Comprehensive Annual Financial Report

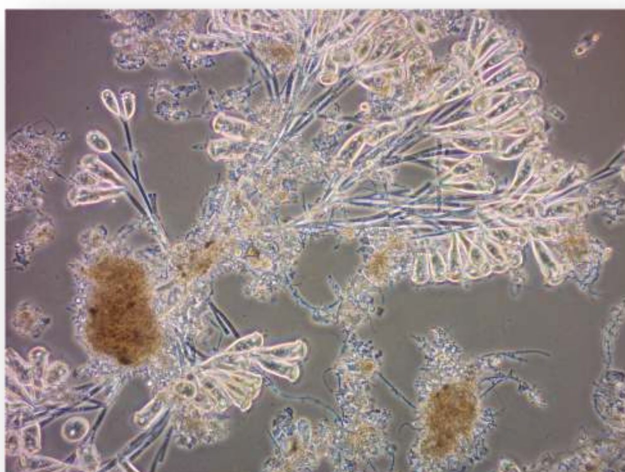
For the year ended December 31, 2018

LOTT Clean Water Alliance

Lacey • Olympia • Tumwater • Thurston County • Washington

Comprehensive Annual Financial Report

For the Year Ended December 31, 2018



LOTT Clean Water Alliance

Lacey, Olympia, Tumwater and Thurston County, Washington

Prepared by

Justin E. Long, CPA, CGFM | Finance Director

Natalie Windle, CRM | Accounting Manager – In Training

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Section I

Introductory

Lacey
Olympia
Tumwater
Thurston County

Board of Directors
LOTT Clean Water Alliance
500 Adams St NE
Olympia, WA 98501

June 6, 2019

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the LOTT Clean Water Alliance (the Alliance) for the year ended December 31, 2018.

This CAFR is prepared in accordance with generally accepted accounting principles, and the Alliance's management is responsible for the contents of this report. To meet this responsibility, the Alliance's management has established a comprehensive internal control framework that is designed to both protect assets from loss, theft or misuse and to compile sufficient, reliable information for the preparation of the financial statements. As with any effective and efficient system of controls, the Alliance's internal controls have been designed to provide reasonable assurance that assets are safeguarded and the financial statements are free of material misstatements. Since the cost of a control should not exceed the benefits derived, the objective of these controls is to provide reasonable, rather than absolute assurance, that the financial statements are free of material misstatements. To the best of my knowledge and belief, the financial statements contained herein are accurate in all material respects and reported in conformity with generally accepted accounting principles. I am also pleased to report, once again, the Alliance has received an unmodified opinion on its financial statements for the year ended December 31, 2018.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Alliance for our comprehensive annual financial report for the fiscal year ended December 31, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial 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 believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Programs requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

About the Alliance

When the idea for a regional wastewater utility was first put in place, the wastewater treatment plant provided only primary treatment. By 1983, secondary treatment was added and, in 1994, nitrogen removal and ultraviolet disinfection followed. As the local communities continued to grow, it became clear that planning for future wastewater treatment capacity was needed. In 1998, the Partners completed a long-range public planning process that resulted in the 20-year LOTT Wastewater Resource Management Plan, with major focus on production and distribution of reclaimed water. Reclaimed water production became a reality in 2005, with the completion of the Budd Inlet Reclaimed Water Plant. For the first time in LOTT's 30-year history, a product, Class A Reclaimed Water, was sent back out into the community for beneficial reuse.

In 2010, with the completion of the Regional Services Center and the WET Science Center, all our staff are based at the same location. The WET Science Center has provided a unique and important opportunity for our staff to further educate our community on the benefit of water conservation and LOTT's role in the community.

The Alliance's name has also been modified over the years and 2010 saw another change which recognized LOTT's evolution. During 2010, the Alliance officially changed its name to the "LOTT Clean Water Alliance" to provide clarity of LOTT's mission and to recognize the important role reclaimed water plays in our community.

Today, the Alliance owns and operates physical facilities in all four partner jurisdictions. These facilities have a net book value of approximately $220 million and an estimated replacement value of approximately $750 million, and include the Budd Inlet Treatment Plant, Budd Inlet Reclaimed Water Plant, Martin Way Reclaimed Water Plant, three pump stations (Capitol Lake, Martin Way and Kaiser Road), a Southern Connection Control Structure and 23 miles of main sewer interceptor pipelines.

Factors Affecting Financial Condition

LOTT's overall financial position has improved and we are continuing to see growth in the system. In 2018, approximately 1358 new connections were made to LOTT's system, which is approximately the same number of new connections in 2017. We are continuing to take a conservative approach to growth, insofar as revenue is concerned and are estimating approximately 1000 new connections for 2019. If we continue to see a consistent increase in growth, we will adjust our estimates accordingly.

LOTT tracks two measures of inflation, the Consumer Price Index and the Producer Price Index. Both of these indexes saw stable growth during 2018 and the planned increases for the Wastewater Service Charge and the Capacity Development Charge should be sufficient for 2019. For more detailed information regarding the Alliance's financial condition, please refer to the Management's Discussion and Analysis on page 10.

Long Term Planning

Early on, rate payers made it clear that growth should pay for growth. In keeping with this mantra, LOTT constructs new facilities to accommodate growth on a "just in time" basis rather than build one large plant at a tremendous up-front cost. This concept relied on the steady development of smaller satellite reclaimed water plants to add capacity to the system.

To meet this need, the Alliance's Board has approved a Capital Improvement Plan consisting of projects identified for construction through the year 2053. In the next six years, more than $53 million in new investments to the Budd Inlet Treatment Plant are planned and expected to be financed through a combination of connection charges, monthly charges, and debt.

Acknowledgements

This report would not have been possible without the hard work of the Finance Division staff: Katie Kappert, Angelea Miller, Natalie Windle, Farah Derosier and Robin Spencer. Additionally, Gordon Glasgow, CPA from Preszler, Larner, Mertz and Co. provided much appreciated assistance and guidance.

Acknowledgment is also made to the Washington State Auditor's Office for their timely completion of our audit and CAFR review and Darren Bennett at Thurston County for information used in the Statistical Section.

In addition, I wish to extend my appreciation to Tyle Zuchowski and Karen Tuomey who provided information used in this report.

Finally, special appreciation goes to the Board of Directors and to the Executive Director for their leadership and support.

