions of gallons per day. The Salmon Creek Treatment Plant (SCTP) treatment capacity is 14.95 MGD. The City of Ridgefield Treatment Plant (RTP) capacity is .70 MGD.

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