Respectfully Submitted,

Justin Long, CPA, CGFM
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

LOTT Clean Water Alliance

Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

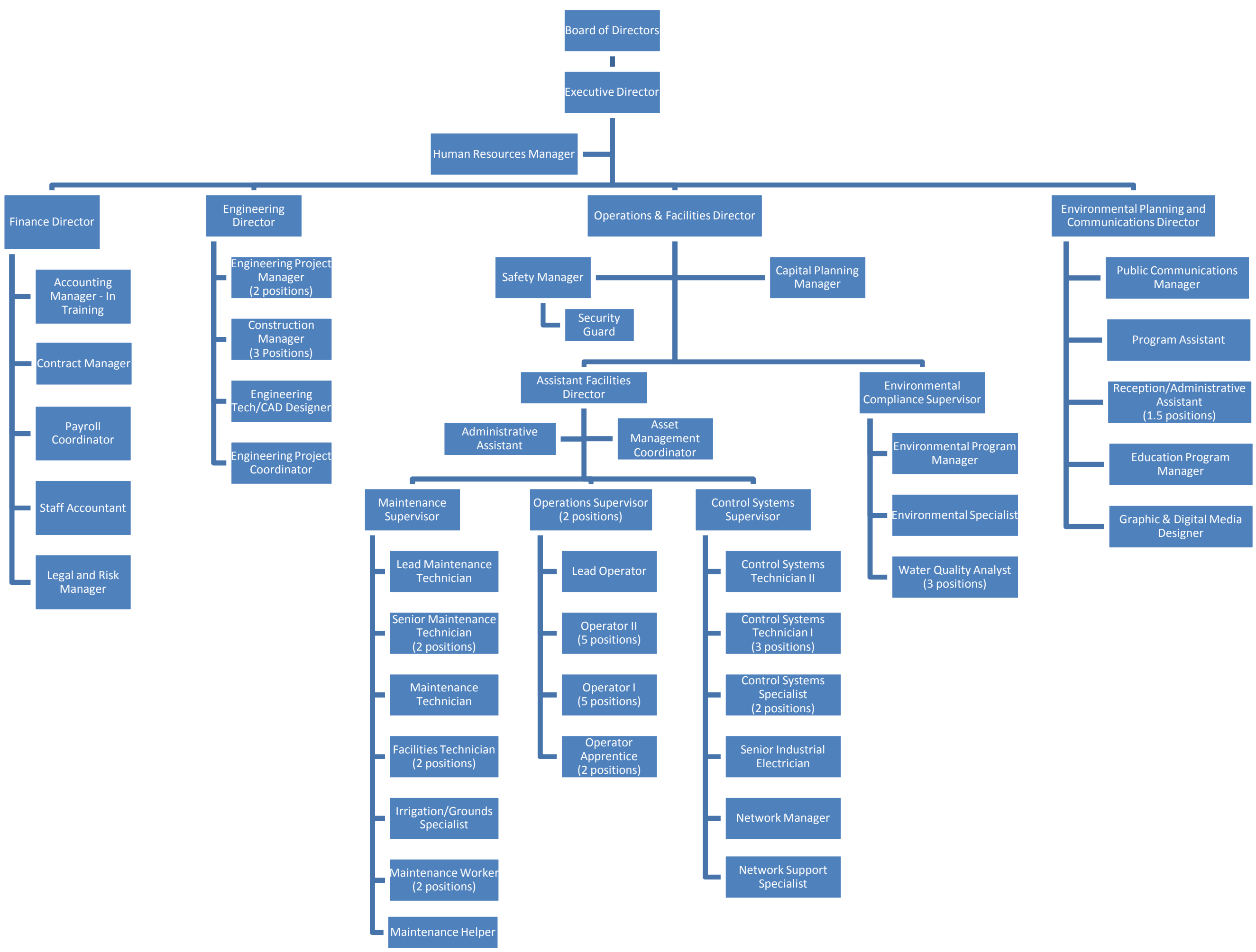
Christopher P. Morrill

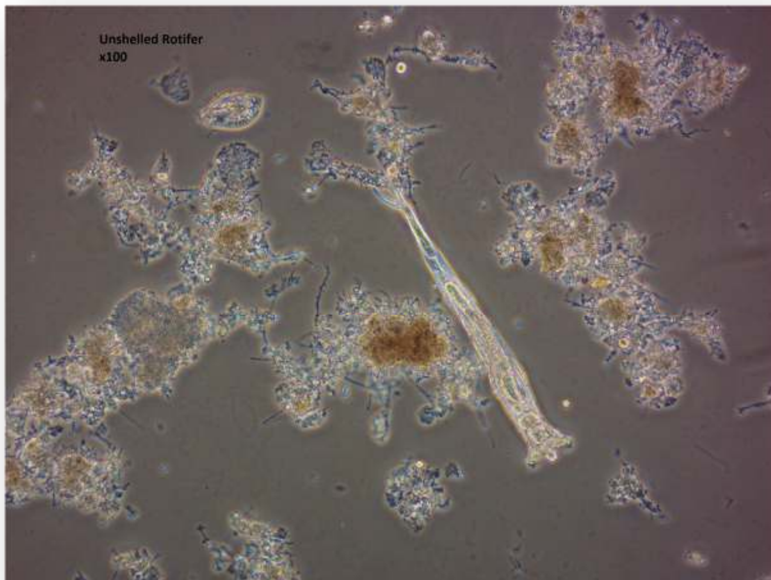
Executive Director/CEO

Directory of Officials and Organizational Chart

The LOTT Clean Water Alliance Board of Directors is comprised of one appointed representative from each of the Alliance's partners. Directors serve one year terms and must be reappointed each year by their respective Boards. The Executive Director is appointed by the LOTT Board of Directors. The following Directors served during 2018:

			
Cynthia Pratt **President** **City of Lacey**	**Pete Kmet** **Vice President** **City of Tumwater**	**Lisa Parshley** **City of Olympia**	**John Hutchings** **Thurston County**





Section II

Financial

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 6, 2019

Board of Directors
LOTT Clean Water Alliance
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the LOTT Clean Water Alliance, as of and for the year ended December 31, 2018, 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

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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 LOTT Clean Water Alliance, as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the sole purpose of forming an opinion on the financial statements that collectively comprise the Alliance's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and is 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 June 6, 2019, 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. That report will be issued under separate cover in the Alliance's Single Audit Report. 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

Pat McCarthy
State Auditor
Olympia, WA

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the LOTT Clean Water Alliance (the Alliance) provides an overall review of the Alliance's financial activities for the year ended December 31, 2018. This discussion is designed to be read in conjunction with the financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

The LOTT Clean Water Alliance was incorporated on April 17, 2000 and operates under the laws of the State of Washington and applicable to 501(c)(3) corporations. All financial reporting is based on twelve months of operations. Key financial highlights for fiscal year 2018 are:

- The Wastewater Service Charge (WSC) increased to $38.64 in 2018. In August 2018, the Board of Directors voted to increase the Wastewater Service Charge to $39.80 and $41.00 per month for 2019 and 2020, respectively.

- The Capacity Development Charge (CDC) increased to $5,810.79 for 2018. This charge covers the cost to increase capacity of the system to accommodate new growth in the Alliance's service area. Each year, the capacity development charge is increased $64.10 through the year 2019. In August 2018, the Board of Directors voted to increase the Capacity Development Charge to $6,049.21 and $6,230.69 for 2019 and 2020, respectively.

In 2018, the Alliance had a positive cash flow from operating activities and met all debt obligations. A negative cash flow from Capital and Related Financing Activities was largely the result of using cash on hand to finance construction projects. As of December 31, 2018, the Alliance had an unrestricted net position balance of $40,244,910. Of this total, approximately $10.6 million is set aside to pay operational and capital costs in the event of an emergency, with the remainder slated for debt reduction, future capital improvements and system upgrades.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the annual report explains the purpose of the Alliance's basic financial statements and the notes to the financial statements.

Basic Financial Statements

The financial statements of the Alliance are designed to provide readers with a broad overview of the Alliance's finances similar to a private-sector business. They have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short and long-term financial information about the Alliance's activities.

The Statement of Net Position presents the Alliance's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as Net Position (equity). The Statement of Net Position provides information about the nature and amount of investments in resources (assets), and the obligations to creditors (liabilities). Net Position increases when revenues exceed expenses. The Statement of Revenues, Expenses, and Changes in Fund Net Position reports the revenues and expenses during the periods indicated. The Statement of Cash Flows provides information about the Alliance's cash receipts and payments for operations, as well as funds provided and used in investing and financing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the figures provided in the financial statements.

FINANCIAL ANALYSIS

Condensed Financial Information
December 31, 2018 and December 31, 2017

	December 31, 2018		December 31, 2017	
Current and Other Assets	$	56,530,024	$	51,216,716
Capital Assets		220,371,998		226,114,631
Total Assets	$	276,902,022	$	277,331,347
Deferred Outflow - Pension	$	847,624	$	757,285
Deferred Loss on Refunding	$	171,775	$	214,690
Total Defered Outflow of Resources	$	1,019,400	$	971,975
Current Liabilities	$	10,689,873	$	10,548,435
Other Long-Term Liabilities		4,384,445		5,380,443
Long-Term Debt		74,602,640		81,236,571
Total Liabilities	$	89,676,958	$	97,165,450
Deferred Inflow - Pension	$	1,585,392	$	1,003,984
Total Deferred Inflows of Resources	$	1,585,392	$	1,003,984
Net Investment in Captial assets	$	141,834,657	$	141,177,962
Restricted Net Position - Debt Service		4,579,505		4,022,677
Unrestricted		40,244,910		34,933,249
Total Net Position	$	186,659,072	$	180,133,889

Continued on next page

Condensed Financial Information
For the Years Ended December 31, 2018 and December 31, 2017

		2018		2017
Revenue				
Charges for Services	$	28,798,831	$	27,731,486
Other Operating Revenue		381,659		499,931
Total Operating Revenue	$	29,180,489	$	28,231,417
Capacity Development Charge	$	7,714,931	$	7,040,915
Interest Income		586,906		148,846
Gain(Loss) on Capital Asset Disposition		(811,348)		(1,060,659)
Other Nonoperating Revenue		1,396		1,301
Total Nonoperating Revenue	$	7,491,885	$	6,130,403
Total Revenue	$	36,672,374	$	34,361,820
Expenses				
General Operations	$	16,631,999	$	15,273,309
Professional Services		1,526,151		1,825,458
Depreciation		8,587,694		8,086,598
Total Operating Expenses	$	26,745,844	$	25,185,364
Interest Expense	$	2,034,446	$	1,892,377
Total Non Operating Expenses		2,034,446		1,892,377
Total Expenses	$	28,780,290	$	27,077,741
Excess (Deficiency) Before Special Item	$	7,892,084	$	7,284,078
Special Item (See Note 13)		(1,366,900)		-
Net Position - Beginning of Year	$	180,133,889	$	172,849,810
Change in Net Position	$	6,525,184	$	7,284,078
Net Position - End of Year	$	186,659,072	$	180,133,889

For the twelve months ending December 31, 2018, the total assets of the Alliance decreased by approximately $0.4 million or 0.15% and total liabilities decreased by approximately $7.5 million or 8%. Total Net Position increased approximately $6.5 million. The small decrease in total assets is primarily due to replacing capital assets. Old assets were removed from service and replaced with assets that were previously shown in Construction in Process and the write-off for the Special Item described in Note 13. The decrease in total liabilities is primarily due to scheduled payments of long-term debt.

Operating revenue increased approximately 3% primarily due to the continued growth in the Alliance's service area and planned increases in rates. This trend is expected to continue through the next reporting period.

The Capacity Development Charge represents the fee charged for new customers to LOTT's system. Revenue from this charge, before rebates, increased approximately 10%, primarily due to planned increases in rates. The total number of new connections was slightly higher than in 2017. The total number of new connections to the system increased by approximately 4.5% and the connection charge increased by approximately 4.2%.

For both the Wastewater Service Charge and the Capacity Development Charge, it is management's intention to propose rate structures which ensure rates are sufficient to keep pace with inflation and fund LOTT's Capital Improvement Plan.

The rate of new connections in LOTT's service area has been reasonably consistent since 2008. At this time, management will continue to take a conservative approach to estimating new connections for revenue purposes. Approximately 1000 new connections are expected in 2019.

Total Operating Expenses increased by approximately 6% due to a larger depreciation expense from placing a large capital asset into service and expected increases in personnel costs.

With the exception of the items in Note 1e in the Notes to the Financial Statements, there are no restrictions, commitments or other limitations which may affect the availability of resources for future use.

Capital Assets

The Alliance had a total net Capital Asset Value of $220 million as of December 31, 2018. While it may seem counterintuitive, a decrease of approximately $5.7 million is primarily due to the Sludge Dewatering Project being placed into service. The replaced equipment was built in the 1980s and had a much lower historical cost. The new project was included in Construction in Progress in 2017, and was nearly completed. As a result, capital assets decreased in 2018 when the new project was placed into service and the historical costs were removed. In addition, the Special Item described in Note 13 contributed to the decrease in Capital Assets.

Capital Assets consisted of $33 million in assets not being depreciated including land and construction in process and $318 million in depreciable assets with a total accumulated depreciation of $131 million.

Please refer to Notes 3 and 4 in the Notes to the Financial Statements for more information.

Long-term Debt

The Alliance currently has the following long term debt:

- A revenue bond issued in 2011. This bond refunded the Alliance's 2002 revenue bond and a 1992 loan from the Washington State Department of Ecology, as well as provided funds for various projects in the Alliance's capital improvement plan. This is a 20 year bond with coupon rates ranging from 2.0% to 5.0% and a true interest cost of approximately 3.16%. Bond covenants require approximately $2.8 million in cash reserves. The Alliance makes semi-annual payments, which range from $1.1 to $3.3 million.

- A Department of Ecology State Revolving Fund Loan to construct new primary sedimentation tanks. This is a 20 year loan with a 2.6% interest rate and semi-annual payments of $1,245,972. The Alliance's agreement with the Department of Ecology states that one year's payment be kept in a restricted account which may be accumulated over the first five years of the loan's repayment in approximately equal annual payments. As of December 31, 2018, the Alliance has deposited $2,491,945 to a restricted account as required by the loan agreement.

- A Department of Ecology State Revolving Fund Loan, to construct the Martin Way Reclaimed Water Plant in 2004. This is a 20 year loan with a 1.5% interest rate and semi-annual payments of $919,149. As of December 31, 2018, the Alliance has $1,838,298 in a restricted account as required by the loan agreement.

- A Washington State Revolving Fund Loan made as part of the American Reinvestment and Recovery Act to construct a reclaimed water line to Tumwater. This is a 20 year loan with a 2.9% interest rate and semi-annual payments in the amount of $36,972. As of December 31, 2018, the Alliance has $73,944 in a restricted account as required by the loan agreement.

- A Washington State Public Works Trust Fund loan for construction of new primary sedimentation tanks. This is a 20 year loan with a 0.5% interest rate and annual payments ranging from $549,559 to $566,004.

- A Washington State Public Works Trust Fund Loan issued in March 2005, for the upgrade of the Budd Inlet Treatment Plant Secondary Clarifiers. This is a 20 year loan with a 0.5% interest rate and annual payments ranging from $230,077 to $236,945.

- A Washington State Public Works Trust Fund Loan issued in 2008 for construction of the Kaiser Road Pump Station and Kaiser Road Forcemain replacement. This is a 20 year loan with a 0.5% interest rate and annual payments ranging from $200,587 to $209,569.

- A Department of Ecology State Revolving Fund Loan to construct a reclaimed water storage tank. This is a 20 year loan with a 2.6% interest rate and semi-annual payments of $146,099. As of December 31, 2018, the Alliance has $175,319 in a restricted account as required by the loan agreement.

- A Department of Ecology State Revolving Fund Load for the design of the Biological Process Improvements Project. This loan is still being drawn upon and the design is ongoing. It is a 20 year loan with a 2.0% interest rate and semi-annual payments, which will be determined once the loan is finalized.

Please refer to Note 5 in the Notes to the Financial Statements for more information.

REQUESTS FOR INFORMATION

The Alliance's financial statements, notes and management discussion and analysis are designed to provide a general overview of the Alliance's finances. Questions concerning any of the information presented in this report should be directed to the Alliance at:

LOTT Clean Water Alliance
500 Adams St NE
Olympia, WA 98501
(360) 664-2333

Statement of Net Position

December 31, 2018

		2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$	45,663,195
Receivables (Net)		34,920
Due from other Governmental Units		3,358,072
Prepayments		52,149
Total Current Assets	**$**	**49,108,336**
Noncurrent Assets		
Restricted cash and cash equivalents	$	7,421,688
Capital Assets:		
Land		26,139,970
Plant		227,833,776
Collection System		87,438,498
Machinery and Equipment		3,122,474
Construction in Progress		7,042,241
Accumulated Depreciation		(131,204,961)
Total Capital Assets (Net)	$	220,371,998
Total Noncurrent Assets	**$**	**227,793,686**
TOTAL ASSETS	**$**	**276,902,022**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - Pension	$	847,624
Deferred Loss on Refunding		171,775
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$**	**1,019,400**
LIABILITIES		
Current Liabilities		
Accounts Payable	$	2,240,550
Due to Other Governmental Units		150,000
Wages, Benefits & Compensated Absences Payable		1,350,664
Current Portion of Long-Term Debt		6,948,659
Total Current Liabiities	$	10,689,873
Noncurrent Liabilities:		
Compensated Absences	$	779,597
Net Pension Liability		3,604,849
Long-Term Debt (Net of Current Portion)		74,602,640
Total Noncurrent Liabilities	$	78,987,085
TOTAL LIABILITIES	**$**	**89,676,958**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow - Pension	$	1,585,392
TOTAL DEFERRED INFLOWS OF RESOURCES	**$**	**1,585,392**
NET POSITION		
Net Investment in Capital Assets	$	141,834,657
Restricted Net Position - Debt Service		4,579,505
Unrestricted		40,244,910
TOTAL NET POSITION	**$**	**186,659,072**

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2018

		2018
OPERATING REVENUES		
Charges for Services	$	28,798,831
Other Operating Revenue		381,659
Total Operating Revenue	**$**	**29,180,489**
OPERATING EXPENSES		
General Operations	$	16,631,999
Professional Services		1,526,151
Depreciation		8,587,694
Total Operating Expenses	**$**	**26,745,844**
OPERATING INCOME (LOSS)	**$**	**2,434,646**
NONOPERATING REVENUE (EXPENSES)		
Capacity Development Charge, net of rebate	$	7,714,931
Interest Income		586,906
Interest Expense		(2,034,446)
Gain (Loss) on Capital Asset Disposition		(811,348)
Federal and State Grants		-
Other Nonoperating Revenues		1,396
Other Nonoperating Expenses		-
Total Nonoperating Revenues (Expenses)	$	5,457,439
Income Before Special Item	**$**	**7,892,084**
Special Item (See Note 13)	$	(1,366,900)
CHANGE IN NET POSITION	**$**	**6,525,184**
TOTAL NET POSITION January 1	**$**	**180,133,889**
TOTAL NET POSITION, December 31	**$**	**186,659,072**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows – Page 1 of 2
For the Year Ended December 31, 2018

		2018
Cash Flows from Operating Activities		
Cash Received from Customers	$	28,630,091
Cash Received from Other Operating Activities		58,038
Cash Payments to Suppliers for Goods & Services		(2,263,869)
Cash Payments to Employees		(9,539,020)
Cash Payments for Other Operating Activities		(6,910,443)
Net Cash Provided (Used) by Operating Activities	**$**	**9,974,797**
Cash Flows from Non-Capital Financing Activities		
Donations	$	1,396
Net Cash Provided (Used) in Non-Capital Financing Activities	**$**	**1,396**
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capacity Development Charge	$	7,714,931
Proceeds from Loans		537,551
Acquisition, Construction and Improvements of Capital Assets		(5,023,310)
Repayments on Loans		(4,470,918)
Bond Principal Payments		(2,380,000)
Interest paid on Loans		(1,241,497)
Interest paid on Revenue Bonds		(876,500)
Net Cash Provided (Used) in Capital and Related Financing Activities	**$**	**(5,739,743)**
Cash Flows from Investing Activities		
Interest Received on Investments	$	717,111
Increase(Decrease) in fair value of investment classified as cash equivalents		(130,205)
Net Cash Provided by Investing Activities	**$**	**586,906**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**4,823,356**
Cash and Cash Equivalents at Beginning of Year	$	48,261,526
Cash and Cash Equivalents at End of Year	**$**	**53,084,882**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows – Page 2 of 2
For the Year Ended December 31, 2018

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

		2018
Operating Income	$	2,434,646
Adjustments:		
Depreciation	$	8,587,694
Changes in Operating Assets and Liabilities:		
Receivables (Net)		(492,361)
Accounts Payable		(299,044)
Wages and Benefits Payables		(202,427)
Compensated Absences Payable		(53,710)
Total Changes in Operating Assets and Liabilities	$	(1,047,543)
Total Adjustments	$	7,540,151
Net Cash Provided by Operating Activities	**$**	**9,974,797**

Noncash Investing, Capital or Financing Transactions:

Accrued Interest on Construction Loans	$	7,128
Change in Deferred Amount on Refunding		42,914
Change in Unamortized Bond Premium		136,002

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the LOTT Clean Water Alliance (the Alliance) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies:

a. Reporting Entity

The Alliance was incorporated on April 17, 2000 and operates under the laws of the State of Washington applicable to 501(c)(3) corporations. The Alliance is recognized as a governmental organization and was formed under the Inter-local Cooperation Act (RCW 39.34).

b. Basis of Accounting and Presentation

The accounting records of the Alliance are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW 43.09.

The Alliance's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

The Alliance distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Alliance's ongoing operations. The principal operating revenues of the Alliance is the Wastewater Service Charge. Operating expenses for the Alliance include the costs associated with conveying and treating wastewater. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital asset purchases are capitalized and unbilled utility service receivables are recorded at year-end. Gains and losses from the disposal of capital assets are excluded from operating income.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alliance considers all highly liquid investments including restricted assets with a maturity of three months or less when purchased to be cash equivalents.

d. Capital Assets and Depreciation

See Note 3.

e. Restricted Assets

In accordance with bond resolutions and other agreements, separate accounts have been established for restricted- or limited-use funds. The assets held in these accounts are limited as to use for their respective debt service reserve requirements, and are as follows:

Item	Amount	
Primary Sedimentation Tank SRF Loan	$	2,491,945
2011 Revenue Bond		2,842,182
Hawks Prairie SRF Loan		1,838,298
Deschutes Parkway SRF Loan		73,944
Reclaimed Water Tank SRF Loan		175,319
Total	**$**	**7,421,688**

f. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Receivables have been reported net of estimated uncollectible accounts.

g. Investments

See Note 2.

h. Compensated Absences

Vacation leave may be accumulated up to 480 hours for all employees and is payable upon separation. The liability for unpaid vacation leave as of December 31, 2018 was $586,003.

Comp time earned in place of overtime can accrue up to 120 hours for eligible independent and represented non-exempt employees. This bank is payable upon separation or at any time the employee requests it. The liability for unpaid comp time as of December 31, 2018 is $33,469.

Sick leave may accumulate without limit, however, balances are rolled back to 960 on January 1 of each year.

Upon retirement, up to 120 hours of sick leave is payable to eligible employees. Ninety percent of the value of any remaining sick leave is deposited into a healthcare reimbursement account (HRA) through a voluntary employee beneficiary association (VEBA) and ten percent is deposited into the shared leave account per the Alliance's Administrative Guidelines.

Upon non-retirement separation, the entire value of an employee's unused sick leave is deposited into the shared leave account per the Alliance's Administrative Guidelines. The liability for unpaid sick leave as of December 31, 2018 is $841,421 and the balance in the shared leave account is estimated to be $311,514.

Employees earned $1,031,370 and used $943,705 in compensated absences during 2018. The total liability for compensated absences as of December 31, 2017 and 2018 was $1,684,743 and $1,772,407, respectively. Management estimates $992,811 of total compensated absences will be due within one year of the date of the Statement of Net Position.

i. Pensions

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

j. Reserved Funds

In June 2007, the Alliance Board of Directors approved resolutions to establish emergency cash reserves. In 2013, the Board adopted metrics which required the operation reserve to be indexed to six months of operating expenses. However, when setting the 2017 through 2018 Budget, the Board of Directors chose to forgo additional transfers into the reserve account in an effort to minimize rate increases. These reserves are intended to keep the utility in operation in the event of cash flow disruptions that can occur due to natural or man-made catastrophes. The Alliance's emergency reserves are as follows:

Type	Amount
Emergency Capital Reserve	3,000,000
Emergency Operations Reserve	7,563,692
Total	$10,563,692

k. Accounting and Reporting Changes

During 2018, the Alliance early implemented GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* As a result, no interest costs have been capitalized in Construction in Progress for the year ended December 31, 2018.

NOTE 2 - DEPOSITS AND INVESTMENTS

All deposits and investments of the Alliance are held with the Thurston County Treasurer in the Thurston County Investment Pool (TCIP). Deposits and investments with the County Treasurer are governed by State statute and County investment policy. All investment instruments are those allowed by statute, which may include U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, money market accounts, and the State Treasurer's Local Government Investment Pool (LGIP). There is no statutory regulatory oversight of the LGIP other than annual audits through the Washington State Auditor's Office. The fair value of the County Shares in the LGIP is dollar for dollar equal to the value of pool shares. The LGIP offers 100% liquidity; therefore, all of these short term investments are considered cash equivalents and not subject to risk categorization.

The investment policy of the County Treasurer dictates that all investment instruments be transacted on delivery vs. payment basis. Wells Fargo Bank acts as safekeeping agent for the Thurston County Treasurer.

Custodial credit risk – The County Treasurer limits its credit risk through diversification of security types and issuers. County policy further limits risk to investments in securities that have one of the three highest ratings of a national rating agency at the time of investment.

Fair Market Value – GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels:

- Level 1 – Pricing inputs are observable inputs such as quoted prices, available in active markets, for identical assets on the measurement date;
- Level 2 - Pricing inputs are either directly or indirectly observable inputs available in active markets as of the measurement date; and
- Level 3 - Pricing inputs are unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

The Alliance considers all amounts on deposit in the TCIP as of December 31, 2018 to be cash and cash equivalents and are based on level 1 inputs with a fair value of $53,068,682. The TCIP is not rated by a nationally recognized statistical rating organization (NRSRO) and has an effective duration of 1.59 years.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

All capital assets are valued at historical cost or estimated cost, where historical cost is not known.

The Alliance capitalizes all land, buildings, improvements, and equipment purchased or donated in accordance with the Alliance's Capital Asset Policy.

Any additions to existing capitalized equipment which increase its useful value are also capitalized as an enhancement to that equipment. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Costs for normal maintenance and repairs are not capitalized.

Assets in each category are capitalized if they exceed the capitalization threshold and depreciation on all assets is provided on the straight-line basis over the useful lives, as shown in the following tables.

Category	Capitalization Threshold	Useful Life
Treatment Facility	$50,000	25 - 50 years
Collection System	$50,000	50 - 60 years
Any asset purchased with federal funds	$5,000	5 - 60 years
Other Assets	$5,000	5 - 20 years

Capital asset activity for the year ended December 31, 2018 was as follows:

Asset	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land and Land Improvements	$ 26,139,970	$ -	$ -	$ 26,139,970
Construction in Progress	17,456,325	5,026,918	15,441,003	7,042,241
Total capital assets not being depreciated	$ 43,596,296	$ 5,026,918	$ 15,441,003	$ 33,182,211
Capital Assets being depreciated:				
Plant	$ 219,141,784	$ 12,962,153	$ 4,270,161	$ 227,833,776
Machinery and Equpment	2,739,832	399,626	16,984	3,122,474
Collection System	86,841,432	712,323	115,257	87,438,498
Total capital assets being depreciated	$ 308,723,048	$ 14,074,103	$ 4,402,402	$ 318,394,748
Less accumulated depreciation for:				
Plant	$ (100,651,166)	$ (6,030,607)	(3,468,439)	$ (103,213,334)
Machinery and Equpment	(968,566)	(270,379)	(16,984)	(1,221,961)
Collection System	(24,584,981)	(2,286,708)	(102,025)	(26,769,664)
Total accumulated depreciation	$ (126,204,713)	$ (8,587,694)	$ (3,587,448)	$ (131,204,959)
Total capital assets being depreciated, net	$ 182,518,335	$ 5,486,409	$ 814,954	$ 187,189,789
Total capital assets, net	$ 226,114,631	$ 10,513,327	$ 16,255,957	$ 220,372,000

Construction and Other Significant Commitments

The Alliance has active capital projects as of year-end. As of December 31, 2018 the Alliance's significant commitments with contractors are as follows:

Project	Spent through 12/31/18	Remaining Commitment
Biological Process Improvements Detailed Design	$ 499,064	$ 2,879,070
Reclaimed Water Infiltration Study - Phase 3 Study Implementation	2,944,176	1,437,870
UV Disinfection Upgrades	-	4,451,946
Occupied Space Improvements	234,386	1,336,138

NOTE 4 – CONSTRUCTION IN PROGRESS

The following table details construction in progress activity as of December 31, 2018:

Project Name	Expended through 12/31/18
Biological Process Improvements	$ 2,371,467
North Outfall Upgrade	229,522
Martin Way Reclaimed Water Plant Improvements	1,685,288
Ultraviolet Disinfection Upgrades	1,441,498
Hawks Prairie Ponds Improvements	55,733
Digester Building Gas Valve Replacement	217,231
Occupied Space Improvements	849,385
Influent Pump Station Valve and Piping Improvements	147,285
Capitol Lake Pump Station Power Improvements	44,832
Total	$ 7,042,241

NOTE 5 – LONG-TERM DEBT

As of December 31, 2018, long-term debt consisted of the following:

Issue Name	Original Amount	Annual Installments	Final Maturity	Interest Rates	Balance 12/31/18
State of Washington Revolving Fund Loans:					
Hawks Prairie Reclaimed Water Facility	$ 31,162,916	$ 1,838,298	2027	1.5%	$ 14,616,087
Deschutes Parkway Pipeline	1,086,346	73,944	2030	2.9%	718,004
Primary Sedimentation Basins	37,552,332	2,491,944	2033	2.6%	30,757,697
Reclaimed Water Tank	4,394,506	292,198	2035	2.6%	3,895,834
Biological Process Improvements Design	In process	33,177	2040	2.0%	544,679
Public Works Trust Fund Loans:					
Secondary Clarifiers	4,278,404	230,077 - 236,945	2025	0.5%	1,602,526
Kaiser Road Pump Station	3,743,641	200,587 - 209,569	2028	0.5%	1,995,892
Primary Sedimentation Basins Construction	10,000,000	549,559 - 566,004	2031	0.5%	7,126,444
Revenue Bonds:					
2011 Revenue Bond *	32,800,000	1.1 to 3.3 million	2031	3.16%	18,525,000
Total Debt	$ 125,018,145				$ 79,782,162

* - Subject to federal arbitrage requirements

During the year ended December 31, 2018, the following changes occurred in long-term debt:

Issue Name	Beginning Balance 1/1/18	Increases	Decreases	Ending Balance 12/31/18	Due Within One Year
State of Washington Revolving Fund Loans:					
Hawks Prairie Reclaimed Water Facility	$ 16,216,376	$ -	$ 1,600,289	$ 14,616,087	$ 1,624,459
Deschutes Parkway Pipeline	769,862	-	51,858	718,004	53,382
Primary Sedimentation Basins	32,413,072	-	1,655,375	30,757,697	1,698,931
Reclaimed Water Tank	4,082,522	-	186,688	3,895,834	95,178
Biological Process Improvements Design		544,679	-	544,679	-
Public Works Trust Fund Loans:					
Secondary Clarifiers	1,831,458	-	228,932	1,602,526	228,932
Kaiser Road Pump Station	2,195,481	-	199,589	1,995,892	199,589
Primary Sedimentation Basins Construction	7,674,632	-	548,188	7,126,444	548,188
Revenue Bonds:					
2011 Revenue Bond	20,905,000		2,380,000	18,525,000	2,500,000
Total Debt	$ 86,088,402	$ 544,679	$ 6,850,919	$ 79,782,162	$6,948,659

The annual requirements to amortize all debts outstanding as of December 31, 2018, including principal and interest, are as follows.

Bonds

Year Ending December 31st	Bond Principal	Bond Interest	Bond Total
2019	$ 2,500,000	$ 754,500	$ 3,254,500
2020	2,615,000	639,700	3,254,700
2021	2,735,000	519,025	3,254,025
2022	1,945,000	402,025	2,347,025
2023	820,000	337,000	1,157,000
2024-2028	4,640,000	1,154,000	5,794,000
2029-2031	3,270,000	208,938	3,478,938
	18,525,000	4,015,188	22,540,188

Loans

Year Ending December 31st	Loan Principal	Loan Interest	Loan Total
2019	$ 4,448,659	$ 1,114,144	$ 5,562,803
2020	4,618,392	1,087,897	5,706,289
2021	4,718,293	1,016,760	5,735,053
2022	4,798,015	933,525	5,731,540
2023	4,879,553	848,473	5,728,027
2024-2028	22,222,496	2,924,131	25,146,627
2029-2033	14,790,253	1,060,045	15,850,298
2034-2038	716,772	33,509	750,281
2039-2040	64,728	1,626	66,354
	61,257,161	9,020,110	70,277,271

Items related to 2011 Bond Issue
Annualized interest expense is decreased by amortization of debt premium and is amortized over the 20 year life of the bond. As of December 31, 2018, the unamortized debt premium is $1,769,137. Deferred Loss on Refunding represents the unamortized portion of the difference between the amount which was due on the refunded debt and the amount which was required to be put in escrow to make future payments. It is amortized over the 11 years that the refunded debt would have been outstanding.

At December 31, 2018, the Alliance had $2,842,182 in cash reserves as required by bond indentures.

NOTE 6 – PENSION PLAN

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	$3,604,849
Deferred outflows of resources	$847,624
Deferred inflows of resources	$1,585,392
Pension expense	$433,888

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

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

PERS Plan 1 – Contributions

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

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

PERS Plan 2/3 – Description

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Plan 2/3 – Contributions

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

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

The employee contribution to Plan 3 varies depending on the contribution rate chosen by the employee.

The Alliance's actual PERS plan contributions were $356,586 to the Plan 1 UAAL and $528,520 to Plan 2/3, for the year ended December 31, 2018.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.5% salary inflation
- Salary increases: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

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

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

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

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

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

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

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

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

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

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	2,971,626	2,418,045	1,938,532
PERS 2/3	5,428,471	1,186,804	(2,290,889)

Pension Plan Fiduciary Net Position
Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2018, the Alliance reported a total pension liability of $3,604,849 for its proportionate share of the net pension liabilities as follows :

Plan	Liability
PERS 1	$2,418,045
PERS 2/3	1,186,804

At June 30, 2018 the Alliances proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.049349%	0.054143%	0.004794%
PERS 2/3	0.063476%	0.069509%	0.006033%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for both PERS Plan 1 and PERS Plan 2/3.

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

Pension Expense

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

Plan	Pension Expense
PERS 1	$433,385
PERS 2/3	$504

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (96,092)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 165,992	$ -
TOTAL	$ 165,992	$ (96,092)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 145,471	$ (207,788)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (728,278)
Changes of assumptions	$ 13,884	$ (337,755)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 277,555	$ (215,477)
Contributions subsequent to the measurement date	$ 244,722	$ -
TOTAL	$ 681,632	$ (1,489,298)

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

Year ended December 31:	PERS Plan 1	PERS Plan 2/3
2019	$ 4,204	$ (67,788)
2020	$ (21,006)	$ (238,584)
2021	$ (63,034)	$ (450,002)
2022	$ (16,256)	$ (169,301)
2023	$ -	$ (65,328)
Thereafter	$ -	$ (61,385)
Total	$ (96,092)	$ (1,052,388)

Changes in Net Pension Liability

Net Pension Liability decreased by $942,288 from $4,547,137 in 2017 to $3,604,849 in 2018.

NOTE 7 – ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST

The Alliance is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2018, 257 cities, towns, and non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Life Map, and Kaiser ISL at $1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 8 – RISK MANAGEMENT

The LOTT Clean Water Alliance is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 160 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in the re-insured excess layer. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

Settlements
In the past three years, there have been no settlements that exceeded insurance coverage.

NOTE 9 – CONTINGENCIES AND LITIGATION

The Alliance has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Alliance will have to make payment. In the opinion of management, the Alliance's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The Alliance participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenses disallowed under the terms of the grants. Management believes that such disallowances, if any, would be immaterial.

NOTE 10 – MATERIAL RELATED PARTY TRANSACTIONS

The Alliance was formed by an interlocal agreement by Thurston County and the cities of Olympia, Lacey and Tumwater. Substantially all the Alliance's revenues come from wastewater charges (Wastewater Service Charge) and connection charges (Capacity Development Charge) collected by the cities of Olympia, Lacey and Tumwater and remitted to the Alliance. As of December 31, 2018, the Alliance held short-term receivables in the following amounts:

Account	Amount
Olympia	$1,227,398
Lacey	$1,650,300
Tumwater	$480,375

All of the receivables listed above were collected in January 2018.

Additionally, in December 2018, the Alliance entered into an Intergovernmental Cooperation Act Agreement to address the public health crisis in downtown Olympia. As part of this agreement, the Alliance accrued a payable of $150,000.

NOTE 11 – SUBSEQUENT EVENTS

In February 2019, the Alliance made the second draw in the amount of $742,844 on a State Revolving Fund loan with the Washington State Department of Ecology. This loan was awarded in 2017 in the amount for $2.01 million with a 2% annual interest rate to provide funding for the design of the Biological Process Improvements project.

NOTE 12 – CAPACITY DEVELOPMENT CHARGE REBATE

As part of the 2017-2018 Budget, the Board of Directors created a pilot rebate program to encourage property owners with septic systems to hook up to the LOTT system. The pilot program's goal is two-fold: reduce nutrients to LOTT's receiving waters by providing a higher level of treatment than septic systems can provide, and gauge the effectiveness of such a program, including the financial benefits to existing LOTT ratepayers. Eligible participants in the pilot program can receive a rebate of between 50% and 75% of the Capacity Development Charge, depending on income. In 2018, the pilot program funded rebates totaling $193,013.

NOTE 13 – SPECIAL ITEM

The Alliance originally planned to construct a reclaimed water plant in the Tumwater area that was to go on line during the 2020s. However, new information has recently come to light which indicates this plant will not be needed until at least 2060. This would have caused the project to remain in Construction in Progress for an extended period. Additionally, changes of this magnitude are infrequent in occurrence. Given the preceding factors, Management has chosen to remove $1,366,900 in costs from Construction in Progress and report the loss as a special item.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability, PERS Plan 1
As of June 30, Last 10 Fiscal Years

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.054143%	0.049349%	0.054966%	0.051213%
Employer's proportionate share of the net pension liability	$ 2,418,045	$ 2,341,649	$ 2,951,933	$ 2,678,916
TOTAL	$ 2,418,045	$ 2,341,649	$ 2,951,933	$ 2,678,916
Covered payroll	$ 7,210,144	$ 6,223,189	$ 6,576,015	$ 5,635,191
Employer's proportionate share of the net pension liability as a percentage of covered payroll	**33.54%**	**37.63%**	**44.89%**	**47.54%**
Plan fiduciary net position as a percentage of the total pension liability	63.22	61.24%	57.03%	59.10%

Notes To the Schedule of Proportionate Share of the Net Pension Liability, PERS Plan 1

Note 1
The Alliance does not currently have any employees who are members of PERS Plan 1. However, the Alliance is responsible for its proportionate share of the PERS Plan 1 unfunded actuarial accrued liability (UAAL). The Washington State Department of Retirement Systems assesses a fee based on all covered payroll for PERS Plan 2/3 to assist in funding the UAAL.

Note 2
GASB 68 was implemented by the Alliance in 2015. As such, only information from 2015 onwards is available for this schedule.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability, PERS Plan 2/3
As of June 30, Last 10 Fiscal Years

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.069509%	0.063476%	0.070435%	0.066152%
Employer's proportionate share of the net pension liability	$ 1,186,804	$ 2,205,488	$ 3,546,347	$ 2,363,649
TOTAL	$ 1,186,804	$ 2,205,488	$ 3,546,347	$ 2,363,649
Covered payroll	$ 7,210,144	$ 6,223,189	$ 6,576,015	$ 5,635,191
Employer's proportionate share of the net pension liability as a percentage of covered payroll	16.46%	35.44%	53.93%	41.94%
Plan fiduciary net position as a percentage of the total pension liability	95.77	90.97%	85.82%	89.20%

Notes To the Schedule of Proportionate Share of the Net Pension Liability, PERS Plan 2/3

Note 1

GASB 68 was implemented by the Alliance in 2015. As such, only information from 2015 onwards is available for this schedule.

Required Supplementary Information
Schedule of Employer Contributions, PERS Plan 1
As of December 31, Last 10 Fiscal Years

	2018	2017	2016	2015
Statutorily or contractually required contributions	$ 356,586	$ 330,105	$ 294,639	$ 264,823
Contributions in relation to the statutorily or contractually required contributions	$ 356,586	$ 330,105	$ 294,639	$ 264,823
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 6,749,928	$ 6,749,928	$ 6,176,957	$ 6,035,694
Contributions as a percentage of covered payroll	5.28%	4.89%	4.77%	4.39%

Notes To the Schedule of Employer Contributions, PERS Plan 1

Note 1

The Alliance does not currently have any employees who are members of PERS Plan 1. However, the Alliance is responsible for its proportionate share of the PERS Plan 1 unfunded actuarial accrued liability (UAAL).

Note 2

GASB 68 was implemented by the Alliance in 2015. As such, only information from 2015 onwards is available for this schedule.

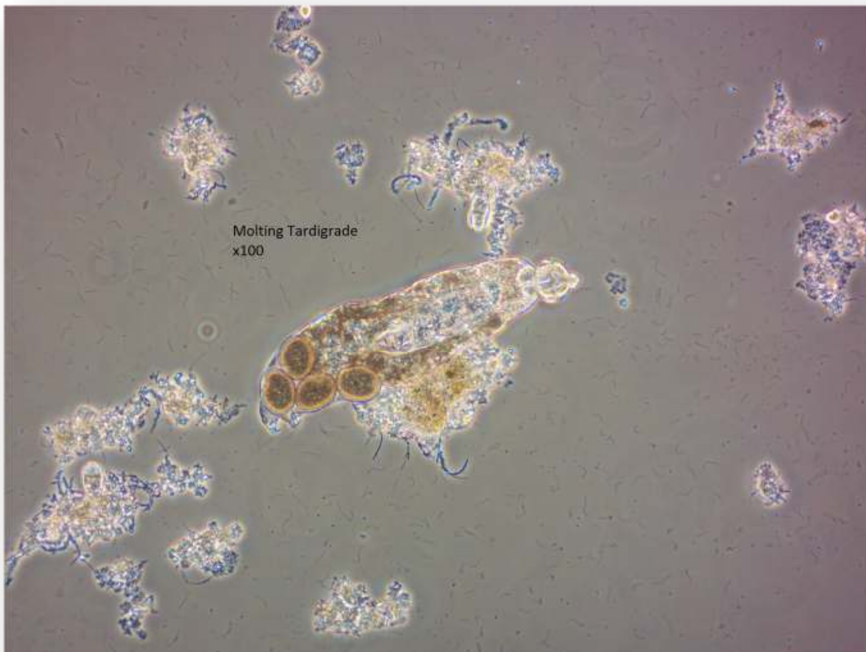
Required Supplementary Information
Schedule of Employer Contributions, PERS Plan 2/3
As of December 31, Last 10 Fiscal Years

	2018	2017	2016	2015
Statutorily or contractually required contributions	$ 528,520	$ 459,937	$ 384,815	$ 340,055
Contributions in relation to the statutorily or contractually required contributions	$ 528,520	$ 459,937	$ 384,815	$ 340,055
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 6,749,928	$ 6,749,928	$ 6,176,957	$ 6,035,694
Contributions as a percentage of covered payroll	7.83%	6.81%	6.23%	5.63%

Notes To the Schedule of Employer Contributions, PERS Plan 2/3

Note 1

GASB 68 was implemented by the Alliance in 2015. As such, only information from 2015 onwards is available for this schedule.



Section III

Statistical

Introduction

Data Sources and Information

This statistical section was compiled using publically available information from the Bureau of Economic Analysis, Washington State Office of Financial Management, Washington State Employment Securities Division and the Thurston Regional Planning Commission.

The Alliance's service area is comprised of the urban growth area (UGA) of Lacey, Olympia, and Tumwater. However, since the statistical information required in this report is not consistently available for only the UGA, statistics for Thurston County as a whole are used.

Financial Data

Unless otherwise noted, all data is for the year starting January 1 and ending December 31.

Equivalent Residential Units

Each city's wastewater utility is responsible for billing customers and remitting $38.64 per Equivalent Residential Unit (ERU) to the Alliance. An ERU is defined as 900 ft^3 of wastewater per month, or 221 gallons per day. Each single-family home counts as one ERU. For multi-family housing, each living unit is counted as 7/10 of an ERU. Commercial and industrial dischargers are billed according to water consumption and mathematically converted to ERUs.

Objectives

This section is designed to meet five objectives: Providing information on financial trends; providing information on revenue capacity; providing information on debt capacity; providing demographic and economic information and providing operating information. The following data is presented:

Financial Trend Data: A ten year trend is shown on the components of net position and changes in net position.

Revenue Capacity Data: Information about the Alliance's revenue base, rates, and principal rate payers for ten years.

Debt Capacity Data: Ratios of outstanding debt and pledged-revenue coverage for ten years.

Operating Information: Number of employees, operating indicators and capital assets for ten years.

Demographic and Economic Information: Applicable Thurston County demographics, ERUs, new connections, average daily flow, capital asset information, and principal employers for ten years.

Net Position and Changes to Net Position

Page 1 of 2

	2018	2017	2016	2015	2014
Net Investment in Capital Assets	141,834,657	141,177,962	131,588,616	128,245,560	124,115,032
Restricted	4,579,505	4,022,677	3,465,849	2,909,020	2,410,631
Unrestricted	40,244,910	34,933,249	37,795,346	32,420,116	35,612,785
Total Net Position	186,659,072	180,133,888	172,849,811	163,574,697	162,138,448
Revenues					
Charges for Services	28,798,831	27,731,486	26,554,873	25,596,078	23,850,533
Intergovernmental Revenue	-	-	-	-	-
Other Operating Revenue	381,659	499,931	791,832	247,802	225,864
Total Operating Revenue	29,180,489	28,231,417	27,346,705	25,843,880	24,076,397
Expenses					
General Operations	16,631,999	15,273,309	16,281,666	16,104,791	14,764,458
Professional Services	1,526,151	1,825,458	1,474,219	498,310	535,382
Repairs and Maintenance	-	-	-		-
Depreciation	8,587,694	8,086,598	8,147,327	6,792,433	6,700,464
Other Operating Expenses	-	-		-	-
Total Operating Expenses	26,745,844	25,185,365	25,903,211	23,395,533	22,000,304
Operating Income/Loss	2,434,646	3,046,052	1,443,494	2,448,348	2,076,093
Nonoperating Revenues	7,491,885	6,130,403	9,585,850	6,685,243	5,308,489
Nonoperating Expenses	(2,034,446)	(1,892,377)	(2,215,391)	(2,366,180)	(3,039,240)
Capital Contributions	-	-	-	-	-
Special Items	(1,366,900)	-	-	-	-
Change in Net Position	6,525,184	7,284,078	8,813,953	6,767,411	4,345,342

Net Position and Changes to Net Position

Page 2 of 2

	2013	2012	2011	2010	2009
Net Investment in Capital Assets	121,100,631	129,926,576	119,310,186	111,359,090	92,927,731
Restricted	1,912,242	5,038,335	9,898,950	4,672,589	4,672,589
Unrestricted	34,780,232	17,527,976	16,782,893	23,710,329	33,068,714
Total Net Position	157,793,105	152,492,887	145,992,029	139,742,008	130,669,034
Revenues					
Charges for Services	22,768,468	21,421,077	20,379,609	18,868,528	17,800,431
Intergovernmental Revenue	-	-	-	-	420,295
Other Operating Revenue	218,523	301,121	532,971	597,440	710,356
Total Operating Revenue	22,986,991	21,722,198	19,465,967	19,465,967	18,931,082
Expenses					
General Operations	13,617,161	12,677,806	11,984,953	11,832,007	11,665,830
Professional Services	415,282	392,804	449,707	388,615	284,189
Repairs and Maintenance	152,362	116,853	114,408	101,119	66,968
Depreciation	6,647,314	6,152,698	6,042,319	5,337,692	5,448,407
Other Operating Expenses	-	-	-	-	-
Total Operating Expenses	20,832,119	19,340,160	18,591,387	17,659,431	17,465,394
Operating Income/Loss	2,154,872	2,382,038	2,321,194	1,806,536	1,465,688
Nonoperating Revenues	4,814,820	5,119,567	5,022,461	4,723,084	4,952,988
Nonoperating Expenses	(2,284,198)	(1,128,385)	(1,550,476)	(1,223,446)	(1,852,097)
Capital Contributions	614,725	127,639	456,842	2,692,403	12,465
Special Items	-	-	-	1,074,398	
Change in Net Position	5,300,219	6,500,859	9,072,975	9,072,975	4,579,044

Revenue Base Information

The Alliance's largest revenue source is the Wastewater Service Charge (WSC). The Alliance provides wholesale wastewater treatment and has three main customers – the cities of Olympia, Lacey and Tumwater. Thurston County, while an equal partner in the Alliance, does not have any rate payers.

ERUs and Revenue by Customer

Year	Lacey	Olympia	Tumwater	Total	WSC Rate	Revenue
2009	229,101	291,997	103,479	624,577	$ 28.50	$17,800,445
2010	233,550	290,634	105,827	630,011	30.00	18,871,176
2011	244,507	293,421	109,572	647,500	31.50	20,379,610
2012	244,461	291,893	113,572	649,926	33.00	21,421,077
2013	250,039	302,314	118,617	670,970	33.99	22,768,468
2014	256,795	307,392	115,438	679,625	35.01	23,850,533
2015	263,017	323,743	123,059	709,819	36.06	25,596,078
2016	270,543	315,539	128,853	714,934	37.14	26,554,873
2017	277,668	325,794	129,127	732,590	37.88	27,731,486
2018	285,124	329,425	131,749	746,298	38.64	28,798,831

Percent of Revenue Base

Year	Lacey	Olympia	Tumwater
2009	36.7%	46.8%	16.6%
2010	37.1%	46.1%	16.8%
2011	37.8%	45.3%	16.9%
2012	37.6%	44.9%	17.5%
2013	37.3%	45.1%	17.7%
2014	37.8%	45.2%	17.0%
2015	37.1%	45.6%	17.3%
2016	37.8%	44.1%	18.0%
2017	37.9%	44.5%	17.6%
2018	38.2%	44.1%	17.7%

Outstanding Debt Information

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Treament Plant Loan (DOE)	14,554,075	12,415,546	-	-	-	-	-	-	-	-
2002 Bond	11,405,000	10,770,000	695,000	-	-	-	-	-	-	-
2011 Bond	-	-	32,800,000	31,555,000	29,550,000	27,485,000	25,335,000	23,170,000	20,905,000	18,525,000
Hawks Prairie Loan (DOE)	28,190,613	26,771,178	25,330,304	23,867,669	22,382,941	20,875,790	19,345,875	17,792,854	16,216,376	14,616,087
Deschutes Parkway Loan (DOE)	-	1,086,346	1,051,357	1,007,772	962,906	916,721	869,179	820,240	769,862	718,004
Primaries Const Loans (DOE)	-	-	-	11,187,869	37,397,671	37,128,883	35,597,591	34,026,007	32,413,072	30,757,697
Reclaimed Water Tank Loan (DOE)	-	-	-	-	191,474	350,994	4,394,506	4,264,423	4,082,522	3,895,834
Bio Process Imp Design (DOE)										544,679
Secondary Clarifiers Loan (PWTF)	3,662,914	3,433,982	3,205,050	2,976,118	2,747,186	2,518,254	2,289,321	2,060,390	1,831,458	1,602,526
Primaries Design Loan (PWTF)	733,125	488,750	244,375	-	-	-	-	-	-	-
Kaiser Rd Pump Station Loan (PWTF)	2,802,665	3,656,108	3,393,015	3,193,426	2,993,837	2,794,248	2,594,659	2,395,070	2,195,480	1,995,892
Primaries Const Loan (PWTF)	-	-	-	-	9,361,107	9,319,197	8,771,009	8,222,820	7,674,632	7,126,444
Total	61,348,392	58,621,910	66,719,101	73,787,854	105,587,122	101,389,087	99,197,140	92,751,804	86,088,402	79,782,162

Year	Total Debt Per ERU	BEA Total Debt as % of Pers Income	OFM Total Debt Per Capita	Total Revenue	ExDep Operating Expense	Revenue Available	Bond Annual Debt Requirements	Loan Annual Debt Requirement	REV Bond Coverage Ratio	REV Loan Coverage Ratio
2009	98.22	0.58%	243.19	24,189,051	12,321,739	11,867,312	1,204,347	5,573,467	9.85	2.13
2010	93.05	0.53%	230.70	24,488,428	12,549,068	11,939,360	1,207,119	5,329,397	9.89	2.24
2011	103.04	0.59%	259.81	26,841,765	13,187,462	13,654,303	3,252,828	5,458,208	4.20	2.50
2012	113.53	0.09%	283.69	25,935,042	12,549,068	13,385,974	3,253,875	2,619,351	4.11	5.11
2013	157.36	0.09%	405.95	26,841,765	13,187,463	13,654,302	3,253,875	2,371,611	4.20	5.76
2014	149.18	0.08%	384.05	29,384,886	15,299,840	14,085,046	3,252,825	4,149,696	4.33	3.39
2015	139.75	0.83%	372.92	32,529,123	16,603,100	15,926,023	3,252,900	5,428,503	4.90	2.93
2016	129.73	n/a	340.14	36,932,555	17,755,884	19,176,670	3,256,100	5,573,342	5.89	3.44
2017	117.51	n/a	310.90	34,361,820	17,098,767	17,263,053	3,257,625	5,626,734	5.30	3.07
2018	106.90	n/a	288.13	36,672,374	18,158,150	18,514,224	3,256,500	5,566,317	5.69	3.33

Sources and Notes

n/a Information was not available for these years
DOE Washington State Department of Ecology State Revolving Fund Loan
PTWF Public Works Trust Fund Loan
BEA Personal income information from Bureau of Economic Analysis
OFM Population information from Office of Financial Management
ExDep Excludes depreciation
REV Both the Wastewater Service Charge and Capacity Development Charge are pledged to all bonds and loans.

Demographic, Economic and Service Demand Indicators

	TRPC	TRPC	BEA		USBLS
Year	County Population	Resid. Building Permits	County Personal Income (In millions)	County Per Capita Personal Income	County Unemployment Rate
2009	249,800	1,216	9,802	39,220	8.8%
2010	252,264	1,581	9,979	39,439	8.5%
2011	254,100	1,174	10,310	40,201	8.8%
2012	256,800	1,256	10,619	41,047	7.9%
2013	260,100	1,344	10,783	41,071	7.0%
2014	264,000	1,228	11,430	42,994	6.2%
2015	266,000	1,290	11,901	44,740	6.0%
2016	272,690	2,319	12,642	46,360	5.5%
2017	276,900	1,141	13,705	49,494	5.0%
2018	281,700	n/a	n/a	n/a	4.8%

Year	Alliance Employees	ERUs	New Connections	Net Capital Assets	Base Sanitary Flow
2009	65	624,577	875	154,276,122	8.57
2010	65	630,011	974	170,082,032	9.13
2011	67	647,500	1,066	183,134,242	9.30
2012	67	649,926	908	205,586,657	8.92
2013	68	670,970	969	225,908,623	8.94
2014	70	679,625	983	225,319,002	9.22
2015	74	709,819	1,147	227,098,668	9.52
2016	76.25	714,934	1,871	223,281,772	10.06
2017	77.75	732,590	1,300	226,114,631	10.20
2018	77.75	746,298	1,358	220,371,998	n/a

The vast majority of the Alliance's capital assets are comprised of land and equipment used in the treatment process, such as buildings, pumps, tanks and drive motors. Most of these assets are located at the Budd Inlet Treatment Plant, with the remainder at our Martin Way Reclaimed Water Plant, Hawks Prairie Ponds, Capitol Lake Pump Station, Kaiser Road Pump Station and Martin Way Pump Station.

Sources and Notes

n/a Information was not available
TRPC Thurston Regional Planning Commission "The Profile"
BEA Bureau of Economic Analysis
ESD Washington Employment Securities Division "Workplace Explorer"
USBLS United States Bureau of Labor Statistics

Principal Employers

2018

Rank	Employer	Employees	Percentage of Total Employment
1	State Government, Including Education	25,500	21.00%
2	Local Government, Including Education	12,600	10.38%
3	Providence St. Peter Hospital	2,849	2.35%
4	Safeway	1,024	0.84%
5	Walmart Stores, Inc.	1,002	0.83%
6	Federal Government	869	0.72%
7	Nisqually Red Wind Casino	760	0.63%
8	Lucky Eagle Casino	688	0.57%
9	Fred Meyer	665	0.55%
10	Washington State Employees Credit Unic	662	0.55%
	Total Employed	121,431	

2009

1	State Government, Including Education	24,800	20.35%
2	Local Government, Including Education	11,600	9.52%
3	Providence St. Peter Hospital	2,400	1.97%
4	Federal Government	900	0.74%
5	Capital Medical Center	837	0.69%
6	Red Wind Casino	626	0.51%
7	Great Wolf Lodge	575	0.47%
8	Lucky Eagle Casino	550	0.45%
9	Fred Meyer Marketplace	470	0.39%
10	Costco Wholesale Corp South Puget Sou	461	0.38%
	Total Employed	121,890	

Sources:
Government employees: Employment Security Department.
Remainder: Thurston Economic Development Council, Thurston Regional Planning Commission
Total Employed: Employment Security Department